3. PARTICULARS OF THE PUBLIC ISSUE

3.1 PRELIMINARY

This Prospectus is dated 16 June 2004.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the application form, has also been lodged with the ROC who takes no responsibility for its contents.

The approval for the Public Issue has been obtained from the SC on 16 April 2004. Approval has also been obtained from Bursa Malaysia on 20 April 2004 for the admission of Perisai to the Official List of the MESDAQ Market and for permission to deal in and quotation for the 208,000,000 Shares representing the entire enlarged issued and paid-up share capital of Perisai including the 52,000,000 Issue Shares which are the subject of this Prospectus. These Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence upon receipt of confirmation from the Depository that all CDS accounts of successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Malaysia has prescribed Perisai Shares as a prescribed security. In consequence thereof, all Shares including the Issue Shares will be deposited directly with the Depository and any dealings in these Shares will be carried out in accordance with the aforesaid legislation and the Rules of the Depository.

Person(s) applying for the Issue Shares must have a CDS Account and should state his CDS Account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application, the applicant shall furnish his CDS Account to the participating financial institution by way of keying in his CDS account number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application.

Pursuant to the MMLR, the Company needs to have at least 25% but not more than 49% of the enlarged issued and paid-up share capital in the hands of public shareholders and a minimum number of 200 public shareholders at the point of admission to the MESDAQ Market. In the event that the above requirement is not met pursuant to the Flotation Scheme, the Company may not be allowed to proceed with its listing on the MESDAQ Market. In the event thereof, monies paid in respect of all applications will be returned without interest if the said permission is not granted.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by Perisai. Neither the delivery of this Prospectus nor any issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create an implication that there has been no change in the affairs of Perisai or the Group since the date thereof.

The distribution of this Prospectus and the sale of the Issue Shares in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for purpose of an offer to sell or an invitation of an offer to buy any Issue Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are in any doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

3. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

3.2 INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company of RM20,800,000 comprising 208,000,000 Shares on the MESDAQ Market is set out below:

Event	Tentative date
Date of Prospectus / Opening date of application	16 June 2004
Closing date of application	23 June 2004
Balloting of applications for the Issue Shares	25 June 2004
Allotment of the Issue Shares	2 July 2004
Listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market	5 July 2004

This timetable is tentative and is subject to changes, which may be necessary to facilitate implementation procedures. The application period will open at 10.00 a.m. on 16 June 2004 and remain open until 5.00 p.m. on 23 June 2004 or for such further period as the Directors of Perisai and the Underwriter and Placement Agent in their absolute discretion may mutually decide. Should the closing date of application be extended, the dates of allotment for the Issue Shares and listing of and quotation for the entire enlarged issued and paid-up share capital of Perisai on the MESDAQ Market would be extended accordingly. Any extension to the closing date for the application will be published in a widely circulated daily English and Bahasa Malaysia newspapers before the original closing date.

3.3 FLOTATION SCHEME

In conjunction with, and as an integral part of, the listing of and quotation for the entire issued and paid-up share capital of Perisai on the MESDAQ Market, the Company undertook a restructuring exercise, which was approved by the MITI on 18 February 2004, the SC, which includes approval sought under the FIC's guidelines, on 16 April 2004, and Bursa Malaysia on 20 April 2004. Details of the restructuring exercise are as follows:

(i) **Acquisitions**

(a) **Acquisition of CSSB**

On 2 January 2004, Perisai entered into a conditional sale and purchase agreement with the shareholders of CSSB for the acquisition of 360,000 ordinary shares of RM1.00 each representing 60% of the issued and paid-up share capital of CSSB for a total purchase consideration of RM7,366,801.

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The purchase consideration was wholly satisfied through the issuance of 73,668,010 new Shares to the shareholders of CSSB at par as follows:

CSSB shareholder	**No. of CSSB shares acquired by Perisai**	**% of the issued and paid-up share capital of CSSB**	**No. of new Perisai Shares issued as consideration**
MTSB	180,000	30.00	36,833,030
Tengku Daud Shaifuddin bin Tengku Zainudin	90,000	15.00	18,418,480
Nagendran a/l C. Nadarajah	72,000	12.00	14,733,200
Juhari bin Husin	18,000	3.00	3,683,300
	360,000	**60.00**	**73,668,010**

The purchase consideration for the Acquisition of CSSB was arrived at on a willing buyer - willing seller basis at a certain price to book ratio and PE Multiple after taking into account 60% of the audited NTA of CSSB as at 30 June 2003 and 60% of the forecast PAT of CSSB for the financial year ending 31 December 2004.

The Acquisition of CSSB was completed on 31 May 2004.

(b) **Acquisition of FSSB**

On 2 January 2004, Perisai entered into a conditional sale and purchase agreement with the shareholders of FSSB for the acquisition of 500,000 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of FSSB for a total purchase consideration of RM3,103,197.

The purchase consideration was wholly satisfied through the issuance of 31,031,970 new Shares to the shareholders of FSSB at par as follows:

FSSB shareholder	**No. of FSSB shares acquired by Perisai**	**% of the issued and paid-up share capital of FSSB**	**No. of new Perisai Shares issued as consideration**
Padmanaban a/l Balagurusamy	42,965	8.59	2,666,668
A. Ghani bin Md. Tahir	5,390	1.08	333,333
Wan Mazila Binti Wan Abas	63,370	12.67	3,870,969
STSB	388,275	77.66	24,161,000
	500,000	**100.00**	**31,031,970**

The purchase consideration for the Acquisition of FSSB was arrived at on a willing buyer - willing seller basis at a certain price to book ratio and PE Multiple after taking into account the audited NTA of FSSB as at 30 June 2003 and the forecast PAT of FSSB for the financial year ending 31 December 2004.

The Acquisition of FSSB was completed on 31 May 2004.

3. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

(c) **Acquisition of OTSB**

On 2 January 2004, Perisai entered into a conditional sale and purchase agreement with the shareholders of OTSB for the acquisition of 500,000 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of OTSB for a total purchase consideration of RM1,030,000.

