4. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE AND MAY OCCUR EITHER INDIVIDUALLY OR IN COMBINATION, AT THE SAME TIME OR AROUND THE SAME TIME) 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 STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ARE NOT AN EXHAUSTIVE LIST OF THE CHALLENGES THAT WE CURRENTLY FACE OR THAT MAY DEVELOP IN THE FUTURE. PLEASE BE AWARE THAT ADDITIONAL RISKS, WHETHER KNOWN OR UNKNOWN, MAY ARISE AND HAVE A MATERIAL ADVERSE EFFECT ON THE FINANCIAL PERFORMANCE OF OUR GROUP.

4.1 RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

4.1.1 Our operations are reliant on certain approvals, licences and permits

We are primarily involved in the provision of construction services that are bound by the rules and regulations set by government bodies such as the CIDB who governs the registration of contractors. Under the Lembaga Pembangunan Industri Pembinaan Malaysia Act, 1994, it is mandatory for all contractors who carry out and complete any construction works in Malaysia to be registered and hold a valid certificate of registration issued by the CIDB. There are a total of seven (7) registration grades that determine the capacity of a contractor in tendering for the value of construction work, whereby Grade G7 being the registration grade that allows the contractor to tender for construction works that are of unlimited value and operate throughout Malaysia.

Our wholly-owned subsidiary, Grand Dynamic Builders is currently a Grade G7 contractor registered with the CIDB which allows us to participate in tenders of unlimited value. We also obtained the SPKK from the CIDB as a Grade G7 contractor that enables us to participate in tenders called by the Government authorities that is otherwise regarded to be in the public sector.

The Grade G7 registered contractor certificate issued by the CIDB is the key to the continuity of our core business operations. The list of all our major approvals, licences and permits obtained for our business operations is set out in Section 5.7.10 of this Prospectus.

As stated above, the validity of these approvals, licences, permits and certificates are subject to renewal and in the event we fail to comply with the rules and regulations issued by the governing authorities such as the CIDB, our approvals, licences, permits and any other relevant certificates in relation to our business operations may be revoked, suspended or not renewed. Similarly, any breach of these rules and regulations can result in penalties, fines and/or potential criminal prosecution against us. Such revocation, suspension and/or non-renewal of our approvals, licences, permits and certificates will affect our ability to continue our business operations and hence affect our profitability.

As at the LPD, our Group has not encountered any revocation, suspension or non-renewal of our existing approvals, licences, permits and certificates from authorities prior to expiration and we have renewed our registration with the CIDB as well as our SPKK certificate under the CIDB which will expire on 10 September 2018.
4. RISK FACTORS (CONT’D)

Notwithstanding the above, there can be no assurance that our Group will be able to obtain renewals of our approvals, licences, permits and certificates in the future, especially if there are changes to the present rules, guidelines, regulations and/or policies.

4.1.2 Our Group’s operations are dependent on our Executive Directors and key management team

Our Group’s continuous success, future business growth and expansion depend on our Executive Directors’ experience, expertise and continued efforts. Our Executive Directors, namely Cheah Ham Cheia and Alexander Lo Tzone Leong, have been actively involved in our Group’s operations, and their in-depth knowledge on the construction industry, is invaluable to our Group and our Group’s future plans. In addition, our other Executive Director, Cheah Jun Kai, joined in July 2014 and has been participating actively in our Group’s operations since then.

Our Executive Directors are assisted by our key management team, who also has extensive knowledge and experience in our business. Our Executive Directors and key management team are vital for the strategic direction, leadership, business planning and development, and management of our Group’s operations, in addition to formulating and implementing strategies to drive the future growth of our Group.

The loss of any of our Executive Directors and/or key management team, and our inability to find a suitable replacement in a timely manner, may adversely affect our ability to maintain and/or improve our business performance. As such, our ability to retain and also attract competent and experienced personnel is crucial for our continued success, future business growth and expansion.

