

8. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

8.1 RISKS RELATING TO OUR BUSINESS OPERATIONS

8.1.1 Our financial performance is subject to the fluctuations in global gold prices

As gold is a globally traded commodity, our financial performance is subject to the fluctuations in global gold prices. The price of gold is influenced by factors including, amongst others, global economic crisis or uncertainties, wars, civil unrests, pandemics, inflation, the strength of the USD, interest rates, demand from industries, investments in jewellery sectors, supply disruptions in gold producing nations, and sales and purchases of gold by government agencies including central banks.

According to the Industry Overview Report, global gold prices had experienced fluctuations between 2017 and early 2021. In 2017, the global average gold prices in January 2017 were at RM171/g and peaked at RM180/g in April 2017 before decreasing to RM166/g in December 2017. The global average gold prices continued to decrease further in 2018 where they dipped to a monthly low of RM158/g in August 2018. Since then, the global average gold prices kept rising from RM158/g in August 2018 to RM202/g in August 2019 and reached an all-time high at RM265/g in August 2020. Since the historic peak in August 2020, global average gold prices has dropped and reached RM227/g in March 2021, which is the lowest since April 2020. The unease over inflation, a weaker USD and the spike in market volatility has increased gold demand, driving the global average gold prices back to an upward trend and to reach RM246/g in May 2021. Subsequently, the global average gold prices declined slightly to RM244/g in both June and July 2021.

(Source: Industry Overview Report)

The purchase price of gold materials and selling price of gold jewellery are largely based on the prevailing price of gold at the point of the transaction. In the event that our selling price of gold jewellery is lower than our purchase price of gold materials, it would adversely affect our margins and profitability.

For the Financial Years Under Review, we have recorded the following margins and profitability:

	Audited		
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)
Revenue	137,534	144,711	175,634
Cost of sales	(133,111)	(132,388)	(158,267)
GP	4,423	12,323	17,367
GP margin (%)	3.22	8.52	9.89
(LBT)/PBT	(1,396)	6,281	12,395
(LBT)/PBT margin (%)	(1.02)	4.34	7.06

In FYE 2018, we recorded a LBT of RM1.40 million and LBT margin of 1.02% due mainly to the low GP and GP margin from Gold Jewellery Segment. The low GP and GP margin from the Gold Jewellery Segment were attributed mainly to the higher average cost of sales of gold jewellery at RM177/g as compared to the average selling prices of gold jewellery of RM168/g, which resulted in an average gross loss of RM9/g from sales of gold jewellery under our Design and Manufacture Segment in FYE 2018. The high average cost of sales of gold jewellery was contributed by the higher average cost of gold materials of RM171/g as a result of the higher carrying amount of gold inventories purchased by our Design and Manufacture Segment in FYE 2017.

8. RISK FACTORS (Cont'd)

Overall, our financial performance is subject to fluctuations in the global gold prices and this is reflected in the revenue and cost of gold materials for the Financial Years Under Review set out below:

(i) Revenue

Our revenue for the Financial Years Under Review, which increased from RM137.53 million in FYE 2018 to RM175.63 million in FYE 2020 was due mainly to the increase in our selling prices as a result of the increase in global gold prices.

Gold Jewellery Segment	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	Sales volume (g)	^(b) Average selling price (RM/g)	Sales volume (g)	^(b) Average selling price (RM/g)	Sales volume (g)	^(b) Average selling price (RM/g)
Wholesale Segment ^(a)	640,760	173	590,933	192	610,026	253
Design and Manufacture Segment ^(a)	131,896	168	144,108	186	55,196	238

Notes:

- (a) Excluding gold jewellery manufacturing services.
- (b) The average selling price is calculated based on the total revenue attributable to the respective business activities divided by the total sales volume of gold jewellery.

