5. RISK FACTORS

IN EVALUATING AN INVESTMENT OF OUR IPO SHARES, YOU SHOULD CAREFULLY CONSIDER ALL INFORMATION CONTAINED IN THIS PROSPECTUS INCLUDING THE FOLLOWING INVESTMENT CONSIDERATIONS AND RISKS.

5.1 RISKS AFFECTING OUR BUSINESS AND OPERATIONS

5.1.1 Our success is dependent on our brands and our reputation

We believe that the brand recognition of our "Senheng" and "senQ" brands which we have built up over the past 30 years have contributed significantly to the growth and success of our business. We believe that our reputation is critical to our continued ability to attract customers to shop at our physical stores and maintain relationships with our business partners. Any occurrence of events which negatively impact our brand and/or reputation may deter customers from shopping at our physical stores as well as discourage our business partners from conducting business with us. Such events include incidents relating to the quality or safety of our products or our business practices, which may be beyond our control. We may also be subjected to liability or negative publicity resulting from the illegal activities or actions by our employees, which are beyond our control.

Increasingly, shoppers are using social media platforms to provide feedback and information on their shopping experience in a manner that may result in a rapid and broad dissemination of such feedback. Customer complaints in relation to amongst others, our failure to meet consumer expectations with respect to our products and services, delivery times, customer support or other matters could have a negative impact on our reputation, if disseminated widely and not handled appropriately.

Further, any actual or perceived position represented by our Group on social, environmental, or other sensitive issues, and any perceived lack of transparency about those matters, could harm our reputation with certain customer demographics. There is no assurance that any negative publicity will not have an adverse impact to our business and financial performance.

5.1.2 Our success is dependent on our ability to secure optimal locations for our physical stores and to renew the tenancies or leases of our existing stores at rates which are acceptable to us

Our "Grand Senheng Elite" stores, "Grand Senheng" stores and "Senheng" stores are typically located in commercial areas located in close proximity to residential housing areas while our "senQ" digital stations are typically located in shopping malls. There is no assurance that the existing localities of our physical stores will continue to meet our expectations in terms of consumer traffic, local demographics and accessibility.

In addition, as at the LPD, almost all of our physical stores are located in rented properties. Further, we may enter into more tenancy agreements in the future when we open new "Grand Senheng Elite" stores, "Grand Senheng" stores, "Grand senQ" digital stations and "senQ" digital stations. As such, we are exposed to fluctuations in the retail rental market. Our tenancy agreements are for a period of 1 to 6 years and upon expiry, the landlord will have the right to review and alter the terms and conditions of the tenancy agreement. There is no assurance that such tenancies will be renewed or that we will be able to continue to secure tenancies in prime locations at commercial terms which are acceptable to us.

Moving forward, we may opt to acquire commercial shoplots to house our new "Grand Senheng" and "Grand Senheng Elite" stores. We intend to open these stores in areas with high foot traffic and that are conveniently located for our customers. The terms of acquiring properties in prime locations may not be as competitive and could result in additional costs to secure these new locations.

If we are unable to secure optimal locations for our physical stores or if a substantial number of stores are unable to renew existing tenancies on reasonable commercial terms or at all, our business and financial performance may be adversely affected.

5.1.3 We operate a centralised logistics model and if the operations of our logistics network are disrupted or does not keep pace with the growth of our business, our business and financial performance may be adversely affected

In 2018, we migrated to a centralised logistics model based out of our CDC and regional hub in Klang and 8 other regional hubs located throughout Malaysia which has enabled us to better manage the physical movement of our products, particularly on the large scale at which we operate.

As most of our products are delivered by our suppliers to our CDC before it is delivered to our regional hubs and physical stores, any significant disruption in the operations of our CDC or regional hubs due to amongst others, fire, flood, prolonged power outages, system failures, break-ins, outbreak of diseases or human error may affect our ability to move goods to our physical stores and/or to the customers or in some cases, result in loss of inventory. In addition, as our regional hubs in Johor, Kelantan, Pahang and Kuching, Sarawak are rented from third-party landlords, any unexpected termination or non-renewal of tenancy by the landlord may result in a significant disruption in the operations of those regional hubs.