Currently, we have a management succession plan in place, which encompasses taking a proactive approach towards addressing talents in order to ensure that the key management team of our Group has the capability to undertake leadership positions. Our Group’s Executive Director, Alexander Lo Tzone Leong, has been earmarked as the successor to our Group’s Managing Director, Cheah Ham Cheia. In addition, Cheah Jun Kai is also being groomed to progressively assume greater responsibilities within our Group, including participation in strategic business planning and decision making under the guidance of Cheah Ham Cheia and Alexander Lo Tzone Leong. Our key management team is exposed to various aspects of our business operations to ensure that they have a full understanding of the necessary responsibilities and decision-making process.

Please refer to Section 7.8 of this Prospectus for further details on our Group’s management succession planning.

4.1.3 The continuity of our order book is not assured and any significant decline in our order book will adversely affect our long term sustainability and growth

Our principal business is in the provision of construction services. We are awarded with contracts on a project basis to be implemented over an average of two (2) to three (3) years. There is no assurance of continuity from one project to the next project. In the construction industry, it is common for projects to be awarded based on competitive bidding, and as such, we have to bid competitively for every contract that we wish to secure. There is a risk that we may not be able to secure every contract that we tender for. Any significant decline in our order book will adversely affect our long term sustainability and business growth.
As at the LPD, our order book comprised unbilled contracts amounting to a total of RM695.97 million, to be billed over the next four (4) financial years to 2020. The details of our order book are provided in Section 11.4.7(b) of this Prospectus. As at the LPD, we had also tendered for RM1.28 billion worth of new contracts. However, there can be no assurance that our current order book can be sustained in the future and there can be no certainty that projects from our order book will not be delayed or terminated and we may face a situation of inability to secure new contracts which in turn may result in an adverse impact on our long term sustainability and business growth.

4. RISK FACTORS (CONT’D)

4.1.4 Our Group is reliant on external financing which may not be available or is available on terms not favourable to us

We rely on bank guarantees for tender bonds and performance bonds. A tender bond is submitted as part of the tender documents to provide assurance to our customer that we will proceed with the contract (as per the tender) upon the acceptance of the tender by our customer. Upon the acceptance of the letter of award, the tender bond will be returned upon submission of performance bond. A performance bond, on the other hand, will provide assurance to the customer on the satisfactory completion of a project by us. The tender bond amount is usually specified in the tender document as determined by the customer, while the performance bond is generally 5.00% of the contract sum awarded. In general, the validity of the tender bond ranges from four (4) to six (6) months, whereas the performance bond will expire after the issuance of the CPC. The tender bonds and performance bonds are generally issued to the customer in the form of bank guarantees.

If we are unable to secure adequate credit facilities at competitive rates for the abovementioned requirements, our cash flows, operations, growth and expansion plans will be adversely affected.

Besides, there is also risk of simultaneous demand for immediate repayment on our outstanding credit facilities, as well as calling on the tender bonds and performance bonds by our customers should we fail to meet our contractual obligations. If any significant calls take place simultaneously, this would have a material adverse effect on our working capital and in turn, have a material effect on our business, financial position, results of operations and/or prospects.

As at 31 December 2016, the bank guarantees issued for contract works being carried out by our Group amounted to RM21.21 million. Any significant increase in the rates on our future bank guarantees will adversely affect our profitability and cash flows.

In addition, our Group’s ability to expand our business operation is dependent upon continued capital expenditure via internally generated funds and/or external funding. Although we have not encountered significant difficulties with the licensed banks nor default in any of our borrowings repayment, there can be no assurance that we will not, in the future, be exposed to financing risks in which the banking facilities are not made available to us, and if available, such financing terms are not favourable to us.

Any additional borrowings and/or unexpected increase in interest rates may result in an increase in interest expense, which may affect our profitability and debt repayment obligations. There can be no assurance that we are able to meet our borrowing commitments imposed by the licensed banks in the event of any unexpected increase in interest rates in the future.
4. RISK FACTORS (CONT’D)

Our credit facilities may also be subject to review by the licensed banks and contain certain covenants, which may limit our operating and financing flexibility. Such covenants include consents and approvals by the licensed banks regarding any management structure change in the board or major shareholders and to maintain gearing ratio or level of assets as specified by the licensed banks. Any act or omission by us that breaches such covenants may give the licensed banks the rights to withdraw or terminate the relevant credit facilities. This may in turn result in a cross default of other credit facility agreements.

