9. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that we and to a large extent, our business and operations are subject to the regulatory, industry and business risks. Our operations are also subject to a number of factors, many of which are outside our control. Before making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks and investment considerations set out below.

9.1 RISKS RELATING TO OUR BUSINESS

9.1.1 We may not be able to renew or maintain our major licences, permits and approvals to operate our business operations due to reasons beyond our control

We require various major licences, permits and approvals including Domestic Shipping Licences and shipping agent approval(s) for our business operations. These licences, permits and approvals are subject to periodic renewal. See Annexure B of this Prospectus for further details of our major licences, permits and approvals including the respective issuing authorities, expiration dates and status of compliance.

We are required to obtain a Domestic Shipping Licence from the Domestic Shipping Licensing Board for each of our vessels that perform domestic shipping services operating to and from ports within Peninsular Malaysia, from any port in Sabah to another port in Sarawak (and *vice versa*) and from any port in Labuan to another port in Sabah or Sarawak (and *vice versa).* We will not be able to obtain port clearance from the officer of customs or such other authority authorised to issue port clearance to sail or berth our vessels at the relevant ports if we engage in domestic shipping without a Domestic Shipping Licence. With effect from 1 June 2017, vessels providing transport of cargo services operating from any port in Peninsular Malaysia to any port in Sabah, Sarawak or Labuan (and *vice versa*), from any port in Sabah to another port in Sabah or from any port in Sarawak to another port in Sarawak are exempted from having to obtain a Domestic Shipping Licence. If we operate our vessels or chartered vessels without the requisite Domestic Shipping Licences or in contravention of the applicable exemption, on conviction, we may be liable to a fine not exceeding RM10,000 or to imprisonment not exceeding one year or both. Our vessels could also be detained by the port officer or officer of customs who has reasonable cause to suspect that our vessels are operated without the requisite Domestic Shipping Licences. All vessels owned by us which carry out domestic shipping activities have their respective valid Domestic Shipping Licence. The Domestic Shipping Licences granted to us are subject to periodic renewal.

We also require the approval from the Director General of Customs and Excise to act as a shipping agent for the entry or clearance of any vessel at the ports in Malaysia. Our shipping agent approval is valid for five years from the date of issuance and expires on 31 December 2021.

There can be no assurance that we will not be subject to suspension, revocation or termination of our major licences, permits or approvals in the event of non-compliance with any terms or conditions thereof, or pursuant to any regulatory action, despite our best efforts to adhere to the regulatory requirements. While we have not in the past encountered any difficulties in renewing or obtaining our major licences, permits and approvals for our business operations, there can be no assurance that we will be able to renew such licences, permits and approvals in a timely manner or at all in the future. We also cannot assure that there will not be variation, modification or imposition of additional conditions attached to the licences, permits and approvals which may materially and adversely affect our business, financial condition, results of operations and prospects. Any failure to renew or maintain our major licences, permits and approvals in the future could materially and adversely affect our business, financial condition, results of operations and prospects.

9.1.2 Failure in IT systems could adversely affect our business operations

We are dependent on various IT systems provided and/or maintained by third party service providers such as iKapal's Shipping System and the SOVY-Depot System, to ensure efficient, effective and responsive business operations. These systems integrate various business processes in our container liner shipping operations such as booking, management of shipping rates, management of containers and finance for us to control and monitor our shipments, port costs, container management costs and ship running costs, see Section 7.5.3 of this Prospectus for further details of our IT systems.

The IT systems may be subject to damages or interruptions in operation due to, among others, blackouts, unauthorised access, natural disasters (including floods and storms), breaches of security in the form of computer viruses, hacking and fraud which could materially and adversely affect our business operations. Failure of third party service providers to provide services and any disruption to our computer systems and IT systems may compromise our business operations as well as cause transaction errors, loss of data or downtime. While we have not encountered any major failures in our current IT systems which had materially impacted our business, financial condition and results of operations in the past, there can be no assurance that we will not face any breakdown of or disruption to any of our IT systems in the future.

Further, there can be no assurance that we are able to continuously enhance our IT systems to meet our customers' needs or that the technology developed or used by other industry players will not render our services less competitive or attractive. As a result, our business, financial condition, results of operations and prospects may be adversely affected.

9.1.3 We may be materially and adversely affected by the COVID-19 pandemic and other pandemics

The emergence of the COVID-19 pandemic has become one of the biggest disruptors in the global economy. The COVID-19 pandemic has resulted in, among others, travel and transportation restrictions, prolonged closures of work places, businesses and lockdowns in certain countries.