The occurrence of any of the events above could have an adverse impact on our business and financial performance until such disruptions are resolved. There is no assurance that we will be able to restore our operations and/or secure and set up an alternative site in a timely manner and on terms and conditions which are commercially acceptable to us.

5.1.4 Any disruption in the supply of goods from our suppliers or services from third-party service providers may have an adverse impact on our business and financial performance

As at the LPD, our physical stores carry about 10,000 SKUs from over 280 international and local brands and comprise primarily digital gadgets, audio visuals and home appliances. These products are supplied by either the brand principals themselves or through their appointed distributors. We do not enter into long term agreements or contracts with our suppliers.

As the products supplied by these suppliers are branded products and can only be sourced from the brand principals themselves or through their appointed distributors, there are no other alternative suppliers providing the same products. Demand for a particular brand's products in certain product categories such as mobile phones, laptop computers and televisions are generally inelastic, and consumers are typically unwilling to switch to similar products from a different brand.

Any disruption or cessation of supply from our suppliers may result in a shortage of supply to our retail outlets which may affect our sales as customers opt to shop elsewhere for that brand's products.

Further, we rely on a combination of third-party logistics and courier service providers in addition to our own in-house logistics team for the movement of goods between our CDC, regional hubs, physical stores and our customers. We also contract with third-party service providers to install products at the customers' premises such as air conditioners, refrigerators and washing machines. We also contract third-party service providers for the maintenance and repair of goods sent-in by customers.

For the FYE 2020, a majority of our deliveries, installation, maintenance and repair services were handled by third-party service providers. Any disruption or cessation of supply from a substantial number of these third-party service providers in any given region may affect our ability to effectively move our goods to our physical stores and/or to the customers, and we may be unable to offer our customers competitive delivery times for their products or cause delays in the provision of installation, maintenance and repair services to our customers.

5.1.5 We are subject to risk of unfavourable changes in the commercial terms with our suppliers which may affect our profit margin

Whilst we do not enter into long term agreements or contracts with our suppliers, we negotiate commercial terms with our suppliers on an annual basis. These commercial terms include the amount of discounts we receive from certain of our suppliers when we purchase products from them. These discounts are provided to our Group in exchange for achieving mutually agreed sales targets, simplifying the suppliers' delivery process by centralising deliveries at only our CDC in Klang instead of various deliveries at our individual stores, and for undertaking advertising and conducting promotional activities for their products.

For the FYE 2020, we received discounts amounting to RM166.70 million from our suppliers, representing 16.3% of our total COS. If we are unable to secure similar rates of discounts in the future, we would have to increase the selling price of our goods and/or sell these goods at a lower margin than we currently enjoy. This will have an adverse impact on our business and financial performance.

5.1.6 We are exposed to product liability claims and any serious product liability claims against us may have an adverse impact on our reputation, business, and financial performance

Our Group retails consumer electrical and electronic products which we source from our brand principals. If the products we sell are damaged, defective, contain other unintended features which may result in injury or is subsequently subject to product recalls by the manufacturer, we may be liable for product defects under applicable consumer protection laws. While all consumer electrical and electronic products supplied to us must obtain the necessary certifications from the relevant regulatory agencies, there is no assurance that we will not be subject to any regulatory penalties or sanctions in the event of non-compliance in the future.

Third parties who suffer injury or damage as a result of a product malfunction may bring claims or legal proceedings against us as the retailer of the product, notwithstanding that we are not the manufacturers of such products. As at the LPD, we have not been subject to any claims or sanctions by any regulatory authorities in relation to any product defects.

In addition, whilst the products we sell typically comes with a warranty from the manufacturer to protect the consumer against manufacturing defects, we also offer additional PlusOne extended warranty coverage to members of our PlusOne loyalty programme. Further information on our PlusOne extended warranty is set out in Section 7.6.2(ii) of this Prospectus.