As at the LPD, our Group has no outstanding bank borrowings. We have neither breached any of the covenants in our facility agreements in the past nor experienced any material increase in interest rates, which had an adverse impact on our financial performance in the past. Nevertheless, there can be no assurance that our performance will not be adversely affected should we breach any of the covenants in our facility agreements.

4.1.5 Our Group may be subjected to the risks of possible delays in completing our construction projects

The terms of our construction projects include the agreed milestones and specific completion timeline. However, the completion of our projects may be interrupted due to unforeseen external circumstances, which are beyond our control. Any extensions of time in the completion of the projects would result in project cost overrun, attract negative feedbacks and legal uncertainties such as the possibility of enforcement of the liquidated damages penalties by our customer. As such, the timely completion of our construction projects is vital in maintaining our Group's financial performance and upholding our Group's reputation in the local construction industry.

As at the LPD, our Group has completed three (3) projects and all three (3) projects were completed ahead of the contractual completion date. Our Group has not experienced any failure in completing our construction projects which resulted in liquidated damages penalties enforced against us and we have not encountered project cost overrun that led to an adverse impact on our business operations and financial result. Notwithstanding the above, there can be no assurance that there would not be delay in completion of our future projects which may result in legal suits, liabilities and lower profitability that would adversely impact our Group's future earnings and reputation.

4.1.6 Our Group may be affected by the fluctuations in the prices and shortages of construction materials

Our construction materials consist mainly of steel materials, ready-mix concrete, sanitary wares, tiles, cement, grout and adhesive, timber and plywood, hollow section and galvanised iron pipe, electrical items, brick/ block and other construction materials which are required in our construction activities. Thus we are dependent on the continuous supply of such materials which we source from a number of suppliers in Malaysia.

Our construction materials are price sensitive, and we face the risk of being unable to obtain sufficient quantities of construction materials at competitive prices. Some of our construction materials such as steel materials are commodities and their prices are subjected to the fluctuation in global market prices. Further, any fluctuation in construction materials prices will affect the construction industry as a whole. Nonetheless, any price fluctuations in construction materials caused price volatility and shortages of construction materials, which are beyond our control, could result in increased costs and have a material adverse effect on our future financial performance.
We have not experienced any adverse price fluctuations in the construction materials or face shortages in construction materials during the course of our construction activities, which had an adverse impact on our Group's financial performance over the past three (3) financial years under review. However, there can be no assurance that our Group will not be exposed to the risk of price fluctuation or shortages of construction materials for our future projects.

4.1.7 Our construction works are dependent on the services of our subcontractors

Our Group usually engages subcontractors to carry out different parts of our construction activities particularly those requiring other specialised trade works such as mechanical and electrical engineering works, piping and plumbing works, external paint works and water proofing works. In addition, our Group also engages labour subcontractors to carry out work such as supply and installation of construction materials, machinery and equipment with the objective to reduce the need for our Group to employ a large workforce to lower our operating costs.

Subcontractors are appointed following the shortlisting of candidates based on the project requirements, assessment of tenders submitted by the candidates, as well as our past working experiences and relationship with the candidates. Upon finalisation of pricing and scope of works or bills of quantities, we will enter into formal contracts with the successful subcontractors. Notwithstanding that, our Group still undertakes the overall project planning, coordination and management of all our subcontracted works and we are accountable to our customers for the execution of the contract and the overall management of the project. For the past three (3) FYE 31 December 2014 to 31 December 2016, our total subcontractor costs accounted for approximately 54.10%, 48.09% and 64.67% of our Group's total cost of sales, respectively.

Notwithstanding our formal contractual relationships with our subcontractors, any failure of a subcontractor to fulfil its contractual obligations may lead to damages and penalties against our Group in favour of the customer who awarded the construction project to us. Our projects may be delayed and experience cost overrun or poor quality work attributed to our subcontractors due to instances such as insufficient availability of resources during the course of construction period and poor quality deliverable.

In addition, our subcontractors are also subject to the rules and regulations governed by the regulatory body such as the CIDB and the Immigration Department of Malaysia in relation to the employment of foreign workers in the local construction industry. The non-compliance of these rules and regulations may affect their renewal of relevant registrations or licences and/or may even lead to revocation of their registrations or licences.