The increase in our average selling prices of gold jewellery was in line with the increase in the global average gold prices as follows:

	2018 (RM/g)	2019 (RM/g)	2020 (RM/g)
Global average gold prices	165	185	239

(Source: Industry Overview Report)

(ii) Cost of the gold materials

Gold materials, including pure gold bars and scrap gold bars constitute our main raw materials for our business operations. It is the largest component in our cost of sales which accounted for more than 93% of our total cost of sales for the Financial Years Under Review.

In accordance with our Group's accounting policy, our cost of gold materials was determined on a weighted average basis for the Financial Years Under Review. As such, a higher purchase price of gold materials will lead to a higher weighted average cost per unit which will subsequently lead to a higher cost of sales, and vice versa.

8. RISK FACTORS (Cont'd)

The average cost of gold materials for the Financial Years Under Review are as follows:

Gold Jewellery Segment	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	Sales volume (g)	^(a) Average cost of gold materials (RM/g)	Sales volume (g)	^(a) Average cost of gold materials (RM/g)	Sales volume (g)	^(a) Average cost of gold materials (RM/g)
Wholesale Segment	640,760	161	590,933	169	610,026	224
Design and Manufacture Segment	131,896	171	144,108	176	55,196	199

Note:

- (a) The average cost of gold materials is calculated based on the total cost of gold materials attributable to the respective business segment divided by the total sales volume of gold jewellery.

The increase in the average cost of our gold materials was due mainly to the higher carrying amount of gold inventories purchased, as well as increased purchases of gold materials at high gold prices and this is in line with the increase in the global gold prices. Kindly refer to Section 11.3.2 of this Prospectus on the effects of the gold material prices on our cost of sales for the Financial Years Under Review.

There is no assurance that we would be able to continually manage our risks from the adverse fluctuations in the price of gold due to the timing of our purchases of gold materials and sales of gold jewellery.

8.1.2 We are dependent on our supply chain including our gold material supplier and network of external manufacturers for our gold jewellery products

For the FYE 2018, FYE 2019 and FYE 2020, purchases of gold materials accounted for RM120.28 million (96.66%), RM133.30 million (97.18%) and RM155.08 million (97.57%) of our total purchases of materials and services, respectively. As such, we are reliant on the supply of gold materials for our gold jewellery wholesale and manufacturing operations. Our sources of supply consist of pure gold bars mainly from banks and bullion traders as well as scrap gold bars from pawnshops, jewellery retailers, wholesalers and manufacturers. In the event there is any disruption in the supply of gold materials, our manufacturing operations would be adversely affected.

As a one-stop supply centre for gold jewellery, part of our range of gold jewellery products are manufactured by external manufacturers. Sales of gold jewellery that were manufactured by external parties accounted for 52.52%, 51.75% and 61.77% of our total revenue, respectively for the FYE 2018, FYE 2019 and FYE 2020.

In this respect, we are also reliant on our network of external manufacturers whom we engage for their jewellery manufacturing services. For the FYE 2018, FYE 2019 and FYE 2020, purchases of gold jewellery manufacturing services accounted for RM3.77 million (3.03%), RM3.61 million (2.63%) and RM3.33 million (2.09%) of our total purchases of materials and services, respectively. In the event there is any delay and/or disruption in the supply of manufacturing services from our external manufacturers, there is a risk that we would not be able to meet scheduled delivery as well as quality expectations of our customers.

Although we have not experienced any material disruptions in our supply chain from either the supply of gold materials or gold jewellery manufacturing services for the Financial Years Under Review and up to the LPD, there is no assurance that this situation may not occur in the future. In the event of any interruptions in our supply chain, this would adversely affect our wholesale and manufacturing operations and consequently our financial performance.

8. RISK FACTORS (Cont'd)

8.1.3 Our business was and will continue to be susceptible to the outbreak of the COVID-19 pandemic and any further lockdowns would adversely affect our financial performance

The outbreak and spread of the COVID-19 pandemic or any contagious or virulent diseases had and will continue to affect our business operations. As evidenced by the COVID-19 pandemic, measures such as lockdowns or movement restrictions have impacted the retail business including those relating to gold jewellery. A reduction in retail activities for gold jewellery will affect the demand for our products and subsequently adversely affect our financial performance.