The purchase consideration was wholly satisfied through the issuance of 10,300,000 new Shares to the shareholders of OTSB at par as follows:

OTSB shareholder	No. of OTSB shares acquired by Perisai	% of the issued and paid-up share capital of OTSB	No. of new Perisai Shares issued as consideration
MTSB	365,726	73.15	7,533,968
Vigneswaran a/l C. Nadarajah	134,274	26.85	2,766,032
	500,000	**100.00**	**10,300,000**

The purchase consideration for the Acquisition of OTSB was arrived at on a willing buyer - willing seller basis at a certain price to book ratio and PE Multiple after taking into account the audited consolidated NTA of OTSB as at 30 June 2003 and the forecast consolidated PAT of OTSB for the financial year ending 31 December 2004.

The Acquisition of OTSB was completed on 31 May 2004.

Following the Acquisition of OTSB, ISSB, which is a wholly-owned subsidiary of OTSB, becomes a wholly-owned subsidiary of Perisai.

(d) **Acquisition of RMSB**

On 2 January 2004, Perisai entered into a conditional sale and purchase agreement with the shareholders of RMSB for the acquisition of 100,000 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of RMSB for a total purchase consideration of RM2,600,000.

The purchase consideration was wholly satisfied through the issuance of 26,000,000 new Shares to the shareholders of RMSB at par as follows:

RMSB shareholder	No. of RMSB shares acquired by Perisai	% of the issued and paid-up share capital of RMSB	No. of new Perisai Shares issued as consideration
Kho Poh Eng	36,000	36.00	9,360,000
SMSB	15,001	15.00	3,900,000
TTSB	48,999	49.00	12,740,000
	100,000	**100.00**	**26,000,000**

3. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

The purchase consideration for the Acquisition of RMSB was arrived at on a willing buyer - willing seller basis at a certain price to book ratio and PE Multiple after taking into account the audited NTA of RMSB as at 30 June 2003 and the forecast PAT of RMSB for the financial year ending 31 December 2004.

The Acquisition of RMSB was completed on 31 May 2004.

(e) **Acquisition of WWSB**

On 2 January 2004, Perisai entered into a conditional sale and purchase agreement with the shareholders of WWSB for the acquisition of 37,500 ordinary shares of RM1.00 each representing 37.5% of the issued and paid-up share capital of WWSB for a total purchase consideration of RM1,500,000.

The purchase consideration was wholly satisfied through the issuance of 15,000,000 new Shares to the shareholders of WWSB at par as follows:

WWSB shareholder	No. of WWSB shares acquired by Perisai	% of the issued and paid-up share capital of WWSB	No. of new Perisai Shares issued as consideration
Devarajah a/l C. Navaratnam	32,500	32.5	13,000,000
DSSB	5,000	5.0	2,000,000
	37,500	**37.5**	**15,000,000**

The purchase consideration for the Acquisition of WWSB was arrived at on a willing buyer - willing seller basis at a certain PE Multiple after taking into account the forecast PAT of WWSB for the financial year ending 31 December 2004.

The Acquisition of WWSB was completed on 31 May 2004.

The Perisai Group is involved in the manufacturing, supplying, commissioning and installation of corrosion control products as well as the inspection and maintenance of pipes, pipelines, risers and heat exchangers primarily for the oil and gas industry. There are no companies listed on Bursa Malaysia which are involved in business activities directly comparable to that of the Perisai Group's.

The PE Multiples and price to book ratios ascribed to the Acquisitions were compared to the prospective PE Multiples and price to book ratios of several selected companies listed on the Bursa Malaysia which are involved in the oil and gas industry to determine the reasonableness of the purchase consideration for the Acquisitions.

The prospective PE Multiples and price to book ratios of these selected public listed companies (based on the respective 3-months weighted average share prices as at 31 December 2003 and the quarterly announced results for the financial period ended 30 September 2003, being the latest practicable dates prior to the signing of the sale and purchase agreements in relation to the Acquisitions) ranged from between 15.58 to 71.71 times and 1.80 to 9.02 times respectively.

Based on the above, the purchase consideration for the Acquisitions are reasonable as the PE Multiples and price to book ratios ascribed to the Acquisitions are either below or within the aforesaid ranges.

(ii) **Public Issue**

In conjunction with the flotation of Perisai on the MESDAQ Market, the Company will undertake a public issue of 52,000,000 Issue Shares at an issue price of RM0.33 per Share. Further details of the Public Issue are set out in section 3.6 of this Prospectus.

(iii) **Listing**

Following the completion of the Public Issue, Perisai shall be admitted to the Official List of the MESDAQ Market and the entire enlarged issued and paid-up share capital of Perisai of RM20,800,000 comprising 208,000,000 Shares shall be listed and quoted on the MESDAQ Market.

3.4 PURPOSES OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:

(i) to provide an opportunity for Malaysian citizens, companies, societies, co-operatives and institutions and Eligible Persons to participate in the continuing growth of the Group by way of equity participation;

(ii) to provide Perisai with access to the capital market to raise funds for future expansion and the continuing growth of the Perisai Group; and

(iii) to obtain a listing of and quotation for the entire enlarged issued and paid-up share capital of Perisai of RM20,800,000 comprising 208,000,000 Shares on the MESDAQ Market.

3.5 SHARE CAPITAL

	RM
Authorised	
500,000,000 Shares of RM0.10 each	50,000,000
Issued and fully paid-up	
Existing as at the date of this Prospectus	
156,000,000 Shares of RM0.10 each	15,600,000
To be issued pursuant to Public Issue	
52,000,000 Issue Shares of RM0.10 each	5,200,000
Enlarged issued and fully paid-up	
208,000,000 Shares of RM0.10 each	20,800,000

The issue price for the Issue Shares of RM0.33 per Issue Share is payable in full on application.

There is only one class of shares in Perisai, namely ordinary shares of RM0.10 each, all of which rank *pari passu* with each other. The Issue Shares will rank *pari passu* in all respects with the other existing issued and paid-up share capital of Perisai including voting rights and rights to all dividends that may be declared subsequent to the date of allotment of the Issue Shares.