As at the LPD, our Group's business operations and financial results have not been affected by the failure of our subcontractors in fulfilling their contractual obligations. Nevertheless, there is no assurance that our financial performance and business operations will not be adversely affected due to poor quality deliverables of our subcontractors.
4. RISK FACTORS (CONT’D)

4.1.8 Our business may be affected by defects in our construction works

The nature of our Group's business exposes us to the risk of defects liability claims by our customers due to the defects in our construction works that occur during the defects liability period. Defects liability period usually ranges between 24 to 27 months after the CPC is issued to us upon the completion of our construction works.

Generally, our construction projects are subject to a retention sum of 5.00% of the contract sum awarded to us, which will be set out in the contract with our customer. This retention sum serves as a security to our customer to safeguard and guarantee our performance towards the completion of projects as well as against the defects which may occur during the defects liability period. Our customer will retain the entire retention sum throughout the contract period until the issuance of the CPC, of which half of the total retention sum will be released to us upon the issuance of the CPC, whilst the remaining half of the retention sum will be retained by our customer until the end of the defects liability period and upon the issuance of the CMGD.

We are liable for the repair work and rectification of defects in the event any defects occur due to our fault during the defects liability period. In addition, our customer may utilise the remaining retention sum to remedy such defects if we fail to rectify within the agreed period. As such, we may not be able to receive any of the remaining retention sum. Such failure to receive any of the remaining retention sum could adversely impact our financial results.

As at the LPD, we have not experienced any defects in our construction works which is required to be carried out by our customer during the defects liability period. Nevertheless, there is no assurance that the aforementioned will not occur in the future.

4.1.9 Our Group may suffer inadequate insurance coverage on our assets, construction projects and employees

Due to the nature of our business which entails risks such as exposure to accidents by our employees as well as theft of our machinery and equipment, we have insurance coverage for our construction projects, assets and our employees. The insurance policies provide coverage against burglary, fire, theft, mobile and heavy equipment, workmen's compensation and contractors' all risks. As at the LPD, the sum insured by the insurance policies is amounted to approximately RM1.89 billion.

There can be no assurance that our insurance coverage is sufficient to cover all the liabilities incurred and as such, claims for damages arising from our Group's operations may have an adverse impact on our Group's financial condition or results of operations.

Furthermore, there is no assurance that our insurance premiums payable in relation to the above insurance policies or additional insurance required by specific projects will not increase. Such increase or mandatory imposition in insurance premium costs may affect our financial results.

As at the LPD, we have not made any major insurance claims. Notwithstanding the above, there is no assurance that all liabilities suffered will be sufficiently covered by insurance and as such, claims for damages arising from our Group's operations which are not adequately covered by our insurance coverage may have an adverse impact on our Group's financial condition or operations.
4. RISK FACTORS (CONT’D)

4.1.10 Reliance on major customers

During the past three (3) financial years under review, our Group's revenue was mainly contributed by Perdana ParkCity Sdn Bhd and Trans Resources Corporation Sdn Bhd. These customers may continue to account for a significant proportion of our Group's total revenue in the near future in view of our established working relationships with both Perdana ParkCity Sdn Bhd and Trans Resources Corporation Sdn Bhd. The details of our past projects as well as on-going construction projects are provided in Section 5.7.2 of this Prospectus.

As mentioned in Section 4.1.2 of this Prospectus, our contracts are usually awarded on a project basis to be implemented over an average of two (2) to three (3) years hence we encounter the risk of not having long term contractual agreements with our customers. There is also no assurance that our major customers will continue to engage us in the future. In the event that they discontinue their business relationships with our Group, we may not be able to secure other customers who can contribute a similar proportion of our revenue on a timely basis. As such, our business operations and financial performance may be adversely affected.

Furthermore, our business operations and financial performance may be adversely affected should there be any adverse changes specific to the operations, financial performance of and external factors affecting our major customers that are beyond their control. This may result in the delay and/or default in their contractual payments to us.

We have not experienced any default in our collections from our major customers on the amounts owing by them to us. Notwithstanding that, there is no assurance that our financial performance and business operations will not be adversely affected by our reliance on our major customers.