While 100% of our PlusOne extended warranty is insured by a third-party insurance provider, 70% of the warranty liabilities is reinsured by our subsidiary, Senheng Captive. We set aside a portion of the sale price of the products covered under the PlusOne loyalty programme to cover potential claims by our PlusOne members, based on analysis of past claim patterns from the same or similar products previously sold.

Failure to accurately assess the claim rate of a particular product or product category may result in higher than expected repair or replacement costs if such products exhibit a higher than expected rate of failure within the warranty period. While the cost of such claims is also partially covered by the membership fees we collect from our PlusOne members, there is no assurance that the occurrence of widespread product failure in the future will not have an adverse impact to our reputation, business and financial performance.

5.1.7 We may not be able to successfully implement our business strategies and future plans

As part of our business strategies and future plans as set out in Section 7.3 of this Prospectus, we intend to expand and upgrade our network of physical stores, develop a new brand distribution business, increase warehouse storage space and strengthen our logistics network in East Malaysia, boost our digital infrastructure and enhance our PlusOne loyalty programme. There is no assurance that we will be able to anticipate all the business and operational risks arising from our business strategies and future plans.

The expansion and upgrading of our store network requires us to amongst others, identify and secure suitable locations for new physical stores and obtain the necessary funding to open and operate these physical stores, attract and train sufficient customer service personnel, enhance our logistics network to support these new physical stores and scale our digital infrastructure to keep pace with the growth in the number of physical stores and products sold.

We also intend to launch 1 new store concept, known as "Grand senQ" digital station. "Grand senQ" digital stations will carry a wider range of high-end consumer electrical and electronic products which include IoT products and will be larger than the existing "senQ" digital stations. Our profits may be impacted in the short term until the new "Grand senQ" digital stations generate sufficient revenues to cover the initial set-up costs for these stores. In addition, there is no assurance that our customers will prefer this new store concept or that the new "Grand senQ" digital stations will perform to our expectations.

While we may rely on the expertise and experience of our Executive Chairman, President / Executive Director and Key Senior Management who have been the main drivers of our business over the years, there is no assurance that we will be able to successfully implement our growth plans in the future and failure to do so may have an adverse impact to our business, financial performance and prospects.

In addition, our ability to expand our product portfolio by direct importing and distributing suitable third-party brands and our house brand, "Delighto", as part of our new brand distribution business is subject to our ability to identify, secure and successfully market and launch such brands in the future. Such investments may also take time to reach their full potential as we aim to distribute international brands and "Delighto" with minimal or no prior market presence in Malaysia and there is no assurance such products will reach a level of market acceptance or sales to be profitable.

In the initial stages of the launch of new products, we would be required to purchase a minimum amount of inventory from the brand principals / contract manufacturer as well as invest in marketing such products. There is no assurance that the introduction of new brands will be profitable as its financial performance will be subject to amongst others, the demand and supply condition of the products we distribute as well as the investments required.

5.1.8 Any failure to operate, maintain, integrate or scale our online stores and supporting digital infrastructure could have a material adverse effect on our business, financial performance and prospects

In 2017, we introduced our seamless retail model to integrate our online and offline retail channels. Online sales contributed to approximately 3.1%, 3.3% and 7.4% of our Group's total sales for the FYE 2018, FYE 2019 and FYE 2020, respectively. We believe that the proportion of sales generated from our online stores will continue to increase and continue to be an integral part of our retail strategy.

We are dependent on the continued performance, reliability and availability of our online stores to sustain the increasing traffic, especially during peak period such as sales or festive seasons. Our inability to provide secure and reliable access to our online stores for our customers may cause us to lose potential sales to our competitors. While we continue to invest in upgrading and improving our online stores, including our mobile applications, there is no assurance that these strategies will be effective or that we will be successful in implementing these system upgrades and improvement strategies.