As part of the effort to reduce and control the spread of COVID-19 in the country, the Government implemented the MCO as one of the preventive measures. The MCO involved restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic, cultural and recreational activities. The different periods of MCO are summarised in Section 6.3.14 of this Prospectus.

With the suspension of our business operations during Phase 1 of the NRP, which commenced from 1 June 2021 up to the LPD, our Board is of the view that this will impact our financial performance for the FYE 2021. In the event that any prolonged outbreak of the COVID 19 and/or any prolonged or extended preventive measures, this could adversely affect our business operations and in turn could have an impact on our financial performance for the 2nd half of the FYE 2021. Kindly refer to Section 6.3.14 of this Prospectus for further details.

If any of our employees are infected with COVID-19 or any contagious or virulent diseases, we will be required to temporarily shut down our manufacturing operations until our premises have been reviewed and approved to resume operations by the Ministry of Health, Malaysia. Any of the COVID-19 swab tests conducted on our employees may be at our own cost. As at the LPD, save as disclosed in Section 6.3.14.1 of this Prospectus, none of our employees was infected with the COVID-19 virus.

Although the roll-out of vaccines has started in Malaysia and some foreign countries in December 2020, there is no assurance that the COVID-19 pandemic will not persist or that there will not be another resurgence of the COVID-19 virus or other contagious or virulent diseases. If adverse events materialise and persists for an extended time together with movement and business operation restrictions, our business operations and financial performance may be adversely affected.

8.1.4 We are subject to regulatory requirements for our business operations

Our business is subject to various laws, rules and regulations. Please refer to Section 6.3.10 of this Prospectus for the list of our major approvals, licenses and permits.

Our major approvals, licenses and permits are subject to compliance with relevant conditions (if any), laws and regulations under which they were issued. In the event of non-compliance, these licenses, permits and approvals may be revoked or may not be renewed upon expiry. As at the LPD, save as disclosed in Note (c) of Section 6.3.10 of this Prospectus, our Group has complied with the conditions imposed on all our major approvals, licenses and permits from various governmental authorities.

Further, the relevant government authority may take action by issuing warnings, imposing penalties, suspending the approvals, licenses or permits, reducing the term, imposing additional conditions or restrictions and/or revoking the approvals, licenses or permits against us for any breach or non-compliance.

In general, pursuant to Section 3(1) of the ICA and the Industrial Co-ordination Exemption Order 1976, manufacturing companies with shareholders' funds of RM2.50 million and above and employing 75 or more full time paid employees are required to have a manufacturing license. Section 3(2) of the ICA provides that failure to comply with Section 3(1) of the ICA is an offence and on conviction, the offender is liable to a fine not exceeding RM2,000 or to imprisonment not exceeding 6 months and a further fine not exceeding RM1,000 for every day during which such default continues.

Based on the above, any revocation or failure to obtain, maintain or renew any of the licenses or permits may materially and adversely affect our business operations and financial performance.

8. RISK FACTORS (Cont'd)

8.1.5 We may not be able to effectively execute some of our business strategies and plans

Our business strategies and plans include the purchase of new machinery and equipment to facilitate our strategy to expand our new range of hollow gold jewellery. We also intend to expand and upgrade our operational facilities by purchasing new machinery and equipment to automate certain processes, purchasing and installing ERP system and MES, integrate our online sales order system as well as upgrade our security and surveillance facilities. Part of our business strategy is to also expand our refinery and gold assaying operations as well as provide these services to external customers.

The future growth of our business is dependent on our ability to implement and carry out these business strategies and plans according to the expected timing. There is a risk that we may not be able to successfully implement our business strategies and plans in a timely manner nor can we provide assurance that our business strategies will be commercially successful or that we will be able to anticipate all the business and operational risks associated with our strategies. Any postponement, delays due to the impact of the COVID-19 pandemic or failure in executing our business strategy effectively may adversely affect our expected financial performance.