4.1.11 There is no assurance that our business strategies and future plans can be successfully implemented

Our Group intends to utilise approximately 90.97% of the proceeds from our Public Issue to support our current operations and future plans, which include to further grow our business in high rise building construction, explore opportunities to expand into other types of construction projects and enhance our assets via acquisition of office, land and machinery and equipment as well as working capital purposes. The details of the utilisation of proceeds and our future plans are as disclosed in Sections 3.10 and 5.10.1 of this Prospectus.

The success of achieving our business strategies and implementing our future plans relies on market conditions, sufficient financing resources, our ability to continuously secure new projects and the efficiency of our business operations. As such, there is no assurance that all our business strategies and future plans will be successful. Furthermore, there is no assurance that the successful implementation of our future plans will improve our earnings given the anticipation of additional resources or costs to be incurred to facilitate the implementation of our business strategies.

In the event we are unable to maintain and improve our operations in tandem with the growth of our Company or if we fail to effectively manage our future investments, our operations and financial position may be adversely affected.
4. RISK FACTORS (CONT'D)

4.2 RISKS RELATING TO OUR INDUSTRY

4.2.1 The construction activity is dependent on the Malaysian property sector

Our business operations are dependent on the performance of the Malaysian property sector and the government infrastructure development plan as these developments create demand for construction activities. All our construction projects and customers are concentrated in Malaysia.

The outlook of the Malaysian property sector may be affected by market risks such as the political and economic stability of the country, shortage of labour supply as well as increase in labour and construction material costs. Furthermore, the Malaysian property sector is susceptible to risks such as an increase in financing cost and fluctuating demand for real estate properties. As such, any movement and development in the local property sector and national fiscal policy will have a direct impact on our Group's performance and operations.

According to the Industry Overview, between 2010 to 2016, there were a number of incidents affecting the property market in Malaysia. Since 2010, Bank Negara Malaysia ("BNM") introduced several macro prudential measures to curb excessive speculative activity in the housing market and to deter over-borrowing. For example, in 2010, BNM imposed a maximum loan-to-value ratio of 70% on borrowers with three (3) or more outstanding housing loans, while in 2013, BNM announced that the maximum tenure of 35 years for financing granted for the purchase of residential and non-residential properties. These measures had resulted in a four (4)-year decline, from 2013 to 2016 by 30.11%, in loan approved for the purchase of residential and non-residential properties. The introduction of the Goods and Services Tax in April 2015 has also caused uncertainties in the market.

In 2015, the drop in the total residential and commercial property transactions was mainly contributed by a reduction in property transactions in Johor. Nevertheless, the overall property market in Malaysia improved in 2016 by 1.77%, contributed by the growth in commercial property transactions in Kuala Lumpur. This is despite the ongoing oversupply in office space and shopping complexes in Kuala Lumpur, reflected by a lower occupancy rate of office space at 77.9% in 2016 from 81.2% in 2015, and shopping complexes at 86.9% in 2016 from 87.4% in 2015.

In October 2016, the Government announced the Budget 2017, whereby the Government will take measures to ensure that the country will achieve sustainable economic growth. Upon the conclusion of the Budget 2017, the Government will launch the 2050 National Transformation which will be branded as TN50. TN50 will chart the nation’s development and will be spearheaded by the Ministry of Youth and Sports. Under Budget 2017, the Government announced several infrastructure and social amenities projects that will result in greater demand for construction services. (Source: Industry Overview)

However, there is no assurance that there will be no adverse condition affecting the performance of the local property market that can lead to instability in the construction industry in Malaysia.

4.2.2 The construction industry is competitive

Our Group operates in a competitive industry which consists of local and foreign construction companies that include listed and non listed companies. Foreign competitors with global market presence and strong financial resources may enter the local construction industry should they obtain the necessary licenses and permits with relevant human capital and this will intensify the competition. Competition from other players may reduce our market share thereby affecting our market position and financial performance.
4. RISK FACTORS (CONT’D)

As at June 2017, there were a total of 81,301 contractors registered with the CIDB, of which 7,013 were registered with Grade G7 reported by the Construction Statistic Quarterly Bulletin-2017 by CIDB. Generally, the barrier to entry into the construction services market in Malaysia is relatively high as it requires high capital investment to purchase heavy machinery and equipment for instance, tower crane, passenger hoist and other related machinery in order to undertake large scale projects.