The outbreak of COVID-19 has also imposed additional restrictions and obligations on our operations at our offices and on our vessels as we are required to comply with social distancing measures and strict hygiene requirements to contain the COVID-19 outbreak since the implementation of the MCO on 18 March 2020. See Section 7.17.4 of this Prospectus for further details on the measures we have implemented to protect the health and safety of our employees including crew members. Although we have not been required to close or temporarily halt our operations as our business was deemed to be essential since the MCO on 18 March 2020, we may be required to do so in the future in the event that any of our employees become infected by COVID-19.

As at the LPD, our Group has reported 17 confirmed cases for COVID-19, including employees from our container depots, branch offices as well as our headquarters. None of them is a crew member. Out of the 17 confirmed COVID-19 cases, 11 cases were employees from our container depot in Port Klang (Bandar Sultan Sulaiman), who tested positive on 28 May 2021 and were placed under quarantine for approximately 2 weeks. Subsequent to the confirmation of these positive cases, our container depot in Port Klang (Bandar Sultan Sulaiman) was closed for sanitisation until 29 May 2021. Further, due to the reduced workforce, the operational hours of our container depot in Port Klang (Bandar Sultan Sulaiman) were reduced to a single shift until 7 June 2021. During the period of reduced operating hours of our container depot in Port Klang (Bandar Sultan Sulaiman), some containers were redirected to our container depot in Port Klang (Westports). In the FYE 31 December 2020, FPE 31 March 2021 and up to the LPD, our Group incurred a total of RM7,500, RM19,957 and RM50,704, respectively for costs related to the confirmed cases such as COVID-19 tests undertaken by our employees and disinfections carried out at our workplaces. See Section 7.17.5 of this Prospectus for further details of COVID-19 incidents related to our employees.

There can be no assurance that our employees will not be infected in the future. In such an event, we are required to place these employees under quarantine and may be required to close our offices. Crew members who tested positive for COVID-19 are not allowed to board a vessel. Further, according to the guidelines set by Marine Department Malaysia, crew members are not allowed to disembark at any ports during berthing to avoid potential spreading of the virus and/or being infected by the virus. For crew members who are signing on to board a vessel and signing off from a vessel, they are required to undergo COVID-19 tests and/or quarantine at home or at designated quarantine centres determined by the Government. All costs associated with the adherence of the SOPs related to the crew members, including COVID-19 tests, quarantine process, logistics and follow-up treatments are borne by our Group. In the FYE 31 December 2020, FPE 31 March 2021 and up to the LPD, our Group incurred a total of RM1.0 million, RM0.3 million and RM0.2 million, respectively for the adherence of these SOPs.

Such disruption may affect our ability to adequately staff our operations and eventually the delivery of the cargos for our customers. Failure to meet our customers' expectations could damage our reputation and expose us to legal claims and may, as a result, lead to loss of business and materially and adversely affect our business, financial condition, results of operations and prospects.

As the COVID-19 pandemic is ongoing as at the LPD, there can be no assurance that we will not experience more severe disruptions in the future in the event that more stringent quarantine measures are imposed or if the COVID-19 pandemic becomes more severe or protracted. It is difficult to predict how long such conditions will exist and the extent to which we may be affected by such conditions.

9. RISK FACTORS *(Cont'd)*

9.1.4 Maintenance and repair of our vessels require substantial expenditure

We operate in a capital intensive industry where we incur significant expenditure to maintain the operating condition of our vessels. Our maintenance and repair related expenditure includes the cost of maintenance, repairs, surveys and dry docking. Our expenses for maintenance and repair of our vessels accounted for 3.3%, 4.4%, 4.9% and 3.6% of our Group's total direct costs for the FYEs 31 December 2018, 31 December 2019, 31 December 2020 and FPE 31 March 2021. In addition, approximately RM15.4 million, RM16.7 million and RM8.6 million and RM4.1 million of dry docking expenses were capitalised as capital expenditure for the FYEs 31 December 2018, 31 December 2019, 31 December 2020 and FPE 31 March 2021, respectively.

We dry-dock our vessels on a periodic basis for planned inspections, maintenance and repair as well as renewal of class certificates. Dry docking is a major undertaking which can only be done at a dockyard and covers all areas of maintenance that cannot be carried out when the ship is in operation. Dry docking includes maintenance of hull, deck, cargo holds, navigation and communication equipment and all other equipment on board. The procedures undertaken comprising cleaning, blasting, painting and repairs. In addition to dry docking which is periodical, we also have a planned maintenance schedule which is a day-to-day maintenance programme for all of our ships while they are in operation. This planned maintenance is to ensure the smooth running of our vessels until their next dry docking. Our planned maintenance costs include main engine spares, freshwater and deck paints.