8.1.6 We are dependent on the demand from the gold jewellery retailing industry and any reduction in demand from this sector would adversely affect our financial performance

Gold jewellery is a discretionary product which is sensitive to changes in, amongst others, consumer sentiments, business sentiments as well as general economic conditions. Consumer sentiments are affected by factors including, among others, employment rates, inflation, performance of the local, regional and global economies and general business conditions. Any of these factors could spur or impede the propensity to purchase gold jewellery products. We are indirectly dependent on the purchasing patterns of consumers, and the performance of the jewellery retailing industry would directly affect the demand for our jewellery products.

For the FYE 2018, FYE 2019 and FYE 2020, jewellery retailers accounted for 94.08%, 93.30% and 91.42% of our total revenue respectively. The remainder 5.92%, 6.70% and 8.58% of our total revenue for FYE 2018, FYE 2019 and FYE 2020, respectively constituted by jewellery wholesalers and manufacturers.

In the event of any adversities arising from regulatory, economic, social and political events that would negatively impact the gold jewellery retail sector and/or consumer demand for gold jewellery, our financial performance would be adversely affected.

8.1.7 We are subject to the risk of changing market trends and consumer preferences

We operate in a sector where the end-users of our gold jewellery are mainly consumers. As a wholesaler and manufacturer of gold jewellery serving mainly jewellery retailers, our business success is dependent on our ability to identify market trends, consumer behaviour and preferences, and to bring the gold jewellery to the retail market promptly.

There is no assurance that we would be able to continually anticipate market changes, consumer preferences and trends. If we are unable to react to such market conditions promptly, the demand for our range of jewellery products and our financial performance would be adversely affected.

8.1.8 We are dependent on our Managing Director, Key Senior Management and certain key technical personnel for the continuing success of our Group

We are dependent on our efforts, commitment and abilities of our Managing Director and Key Senior Management who play significant roles in the continuing success of our Group from formulation and implementation of our strategies and plans, to the day-to-day operations of our business. Our Managing Director have been with us for 29 years, while 3 of our Key Senior Management, namely our Head of Resource Planning, Head of Design and Development and Head of Production have been with us for at least 19 years.

8. RISK FACTORS *(Cont'd)*

Our business operations are also dependent on the experience, abilities, creativity and market understanding of certain key technical personnel in the areas of resource planning, procurement of gold materials, design and manufacturing as well as the selection of external manufacturers to manufacture our gold jewellery products.

In the event we lose any of these key personnel, we cannot assure that their replacements would be prompt or that their replacements would be able to make similar or increased contributions to our operations. In view of this, the loss of one or more of these key personnel may hinder the continued success of our business operations as well as our financial performance.

8.1.9 The use of our tenanted properties are subject to various land use, licensing and compliance certification requirements

We lease all the properties used in our business and, therefore, we require the cooperation of, and depend on, our landlords to apply to the relevant authorities to ensure that our use of such properties complies with applicable laws and regulations, including procuring the necessary CCC in respect of such properties. A person who occupies a premise without a CCC is subject to a fine of up to RM250,000, imprisonment for a term of up to 10 years, or both, under the Street, Drainage and Building Act, 1974. Although we intend to continue to work with our landlords and to assist our landlords, to the extent possible, to obtain the required CCC in respect of our tenanted properties, there can be no assurance that we will be able to obtain such CCC or any other required licenses in a timely manner or at all. Kindly refer to Section 6.7(iv) of this Prospectus for further details.

Our tenanted properties are also required to obtain fire certificates, which are subject to annual renewal. Where there is no fire certificate in force, the owners of such premises may become subject to a fine of up to RM50,000 and/or imprisonment of up to 5 years (or both). Jabatan Bomba also has a general authority to order or direct the owner or occupier of any premises to cease any activities if Jabatan Bomba is satisfied that, amongst others, any continued activity would constitute an immediate danger of fire prejudicial to the safety of life or property.

Our landlords have not been subject to any material enforcement action in the past with respect to the foregoing non-compliance. However, there can be no assurance that we will not be required to shut down or relocate our operational facilities or become subject to financial or other penalties in respect of such non-compliance or any similar non-compliance in the future. Kindly refer to Section 6.7(v) of this Prospectus for further details.

8.1.10 We are exposed to risk of pilferage, theft and robbery

Due to the nature of our business, we are susceptible to the risk of pilferage, theft and robbery that could result in monetary losses and personal injury or death. For the Financial Years Under Review and up to the LPD, we did not experience any incidences of theft and robbery by external parties, nor did we encounter any pilferage by internal staff which had a material adverse effect on our financial performance.

While we have taken measures against pilferage, theft and robbery, we may not be able to prevent, detect or deter all instances of pilferage, theft and robbery nor can we assure that the preventive measures that we have or to be undertaken by us will be adequate.

8.1.11 We may not have adequate insurance to cover all the risks related to our business operations

We maintain various insurance policies covering risks against fire, flood, theft, burglary, loss of goods, and damage to property, plant and machinery. Although the total sum that we insured amounted to RM58.70 million, as at the LPD, it may not be sufficient to cover all the risks relating to our business operations. We have not experienced any insurance claims for the Financial Years Under Review.

Nevertheless, any losses or damages suffered in excess of our insured limits or in areas where we are not covered may adversely affect our business and financial conditions.

8. RISK FACTORS (Cont'd)

8.1.12 We are exposed to the risks of adverse foreign exchange fluctuations which may affect our financial performance

We are exposed to the risk of foreign exchange fluctuations where 8.52%, 10.35% and 3.48% of our total purchases of materials and services for FYE 2018, FYE 2019 and FYE 2020 respectively were denominated in foreign currencies including SGD, USD and Euro. The purchases transacted in foreign currencies were mainly for the purchases of gold materials and gold jewellery manufacturing services. Any depreciation of the RM against the respective foreign currencies will lead to a higher cost of material and services in RM.

We also undertake sales transactions in foreign currencies where 7.27%, 9.55% and 3.77% of our total revenue for FYE 2018, FYE 2019 and FYE 2020 respectively were denominated in foreign currencies including SGD, USD and HKD. As we maintain foreign currency accounts in USD and foreign currency cash in hand in SGD, HKD and Euro, our revenue and purchases to a certain extent, are naturally hedged.

For the Financial Years Under Review, we did not carry out any currency hedging for our operations. Moving forward, any unfavorable foreign exchange fluctuations between foreign currencies and RM may adversely affect our financial performance including our profitability and margins.

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 The high and sustained price of gold may create affordability issues and dampen the demand for gold jewellery

According to the Industry Overview Report, the global average gold price rose from RM158/g in August 2018 to RM202/g in August 2019 and reached an all-time high at RM265/g in August 2020. There is a risk that the strong price performance of gold may dampen the demand or purchases of gold jewellery due to issues relating to affordability. According to the World Gold Council, the world demand for gold jewellery declined by 34.0% from 2,123 tonnes in 2019 to 1,401 tonnes in 2020. The decline in world demand for gold jewellery was mainly due to the combination of the COVID-19 pandemic and the lockdowns imposed in various countries as well as the high gold prices at the time of a global economic slowdown. The high price of gold may adversely impact the purchasing patterns of gold jewellery, where consumers may either deter, reduce or defer their purchases until such a time when the gold prices stabilise or decline to an acceptable level.