According to the Industry Overview, local industry players dominate the construction industry. However, foreign construction companies have been increasing their presence in Malaysia. In 2010, 11.95% of construction projects were awarded to foreign construction companies, based on the value of projects awarded, and this increased to 37.24% in 2016. The projects awarded to foreign construction companies are primarily infrastructure projects and mainly involve companies from China. (Source: Industry Overview)

As at the LPD, we have not experienced any major competition from our competitors which have resulted in an adverse effect on our financial performance in the past. Nevertheless, there can be no assurance that we will be able to compete effectively with current and new entrants into the construction industry in the future and the competition in the tendering process will not intensify in the future.

4.2.3 The construction industry is exposed to political, economic and regulatory risks

The nature of our business and the local construction industry, are subject to prevailing political, economic and regulatory conditions in Malaysia. Any adverse changes in political, economic and regulatory conditions such as political uncertainties, changes in the government's policies and regulations in relation to the construction industry, prolonged and/or widespread economic slowdown in Malaysia, weak investment sentiment in Malaysia, war, terrorism activities and riots could adversely affect our Group's operations and financial prospects.

As stated in Section 4.1.1 of this Prospectus, our construction activities are governed by several government bodies which include, the CIDB. As at the LPD, we have not experienced any adverse political, economic and regulatory changes which have an adverse impact on our business operations. Notwithstanding the above, there is no assurance that adverse political condition, cyclical change in the Malaysian economy and regulatory changes, which are beyond our control, will not adversely affect our Group's business.

4.2.4 The construction industry is dependent on foreign workers

Our construction services are dependent on foreign workers. For the past three (3) financial years, the number of foreign workers who worked at our construction sites was 51, 149 and 258 respectively as at 31 December 2014, 31 December 2015 and 31 December 2016. These foreign workers are mainly working as our construction workmen, who have valid permits and licences to perform construction activities.

As our Group's operations are dependent on the supply of foreign workers, any shortage in its supply would adversely affect our operations. The employment of foreign workers are sourced from specific countries as determined by the Immigration Department of Malaysia, mainly from Indonesia and Bangladesh. Should the Government amend their policies and impose any restriction or limit on the number of foreign workers to be employed for construction projects, the completion of projects may be delayed, hence affecting our business operations and financial performance. Such employment risk is also extended to the home countries of the foreign workers should there be changes in their employment policies.

As at the LPD, our Group has not encountered any of the rules enforcement which have an adverse effect to our business operations and financial results. Nevertheless, there can be no assurance that we will continue to have adequate supply of foreign workers
4. RISK FACTORS (CONT'D)

and any rule enforcement in relation to the employment of foreign workers which may not have an adverse impact on our business operations and financial results.

4.2.5 The construction activities are exposed to risks relating to workplace HSE

The local construction industry is bound by the laws and regulations relating to workplace safety and workers' health enacted or issued by the government bodies. The primary legislation and regulations that are applicable to our daily construction works are the Occupational Safety and Health Act 1994, the Factories and Machinery Act 1967, the Environmental Quality Act 1974 and the Lembaga Pembangunan Industri Pembinaan Malaysia Act, 1994.

As a construction player, we are obliged to ensure that a healthy and safe working environment is provided especially at our construction sites. The HSE risks include any accidents and injury caused during the course of construction activities. Any failure to comply with the relevant HSE laws and regulations may result in penalties and closure of construction sites.

As at the LPD, our Group has not breached any workplace HSE matters which have adversely impacted our business operations and our existing operations are in compliance with the relevant laws and regulations, save for stop work order due to mosquitoes' larvae found at construction site at KL Eco City Project 1 during the FYE 31 December 2015 and 31 December 2016. Nonetheless, the stop work order did not have an adverse impact as we have completed the project ahead of contractual completion date.