Each of our vessels is subject to planned surveys comprising an annual survey, an intermediate survey and special survey. Special survey is carried out once every five years and intermediate survey is carried out one time within this five-year period. These surveys are conducted in conjunction with the vessels dry docking, by an independent professional and affect the vessels class renewal certification.

Furthermore, our vessels may also need to be docked in the event of breakdown and collision. Rectification of the affected vessels may require us to incur significant costs and may result in such vessels being out of service over a period of time which could cause disruption to our business operations. In October 2018, one of the engines of MTT Tanjung Manis caught fire which resulted in MTT Tanjung Manis having to cease operation for approximately 48 days. The engine failure of MTT Tanjung Manis resulted in us incurring repair related expenses of RM5.8 million for the FYE 31 December 2018. Although our expenses incurred for the incident were fully covered by our insurance policies, there can be no assurance that we will not experience similar incidents in the future where such incidents may adversely affect our business, financial condition, results of operations and prospects.

Our maintenance and repair related expenditure may increase as a result of a variety of factors, including increases in the cost of labour, materials and spare parts, increases in the size of our fleet, changes in regulations and currency fluctuations. There can be no assurance that we will at all times have sufficient capital resources, including, among others, cash on hand, cash flow from operations and borrowings, to maintain and repair our vessels.

9.1.5 We operate in a highly regulated industry which is governed by both domestic and international laws

The container liner shipping industry is highly regulated and our operations are subject to various international conventions, treaties and national and local laws and regulations in force. See Annexure C of this Prospectus for further details of the material laws and regulations which are relevant to our business operations. These conventions, treaties, laws and regulations which govern areas such as maritime operations, environmental protection, the release and management of hazardous materials and human health and safety are subject to changes at any time. Any introduction of new conventions, treaties, laws and regulations applicable to us may result in us having to incur additional operating expenditure to ensure compliance, which could materially and adversely affect our business and results of operations.

For instance, environmental regulations often impose strict liability for remediation of spills and releases of oil and hazardous substances. The provision of our container liner shipping services sometimes involves the transportation of hazardous materials such as industrial chemicals, paint and batteries. As such, there is a risk of spillage and contamination which may be hazardous to the environment. In addition, oil spillages may arise as a consequence of a collision of our vessels. While we implement strict safety measures and procedures in relation to the handling of hazardous materials, there can be no assurance that accidents will not occur during the transportation of hazardous materials. The discharge of pollutants into the air or water may give rise to liabilities to governmental authorities and third parties and may require us to incur costs to remedy such discharge.

Further, environmental regulations are evolving which will result in stricter standards and enforcement, larger fines and liability and potentially increase our capital expenditure and operating costs materially. For instance, the IMO has ruled that beginning 1 January 2020, all vessels operating outside designated emission control areas (i.e. the Baltic Sea area, the North Sea area, the North American area (covering designated coastal areas off the United States and Canada) and the United States Caribbean Sea area (waters around Puerto Rico and the United States Virgin Islands), are required to use fuel oil with lower sulphur content of no more than 0.5% (mass by mass) as opposed to the previous limit of 3.5% ("**IMO 2020**"). Operators who intend to continue using high sulphur content bunker fuel are required to fit their vessels with sulphur-cleaning devices known as scrubbers. Ship owners can also opt for other sources of cleaner fuel such as liquefied natural gas (LNG).

In addition, we are required to comply with the Energy Efficiency Existing Ship Index (EEXI) requirement introduced by the IMO, by the first annual survey of our vessels on or after 1 January 2023, which aims to reduce carbon intensity. We may have to retrofit the engine power limit of our vessels to reduce their engine power and speed, or alternatively retrofit our vessels with energy-efficient technology to minimise carbon emissions. As we are currently assessing the ability of our vessels to comply with the EEXI requirement, we have not determined the exact cost to be incurred in complying with the EEXI requirement at this juncture.

While we are committed to complying with the applicable regulations, there can be no assurance that we will be able to comply with such regulations in the future. If such an event occurs which result in us having to pay high fines and/or penalties, our reputation, financial condition and results of operations would be materially and adversely affected.