8.2.2 The gold jewellery industry is subject to political, social and regulatory conditions, the risk of outbreak of diseases in Malaysia

Any changes and/or developments in political, social, economic and regulatory conditions as well as any outbreak of diseases including the COVID-19 pandemic in Malaysia would adversely affect businesses and financial prospects of operators in the gold jewellery industry. These uncertainties include, but not limited to, changes in inflation rates, fluctuation in interest rates, civil unrest, acts of terrorism, riots, changes in political leadership and unfavourable changes to government policies and laws. Similarly, any prolonged and/or widespread economic slowdown or any outbreak of diseases would affect our business and consumer confidence. Outbreak of diseases such as the COVID-19 pandemic may cause interruptions in the supply chain of operators in the gold jewellery industry which may adversely affect our business operations. Any economic slowdown may cause our Group's customers comprising mainly of jewellery retailers to defer or reduce their purchase orders or the price of our products. As such, in the event of any adverse political, social, regulatory or economic developments and outbreak of diseases, it would adversely affect our financial performance or the industry as a whole.

8.2.3 We operate in a competitive environment

We face competition from other operators that are involved in the wholesaling and manufacturing of gold jewellery in terms of pricing, quality and range of jewellery products, timely delivery and service. The number of operators in the jewellery industry ranges from a large number of sole proprietors and family-owned businesses operating one or a few outlets, international operators, to large retailers with a chain of outlets in Malaysia.

8. RISK FACTORS *(Cont'd)*

As at 31 July 2021, it was estimated that there were 1,111 members registered with the Federation of Goldsmiths and Jewellers Associations of Malaysia that were involved in manufacturing activities (64 members), wholesaling activities (71 members), both manufacturing and wholesaling activities (20 members), retailing who may also be involved in manufacturing and/or wholesaling activities (868 members) and other activities (including bullion trading, ornaments and equipment manufacturing) (88 members). It should also be noted that there may be operators who did not register themselves as members of Federation of Goldsmiths and Jewellers Associations of Malaysia or update their business activities. *(Source: Industry Overview Report)*. For further details on our competitors, please refer to Section 7 of this Prospectus.

Although our Group has its strengths and advantages, there is no assurance that we will be able to compete effectively against our peers. If we are unable to remain competitive, this may result in a reduction in our profit margins and/or reductions in orders or the loss of business from customers, all of which would adversely affect our financial performance.

8.3 RISKS RELATING TO OUR SHARES

8.3.1 There has been no prior market for our Shares

Prior to our Listing, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such market can be sustained. The IPO Price was determined after taking into consideration a number of factors including but not limited to our business strategies and our financial and operating history.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and the market price of our Shares will not decline below the IPO Price.

8.3.2 The trading price and volume of our Shares upon Listing may be volatile

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world 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 listed Shares.

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 results and operations;
- (ii) success or failure of our management in implementing future plans, and 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 related events or factors;
- (v) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;
- (vi) additions or departures of key personnel;
- (vii) fluctuations in stock market prices and volumes; or
- (viii) involvement in claims, litigation, arbitration or other form of dispute resolution.

8. RISK FACTORS *(Cont'd)*

8.3.3 Our Promoter will continue to hold a majority of our Shares after the IPO

Upon Listing, our Promoter will hold 70.00% of our enlarged issued share capital upon Listing. As a result, they will be able to effectively control the business direction and management of our Group. They may also be able to influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting by any applicable laws, guidelines or regulations.

8.3.4 There may be a potential delay to or failure of our Listing

The occurrence of any one or more of the following events may cause a delay in or cancellation of our Listing:

- (i) the MITI approved Bumiputera investors fail to acquire the Shares allocated to them under the Public Issue;
- (ii) our Sole Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;
- (iii) the revocation of approvals from the relevant authorities for the Listing and/or admission for whatever reason; or
- (iv) our inability to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25.00% of our issued share capital for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing.

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

- (i) 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 our Company shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which the Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (ii) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

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

- (i) 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, the Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC, 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 either:
 - (a) the sanction of our shareholders by special resolution in a general meeting, 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
 - (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.