Subject to any special rights attaching to any Shares which may be issued by the Company in the future, the shareholders of Perisai shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in respect of the whole of any surplus in the event of liquidation of the Company.

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Share held. A proxy may but need not be a member of the Company.

3.6 DETAILS OF THE PUBLIC ISSUE

The Public Issue is subject to the terms and conditions of this Prospectus, and upon acceptance, will be allocated in the following manner:

(i) **Pink Form Allocation**

20,800,000 Issue Shares will be made available for application by Eligible Persons under the Pink Form Allocation;

(ii) **Private placement**

29,120,000 Issue Shares will be placed to eligible public investors identified by the Placement Agent; and

(iii) **Malaysian public**

2,080,000 Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions.

Any Issue Shares under paragraph (i) above not subscribed for by the Eligible Persons are to be made available for application by the Malaysian public under paragraph (iii) above. The Issue Shares under paragraph (i) and (iii) above, have been underwritten.

The 29,120,000 Issue Shares in paragraph (ii) above are not underwritten as irrevocable undertakings to subscribe for the said Issue Shares have been given by the respective identified placees.

The Issue Shares in respect of paragraph (i) above are allocated based on the following criteria:

(a) The eligible Directors of Perisai have been allocated an aggregate of 11,442,682 Issue Shares in the following manner:

Eligible persons	No. of Issue Shares allocated
Makhtar bin Mohamed	3,000,000
Tengku Daud Shaifuddin bin Tengku Zainudin	2,575,300
Nagendran a/l C. Nadarajah	2,363,100
Juhari bin Husin	1,818,200
Yogesvaran a/l T Arianayagam	1,686,082
	11,442,682

(b) The remaining 9,357,318 Issue Shares will be reserved for 60 Eligible Persons other than the abovementioned directors based on *inter alia,* performance, job grade and length of service.

3. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

3.7 PRICING BASIS

The issue price of RM0.33 per Share was agreed between the Company and RHB Sakura as the Underwriter and Placement Agent. Among the factors considered in determining the issue price were the prevailing market conditions, the Group's technology, estimates of business growth potential, revenue prospects for the Group, an assessment of the Group's management and the proforma consolidated NTA per share of Perisai of RM0.12 as at 31 December 2003.

Investors should also take note that the market prices of Shares upon listing on the MESDAQ Market are subject to the vagaries of market forces and other uncertainties, which may affect the price of Shares being traded. **Investors should form their own views on the valuation of the Issue Shares before deciding to invest in the Issue Shares.**

3.8 PROCEEDS FROM THE PUBLIC ISSUE

3.8.1 Utilisation of proceeds and timeframe of utilisation

The total gross proceeds arising from the Public Issue of RM17,160,000 will accrue entirely to Perisai and shall be utilised in the following manner:

	RM	Timeframe of utilisation
Defray listing expenses*	1,200,000	Within 2 months after listing
Working capital	7,960,000	Within 12 months after listing
R&D expenditure	8,000,000	Within 24 months after listing
	17,160,000	

Note:

* *The amount allocated of RM1.2 million is based on the estimated cost for the listing exercise. If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purpose.*

The details of utilisation of proceeds are set out below:

(i) **Defray listing expenses**

The estimated expenses and fees incidental to the listing of and quotation for Perisai's entire issued and paid-up share capital of 208,000,000 Shares are as follows:

	RM '000
Professional fees	500
Fees to authorities	40
Issuing house fee and disbursement	50
Brokerage, placement and underwriting commission	352
Advertising and printing	180
Contingencies	78
Total	1,200

(ii) **Working capital**

The working capital requirement of the Group is expected to increase in tandem with the projected growth of the Group. Perisai shall utilise RM7,960,000 from the proceeds from the Public Issue as additional working capital to finance the Group's day-to-day operations such as for the purchase of raw materials, fabrication costs and administration expenses.

(iii) **R&D expenditure**

The Group recognises the importance of R&D in facilitating the future growth of the Group, which is dependent on regular introduction of new products and solutions which are effective, competitively priced, environmentally friendly and well accepted by the market. The Group believes that having a strong and well-structured R&D team is essential for the development of innovative and successful new products and solutions.

Currently, the Group's R&D team collaborates with PRSS for its product development in terms of testing of its products and uses the facilities of DnV, Singapore to perform certain tests and for independent certification on its products as certain equipment owned by DnV, Singapore are currently not available in Malaysia. To complement the R&D facilities of PRSS, the Group intends to enhance its own R&D facilities.

Accordingly, approximately RM7 million of the proceeds to be raised from the Public Issue would be utilised by the Perisai Group to purchase the necessary equipment, including equipment which are currently not available in Malaysia for its R&D facilities. This is expected to reduce the Group's usage of DnV's facilities in Singapore for its R&D. The remaining RM1 million is proposed to be utilised as personnel cost for R&D by providing the Group with the financial resources to recruit more engineers / scientists to conduct in-house R&D. In the event the above proceeds are allocated to CSSB for R&D expenses, the amount allocated will be 60% of the relevant R&D expenses, being the equity interest held by Perisai in CSSB, whilst the remaining 40% would be borne by the other shareholder of CSSB, namely, Tengku Daud Shaifuddin bin Tengku Zainudin.

3.8.2 Financial impact of utilisation

The financial impact on Perisai of the above utilisation of proceeds includes, *inter alia,* the following:

(i) development of new products and solutions for Perisai Group and enhancement of existing range of products and solutions, which are expected to further improve the profitability of the Group; and

(ii) potential savings in interest expense of approximately RM600,000 per annum based on an interest rate of 7.5% per annum, which Perisai would otherwise have to bear if it has to borrow to fund the R&D expenditure as set out above.

3.9 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEES

3.9.1 Brokerage

Brokerage relating to the Public Issue will be paid by the Company at the rate of 1.0% of the issue price of RM0.33 per Issue Share in respect of successful applications which bear the stamps of RHB Sakura, participating organisations of Bursa Malaysia, members of the Association of Banks in Malaysia, members of Association of Merchant Banks in Malaysia or MIDFCCS.

3.9.2 Underwriting commission

The Underwriter, namely RHB Sakura has agreed to underwrite 22,880,000 Issue Shares to be issued to the Malaysian public and Eligible Persons. Underwriting commission is payable by the Company at the rate of 2.0% of the issue price of RM0.33 per Issue Share.

3.9.3 Placement fee

The Placement Agent's fee for the placement of 29,120,000 Issue Shares is payable by the Company at the rate of 0.5% of the issue price of RM0.33 per Issue Share.

3.10 SALIENT TERMS OF THE PLACEMENT AND UNDERWRITING AGREEMENT

A Placement and Underwriting Agreement was entered into between RHB Sakura and Perisai on 2 June 2004 ("Agreement") to appoint RHB Sakura as the Placement Agent for the 29,120,000 Issue Shares reserved for identified placees and as the Underwriter to underwrite 22,880,000 Issue Shares reserved for the Malaysian public and eligible directors and employees of Perisai and its subsidiary companies. The salient terms (including escape clauses) extracted from the Agreement, amongst others, are as follows:

(1) The obligations of RHB Sakura under the Agreement are conditional upon, *inter-alia,* the following:-

   (i) the lodgement with the ROC of the Prospectus in accordance with the requirements of the Act together with copies of all documents required by the Act;

   (ii) the registration with the SC of the Prospectus in accordance with the requirement of the SC Act 1993, together with all documents required by the aforesaid Act and the issue by the SC of the relevant certificate of registration of the Prospectus or any like document;

   (iii) there not having been on or prior to the allotment and issuance of the Issue Shares any material adverse change or development reasonably and likely to involve a material adverse change in the condition (financial or otherwise) of the Company or any of its subsidiary companies from that set out in the draft Prospectus annexed to the Agreement which is in the opinion of RHB Sakura relevant in the context of the Public Issue or the issuance of the Issue Shares thereunder;

   (iv) the delivery to RHB Sakura on the date on which the application list for subscription of the 22,880,000 underwritten Shares will be closed of a certificate signed by an authorised director of the Company confirming that to the best of the Company's knowledge and belief after having made all reasonable enquiries that the warranties and representations in clause 2.1 of the Agreement remain valid and RHB Sakura has been provided with all information with respect to the Company and each of its subsidiary companies that affect the condition of the Company or any of its subsidiary companies, financial or otherwise, or the earnings, affairs or business prospects of the Company or any of its subsidiary companies or that so affect the success of the Public Issue and the issuance of the Issue Shares;

(v) the Prospectus (for lodgement with the ROC) is in compliance with the Prospectus Guidelines issued by the SC, and the due diligence verification exercise has been conducted for the contents of the Prospectus to ensure the accuracy of information contained therein, and to ensure no false or misleading statements or other facts the omission of which would make any of the statements therein in relation to the Perisai Group of companies and/or the Public Issue false or misleading; and

(vi) all necessary approvals and consents required in relation to the Public Issue including but not limited to governmental approvals having been obtained and are in full force and effect.

(2) RHB Sakura shall have the right to terminate the Agreement by notice in writing on or before 2 months from the date of signing of the Agreement in the event that any of the conditions stated in (1) above is not satisfied on or before 2 months from the date of signing of the Agreement or the approval-in-principle of Bursa Malaysia for listing and quotation of all the Perisai Shares on Bursa Malaysia is withdrawn and upon such termination the liabilities of the Company and RHB Sakura concerned hereto shall become null and void and none of the parties shall have a claim (other than rights and obligations which have accrued prior to the cessation of the Agreement) against each other save that each party shall return any moneys paid in advance to the other or others under the Agreement (if any) free of interest within seventy-two (72) hours receipt of such notice. Notwithstanding the termination of the Agreement as aforesaid, the Company shall remain liable for the payment of cost and expenses referred to in Clause 13 of the Agreement which are incurred prior to the aforesaid termination.

(3) Notwithstanding anything contained in the Agreement, RHB Sakura may at any time be entitled to terminate its obligations under the Agreement with a notice in writing delivered to the Company on the occurrence of all or any of the matters stated in Clause 12.1 of the Agreement on or before the allotment and issuance of the Issue Shares if the success of the Public Issue is, in the reasonable opinion of RHB Sakura, materially jeopardised by:-

(a) any Government requisition or other occurrence of any nature whatsoever which adversely affects or will adversely affect the business of the Company or its subsidiaries; or

(b) any material adverse change in national or international monetary, financial, (including stockmarket conditions and interest rates) political or economic conditions or exchange control or currency exchange rates which would prejudice materially the success of the Public Issue and their distribution or sale (whether in the primary or in respect of dealings on the secondary market); or

(c) any breach of the warranties and undertakings referred to in Clause 2.1 and Clause 4.1 of the Agreement or withholding of information of a material nature from RHB Sakura which, in the opinion of RHB Sakura, would have or can reasonably be expected to have, a material adverse effect on the financial condition, earnings, affairs, business, operations or prospects of the Company, any of its subsidiaries or the Perisai Group, taken as a whole and/or the success of the Public Issue or there is withholding of information of a material nature from RHB Sakura which, if capable of remedy, is not remedied within such number of days as stipulated in the notice requesting for such information from the Company, which in the opinion of RHB Sakura, would have or can reasonably be expected to have, a material adverse effect on the financial condition, earnings, affairs, business, operations or prospects of the Company, any of its subsidiaries or the Perisai Group, taken as a whole and/or the success of the Public Issue; or

(d) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, which has or is likely to have an adverse and material effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of the Company or the Perisai Group (taken as a whole); or

(e) Any event or series of events beyond the control of the parties (including without limitation acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which has or is likely to have the effect of making the Agreement or a portion thereof incapable of performance within its terms or which prevents the processing of application, crediting of accounts and/or payments pursuant to the Public Issue or pursuant to the underwriting hereof;

(f) the imposition of any moratorium, suspension or restriction on trading in securities generally in Bursa Malaysia.

On delivery of such a notice by RHB Sakura to the Company in accordance with Clause 14.1 of the Agreement, the Agreement shall be terminated and the obligations of RHB Sakura under the Agreement shall be discharged accordingly.

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4. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF THE PERISAI GROUP, AS OUTLINED IN THE PROSPECTUS, APPLICANTS FOR THE ISSUE SHARES SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) WHICH MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE GROUP IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE HEREIN, BEFORE APPLYING FOR THE ISSUE SHARES.

4.1 ECONOMIC, POLITICAL AND REGULATORY RISKS

The Perisai Group's business, prospects, financial conditions and level of profitability may be affected by the development of the economic, political and regulatory environment in Malaysia. Further, as the Perisai Group's corrosion control products and solutions are also exported to Brunei, Indonesia, Thailand and Vietnam, Perisai Group's business, prospects, financial conditions and level of profitability may also be affected by the development of the economic, political and regulatory environment in those respective countries. Any adverse development in the political situation, economic uncertainties or changes in the regulatory environment in these countries could materially and adversely affect the financial performance of the Perisai Group. These risks include risks of war, economic downturn, changes in interest rates and unfavourable changes in Government policies such as introduction of new regulations, import duties and tariffs.

Whilst the Perisai Group practices prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic developments, which are beyond the Group's control, will not materially affect the performance of the Perisai Group.

4.2 OPERATING RISKS

The Group's revenue and operating results are difficult to forecast and could be adversely affected by many factors. These include amongst others, fluctuations in demand for its products and solutions, changes in the mix of sales, changes in the Group's operating expenses, the ability of the Group to develop new products and solutions and to control costs, competitive conditions in the industry and general economic conditions, market acceptance of new products and solutions and other business risks common to going concerns.

The Group continuously monitors the market acceptance of its products and solutions. Further, its R&D team will continuously undertake R&D to enhance its existing products and solutions and develop new products and solutions to meet the changing market demand. Its position within the industry is expected to strengthen further with the successful listing of the Company on the MESDAQ Market. However, there is no assurance that the Group will be profitable in the future or that it will achieve increasing or consistent level of profitability.

In terms of the recent surge in oil prices, the Directors of Perisai believe that it would have a favourable impact on the Perisai Group's business. When oil prices increase, most oil fields become viable, especially those that were previously classified as being marginal. This would in turn lead to an increase in fabrication activities i.e. construction of new platforms which would increase the demand for the Group's products.

4.3 MARKET RESTRAINTS

The market for atmospheric corrosion control products and solutions is dependent on both the upstream sector (offshore platforms) and downstream sectors (onshore pipelines, refinery installations and petrochemical complexes) of the oil and gas industries. Whilst the petroleum industry is poised for further growth as the Malaysian government recognizes the need to promote the development of resource based industry such as the petroleum industry in view that the manufacturing sector is subject to increasing intense competition from lower cost manufacturing countries, Frost & Sullivan had in their Independent Market Research Report dated April 2004 stated that the market restraints for atmospheric corrosion control products are as follows:

(i) **Excess capacity in refinery facilities**

Currently, there are excess capacities in the regional refinery facilities. Such excess capacities ultimately lead to lower profitability thereby causing petroleum multinationals to cut-back their capital expenditures, which may include spending less on atmospheric corrosion control products *(Source: Frost & Sullivan's Report dated April 2004)*. Whilst Frost & Sullivan expects the regional excess capacity situation to diminish gradually, there is no assurance that such will be the case.

(ii) **Sweet variety of crude oil reduces demand for corrosion control products and solutions**

The crude oil produced in Malaysia tends to be of the sweet variety (containing less sulphur which is a corrosive agent), and hence, the refineries are not subject to intense corrosion when using the feedstock. Accordingly, major new investments in the domestic downstream sector, including atmospheric corrosion control, are not scheduled in the near future.

(Source: Frost & Sullivan's Report dated April 2004)

(iii) **Industrial overcapacity in petrochemicals**

Prices of petrochemicals, also known as polymers, are under pressure due to (i) increasing competition and industrial overcapacity, especially from the neighbouring manufacturers based in Singapore and Thailand and (ii) the reduction in import duty on polymers of between 0% to 5% under the terms of AFTA *(Source: Frost & Sullivan's Report dated April 2004)*. With the reduction in prices of petrochemicals, polymer manufacturers are subject to narrower margins. Consequently, polymer manufacturers may also cut back on capital expenditures, which may include spending on atmospheric corrosion control products and solutions.

However, the Perisai Group seeks to mitigate its dependence on the petroleum industry for its future growth by diversifying into other industries such as marine shipping and power plants. The Group also intends to further develop and expand its businesses in the Brunei, Indonesian, Thai and Vietnamese markets as well as venturing into the Middle-East market. The Group also undertakes product development through aggressive R&D to improve and increase the range of its products and solutions in its effort to expand its market base overseas to support the long-term growth of the Group. A summary of the Perisai Group's future plan, which sets out the Group's strategies to ensure the growth of the Group, is set out in section 5.7 of this Prospectus.

4.4 FUTURE GROWTH

To achieve the Group's growth targets as set out above, there may be significant strain on the Group's management, financial, customer support, operational and other resources. There can be no assurance that the Group will be successful in managing its growth. The Group's proposed future plan and prospects will be dependent upon, *inter alia*, the Group's ability to hire and retain skilled management as well as technical personnel, particularly the R&D personnel and engineers, successfully monitoring growth (including monitoring operations, controlling costs and maintaining effective quality, inventory and service control) and obtaining adequate financing as and when needed. There can be no assurance that the Group will be able to successfully implement its future business plan or that unanticipated problems or expenses or technical difficulties will not occur which would result in material delays in its implementation or even deviations from its original plans. In addition, the actual results may deviate from the results expected by the Perisai Group due to changes in market conditions as well as competitive pressures.

4.5 RELIANCE ON PETRONAS VENDOR STATUS

The VDP was established by PETRONAS to encourage the development of Bumiputera entrepreneurs. CSSB was awarded the Vendor Status under the PETRONAS VDP on 25 May 2000 to manufacture, supply and install protective systems for corrosion prevention for products stipulated therein for a period of five years. Notwithstanding that the PETRONAS Vendor Status was awarded on 25 May 2000, the full implementation of the Vendor Status came much later upon the conclusion of the Master Service Agreement and the award of the individual contracts from PETRONAS' PSC contractors, namely, *inter alia*, Carigali, ExxonMobil, Shell and Nippon Oil for the provision of corrosion control services in May / June 2003. The Master Service Agreement provides the basis of the said contracts between PETRONAS' PSC contractors and CSSB. Each contract is for a duration of 3 plus 2 years from the date of the respective contracts.

Under the PETRONAS VDP, the Perisai Group has a monopoly for the manufacture, supply and installation of certain corrosion control products and solutions on PETRONAS' and its subsidiaries' offshore platforms and onshore pipelines, refineries and petrochemical plants and those of PETRONAS' PSC contractors, namely, *inter alia*, Carigali, ExxonMobil, Shell and Nippon Oil.

The said Vendor Status is subject to review upon its expiry. There can be no assurance that the Vendor Status will be extended, or if they were extended, that such extension would be effected within the anticipated timeframe, which may materially affect the performance of the Group. The Vendor Status can also be terminated at any time prior to expiry by PETRONAS. This may arise if CSSB fails to meet the product requirements of PETRONAS or if CSSB fails to comply with the requirements of the Vendor Status as stipulated in section 5.3.3 of this Prospectus. However, the Directors of CSSB have indicated that they will ensure to the best of their ability that all the requirements by PETRONAS are met by the Group at all times.

The Group intends to mitigate its reliance on the Vendor Status by diversifying into other industries, such as the marine industry and power plants, specifically those that are not owned by PETRONAS and its subsidiaries (which would then be covered under the VDP). Although Perisai's products are primarily targeted at the oil and gas industry, the Group recognises the potential in marine and power plants and therefore intends to venture into these areas in due course. Apart from industry diversification, the Group also undertakes product development through aggressive R&D to improve and increase the range of its products and solutions in its effort to expand its market base overseas to support the long-term growth of the Group. The geographical diversification would further mitigate its reliance on the VDP as the VDP is only applicable in Malaysia. To this end, the Company has already secured contracts in Brunei, Indonesia, Thailand and Vietnam. Whilst strategies are in place to ensure that the Group's objectives are met, there can be no assurance that such strategies can be successfully carried out or would yield the results expected by the Perisai Group.

4.6 COMPETITION

The future success of the Group will depend, to a large extent, on its ability to increase its market share in its target markets. If the Group does not keep pace with the product and technological advances, the Group's competitive position and prospects for growth could be adversely affected, especially where there can be no assurance that the Group's competitors will not develop technology or products that are more effective than those of the Group's. The Perisai Group faces potential competition from both the local and global front as well as from potential new entrants to the industry as described below:

(i) **Local front**

Whilst the Perisai Group enjoys a monopoly for the supply and installation of certain corrosion control products and solutions which the Group provides to PETRONAS' and its subsidiaries' offshore platforms and onshore pipelines, refineries and petrochemical plants and those of PETRONAS' PSC contractors by virtue of the appointment of CSSB as a supplier under the PETRONAS VDP, the Perisai Group faces competition from paints and coatings companies which provide alternative corrosion control products (i.e. products which the Group does not produce). In 2002, the Perisai Group has 9% market share in the Malaysian market for corrosion control products while the remaining 91% are held by paints and coatings companies *(Source: Frost & Sullivan's report dated April 2004)*. However, it should be noted that this survey was based on CSSB's industry position prior to the conclusion of the Master Service Agreement and the award of the individual contracts from PETRONAS' PSC contractors, namely, *inter alia*, Carigali, ExxonMobil, Shell and Nippon Oil for the provision of corrosion control services in May / June 2003. The management of the Group believes that following the conclusion of the said agreements, the Group will be able to command a higher market share for corrosion control products and solutions.

(ii) **Global front**

On the global front, the Perisai Group also faces competition from companies providing substitute products and solutions. Some substitute products and solutions are set out below:

Types of protection	**Perisai Group's products / solutions**	**Substitute products / solutions**
Nuts and bolts preservation	CorroCap™	Protective coating Fluorocarbon coating
Flange piping preservation	FlangeShield™	Caulking Tape Wraps
Rehabilitation of corroded risers and pipes		
- mildly corroded risers and pipes	Fibaroll	Stainless Steel and Aluminium Cladding Systems Clock Spring and Armour Plate Wrap
- severely corroded risers and pipes	Composite Sleeve Repair	Cut and replace
Heat exchanger protection	CTI Shield™	Prefabricated plastic and nylon insert
Marine growth removal and prevention systems	Marine Growth Impactor & Marine Growth Pile Protector	Marine Growth Remover and Preventer

Further descriptions on the products and solutions offered by the Perisai Group are set out in section 5.3.2 of this Prospectus.

Further, the Perisai Group may face competition from potential new entrants in the market, who may be able to offer alternative products or solutions that may compete with that of Perisai Group's products or solutions.

The management of Perisai believes that its products and solutions are more effective and cost efficient compared to the available substitute products and solutions as the products and solutions offered by the Perisai Group do not require the shutting down of oil and gas facilities during remedial and repair work which results in costly production downtime. The collaborative R&D work with PRSS had also resulted in the enhancement of existing products and solutions and development of new products and solutions, which are more effective and cost efficient. Further, given the Group's geographical proximity to the operations of the regional oil and gas industry, the team of experienced and skilled personnel of the Perisai Group is able to provide timely services to such operations. Notwithstanding the aforesaid factors that are expected to enable the Group to remain competitive and keep its competitive edge in the future, there can be no assurance that the Perisai Group will be able to maintain or increase its market share in light of competition from players providing alternative corrosion control products and solutions.

4.7 HEALTH AND SAFETY RISKS

The Perisai Group is involved in the maintenance and installation of corrosion control products and solutions in oil and gas facilities and is therefore subject to disruption by a variety of risks and hazard, which are beyond its control such as fires, explosions, leakage and other accidents at the oil and gas facilities. These risks could ultimately result in personal injury, business interruptions and possibly legal proceedings. To address these risks, the Perisai Group has established a detailed health, safety and environmental policy that clearly set out the safety measures for each level of operations that must be strictly adhered to by its employees.

Further, the Perisai Group, as registered contractors for PETRONAS, is subject to the Occupational Safety and Health Act, 1984. This Act is enforced by the Department of Occupational Safety and Health, a department under the Ministry of Human Resources. Under this Act, employers have the duty to ensure, as far as practicable, the safety, health and welfare at work of all his employees. This includes the provision of equipment and systems of work that are, so far as is practicable, safe and without risks to health. Both safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances must be present. The employers must also ensure the provision of such information, training and supervision as is necessary to ensure, as far as is practicable, the safety and health at work of his employees.

While the Perisai Group emphasises on health and safety throughout all levels of its operations and undertakes continuous health and safety training for its employees, there is no assurance that incidents and damages will not occur. However, Perisai believes that the risks can be mitigated through its stringent health and safety practices which includes, *inter alia,* an annual audit of its health and safety record and an emergency response plan to cater for any incidents at the operating facilities of the Perisai Group.

In addition, the Group believes that it has maintained adequate level of insurance coverage against such risk. Since its incorporation, the Perisai Group has not experienced any major health, safety and environmental incidents or incurred any major loss resulting in a substantial claim against its insurance policy. Notwithstanding the above, no assurance can be given that any coverage arranged will be adequate and available to cover any claims arising thereon.

4.8 ENVIRONMENTAL CONCERNS

Most of the products and solutions offered by the Perisai Group are environmentally friendly and the Group believes that its existing operations are in strict compliance with the relevant environmental legislation governing activities within Malaysia such as the Environmental Quality Act, 1974 and the Exclusive Economic Zone Act, 1984. Nevertheless, there is a possibility that the Government may change its regulations with regards to environmental matters in the future which would require the Group to modify its facilities or incur expenses that could have an effect on the Group's operating results. In the event the relevant environmental regulations in Malaysia are changed, no assurance can be given that the ensuing steps taken by the Group to comply with such new regulations will not have a material effect on its operating results.

4.9 INTELLECTUAL PROPERTY RIGHTS JOINTLY HELD WITH PRSS

The intellectual property rights of several of the Perisai Group's products are jointly held with PRSS, namely CorroCap™, Composite Sleeve Repair, Marine Growth Impactor and Marine Growth Pile Protector. The patents for the said products are either jointly held or joint application for patents have been made. The solicitors of Perisai, Messrs. Paul Cheah & Associates opined that PRSS is not entitled to claim full ownership of the intellectual property rights under the existing agreements between PRSS and the Perisai Group nor under the Patent Act 1983. The Patent Act 1983 stipulates that "In the absence of any agreement to the contrary between parties, joint owners of a patent may separately assign their rights in the patent… but may only <u>jointly</u> withdraw the patent application, surrender the patent or conclude a licence contract". Therefore under the Patent Act 1983, PRSS cannot unilaterally claim full ownership of the patents without the consent of the Perisai Group. In addition, there is no provision for a unilateral termination by the parties in any of the agreements between PRSS and the Perisai Group unless by mutual agreement by both parties or a clause permitting PRSS to claim full ownership of the intellectual property rights in any circumstances.

As joint consent of PRSS would only be required in limited circumstances such as for the surrendering or withdrawing the jointly held patents or granting licence contracts relating to the patent to third parties, any unilateral decision by PRSS would not materially affect the Perisai Group's business or development of its products. Under the agreements between PRSS and Perisai Group, both parties have specific duties to carry out, with PRSS's duties primarily that of testing the products in its laboratories. The Perisai Group has autonomy in carrying out its duties and does not need approval or consent from PRSS in carrying out any developmental work. All products of the Perisai Group have been conceived and independently developed by the Perisai Group.

Accordingly, the Directors of Perisai are of the view that the issue of PRSS claiming full ownership of the intellectual property rights or PRSS not consenting to any business decision by the Perisai Group will not arise and therefore would not impact the Group's business.

4.10 RELIANCE ON THIRD PARTY PRODUCTS AND SOLUTIONS

In rendering its corrosion control services, the Group relies on the usage and application of *inter alia*, Fibaroll and BioSolve®. Fibaroll was developed by Fiba Tech Industries Ltd, a UK based company and BioSolve® was developed by Westford Chemical Corporation, a USA based company. On 7 September 2001 FSSB was awarded by Fiba Tech Industries Ltd the exclusive selling and application rights in respect of Fibaroll materials in the territories of Malaysia, Brunei, Thailand (for all sectors) and Singapore (civil structure and shipping sectors only). The main condition stipulated in the agreement is for FSSB to maintain a minimum stock of Fibaroll and also generate a stipulated minimum sales volume per annum. WWSB is the exclusive authorised distributor of BioSolve® in Malaysia and Brunei. On 16 January 2003 WWSB entered into a Distribution Agreement with CSSB, appointing CSSB as the sole exclusive distributor of BioSolve® products to the oil and gas industry in West Malaysia with a condition that CSSB is required to purchase a minimum stipulated stock of BioSolve® products annually for a tenure of two years (3,800 litres for the first year and 7,600 litres for the subsequent year) commencing from the date of the Distribution Agreement with an extension of two years upon expiry, subject to agreement from both parties.

There can be no assurance that the Perisai Group would be able to continue to retain and extend the exclusive rights for both Fibaroll and BioSolve® respectively, which may materially affect the Group's business, financial condition and operating results. However, the Perisai Group seeks to mitigate the risk of relying on third party products and solutions by undertaking product development and solutions through aggressive R&D to improve and increase the range of its products and solutions.

4.11 DEPENDENCE ON MAJOR CUSTOMERS

Presently, the Group's main customers are PETRONAS's subsidiaries and its PSC contractors namely, *inter alia*, Carigali, ExxonMobil, Shell and Nippon Oil, representing approximately 87.3% of the Group's total turnover for the financial year ended 31 December 2003. In this respect, the Group has been dependent on these customers, who are major oil and gas companies in Malaysia. There can be no assurance that their business relationship will not be disrupted. The Perisai Group has been actively involved in the corrosion control industry since 1996 and to date, has not breached any terms which has resulted in the termination of any of its projects. Further, the Perisai Group has maintained good performance record with the major customers. In any event, to mitigate the Group's reliance on these major customers, the Group intends to widen its customer base by diversifying into other industries such as marine shipping and power plants. It is also the Group's intention to penetrate the overseas market further for its existing corrosion control products and solutions subsequent to the Group having successfully secured contracts in Brunei, Indonesia, Thailand and Vietnam. The Group is also presently marketing its products and services in Myanmar.

4.12 FOREIGN EXCHANGE RISK

The Perisai Group imports most of its raw materials directly from the UK, US and Japan and its expansion plans will widen its customer base in Brunei, Indonesia, Thailand, Vietnam and Myanmar. The purchases and sales are denominated either in USD or the relevant local currencies. In this regard, there is a potential that the Group may be exposed to foreign exchange risk. There can be no assurance that future fluctuations in exchange rates will not adversely impact the financial condition of the Perisai Group.

4.13 DEPENDENCE ON SKILLED WORKFORCE AND KEY PERSONNEL

The activities of the Perisai Group require a highly skilled workforce. In this respect, to a certain extent, the Group's ability to attract and retain its highly skilled workforce, especially R&D personnel and engineers, is crucial to sustain an efficient level of operations within the Group. If the Group is unable to attract and retain its skilled workforce, the performance and future prospects of the Perisai Group may be adversely affected, particularly the loss of any key member of the Group's board of directors, senior management or key technical personnel which could adversely affect the Group's competitive advantage.

The Group has a management succession plan and plans to develop the knowledge of its human resources (as set out in section 8.5 of this Prospectus) by developing staff training and development activities / programmes for its staff to improve performance and productivity. With a view to retain their services and encouraging them to improve their performance standards and efficiency, Perisai may in due course propose to implement an employees' share option scheme for the benefit of the Group's eligible employees and directors. Nonetheless, there remains no assurance that the Group's management succession plan nor the proposed employees' share option scheme will be able to retain its workforce and key personnel.

4.14 R&D

As mentioned previously, the future success of the Group will depend, to a large extent, on its ability to increase its market share in its target markets. Its ability to increase its market share is in turn, to a large extent, dependent of the Group's ability to keep up with the product and technological advances and develop new products and solutions which are efficient and cost effective in a timely manner to respond to changing environment and market demand.

Even though the Group is active in R&D of new products and technology, there is no assurance that the Group's R&D effort will lead to the successful introduction of new and improved products and solutions. The Group may encounter delays or problems in connection with its R&D efforts. New products and solutions often take longer to develop and exceed budgeted cost than initially estimated. There may be delays in starting volume production of new products and new products may not be commercially successful. Delays or deficiencies in development, manufacturing, delivery of or demand for new products or of higher cost targets could have a negative effect on the Group's business, operating results or financial condition and thereby inhibiting future growth prospects.

4.15 OWNERSHIP AND CONTROL

The promoters of Perisai as named in section 7.1 of this Prospectus collectively hold an aggregate of 114,607,678 Shares, which represents approximately 55.10% of the enlarged issued and paid-up share capital of Perisai upon completion of the Public Issue.

The promoters will therefore be able to exercise the voting rights attached to their holding of the Shares in respect of matters requiring shareholders' approval, including the election of directors. Depending on how they choose to vote and because of the size of their collective shareholdings, the controlling shareholders will have a significant influence over matters that require the passing of ordinary resolutions from the Company's shareholders, unless they are required to abstain from voting by law and / or the relevant authorities.

The Company has appointed 2 independent directors to represent the interests of the minority shareholders of the Company.

4.16 FORWARD LOOKING STATEMENTS

Certain statements contained in this Prospectus are based on historical data, which may not be reflective of future results. Other statements which are forward looking in nature are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward looking statements. The inclusion of a forward-looking statement in this Prospectus should not be regarded that the plans and objectives of the Perisai Group will be achieved.

4.17 FAILURE OR DELAY IN THE LISTING

The listing exercise is exposed to the risk that it may fail or be delayed should the following events occur:

(a) The Company or RHB Sakura fails to honour its respective obligation pursuant to the terms and conditions of the underwriting agreement; or

(b) The Company is unable to meet the public spread requirement of at least 25% but not more than 49% of the issued and paid-up share capital of the Company being held by a minimum of 200 public shareholders holding not less than 100 Issue Shares each.

In the event of the failure of the listing of Perisai on the MESDAQ Market, investors shall be refunded their application money without interest.

4.18 NO PRIOR MARKET FOR THE SHARES

There has been no prior market for the Company's Shares before the Public Issue. Consequently, there can be no assurance that an active market for the Shares will develop upon their listing on the MESDAQ Market, or if developed, that such market will be sustained.

4.19 VOLATILITY IN THE PRICES OF THE SHARES

The issue price of RM0.33 per Issue Share has been determined after taking into consideration a number of factors, including, *inter alia*, the prevailing market conditions, the Group's technology, estimates of business growth potential, revenue prospects for the Group, an assessment of the Group's management and the proforma NTA of the Perisai Group. However, there can be no assurance that the issue price of the Issue Shares will correspond to the market prices of the Shares after the Public Issue.

The market prices of the Shares following the Public Issue may be volatile. Factors such as competition, regulatory changes, operating profit or loss and cash flow, general trends in interest rates, Malaysian and international equity markets and the Malaysian economy, as well as other factors, could cause the market price of the Shares to fluctuate. In addition, the global stock markets have from time to time experienced extreme price and volume fluctuations, which may adversely affect the market price of the Shares. Such fluctuations may materially adversely affect the market price of the Shares following the Public Issue.

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