9.1.6 We are exposed to risks arising from foreign exchange fluctuations

Our revenue streams are predominantly denominated in RM. We also have revenue denominated in USD generated from routes outside of Malaysia and from our charter hire operations. A portion of our direct costs, expenses, capital expenditures and borrowings is denominated in foreign currencies, primarily USD. Bunker fuel cost, vessel charter-in costs, salary of crew members, vessel maintenance costs as well as purchase of vessels and containers are denominated in USD and SGD.

For the FPE 31 March 2021, we incurred 23.2% and 96.1% of our total direct costs and capital expenditure, respectively, in currencies other than RM. In addition, as at 31 March 2021, 25.7% of our total borrowings and lease liabilities are denominated in USD. When USD strengthens against RM, our costs will increase. Therefore, our financial results are impacted by foreign currency fluctuations, in particular movements of USD against RM, which may affect our Group's financial position.

Save for the foreign currency accounts that we maintain to set-off some of our purchases in foreign currencies with some of our earnings in foreign currencies, we currently do not hedge our foreign currency exposure using any derivative instruments. Any significant volatility in foreign currencies which is unfavourable to us may affect our results of operations. We may consider using certain derivative instruments in the future in order to minimise the risk from foreign exchange fluctuations. Any future use of derivative instruments would nevertheless involve certain risks which could negatively affect our financial condition and results of operations.

9.1.7 We are exposed to interest rate fluctuations

We operate in a capital intensive industry which requires high levels of funding. We have and will continue to have a significant amount of borrowings as we rely on bank borrowings to finance the purchases of our vessels and containers. Our cost of financing as at 31 March 2021 ranges from 2.0% to 4.7% per annum. Changes in economic conditions could result in higher interest rates and eventually also increased our finance costs, which in turn may affect our business and profitability. Any significant fluctuations in interest may affect our profitability.

Our gearing ratio was 0.4, 0.7 and 0.8 and 0.9 for the FYEs 31 December 2018, 31 December 2019, 31 December 2020 and FPE 31 March 2021, respectively. There can be no assurance that our gearing level will remain the same in the future and our business, financial condition and results of operations would not be affected if there are any fluctuations in interest rates for our borrowings.

9.1.8 Our growth and success depend on our Executive Directors and Key Senior Management

Our growth and success depend on, to a significant extent, the abilities, skills, experience and expertise of our Executive Directors and Key Senior Management.

Our Group is led by our Executive Directors who are assisted by a team of Key Senior Management who have extensive knowledge and experience in the container liner shipping industry. Most of our Executive Directors and Key Senior Management have over 10 years of experience in the container liner shipping industry. See Sections 5.2.3 and 5.3.3 of this Prospectus for the profiles of our Executive Directors and Key Senior Management.

We also believe that our success is dependent upon the continued service of our Executive Directors and Key Senior Management. The loss of any of our Executive Directors and Key Senior Management without suitable and timely replacement, or the inability to attract, hire and retain suitable candidates for Key Senior Management positions may adversely affect our continued ability to compete with other industry players and implement our business strategies, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

9.1.9 We may not be able to attract and retain our experienced and skilled workforce

Our container liner shipping operations require highly experienced and skilled personnel with requisite hands-on experience to undertake tasks which are crucial to our operations such as container inventory management, voyage planning, fleet management and terminal operation.

The employment market for experienced and skilled personnel in the industry in which we operate is very competitive. The loss of the services of one or more of these experienced personnel, without adequate replacements or the inability to attract new experienced personnel at a reasonable cost, would have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, competition for experienced personnel could compel us to pay higher wages to attract or retain key personnel, which could increase our labour costs.

While we recognise the importance of motivating and retaining our existing experienced and skilled workforce by offering them a competitive remuneration package, there can be no assurance that we will be able to retain a sufficient number of them for our operations. Although we have not experienced any major shortage of experienced and skilled workforce that has materially disrupted our business in the past, there can be no assurance that we will not face shortage in experienced and skilled workers in the future and the hiring process of new personnel can be time-consuming. A shortage of experienced and skilled workers which is not expeditiously addressed may adversely affect our business and results of operations.

9. RISK FACTORS *(Cont'd)*

9.1.10 Our insurance coverage may not be adequate to cover all risks and losses associated with our business operations

While we maintain insurance policies against, among others, risk of damage to or loss of our owned and chartered vessels, cargoes, offices and equipment, public liability and burglary and risk of personal accidents and compensation in respect of our employees which are in line with the general business practices in the industry, we are still exposed to the risks and losses associated with our business and operations that our insurance coverage may not adequately cover.