We also depend on our digital infrastructure to collect, analyse, process, store operational and financial data and manage various aspects of our business processes. Any damage or interruption to these digital infrastructures due to a variety of causes such as power outages, computer viruses and malware, cyber-attacks, physical damage to our servers and other hardware as well as design or usage errors or malfeasance by our third-party service providers would hinder our business processes which could have an adverse impact on our business and financial performance.

Our digital infrastructure is also exposed to the risk of cyber-attacks including spyware and other malware issues which may lead to breaches in customers' data that could potentially harm our reputation and business. Such malfunctions, system failures and cyber-attacks may potentially disrupt our operations and cause our customers to lose confidence in our security measures and exposure us to litigation, regulatory action or liability as a result of violation of relevant privacy, data security and other laws which in turn may have an adverse impact on our business and financial performance. In 2019, a malware was detected in our "Senheng" online store and "senQ" online digital station We removed the malware immediately upon discovering its presence and notified affected customers whose data may have been compromised. This incident did not cause any major disruption to our operations and did not have material impact on our business and financial performance.

5.1.9 We are dependent on our skilled and experienced personnel and the loss of their continued services may affect our operations and future growth

Our success and future growth depend largely on the expertise and experience of our Executive Chairman, President / Executive Director and Key Senior Management, profiles of whom are set out in Sections 9.1.2 and 9.3.1 of this Prospectus. The unexpected departure or loss of any one of them could disrupt our business and operations and hamper our growth. There is no assurance that in the event we lose any of our key people, that we will be able to identify and/or recruit suitable replacements in a timely manner, or at all.

The performance of individual physical stores is dependent on the contributions and expertise of the management teams of each store. In addition, any shortage of customer service personnel at our physical stores could affect the quality of service we provide to our customers, resulting in low customer satisfaction leading to loss of sales and loss of customer loyalty. Our customer service personnel are responsible for assisting customers in product selection, conducting sales, and arranging for delivery and installation for the customers. Our customers expect a high level of customer service and product knowledge from our customer service personnel, both at our physical stores as well as via our online stores.

Despite our employee retention efforts as set out in Section 7.15 of this Prospectus, there is no assurance that these measures would be sufficient to attract and retain our employees. In addition, our labour cost may increase due to changes in regulatory requirements in relation to minimum wage and other statutory contributions which may result in the increase of operating cost.

5.1.10 Our properties are subject to various land use, licensing and compliance certification requirements

We are required to maintain and renew various regulatory licences, approvals and permits in respect of our properties and our use of properties, including our physical stores and warehouses. As at the LPD, we operate 103 physical stores and 9 regional hubs (including our CDC in Klang).

As at the LPD, we are unable to ascertain whether 4 of our 103 physical stores have the required CFO/CCC, as a copy of the CFO/CCC has not been made available to us by the landlords of such properties. Although we are working with the respective landlords to verify the status of CFO/CCC and will assist the landlords, to the extent possible, to obtain a copy of the CFO/CCC or occupation permit from the relevant authorities, there is no assurance that we will be able to obtain such CFO/CCC in a timely manner or at all (as the applications for such CFO/CCC could be rejected). As at the LPD, the potential maximum penalty applicable is up to RM1.00 million, which will not have a material adverse impact on our business and financial results. Please refer to Section 3 of Annexure A of this Prospectus for further details on the relevant non-compliances and measures being taken to rectify such non-compliances.

Further, our CDC does not have a required fire certificate and is currently in the midst of obtaining the same. While we anticipate that we will be able to obtain the fire certificate for our CDC by the third quarter of 2021, there is no assurance that we will be able to obtain the approval in a timely manner or at all (as the application for such fire certificate could be rejected). As at the LPD, the potential maximum penalty applicable is RM50,000, which will not have a material adverse impact on our business and financial results.