Nevertheless, there can be no assurance that we will not be exposed to potential workplace HSE liabilities in the future. In the event of severe environment occurrence or accidents, it may lead to negative publicity and/or suspension of our relevant licences in which, will adversely impact our reputation, business operations and financial position. There can be no assurance that our operations may not be affected due to the changes in HSE laws and regulations and the compliance with new laws and regulations may impose a significant cost to our Group.

4.2.6 Our operations may be affected by any occurrence of force majeure events such as weather conditions, natural disasters and other unavoidable accidents

The nature of our business operations is affected by weather and natural disasters which lead to the risk of site flooding and extreme weather condition such as haze due to the fact that our operations are conducted at the construction sites. Any occurrence of force majeure events as mentioned above may prohibit us from performing our construction works and as a result, we may not be able to meet the specified timeline for our projects. This may lead to delay in the completion of our projects and accordingly, we may be liable for the liquidated damages penalties imposed by our customers which could lead to an adverse impact on our business operations and financial performance.

In the event that we have to halt our operations during adverse weather conditions or natural disasters, we are still required to incur operating expenses such as labour cost. In addition, as mentioned in Section 4.1.9 of this Prospectus, we will be liable to liquidated damages penalties if we fail to obtain the approval for extension of time for the completion of our project from our customers. Our Group's operations and financial position may be affected should such events occur and there is also no assurance that we will be able to record profits and have sufficient funds for our operations to recover the damages caused by such events.

As at the LPD, we have not experienced any occurrence of force majeure events that adversely affect our business operations and financial performance in the past. Notwithstanding the above, there is no assurance we will not encounter such event and our business operations and financial performance will not be adversely affected should such events occur in the future.
4. RISK FACTORS (CONT’D)

4.3 RISKS RELATING TO INVESTING IN OUR SHARES

4.3.1 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 historical earnings, prospects and future plans, 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 of Bursa Securities upon our Listing and the market price of our Shares will not decline below the IPO Price.

4.3.2 Our Share price and trading volume 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. 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.

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

(i) Variations in our results and operations;

(ii) Success or failure in 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 construction industry, the prevailing global and local economic conditions or stock market sentiments or other events or factors;

(v) Additions or departures of key personnel;

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

(vii) Involvement in litigation.

4.3.3 Our Promoters will continue to hold a majority of our Shares after the IPO

As disclosed in Section 7.1.1 of this Prospectus, our Promoters will collectively hold in aggregate approximately 74.00% of our enlarged issued share capital upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations.
Nevertheless, our Group has appointed three (3) independent directors and set up an Audit Committee to ensure that any future transactions involving related parties are entered into on an arms-length basis and/or on normal commercial terms that are not more favourable to the related parties than those generally available to third parties and are not detrimental to our minority shareholders, and to facilitate good corporate governance whilst promoting greater corporate transparency.

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

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

(i) The MITI approved Bumiputera investors fail to acquire the Shares allocated to them under the Public Issue;

(ii) Our Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from its obligations thereunder;

(iii) The revocation of approvals from the relevant authorities for the Listing and/or admission for whatever reason; or

(i) We are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25% 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.

In such event, investors will not receive any of our IPO Shares and we will return in full, without interest, all monies paid in respect of any application for our IPO Shares in compliance with sub-section 243(2) of the CMSA.

Nonetheless, our Board will endeavour to ensure compliance with the various requirements for our successful Listing.

4.3.5 There is no assurance of payment of dividends

Our Company, being an investment holding company, derives income mainly from dividends received from our subsidiary. Hence, our ability to pay future dividends is largely dependent on the performance of our subsidiary.

Upon Listing, our Directors intend to adopt the policy of recommending up to 30.00% of the profit attributable to the owners of our Company in each financial year to be distributed as dividends to allow our shareholders to participate in the profits of our Group. Investors should note that the intention to recommend dividends should not be treated as a legal obligation on our Company to do so.

In determining the size of any dividend recommendation, we will also take into consideration a number of factors, including but are not limited to, our financial performance, cash flow requirements, debt servicing and financing commitments, future expansion plans, loan covenants and compliance with regulatory requirements. Whilst we endeavour to make payments of dividends, no assurance can be given that we are able to pay any dividends in the future as a result of factors stated above. Please refer to Section 11.5 of this Prospectus for further information on our dividend policy.