For instance, we maintain hull and machinery insurance and protection and indemnity insurance for all of our existing vessels, which includes pollution risk insurance, natural disaster and perils of the sea insurance, crew insurance, piracy, war risk insurance and legal assistance and defence insurance. Our vessels and their cargoes are at risk of being damaged or lost because of events or risks, such as force majeure, marine disaster including oil spills, mechanical failures, crew negligence, collision, war, terrorism, piracy and any other events. Any of these events may result in personal injury or death, damage to or loss of property, environmental damage, delays in delivery of cargo, regulatory fines and higher insurance premiums. There can be no assurance that all losses arising from these events are adequately covered by our insurance policies.

If we were to suffer a loss that is not insured or is not adequately covered by insurance, our business, financial condition, results of operations and prospects could be materially and adversely affected.

There may also be certain risks which cannot be reasonably or capable of being insured against, such as risk of damage to our vessels resulting from nuclear war and/or cyber-attacks.

Our insurance policies may contain deductibles, limitations and exclusions which may increase our costs in the event of a claim. We may also be subject to additional calls, or premium payments, in amounts based not only on our own claim records but also claims records of all other members of the protection and indemnity association through which we received indemnity insurance coverage.

9.1.11 We may be affected by any change in the current taxation regulation

Prior to YA 2012, Section 54A(1) of the Income Tax Act 1967 specifically stated that "where a person who is resident for the basis year for a year of assessment carries on the business of - (a) transporting passengers or cargo by sea on a Malaysian ship; or (b) letting out on charter a Malaysian ship owned by him on a voyage or time chartered basis, the statutory income for that year of assessment from that business shall be exempt from tax." ("**100% Tax Exemption**"). A Malaysian ship means a sea-going ship registered under the Merchant Shipping Ordinance 1952, other than a ferry, barge, tug-boat, supply vessel, crew boat, lighter, dredger, fishing boat or other similar vessel.

The Income Tax Act 1967 was amended in 2012 to reduce the quantum of the said income tax exemption from 100% to 70% with effect from the YA 2012 ("**70% Tax Exemption**"). However, this was not implemented as the 100% Tax Exemption was subsequently extended from the YA 2012 to the YA 2020 pursuant to three subsequent exemption orders gazette, namely the Income Tax (Exemption) (No. 2) Order 2012 [P.U. (A) 167/2012], the Income Tax (Exemption) Order 2018 [P.U. (A) 38/2018] and the Income Tax (Exemption) (No. 2) 2018 [P.U. (A) 48/2018], respectively.

The Ministry of Finance had via its letter dated 10 July 2020 informed the Ministry of Transport that it had approved the extension of the 100% Tax Exemption until the YA 2023 subject to certain conditions, namely (i) each Malaysian shipowner to comply with the minimum requirements to be prescribed by the Ministry of Transport in terms of annual operating expenditure and number of full-time employees; and (ii) the Ministry of Transport to develop a framework and implement the imposition of annual tonnage fee/tax to Malaysian shipowners by 1 January 2022. Accordingly, we will not be eligible for the 100% Tax Exemption from the YA 2022 to the YA 2023 in the event that the Ministry of Transport does not implement the aforesaid annual tonnage fee/tax by 1 January 2022.

As at the LPD, the extension of the 100% Tax Exemption until the YA 2023 has not come into effect but we continue to be eligible for the 100% Tax Exemption on our statutory income derived from Malaysian ships.

The further extension on the 100% Tax Exemption after the YA 2023 would be subject to gazette of the relevant tax laws. If there are no further gazetted tax laws to extend the 100% Tax Exemption and the Ministry of Transport implements the annual tonnage fee/ tax by 1 January 2022, we will continue to be eligible for the 100% Tax Exemption on our statutory income derived from Malaysian ships until the YA 2023 but from the YA 2024 onwards, we will be eligible for the 70% Tax Exemption on our statutory income derived from Malaysian ships.

With only the 70% Tax Exemption, 30% of our statutory income derived from Malaysian ships would be subject to the prevailing statutory tax rate of 24% and for illustrative purposes only, as a consequence, the effective tax rate of our Group would increase from approximately 9% to 13% for the FYE 31 December 2020. The effective tax rate of our Group for the FYE 31 December 2021 will also increase as compared to our effective tax rate for the FYE 31 December 2020.