Under applicable Malaysian laws, we are required to obtain business licences and signage licences for our physical stores and warehouse facilities which are renewable on a yearly basis. If we are not able to obtain or renew the required business licences and signage licences for our physical stores and warehousing facilities, we may be subject to fines, penalties and/or penal liabilities. As at the LPD, 8 of our physical stores have not been issued with the required business and signboard licences while 3 of our physical stores have not been issued with a signboard licence. We have committed our best efforts to obtain the outstanding licences and will continue to actively liaise with the relevant authorities and local councils for the issuance of the outstanding licences. However, there can be no assurance that we are able to obtain the outstanding licences in a timely manner or at all (as the application for such licences could be rejected) or that we are able to renew such licences as and when they are due for expiry.

Although we have not been subject to any material enforcement actions in the past with respect to the above-mentioned non-compliances, there is no assurance that we will not be subject any enforcement action in the future and if there is any such enforcement action, we may in the worst-case scenario be required to temporarily or permanently cease our operations in such locations and relocate our physical stores or warehousing facilities to new locations. This may have an adverse impact on our business, financial performance and prospects.

5.1.11 Our business may be affected by the outbreak of pandemics of infectious diseases such as COVID-19 in Malaysia as well as in the countries of origin of consumer electrical and electronic products

The outbreak of pandemics of infectious diseases or other health epidemics may create substantial economic uncertainty and global instability, which may adversely affect business operations, consumer spending and lead to a decline in overall economic activity globally.

The Government imposed various forms of preventive and physical distancing measures since March 2020 to contain the spread of the COVID-19 virus which had resulted in mandatory closure of all Government and private premises for a short period of time in 2020 and are later allowed to operate while adhering to a set of strict standard operating procedures. In June 2021, pursuant to the imposition of the nationwide lockdown, our head office and all physical stores were closed. However, our Group obtained approval from MITI and the MOT to allow our CDC and regional hubs to operate during this lockdown period to fulfil online sales orders, subject to complying with the SOPs issued by the Government. Further details of the impact of COVID-19 to our business and operations is set out in Section 7.16 of this Prospectus.

Based on our audited combined financial statements for the FYE 2020, our revenue increased by RM149.91 million or 13.1% to RM1.29 billion as compared to the FYE 2019 as a result of our ongoing store expansion exercise, whereby "Senheng" stores are upgraded to "Grand Senheng" stores with increased floor space and a larger variety of products offering a better customer experience; our PlusOne loyalty programme which enable us to attract new customers and entice existing customers to make repeat purchases; our digital marketing automation efforts, telemarketing activities and expansion of last mile delivery capabilities to offer more convenience to customers during the MCO and conditional MCO periods. While we experienced an increase in revenues during the COVID-19 pandemic, there is no assurance that we will be able to maintain such financial results in the future.

There can be no assurance that restrictions and/or prohibitions, including the temporary closure of retail outlets will not be re-imposed in the future with periodic surges of COVID-19 cases in Malaysia or if there is a pandemic or outbreak of other infectious diseases or other health epidemics. These events may have an adverse impact on our business and financial performance. In addition, we may face disruptions to our business operations if we are required to temporarily close any of our physical stores, head office, CDC or regional hubs if our employees or customers tests positive for COVID-19. As we do not carry business interruption insurance coverage to cover breakout of diseases such as COVID-19, any losses that we may incur as a result of reduced operations of our physical stores are not recoverable under insurance.

We may also face disruptions, such as stock unavailability or delays in delivery, from some of our suppliers due to disrupted supply chains in their countries of origin. Movement restrictions and other containment measures imposed in different countries may result in a slowdown or stoppage in the production of consumer electrical and electronic products.

While we have not experienced any material shortage in inventory and product supply, there is no assurance that our suppliers will be able to continue supplying us their products in a timely manner if the COVID-19 pandemic persists or worsens or if the Government implements further restrictions or prohibitions. Any disruption in the restocking of inventories may result in loss of sales from customers as customers opt to shop elsewhere for that product.

As the COVID-19 situation remains fluid, the full extent of COVID-19's impact on our business remains uncertain and cannot be accurately predicted. Please refer to Section 7.16 of this Prospectus for further details on the interruptions to our business and operations caused by the COVID-19 pandemic.