As our Group will be eligible for the 70% Tax Exemption pursuant to Section 54(A)(1) of the Income Tax Act 1967 where the increase in the effective tax rate of our Group would not materially impact the profitability of the MTT Shipping group of companies ("**MTT Shipping Group**"), and accordingly, the reduction from the 100% Tax Exemption to the 70% Tax Exemption will not have a material adverse effect to the profitability of our Group. The MTT Shipping Group has also continued to grow its business resulting in much improved results for the FPE 31 March 2021.

There can also be no assurance that the tax exemption under the Income Tax Act 1967 would continue to be available to Malaysian shipowners for an indefinite period of time or will continue on the same terms. Any adverse change to the tax treatment will adversely affect our results of operations.

9.1.12 We face the risk of arrest and detention of vessels

Our vessels are our primary assets to ensure delivery of goods for our customers. Our vessels may be arrested and detained in certain events involving such vessels, which include, but not limited to the following events:

(i) a claim in respect of a mortgage or charge on our vessels or any share therein;

(ii) a claim for damage done to/by our vessels, for instance where our vessels collide with and cause damage to other vessels or properties;

(iii) a claim for loss of life or personal injury sustained in consequence of any defects in our vessels or in our apparel or equipment;

(iv) a claim for loss of or damage to goods carried in our vessels;

(v) a claim arising from any agreement relating to the carriage of goods in our vessels or to the use or charter hire of our vessel; or

(vi) any claim by a master or a member of the crew of our vessels for wages (including any sum allotted out of wages or adjudged by a superintendent to be due by way of wages).

Further, actions may also be taken against any of our chartered vessels if they are within the same legal ownership as the vessel which is subject to the claim.

We have not encountered any arrest or detention of our vessels in the past. Any arrest or detention of vessels may cause damage to our reputation and disruption to our operations, which could materially and adversely affect our business, financial condition, results of operation and prospects. There can be no assurance that the above event or other events beyond our control that may cause our vessels to be arrested or detained, will not occur in the future.

9.1.13 The interests of our Promoters who control our Group may not be aligned with the interests of our other shareholders

Our Promoters will hold a controlling interest in our enlarged issued share capital upon Listing. As a result, our Promoters will be able to, in the foreseeable future, have effective control over the business direction and management of our Company including the election of directors, the timing and payment of dividends as well as having voting control and as such, will likely influence 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. Therefore, there is a risk of whether the interests of our Promoters will be aligned with those of our other shareholders.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We face competition in our businesses

We compete with other container liner shipping industry players in terms of service route offerings, capacity, service, pricing, frequency of delivery and ability to deliver on timely manner, among others. In particular, we compete with industry players who operate along similar service routes while covering the same ports.

We are subject to price competition and freight rates are usually a key factor for our customers in determining which shipping company to engage. Freight rates are affected by a variety of factors including the demand for and supply of cargo space, market conditions and bunker fuel prices, many of which are beyond our control. Some of our competitors may be able to offer lower freight rates. Any increased competition may result in reduction in our prices and profit margins as well as loss of our market share which may materially affect our result of operations. There can be no assurance that we will be able to continue to compete successfully in the future and if we fail to do so, our business, financial condition, results of operations and prospects would be materially and adversely affected.

Further, as we generally do not enter into long-term or exclusive supply or service agreements with our customers, our customers could potentially switch to the services of our competitors on all or some trades. Our competitors may choose to establish services on the same routes as ours and attempt to undercut our freight rates on those routes. This may result in us losing our customers and materially and adversely affect our result of operations and financial performance.

9.2.2 We are subject to changes in government, economies, fiscal and monetary policies and regulations applicable to container liner shipping industry

Our business may from time to time be subject to changes in applicable government, economic, fiscal and monetary policies and regulations. For example, the cabotage policy was implemented in Malaysia in 1980 to protect domestic shipping companies and to promote the domestic shipping industry. This policy does not allow for non-Malaysian vessels to conduct domestic shipping activities in Malaysia, unless exempted. However, cabotage policy went through several partial liberalisations. Pursuant to the partial liberalisation of the cabotage policy, with effect from 1 June 2017, both Malaysian and non-Malaysian vessels may provide transport of cargo services from any one port in Peninsular Malaysia to any one port in Sabah, Sarawak or Labuan (and vice versa), from any port in Sabah to another port in Sabah, or from any port in Sarawak to another port in Sarawak, without having to obtain a Domestic Shipping Licence. See Section 2.2 of the IMR Report as set out in Section 8 of this Prospectus for further details of the cabotage policy.

Competition would likely increase if more foreign players enter the market. Such increased competition may materially and adversely affect our business, financial condition, results of operations and prospects. In addition, government intervention and significant changes in policies in Malaysia including inflation, wage and price controls, capital controls, interest rates controls and limitations on imports or exports, may materially and adversely affect our business, financial condition, results of operations and prospects. Economic slowdowns may also have a material adverse effect on domestic economic conditions and investment sentiments. Such developments could lead to reduction in demand for our services and materially and adversely affect our business, financial condition, results of operations and prospects.

9.2.3 Our business operations may be affected by disruptions to operations at ports which are under our coverage

Our container liner shipping operations are reliant on the continued operations of the ports which are under our coverage. Further, we operate weekly fixed-day shipping services which is an important element and distinguishing factor to our container liner shipping business. As at the LPD, we offer comprehensive port coverage across Peninsular Malaysia and East Malaysia, as well as ports in Brunei, Singapore, Thailand and Indonesia, details of which are set out in Section 7.3.2(ii) of this Prospectus.

The container terminals at the respective ports may undergo expansion, upgrading and maintenance works from time to time. This may cause disruptions to our operations at the ports.

Further, we may also suffer operational disruptions from port congestion or stoppages as a result of certain disruptive events at the ports such as breakdown of port equipment, accidents, fire, port worker strikes, shortages in port labour, terrorist attacks, natural disasters/adverse weather conditions such as storms and haze, or other forms of unrest, all of which are beyond our control.

The disruptive event occurred may affect the marine tug boat services, pilotage services and crane services operating at the ports or result in closure of the ports or their facilities, and consequently affect our operations at such ports. It may also cause damages or losses to our vessels, containers as well as the cargo owned by our customers. Any such disruptions may result in delayed schedules and increased our cost of operations which eventually may materially and adversely affect our operations and financial performance.

We experienced port congestion as a result of the Covid-19 pandemic where our container vessels have to wait longer time for available berthing window at certain ports. Such situation may be largely due to reduced labour capacity at many ports in complying with the governments' SOP and spike of containers volume as the economy gradually reopened. See Section 7.17.1 of this Prospectus and Section 2.2 of the IMR Report as set out in Section 8 of this Prospectus for further details of such incident. There can no assurance that any disruptions occurred at the ports which are under our coverage in the future, will not adversely affect our business, financial condition and results of operations.

9.2.4 We are exposed to risk of fluctuation in bunker fuel prices

One of the main input costs for our container liner shipping services is bunker fuel, including HFO, very low sulphur fuel oil and marine gas oil, which are used to propel our vessels.

The cost of bunker fuel accounts for a substantial part of our operating cost. The table below sets out the breakdown of bunker fuel costs incurred by us for the financial years/period:

	FYE 31 December			FPE 31 March
	2018	**2019**	**2020**	**2021**
Bunker fuel costs/ RM('000)	93,409	88,367	76,401	22,429
Total direct costs/ RM('000)	409,506	408,950	414,880	122,975
% of our Group's total direct costs	22.8	21.6	18.4	18.2
Average cost of marine fuel oil per MT/ RM	1,699	1,668	1,660	1,715
Average cost of marine gas oil per MT	2,742	2,690	2,147	2,253

The cost of bunker fuel which is denominated in USD fluctuates according to the prevailing global oil prices. Global oil prices are affected by various factors beyond our control such as changes in global demand and supply conditions, geopolitical events affecting major oil producing countries, government policies and the level of global economic activities. Any changes in these factors may cause material increases in the global oil prices and this may lead to an increase in our Group's direct costs. If we are unable to partially pass on increases in bunker fuel costs to our customers, we will bear the incremental costs and this may have a material impact on our results of operations.

While we have generally been able to partially pass on cost increases to our customers through bunker adjustment factor, there can be no assurance that we can continue to do so in the future. If we are unable to partially pass on cost increases to our customers and are unsuccessful in managing our exposure to the bunker fuel price fluctuations, our financial condition, result of operations and prospects could be materially and adversely affected.

9.2.5 We are subject to fluctuations of charter hire rates for container vessels

As at the LPD, we charter out three of our container vessels to other container liner shipping companies. We will be chartering out additional four vessels in July 2021. As part of our future plans and strategies, we plan to, among others, expand our container vessel fleet for our vessel chartering business by purchasing additional container vessels using part of the proceeds raised from our Public Issue. See Section 4.6 of this Prospectus for further details of the use of proceeds to be raised from our Public Issue. Charter hire market rates fluctuate according to the supply and demand for vessel chartering services, the design or specifications of the vessels, geographical locations and changes in economic conditions and regulatory requirements. Our success in increasing the revenue contribution from our vessel chartering business segment depends on our ability to secure employment for our vessels at profitable charter rates.