5.1.12 We are subject to the risk of inadequate insurance coverage

We maintain different types of insurance coverage that are customary in our industry to protect against various losses and liabilities, such as fire, burglary, loss of money in transit, public liability and product liability arising from our business operations. However, we are unable to guarantee that the insurance coverage will be adequate in all circumstances to cover the losses, damages or liabilities which we may incur, in the event that any of the abovementioned incidences take place or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all.

In addition, we are subject to the risk of losses arising from the misappropriation of cash or other assets by our employees or third parties, which losses may not be sufficiently covered by our insurance policies. To the extent that any such risks are uninsured, not covered under our insurance policies, or where the insurance protection is not sufficient to cover such risks, we would have to bear such losses and consequently our business and financial performance may be adversely affected.

5.2 RISKS AFFECTING THE INDUSTRY IN WHICH WE OPERATE

5.2.1 We face competition from other industry players

We operate in the consumer electrical and electronics retail sector where we face competition from a large number of players, including other consumer electrical and electronic product retailers, hypermarkets, department stores, mono-brand electronics shops and online retailers. We compete on a variety of factors including product range, pricing, outlet locations, product presentation and customer service.

Increasingly, shoppers are using internet-enabled devices to find and compare products, prices and product reviews, whether or not they intend to make their purchases online or in-store. Potential customers also consider accessibility of outlets and delivery options, increasingly seeking faster delivery times and/or convenient pick-up options.

Our ability to compete depend on various factors, including offering a wide range of products from many different brands at competitive prices and leveraging on our wide network of physical outlets throughout Malaysia enabling our customers to evaluate products in person or arrange for in-store pickup for online purchases. Through our centralised logistics model and regular replenishment of inventory, we are also able to arrange for quick delivery times of products to our customers who opt for delivery.

Notwithstanding the above, there is no assurance that we will be able to continue to compete effectively and any failure to do so may have an adverse impact to our business and financial performance.

5.2.2 Our business may be affected if we do not identify or effectively respond to changing consumer trends and preferences in a timely manner

Our future growth depends on our ability to continue to attract our existing customers and new customers to shop at our physical stores. We track and analyse the sales performance of each product category and brands as well as our customer's shopping preferences in order to stay abreast of emerging consumer trends and to remain competitive. For example, COVID-19 pandemic leads to the rapid shift in consumer shopping behaviour from brick-and-mortar retail stores to online shopping, thereby driving the increase in online sales. While we believe that the integration of online and offline stores and by offering home deliveries and in-store pickups for products purchased through our seamless retail model, coupled with our warranty programmes and in-house repair and service capabilities, will continue to be attractive to our customers, there can be no assurance that any changes in consumer trends and preferences in the future will not have an adverse impact to our business, financial performance and prospects.

5.2.3 We face risks arising from political, economic, social and regulatory changes

Our business may be affected by political, economic, social and regulatory changes. Such developments include, but are not limited to, changes in political leadership, changes in general economic and business conditions, fiscal and monetary policies of the Government such as methods of taxation and tax policies, unemployment trends and other matters that influence consumer confidence and spending.

Consumer demand for electrical and electronic products is driven by increasing disposable income and affluence of population. In general, a strong Malaysian economy helps boost consumer spending on consumer electrical and electronic products while a weak Malaysian economy may have a different effect on consumer spending at our physical stores. In view of the outbreak of the COVID-19 virus in 2020, Malaysia recorded a 5.63% decrease in GDP in 2020, indicating adverse economic conditions for the year. Prolonged effect of the COVID-19 pandemic may further lead to loss of businesses and jobs, pay cuts or lower salary growth, increase in unemployment rate and reduction in consumer purchasing power. This unprecedented event has resulted in economic uncertainty, whereby consumers will be more prudent in their spending and may withhold from buying non-essential goods which may include premium consumer electrical and electronic products, thus may affect the overall demand for these products.

Any other adverse change in the economic conditions of Malaysia including any unfavourable change in inflation rates, interest rates and foreign exchange rates, expropriation, adverse changes in political leadership and unfavourable change in government policies and regulations could have an adverse impact on our business, financial performance and prospects.

5.3 RISKS AFFECTING OUR SHARES

5.3.1 There is no prior market for our Shares and it is uncertain whether a sustainable market will ever develop

Prior to our IPO, there has been no public market for our Shares. Hence, there is a risk that upon Listing, an active market for our Shares may not develop, or if developed, whether such a market can be sustained. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

The IPO Price was determined after taking into consideration various factors and we believe that a variety of factors could cause our Share price to fluctuate which may adversely affect the market price of our Shares. There is no assurance that the trading price of our Shares will correspond with the IPO Price upon our Listing.

5.3.2 Delay or failure of our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:-

(i) our Underwriter exercising its rights pursuant to the Underwriting Agreement to be discharged of its obligations thereunder;

(ii) our inability to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25% of the total number of our Shares for which Listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing; or

(iii) the revocation of approvals from the relevant authorities prior to our Listing and/or admission to the Official List for whatever reason.

Where prior to the issuance and allotment of our IPO Shares:-

(a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we or such other person who received the monies shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(b) our Listing is aborted, investors will not receive any IPO Shares, and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest within 14 days.

Where subsequent to the issuance and allotment of our IPO Shares:-

(aa) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or (bb) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either (i) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances, or (ii) a solvency statement issued by the directors.

5.3.3 The interests of our Promoters who control our Group may not always align with the interests of our shareholders

Immediately after the completion of our IPO, our Promoters will own in aggregate, 74.03% of our enlarged issued share capital. As a result, our Promoters will be able to exercise significant influence over the vote of our Shares, including the election of directors and the timing and payment of dividends. Our Promoters will also will be able to exercise significant influence over the outcome of certain matters requiring the vote of our shareholders, unless he and persons connected with him are required to abstain from voting either by requirement of law and/or by the relevant guidelines or regulations. The interests of our Promoters may differ from the interests of our other shareholders.

5.3.4 Payment of dividends

Our ability to declare dividends to our shareholders will depend on, amongst others, our future financial performance, distributable reserves and cash flows. This, in turn, is dependent on our operating results, capital requirements and on our ability to implement our future plans, demand for and selling prices of our products, general economic conditions, and other factors specific to our industry, many of which are beyond our control. As such, there is no assurance that we will be able to pay dividends to our shareholders.

We are a holding company and conduct substantially all of our operations through our subsidiaries. Accordingly, dividends and other distributions received from our subsidiaries are our principal source of income. The receipt of dividends from our subsidiaries may also be affected by the passage of new laws, adoption of new regulations and other events outside our control, and our subsidiaries may not continue to meet the applicable legal and regulatory requirements for the payment of dividends in the future. In addition, changes in accounting standards may also affect the ability of our subsidiaries, and consequently, our ability to pay dividends.

Further, our payment of dividends may adversely affect our ability to fund unexpected capital expenditure as well as our ability to make interest and principal repayments on any borrowings that we may have outstanding at the time. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms or available at all. Further, if we incur new borrowings subsequent to our Listing, we may be subject to additional covenants restricting our ability to pay dividends.

Dividend payments are not guaranteed and our Board may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

Further details of our dividend policy are set out in Section 12.7 of this Prospectus.

5.3.5 Share price volatility and volume of our Shares

The performance of Bursa Securities is very much dependent on external factors such as the performance of regional and global bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares. Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as the business activities of our Group have no direct correlation with the performance of securities listed on Bursa Securities.

It is expected that there will be about ten 10 Market Days after the close of our IPO before the commencement of trading of our Shares on Bursa Securities. We cannot assure that there will be no event or occurrence that will have an adverse impact on the securities market, our industry or us during this period that would adversely affect the market price of our Shares when they begin trading.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:-

(i) material variations in our financial performance and operations;

(ii) success or failure of our management team in implementing business and growth strategies;

(iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(iv) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;

(v) additions or departures of our key management personnel;

(vi) fluctuations in stock market prices and volumes; or

(vii) involvement in litigation.