If we charter out our container vessels at a time when demand for container vessels is low, we may have to accept a reduced and potentially unprofitable rates or we may not be able to charter out our vessels at all. If the charter hire rates are not at desirable levels and we are to continue to incur crew costs, insurance and maintenance costs for our vessels, our business, financial condition, results of operations and prospects could be materially and adversely affected.

9.2.6 Terrorist or pirate attacks or cargo hijacking may increase the costs of our operations

Our container vessels including our tugs and barges face the risk of terrorist or pirate attacks during a voyage as we sail along the waters of Sabah, Sarawak, Straits of Malacca, waters of Thailand, Singapore and Indonesia. Terrorist or pirate attacks and/or cargo hijacking during our voyage and/or at the ports where we voyage to, may materially and adversely affect our shipping operations. The potential impact includes the loss of cargo and loss of profit from payment of ransom, detention against our vessels, as well as jeopardising the safety of the affected crew members. Any future terrorist or pirate attacks or cargo hijacking may increase the premiums payable for such insurance coverage and expenses for tightened security measures. In such circumstances, our business, financial condition, results of operations and prospect may be materially and adversely affected.

9.3 RISKS RELATING TO OUR SHARES AND OUR LISTING

9.3.1 There may be a delay in or termination of our Listing

The occurrence of certain events may, including the following, may cause a delay in or termination of our Listing:

(i) the Joint Managing Underwriters or the Joint Underwriters exercising their rights under the Retail Underwriting Agreement, or the Global Coordinator or the Joint Bookrunners exercising their rights pursuant to the Placement Agreement to discharge themselves from their obligations under such agreements;

(ii) we are unable to meet the minimum public shareholding spread requirement under the Listing Requirements, i.e. at least 25.0% 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 for our Listing for whatever reason.

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

(i) the SC issues a stop order under Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we and the Selling Shareholders 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

(ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, investors will not receive any 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 or transfer of our IPO Shares and the proceeds from our Public Issue form part of our share capital:

(i) the SC issues a stop order under 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

(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 the sanction of our shareholders by special resolution in a general meeting and supported by either (a) 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) a solvency statement from the directors.

9.3.2 An active and liquid market for our Shares may not develop

There can be no assurance as to the liquidity of the 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. Neither we nor our Promoters have an obligation to make a market for our Shares or, if such a market does develop, to sustain it. In addition, there can be no assurance that the trading price of our Shares will reflect our operations and financial condition, our growth prospects or the growth prospects of the industries in which we operate.

9.3.3 We may not be able to pay dividends

Our ability to declare dividends to our shareholders will depend on, among 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 can be no assurance that we will be able to pay dividends to our shareholders.

The receipt of dividends from our subsidiaries may also be affected by the passing 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.

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.

For a description of our dividend policy, see Section 12.5 of this Prospectus.

9.3.4 Our Share price and trading volume may be volatile

The market price of our Shares may fluctuate as a result of, among others, the following factors, some of which are beyond our control:

(i) differences between our actual financial and operating results and those expected by investors and analysts;

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

(iii) changes in market valuations of listed shares in general or shares of companies comparable to ours;

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

(v) fluctuations in stock market prices and trading volumes;

(vi) involvement in litigation;

(vii) changes in government policy, legislation or regulation; and

(viii) general operational and business risks.

In addition, many of risks described elsewhere in this Section could materially and adversely affect the market price of our Shares. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Institutional Price or the Final Retail Price. There can be no assurance that the trading price of our Shares will reflect our operations and financial condition, our prospects, the prospects of the industry we operate in.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that has affected the share prices of many companies. Share prices of many companies have experienced wide fluctuations that are often unrelated to the operating performance of these companies, including fluctuations as a result of developments in other emerging markets. There can be no assurance that the price and trading of our Shares will not be subject to fluctuations.

9.3.5 Forward-looking statements in this Prospectus may not be accurate

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Group for future operations are forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, among others, general economic and business conditions, competition, the impact of new laws and regulations affecting our industries and government initiatives. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements of our Group, or industry results, to be materially different from any future results, performance, achievements or industry results expressed or implied by such forward-looking statements.

In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved.