# 5. RISK FACTORS

*An investment in our Shares involves a number of risks. Prospective investors should rely on their own evaluation and carefully consider all the information contained in this Prospectus, including the risks described below before deciding to invest in our Shares. If any of the risks described below actually occurs, our business, performance, financial condition, results of operations and prospects could be negatively affected, the trading price of our Shares, if any, could decline and investors may lose all or part of their investment.*

## 5.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

### 5.1.1 Our business and financial performance are dependent on our ability to secure new projects and grow our order book

We generate revenue from steam energy systems and auxiliary facilities through fixed lump-sum contracts and from steam turbine generator systems and palm oil milling equipment through confirmed purchase orders or similar agreements. These revenue streams are generally one-off in nature, and do not continue after installation, handover, or delivery to our customers. Notwithstanding that our after-sales revenue is driven by returning customers who purchased our systems, these are also carried out based on purchase orders as we do not enter into after-sales maintenance contracts with our customers.

Consequently, the sustainability of our business and financial performance depends on our ability to consistently secure new contracts and/or orders to maintain our order book.

As at the LPD, our outstanding order book stands at RM267.5 million, to be recognised within the next three financial years, up to FYE 31 December 2027.

We intend to continue submitting proposals and quotations to secure new contracts and orders. 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 or inability to secure new contracts which in turn may adversely affect our profitability and financial performance.

### 5.1.2 Our business and financial performance may be affected by delays in project implementation and completion, delivery of orders or early termination or suspension of projects

Our EPCC projects, particularly for steam energy systems and auxiliary facilities which include design verification, fabrication of parts and components, on-site assembly and installation, and commissioning, generally require us to comply with specific milestones and delivery timelines. Any delays in meeting these timelines may have a negative impact, such as delay in recognising revenue and project cost overrunning. Such delays may also result in our customers reducing our scope of work or terminating our contracts or orders which may adversely affect our financial conditions and operation results.

Additionally, certain contracts or secured orders of ours contain provisions for liquidated ascertained damages (LAD). If we fail to complete our projects by the contracted completion date or delivery due date or any agreed extensions to the same, we may be liable to pay LAD. Such delays may also affect our relationships with customers negatively and damage our reputation, thereby affecting our ability to secure future projects. Any imposition of LAD may also impact our profitability negatively.

Project execution may be delayed due to various factors, such as, delays in site handover, unforeseen site conditions, engineering or safety issues, on-site accidents, delays in material delivery, shortages in labour supply, delays by subcontractors, or adverse changes in government policies, including restrictions on the employment of foreign workers in countries we operate.

We did not incur any LAD for our EPCC projects during the Financial Years Under Review and up to the LPD. However, there can be no assurance that we will not face project delays or be subject to LAD claims in the future.

We may also experience early termination or suspension of work on projects for unforeseen reasons prior to completing our scope of work. Such termination or suspension may arise due to a range of factors, including on-site accidents, safety concerns, non-performance by a party, insolvency, payment defaults, changes in the customer's plans, downturn in the economy, our failure to meet contractual obligations, mutual termination or suspension by parties, or circumstances beyond a party's control.

Such termination or suspension may have a negative impact on our financial performance if we are unable to recover billed expenses or revenue. Our client and us had mutually terminated one project during the Financial Years Under Review and up to the LPD, which involved the supply and installation of a biomass steam energy system for a palm oil mill in Indonesia. The termination was mutually agreed upon following a prolonged deferment of the project, which rendered the original price no longer valid due to increased project costs. After further discussion, both parties concluded that a termination would be in the best interest of preserving a positive commercial relationship. The project had not progressed beyond the preliminary engineering phase, fabrication works had not commenced and no payment had been collected. As such, we had not incurred material costs and had not experienced any material impact on our business operations and financial performance following the said cancellation. In addition, the termination did not give rise to any contractual disputes or penalties.

Notwithstanding, there is no assurance that we will not in future experience termination of projects or suspension of our work which will adversely affect on our business operations and financial performance.

### 5.1.3 Our business is dependent on the performance of the industries in which our customers are operating

A significant portion of our revenue is from our customers in the palm oil industry, followed by other industrial sectors such as paper manufacturing and sugar refining. Accordingly, any downturn or slowdown in our customer's industry, in particular, the palm oil industry in the countries we serve, namely, Malaysia and Indonesia, may result in a lower demand for our products and services which may in turn adversely affect our business operations and financial performance.

The palm oil industry activity is influenced by several external factors, including:

(i) global demand for edible oils and biofuels;

(ii) fluctuations in crude palm oil prices;

(iii) investment levels in palm oil processing infrastructure;

(iv) geopolitical developments such as changes in trade policies and international market access; and

(v) environmental concerns and sustainability requirements such as compliance with Roundtable on Sustainable Palm Oil (RSPO) standards.

These industry dynamics may affect investment decisions on operational facilities, including steam energy systems, auxiliary facilities, steam turbine generator systems, and associated repair and maintenance services. For instance, rising demand for palm oil may prompt an expansion of processing facilities to increase production levels necessitating greater energy needs for the expanded operations, thus, increasing the demand for our products and services. Conversely, a fall in demand or industry contraction may result in fewer investments and a corresponding decline in demand for our products and services.

Given our reliance on the performance of the palm oil industry and, to a lesser extent, other industrial sectors, we are exposed to risks arising from fluctuations in these industries. Any adverse developments affecting them may in turn negatively impact our business operations and financial performance.

### 5.1.4 We require licences, permits, approvals and certificates from relevant regulatory authorities and any failure to obtain or renew necessary licences, permits, approvals or certifications may adversely impact our business operations and financial performance

We are subject to various regulatory requirements and product certifications, including the following:

(i) Registration as a competent company with the Department of Occupational Safety and Health (DOSH) in Malaysia to fabricate and repair steam energy systems. Our steam energy systems are classified as steam boilers under the Occupational and Safety Health Act 1994 which includes firetube, water-tube steam boilers and HRSG;

(ii) DOSH approval for design verification before fabricating, constructing, installing, and operating the steam energy systems. Only a registered competent company can submit design applications. Each steam energy system installed and operated in Malaysia must have a valid Certificate of Fitness (CF) issued by DOSH, which requires prior design approval as outlined in the Occupational Safety and Health (Plants Requiring Qualification Certification) Regulations 2024; and

(iii) Law No. 1 of 1970 regarding occupational health and safety in Indonesia which stipulates that all workplaces involving the use of machinery, devices, tools, appliances, equipment, or installations that are hazardous or may pose risks of accidents, fires, or explosions must be manufactured, tested, utilised and must comply with occupational health and safety requirements.

Details of our permits and licenses are set out in Annexure A of this Prospectus. As at the LPD, save for the non-compliance incidents set out in Section 7.20 of this Prospectus, we have obtained the necessary licences, permits, approvals and certificates for our business operations in Malaysia and Indonesia.

Our licences, permits, approvals and certificates are subject to renewals, periodic inspections, potential changes and/or conditions imposed by the relevant regulatory authorities. As such, we cannot guarantee the timely renewal of these licences, permits, approvals and certificates nor that these will not be subject to change or different or additional conditions. Failure to secure or renew them may adversely affect our business operations, financial performance and/or reputation. This may lead to the loss of customers and projects and result in significant financial loss, thereby adversely affecting our Group's profitability. During the Financial Years Under Review and up to the LPD, none of our licences, permits, approvals or certificates have not been renewed or revoked. However, there can be no assurance that we will always be able to secure or renew our licences, permits, approvals and certificates.

As at the LPD, we have also not been subject to any enforcement action including notices, penalties or compounds in the past with respect to the non-compliance incidents. However, there can be no assurance that we will not be subject to enforcement actions by the relevant authorities, including cessation or relocation or monetary penalties.

Additionally, our steam energy system business operations are subject to the Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004 which governs workplace safety hazards and the prevention of occupational hazards. Non-compliance with relevant health and safety regulations or incidents involving our employees or subcontracted workers getting injured whilst performing their duties at our factories or project site may result in our operations getting suspended or interrupted. Such suspension or interruption may adversely affect our business operations and financial performance.

During the Financial Years Under Review and up to the LPD, there have been no fatalities involving our workers or subcontractors whilst performing their duties at our factories or project sites. However, there is no assurance that such incidents will not occur in the future. Any future workplace accidents or breaches of relevant health and safety regulations may adversely affect our business operations and financial performance.

### 5.1.5 We may be subject to warranty claims from our customers

Our EPCC projects for steam energy systems and auxiliary facilities, as well as the supply of steam turbine generator systems, typically include a warranty. Depending on the terms of each contract or purchase order, the warranty period is usually the earlier of 12 months from the date of project handover or on completion of testing and commissioning, or 18 months from the date of delivery. We are responsible for rectifying any defects that may arise during the warranty period, at our own cost.

The input materials, equipment and related products are sourced from third-party suppliers who also provide warranties for their products covering defects in materials and workmanship. These warranties are enforceable by our Group throughout the warranty period specified in the supplier agreements, which typically ranges from 12 to 18 months from delivery of goods, depending on the type of equipment or material supplied. This alignment allows us to partially pass through our suppliers' warranty coverage to customers and minimise our exposure to potential claims, however, there is no assurance that we will always be able to align our warranty period with that of our suppliers. Notwithstanding, we may still incur additional costs such as labour, machinery rental and logistics when carrying out rectification works during the warranty period.

Our accounting policies recognise the provision for future liability or warranty claims. The provision estimates the costs for potential repair and replacement work for products sold under warranty and are for our two main product categories, namely, our steam energy systems and auxiliary facilities and our steam turbine generator systems. The provision for warranty as at the FYE 31 December 2022, 2023 and 2024 were RM1.2 million, RM1.8 million and RM2.0 million respectively. For the Financial Years Under Review, the net warranty provisions recognised amounted to RM0.4 million, RM0.8 million and RM0.5 million for the FYE 31 December 2022, 2023 and 2024, respectively.

Save as disclosed above, we have not incurred any material costs relating to warranty claims during the Financial Years Under Review and up to the LPD. However, there can be no assurance that we will not receive any warranty claims in the future which may result in us incurring significant costs and adversely affecting our financial performance.

### 5.1.6 We may not be able to hire, train, manage and retain employees with suitable skill sets including skilled personnel

Our business relies on our technical personnel comprising:

(i) our skilled and experienced personnel with technical knowledge, to carry out the engineering design, fabrication, on-site construction, assembly and installation for our steam energy systems and auxiliary facilities, and palm oil milling equipment as well as the repair and maintenance services for our energy systems and turbine generator systems, and palm oil milling equipment; and

(ii) our general labour comprising domestic labour for fabrication, on-site assembly and installation, and repair and maintenance services for our products and foreign labour for fabrication works of our products.

As at the LPD, we have a total of 277 technical personnel of which 38 of them are foreigners.

Any changes in the policies of the countries of origin of our foreign labour or any restrictions in Malaysia that could affect the availability of foreign labour for employment by our Group could impact our business operations and financial performance.

Any loss of our labour force (regardless of whether they are our skilled personnel or our general workers) without timely and suitable replacements, may disrupt our business operations and adversely affect our financial performance. Furthermore, if we are unable to hire, train, manage and retain qualified staff, the quality of our products and services may decrease and our operation results may be negatively affected.

Although we have not experienced any labour shortages which had adversely affected our business operations or which had caused delays in our project delivery during the Financial Years Under Review and up to the LPD, there can be no assurance that we will not be adversely affected in the future.

### 5.1.7 We are dependent on our key senior management

The expertise and experience of our key senior management comprising our Group Chief Executive Officer, Lee Yee Chong; Group Head of Finance, Ooi Giap Hwa; and Chief Operating Officer of WTSB, Tee Kian Lim, have been and will continue to be instrumental to our business. Our key senior management possesses extensive knowledge and experience in the supply, design, manufacturing, and installation of steam energy systems, steam turbine generator systems as well as in the repair, maintenance, and provision of engineering solutions. The profiles of our key senior management are set out in Section 9.3.2 of this Prospectus.

The loss of any of our key senior management could impair our ability to operate and impede the execution of our strategies and which may adversely affect our ability to remain competitive in the industry. We may not be able to replace such persons within a reasonable period of time with individuals that possess equivalent expertise and experience, which may disrupt our business and adversely affect our business operations and financial performance.

### 5.1.8 We may be subject to unfavourable exchange rate fluctuations

We are exposed to foreign currency risk arising from our Group's purchases of imported materials and export sales that are denominated in a currency other than the functional currencies of our Group entities, being RM and IDR. The foreign currencies giving rise to such risk are primarily USD, JPY and EUR.

Fluctuations in the exchange rates between our functional currencies (RM and IDR) and foreign currencies such as USD, JPY, and EUR may materially impact our export sales and cost of imported materials. We may not be able to immediately pass on any resulting cost increases to our customers, which could adversely affect our profit margins. Similarly, exchange rate movements can influence the competitiveness and profitability of our export sales. During the Financial Years Under Review, the impact of such currency fluctuations on our Group's GP margin was not material, with the estimated effect ranging from 0.1% to 2.0%.

The values of USD, JPY, and EUR are influenced by a variety of factors, including the monetary and fiscal policies of the respective governments, domestic and international economic and political developments, as well as the dynamics of supply and demand in foreign exchange markets. Due to the inherent volatility and unpredictability of these factors, exchange rate fluctuations may have a significant and potentially adverse effect on our financial performance and results of operations.

For the Financial Years Under Review, details of our foreign exchange gains or losses are set out below:

| | **FYE 31 December** | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| **Foreign exchange gains/(losses)** | **RM'000** | **RM'000** | **RM'000** |
| Foreign exchange: | | | |
| - realised gain/(loss) | (1,072) | 788 | (476) |
| - unrealised gain/(loss) | (185) | (236) | 520 |
| **Total net gain/(loss)** | **(1,257)** | **552** | **44** |

Our Group actively seeks to manage foreign currency risk by matching purchases and revenue in the same currency whenever possible. However, to the extent that our revenue and purchases are not naturally matched in the same currency and there are timing differences between invoicing and collections or payment, we will be exposed to any adverse fluctuations of the relevant foreign currencies against our functional currencies.

Our Group enters into forward currency contracts to hedge foreign currency risk for anticipated receipts or payments occurring more than one month after our Group has committed to a firm sale or purchase. As at the LPD, we also maintain foreign bank accounts in USD, JPY and EUR, among others, which are primarily used for settling payments related to purchases. There is no assurance that any adverse change in exchange rates that we are not protected from, will not have a material adverse impact on our business, financial performance, results of operations and prospects.

### 5.1.9 If our supply chain is disrupted for any reason, our business operations and financial performance may be adversely affected

The raw materials for our products such as metal and steel products, cast iron materials, parts and other steel materials and fittings, as well as finished goods such as steam turbine generators systems and parts, and EFB press machines, are sourced from third party suppliers. The reliability, timeliness and efficiency of these suppliers in fulfilling our orders are critical to our business.

Our inability to obtain alternative sources or suppliers quickly at reasonable prices may materially impact our sales and/or operations. Additionally, if any of our suppliers fails to deliver on our orders in a timely manner or if we experience supply chain disruptions, our business operations may be adversely affected. Such disruptions may arise from a variety of factors, including changes in shipping schedules, limited vessels availability, port congestions or customs clearance delays. Under these circumstances, we may experience prolonged procurement lead time or stock shortage which could lead to lost sales, delays in project completion, or an inability to meet delivery deadlines, potentially having an adverse impact on our business operations and financial performance and reputation.

In addition, any sustained increases in sea freight rates or imposition of new tariffs may increase our cost price which may in turn adversely affect our business and financial performance. Sea freight rates may change due to factors such as political or civil unrest, acts of war, disruptive global political events (for example, geopolitical tensions involving China, the conflict between Russia and Ukraine and the Israel-Hamas war), currency fluctuations, disruptions in maritime lanes, port tariffs and port labour disputes. In this regard, the Malaysian government has recently approved a staggered 30% tariff hike for Port Klang, effective from 15 June 2025 through to January 2027. While this measure is expected to increase port-related charges over time, we did not experience any material impact on our operations as at the LPD. However, there is no assurance that future increases in tariffs or logistics costs will not affect our cost structure or delivery capabilities.

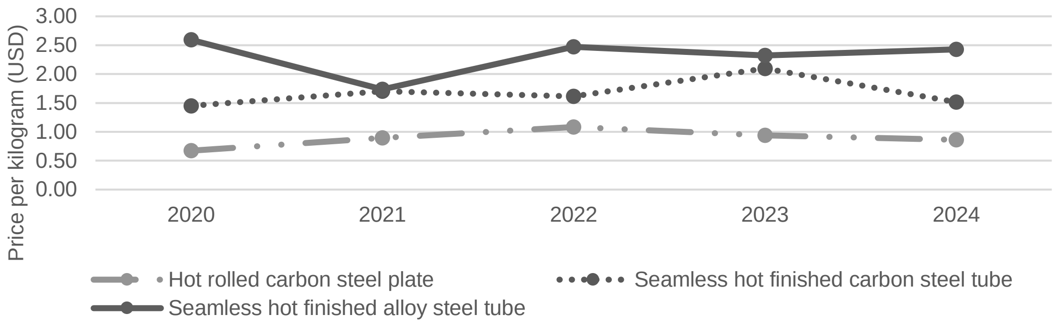
During the Financial Years Under Review and up to the LPD, we did not experience any significant disruptions in the supply of raw materials and finished goods, as we maintained an adequate stock level for our secured projects. Our inventory turnover period is 109 days, 116 days and 124 days for the FYE 31 December 2022, 2023 and 2024 respectively, which has helped ensure our ability to complete works and fulfil customer orders. However, there is no assurance that we will not face supply disruptions in the future, which could negatively impact our business and financial performance.

Similarly, we did not experience any material increase in costs resulting from sustained increases in sea freight rates during the Financial Years Under Review and up to the LPD. However, there is no assurance that we will not be exposed to sustained increases in sea freight rates in the future, which could increase our costs, and negatively impact our business operations and financial performance.

### 5.1.10 We are exposed to fluctuations in the prices of steel-based materials

The raw materials for the fabrication of our products mainly comprise of steel-based materials including carbon steel, mild steel, stainless steel, galvanised steel as well as control valve and fittings. The purchases of steel materials, control valves and fittings accounted for 13.1%, 16.6% and 15.3% of our total costs incurred for input materials, products and services for the FYE 31 December 2022, 2023 and 2024 respectively.

The international market for steel, as a commodity is subject to price fluctuations due to various factors beyond our control. These factors include global economic conditions, geopolitical events, demand from the end-user industries and supply of steel from manufacturers. The historical average yearly price movements of the types of steel mainly purchased by our Company, namely hot rolled carbon steel plates, seamless hot finished carbon steel tubes, and seamless hot finished alloy steel tubes, between 2020 and 2024 are set out below:




***Notes:*** *Hot rolled carbon steel plate refers to HS code 720851; seamless hot finished carbon steel tube refers to HS code 730439; and seamless hot finished alloy steel tube refers to HS code 730459.*
*(Source: F&S analysis)*

Any increase in steel price may not always translate into an increase or similar increase in the price of our products and services. As a consequence, such increase in steel prices may reduce our profit margins if such increase cannot be completely passed on to our customers by increasing the prices of our products and/or services by the same amount. However, if we were to pass on such increase of the same amount to our customers, we may not be competitive compared to our competitors who absorb the cost increase.

This risk is particularly pronounced in projects involving lump sum or fixed-price contracts, where our Group may face challenges in transferring cost increases due to:

(i) Fixed contract prices without cost escalation clauses;

(ii) Customer price sensitivity, especially in competitive tender environments, limiting acceptance of mid-contract price adjustments; and

(iii) Timing mismatches between procurement costs and billing cycles, which may result in our Group incurring higher costs after tender submission.

During the Financial Years Under Review, fluctuations in steel prices, mainly carbon steel tube prices, impacted our input costs, particularly in the FYE 31 December 2023. Our purchases of steel materials, control valves and fittings increased by 33.5% in the FYE 31 December 2023, reflecting the global increase in carbon steel tube prices during that period, and then decreased by 16.4% in the FYE 31 December 2024 as steel prices for carbon tubes moderated. Although carbon steel tube prices were higher in 2023 and impacted our Group's costs, our GP margin improved to 25.3% in the FYE 31 December 2023 from 23.7% in the FYE 31 December 2022, mainly due to economies of scale from the higher number of steam turbine generator systems sold and increased work progress on several biomass steam energy system EPCC projects which generated higher margins through efficient project execution as further described in Section 12.2.5(iii) of this Prospectus. Our GP margin further increased to 28.0% in the FYE 31 December 2024, supported by ongoing cost optimisation efforts and the lower average steel prices. However, any future increases in steel prices may reduce our profit margins and in turn, have a material adverse effect on our business operations and financial performance.

### 5.1.11 We may not be able to invoice our customers or receive the full amount due under our contract assets

Revenue from our steam energy systems and auxiliary facilities is recognised based on the percentage of work completed or services performed. Under the terms of our contracts, we typically submit progress claims and reports to our customers reflecting the progress of the work completed. Some progress claims are subject to our customer's or their appointed representatives' review and validation or certification. Upon such validation or certification, we will issue invoices for progress payments in line with the validated or certified claims which correspond with the percentage of work completed.

Our contract assets represent the value of work performed and recognised as revenue for which we are yet to be entitled to issue an invoice to our customers for the completed work. Timing differences often arise between the actual completion of work, the submission and certification of payment claims, invoicing, and eventual receipt of payments from our customers. As at the FYE 31 December 2022, 2023 and 2024, our contract assets stood at RM14.3 million, RM13.0 million and RM19.6 million respectively.

The value of contract assets may fluctuate between reporting periods due to the timing of milestone completions and customer certifications of completed work. In addition, we may not be able to invoice or collect the full amount of our contract assets as disputes may occur with our customers over the value or status of the work completed. Our failure to fully invoice and collect the amount of our contract assets may adversely impact our financial performance, position and liquidity.

Furthermore, if our customers were to encounter financial difficulties or are unable to pay our invoices, we may be unable to recover the full value of our contract assets. For instance, we recognised an impairment loss of RM1.2 million on contract assets related to a gas-fired EPCC project in the FYE 31 December 2023 due to prolonged project delays. We did not recognise any impairment losses on contract assets in the FYE 31 December 2022 and 2024. However, there is no assurance that similar impairments will not arise in the future, which may negatively affect our profitability, cash flow and financial performance.

### 5.1.12 Our insurance coverage may not be adequate

While we maintain insurance policies to cover a variety of risks that are relevant to our business needs and operations at our factories in Shah Alam, Selangor, Malaysia, the five service centres in Malaysia and Indonesia, and various project sites across Malaysia and Indonesia, such as employee accident insurance, contractors' all-risk insurance, and workmen's compensation insurance, there can be no assurance that any insurance proceeds we receive would be sufficient to cover expenses related to insured losses or liabilities and all future claims by our Company will be allowed and paid-out in full.

There can also be no assurance that we will be able to comply with all policy terms and conditions as well as continue to observe all warranties at all times or that the renewals of the policies will not be subject to changes to the insurance premiums, terms or claim limits.

Any significant increase in premiums or a reduction in claim limits may result in higher costs to maintain the same level of coverage or an involuntary reduction in our insurance coverage which may expose us to potential shortfall in the amount claimed if the value of claims were to exceed our insurance coverage. These occurrences may adversely affect our financial position.

During the Financial Years Under Review and as of the LPD, we did not incur any material losses or liabilities that were claimable against our insurance policies.

### 5.1.13 We may not be able to implement our business strategies to grow our business which may limit our growth prospects

Our Group has set out several business strategies intended to strengthen our competitive positioning, diversify our earnings base, and drive long-term growth. These strategies include expanding our presence in Indonesia to better serve a growing customer base; upgrading our headquarters and digital infrastructure to improve operational efficiency and support future scalability; investing in new equipment and machinery to improve our operational efficiency and production consistency; and enhancing our R&D capabilities to develop more energy-efficient systems and customer-driven solutions. These initiatives are designed to deepen our value proposition to customers while increasing productivity and resilience across our operations.

A key pillar of our growth strategy also involves transitioning from a purely project-based model to one that includes long-term recurring revenue, by venturing into the ownership and operation of biomass steam power plants under a BOOT and/or BOO framework. This marks a fundamental shift in how we deliver value and monetise our expertise in steam energy systems. As this transition introduces new operational, financial, and regulatory considerations, the risks associated with this new business model are set out in Section 5.2 of this Prospectus.

While we believe that these strategies are aligned with our strengths and market trends, there can be no assurance that we will be able to implement them successfully or within the expected timeframe. The execution of these strategies may prove to be more complex, costly, or time-consuming than initially anticipated. Factors that could impede our ability to execute include, among others, an inability to secure adequate funding, high implementation or operating costs, delays in obtaining regulatory approvals or permits, shortages in skilled manpower or technical expertise, unforeseen project or supply chain disruptions, as well as changes in political or regulatory conditions in the markets we operate in, particularly in Indonesia and Malaysia.

Furthermore, even if implemented as planned, our strategies may not yield the intended commercial benefits or generate the anticipated returns on investment. For example, investments in new equipment and machinery or digitalisation may take longer to deliver cost or efficiency gains; R&D investments may not result in commercially viable products; or our market expansion efforts may face lower-than-expected demand.

Any delay, underperformance or failure in implementing our business strategies could adversely affect our ability to grow, weaken our market position, and have a negative impact on our financial condition, cash flows and long-term prospects.

### 5.1.14 We are exposed to the credit risks of our customers

While our normal credit term to our customers range from 30 days to 120 days from the invoice date, we may extend or vary it on a case-by-case basis depending, on among others, the creditworthiness of the customer and the length of our customer relationship. Our past due trade receivables accounted for 71.8% (RM27.6 million) of our total net trade receivables as at 31 December 2024, of which 6.8% (RM2.6 million) were past due for more than 180 days.

Our customers may be unable to meet their contractual payment obligations to us, either in a timely manner or at all. The reasons for payment delays or default by our customers may include, amongst others, insolvency, bankruptcy or insufficient financing or working capital due to late payment by their respective customers. We may not be able to enforce our contractual rights to receive payments through legal proceedings.

We may be required to make provisions for impairment losses on trade receivables and/or write off bad debts, which could adversely affect our financial performance if a customer fails to pay within the stipulated credit period. We had impairment losses on trade receivables of RM2.6 million in the FYE 31 December 2022, RM0.7 million in FYE 31 December 2023 and RM1.0 million in FYE 31 December 2024. Our bad debt written off were not material, representing less than 2% of our Group's PAT for the Financial Years Under Review (FYE 31 December 2022: RM25,000, FYE 31 December 2023: RM374,000 and FYE 31 December 2024: RM51,000).

However, there can be no assurance that impairment losses on trade receivables would not be significant in the future and adversely affect our financial performance.

### 5.1.15 We may be subject to the risk of penalties for any shortcomings in the quality of our subcontractors' work

We subcontract parts of our EPCC steam energy projects such as fabrication and machining services, on-site construction and installation works, and subcontracted labour.

Our subcontracted service expenses accounted for RM22.9 million (12.0%), RM22.4 million (11.1%) and RM20.4 million (11.1%) of our total cost incurred for input materials, products and services for FYE 31 December 2022, 2023 and 2024, respectively.

Our subcontractors' failure to carry out the required services which meets the requisite standards will inevitably result in our products not meeting our customers' specifications, and may lead to penalties being imposed on us or damage to our reputation. If our subcontractors cannot complete the contracted services within the stipulated time frame, we may be late in completing our projects and invariably, we may incur penalties such as LAD or warranty claims, depending on the nature of the breach and our contract and/or purchase order with the customer.

During the Financial Years Under Review and up to the LPD, we have not encountered any material claims from our customers that resulted from the shortcomings of our subcontractors. Nevertheless, there is no assurance that we may not be subject to any penalties or other negative consequences resulting from our subcontractors' failure in the future.

### 5.1.16 Dependency on certain major suppliers

We are the appointed distributor of the Shinko brand of steam turbine generator systems sourced from our principal, Shinko Ind. Ltd. in Malaysia and Japan. For the FYE 31 December 2022, 2023 and 2024, the supply of Shinko steam turbine generator systems accounted for RM55.1 million (20.7%), RM73.3 million (25.4%) and RM63.1 million (22.8%) of our Group's total revenue respectively.

We have been appointed as the agent of Shinko Ind. Ltd. for the sales promotion, installation, commissioning, after-sales services, maintenance and spare parts supply of Shinko products (steam turbines including generators and pumps) for the palm oil industries and its related industries in South East Asia countries, Latin America and West Africa. The certificate of appointment is subject to automatic renewal on an annual basis and may be terminated by either party by giving three months' prior written notice. Although the distributorship is not formally exclusive, to the best of our knowledge and based on our ongoing engagement with Shinko Ind. Ltd., we believe that we are currently the only distributor actively serving these industries and regions as at the LPD.

Notwithstanding the existence of the certificate of appointment, our reliance on Shinko Ind. Ltd. for the supply of steam turbine generator systems exposes our Group to the risk of potential supply disruptions or termination of the arrangement. In the event of non-renewal, early termination, or changes in the commercial terms imposed by Shinko Ind. Ltd., our Group may face challenges in sourcing equivalent steam turbine generator systems with similar technical specifications, quality standards, or delivery timelines. Any such disruption may lead to project delays, increased procurement costs, breach of contractual obligations to customers, or loss of business opportunities. There have been no issues or disruptions concerning the renewal of the distributorship arrangement between us and Shinko Ind. Ltd. in the past up to the LPD and both parties have maintained a longstanding and collaborative business relationship, with no prior terminations, non-renewals, or material disputes affecting the continuity of the arrangement. To that effect, Shinko Ind. Ltd. had on 7 July 2025 renewed the certificate of appointment our Group for a further three years, from 25 August 2025 to 24 August 2028, and it is subject to automatic annual renewal thereafter.

Given the integral role that Shinko products play in our Group's value chain, any adverse developments in our relationship with Shinko Ind. Ltd. may have a material adverse impact on our business operations, financial performance and prospects. While our Group maintains a long-standing business relationship with the Shinko group as evidenced by its dealings with them for more than 20 years, there can be no assurance that we will not face disruptions in the supply of Shinko-branded steam turbine generator systems in the future.

As such, any adverse development in our relationship with Shinko Ind. Ltd. could have a material adverse effect on our business operations, financial performance and prospects. For further details on our major suppliers, see Section 7.6 of this Prospectus.

**5.1.17 We operate in several jurisdictions and are subject to taxation risks**

We conduct our operations in Malaysia and Indonesia and are subject to the tax laws and regulatory frameworks applicable in these jurisdictions. Our business faces risks arising from periodic changes in taxation rates, regulatory audits, investigations, tax assessments and evolving tax compliance requirements. Such changes and enforcement actions may not always be favourable, potentially imposing additional compliance obligations or financial implications on our business.

Taxation laws and policies in Malaysia and Indonesia are frequently amended, reinterpreted, and subject to differing interpretations between tax authorities and our Group. Changes in corporate income tax rates, the introduction of new taxes, or amendments to existing tax incentives and exemptions could materially affect our profitability and cash flows.

Save for the underpayment of tax and on-going tax audit in relation to PT WATI as set out in Section 12.2.5(ix) of this Prospectus, we are not subject to any other tax audit relating to our business operations in Malaysia and Indonesia.

We maintain an active approach to monitoring and adapting to tax and regulatory developments to ensure ongoing compliance and to mitigate adverse impacts. Nevertheless, due to the complex and evolving nature of taxation laws and regulations, there can be no assurance that we will anticipate or fully mitigate all unfavourable changes. In certain circumstances, we may engage external tax advisers or consultants to assist in interpreting complex regulatory requirements and ensuring compliance, which could result in increased operating costs.

Moreover, unforeseen regulatory changes or intensified enforcement activities such as audits, reassessments, or investigations, could lead to additional tax liabilities, penalties, fines, or lengthy tax disputes. Any of these outcomes could have a material adverse effect on our financial condition, liquidity, and results of operations.

## 5.2 RISKS RELATING TO OUR TRANSITION INTO OWNERSHIP AND OPERATION OF BIOMASS STEAM POWER PLANTS

### 5.2.1 We will be exposed to risks associated with transitioning from a project-based EPCC model to a recurring-revenue asset ownership model.

Our Group's strategic pivot from an EPCC business to the ownership and operation of a biomass-fired steam power plant marks a fundamental shift in its historical revenue model, risk profile, and operational structure. Unlike the EPCC model, which generates revenue on a project-by-project basis with defined timelines and payment milestones, the new business model is centered on recurring revenue from long-term steam supply agreements, continuous plant operations, and sustained asset performance.

This transition introduces a new strategic and operational framework, including the need to manage long-term customer relationships, monitor and maintain capital-intensive assets, optimise plant availability and efficiency, and ensure uninterrupted steam delivery. We must adapt to a new pattern of cash flows which is characterised by high upfront capital investment and ongoing operating expenses, offset by steady but slower revenue realisation over the life of the plant.

The shift also requires the development or enhancement of internal capabilities, including financial controls suited to recurring revenue operations, asset performance monitoring systems, preventive and predictive maintenance protocols, and customer service infrastructure. Governance structures, compliance systems, and risk management policies that were appropriate for a project-based EPCC business may not be sufficient to manage the more complex and long-term risks associated with plant ownership and utility operations.

Our Group may face operational and financial challenges in adapting to this new model, particularly during the initial years of plant operation. These may include delays in institutionalising new systems, integration issues across departments, gaps in staff competencies, or misalignment of reporting frameworks with the requirements of long-term asset management and investor expectations.

Failure to manage this strategic transition effectively may lead to operational inefficiencies, suboptimal plant performance, increased costs, reduced customer satisfaction, and erosion of stakeholder confidence. In the longer term, this may adversely impact our Group's financial performance, ability to scale its utility business, and credibility in the renewable energy sector.

### 5.2.2 We will be exposed to capital investment and financial risks arising from the ownership and operation of a biomass steam plant

The ownership and operation of a biomass-fired steam plant entail substantial capital commitments that differ significantly from our Group's historical focus on EPCC contracts. Unlike the EPCC business model, which is primarily based on fixed lump sum contracts with shorter revenue cycles, the development and operation of a biomass steam plant facility require significant upfront and ongoing capital investment.

This includes, amongst others, capital expenditure for the acquisition of land, construction of the plant, procurement of specialised biomass combustion equipment, and installation of related infrastructure such as feedstock handling systems and emissions control technologies. In addition, we must allocate sufficient working capital to support operational expenses such as biomass feedstock procurement, plant staffing, scheduled and unscheduled maintenance, insurance premiums, regulatory compliance, and other recurring operational needs.

There is a risk that the actual capital and operating costs may exceed initial estimates due to unforeseen technical issues, changes in design or regulatory requirements, inflationary pressures, or contractor delays. Cost overruns or project delays may adversely affect our Group's projected returns, cash flows, and overall financial position. In particular, any delay in achieving commercial operations may postpone revenue generation and impact our Group's ability to meet debt obligations or repay project financing in a timely manner.

Furthermore, the long-term financial viability of the biomass steam plant is dependent on its ability to consistently generate stable and sufficient cash flows. This in turn is influenced by a variety of factors, including the reliability of customer demand for steam or energy, the plant's operational performance and efficiency, prevailing biomass fuel costs, and the enforceability and commercial terms of any offtake agreements.

Should the plant experience lower than expected utilisation rates, operational inefficiencies, or disruptions in feedstock supply, its ability to generate adequate cash flows may be compromised. This could in turn impair our Group's ability to service financing obligations, reduce the anticipated return on investment, and adversely affect our business operations and financial performance.

### 5.2.3 Our Group has no prior track record in owning or operating a biomass steam power plant

While our Group has prior experience in delivering EPCC steam energy systems projects, it does not have an operating track record in managing and maintaining a biomass-fired steam plant. Unlike EPCC projects which conclude upon project handover, the operation of a biomass plant involves continuous, round-the-clock operations that demand advanced monitoring systems, robust maintenance regimes, and the availability of experienced and technically skilled personnel.

Biomass combustion presents specific operational challenges not typically encountered in conventional thermal plants. These include higher incidences of slagging, fouling, ash accumulation, and corrosion, all of which contribute to accelerated degradation of equipment such as steam energy systems, economisers, and flue gas treatment systems. As a result, the maintenance requirements of a biomass steam power plant are more frequent and complex, and any failure to properly manage these conditions may result in unplanned shutdowns, reduced steam output, or extended downtime.

Unscheduled outages or reduced plant efficiency may trigger contractual penalties under steam offtake or energy supply agreements, and may negatively impact plant availability. In addition, any decline in operational reliability may increase operating costs, lead to premature equipment replacement, and require emergency repairs, all of which could have a material adverse effect on our business operations and financial performance.

The operation of a biomass plant also necessitates strict adherence to environmental, health, and safety standards imposed by regulatory authorities. Operational lapses or prolonged downtime may raise compliance risks, including potential breaches of emissions or safety standards, which could result in fines, enforcement actions, or reputational harm.

Accordingly, our Group's ability to sustain high plant availability, achieve targeted thermal efficiency, and maintain compliance with regulatory requirements will be critical to the long-term commercial viability of its biomass operations. Any failure in these areas may adversely affect our Group's financial performance, profitability as well as reputation.

### 5.2.4 The successful operation of our biomass steam plant is dependent on our ability to secure stable biomass feedstock supply

The successful operation of our biomass steam power plant is critically dependent on the continuous, reliable, and cost-effective supply of suitable biomass feedstock, including EFB, palm kernel shells, palm fibre, wood chips as well as other agricultural residues. Unlike conventional fossil fuels, biomass feedstock is inherently variable and subject to a wide range of external factors that may impact its availability, cost, and quality.

The supply of biomass is influenced by seasonal production cycles, weather conditions, and broader supply and demand dynamics within the agricultural and plantation sectors. For example, prolonged dry or wet weather may affect the volume and condition of biomass residues generated, while increased domestic demand or changes in export volumes particularly for palm kernel shells may constrain local availability or raise procurement costs.

In addition, logistical challenges such as transportation bottlenecks, limited storage infrastructure, or supply chain disruptions may result in delays or shortfalls in delivery. Any shortage or inconsistency in feedstock supply could lead to operational downtime, reduced steam output, or increased reliance on alternative fuels, which may not be economically or environmentally viable.

Furthermore, variations in feedstock quality such as moisture content, particle size or calorific value can significantly affect combustion efficiency and equipment performance. Poor quality biomass may lead to increased wear on our steam energy systems, reduced thermal efficiency, and higher maintenance and cleaning costs, all of which may compromise the plant's overall efficiency and profitability.

Our Group may also be exposed to price volatility in the biomass market due to changes in the government policy in Malaysia, such as subsidies, or environmental regulations that affect supply and pricing. Any sustained increase in biomass procurement costs may negatively affect our Group's operating margins and long-term viability of its biomass steam plant's operations.

Accordingly, any disruption in the availability, pricing and/or quality of biomass feedstock may have a material adverse effect on our Group's operational performance, contractual obligations and financial results.

## 5.3 RISKS RELATING TO OUR INDUSTRY

### 5.3.1 We are subject to the risk of competition from other players that provide similar products and services

In Malaysia, a number of local players are seen competing in the biomass steam energy system market, whereas the steam turbine market constitutes of a mixture of international and local players. The biomass steam energy system market is more fragmented than the steam turbine market, with many small local service companies are capable of providing routine maintenance services. Hence, numerous smaller players (suppliers, traders, engineering service companies) also participate and collectively hold a sizable share of the market. We are the second largest player in the biomass steam energy system market in Malaysia, and in the steam turbine market, we are the largest player in Malaysia. *(Source: IMR Report)*

Similar to Malaysia, Indonesia has a fragmented biomass steam energy system market, with an even greater number of players compared to Malaysia. Due to Indonesia's archipelagic business environment, larger international and local players are able to serve the market on a nationwide scale; while many other small to medium-sized local players have strong reputations in certain regions or specific areas within the country. It is also observed that many China-owned plants or palm oil mills in Indonesia tend to install imported steam energy systems and steam turbines from China via local distributors, equipment suppliers or trading companies. Some steam energy systems or steam turbine original equipment manufacturers (OEMs) also sub-contract after-sales services to third-party local engineering service providers. These factors contribute to the highly dispersed market share in Indonesia. In 2024, we have a market share by revenue of less than 5.0% in the biomass steam energy system market in Indonesia. In the steam turbine market, we are among the top industry players in the Indonesian market. *(Source: IMR Report)*

There is no assurance that we will be able to continue competing effectively with other players in the market, which may have a material adverse effect on our business operations, market share and financial performance.

### 5.3.2 We are exposed to risks arising from changes in economic conditions and political developments, global events and force majeure events, that affect the countries in which we operate and/or serve including Malaysia and Indonesia

Domestic and global political, social, economic, and regulatory conditions may adversely affect our business operations and financial performance. These include periods of slow economic growth or recession, shifts in political leadership, geopolitical events, wars, acts of terrorism, riots, the emergence of new epidemics or pandemics, changes in economic policies (e.g., expropriation, nationalisation), fiscal and monetary policies (e.g., interest rate adjustments, foreign worker levies), alterations in international relations and environmental regulations.

Many of the factors identified above may increase transportation costs, costs of labour, insurance, barriers or increased costs associated with international trade and other economic factors also affect our ability to implement our strategy effectively, our cost of sales and our administrative expenses, and may have other adverse consequences which we are unable to fully anticipate or control, all of which may adversely affect our business operations, profitability and financial performance. Furthermore, alterations to import regulations or tariff rates can affect the cost of goods we sell, potentially disrupting our pricing strategies and profit margins.

In addition, the Malaysian government has announced an expansion of the Sales and Services Tax (SST) to take effect on 1 July 2025. This expansion may lead to increased tax obligations on certain goods and services relevant to our operations, thereby potentially increasing our overall cost structure and affecting our pricing and profitability.

Indonesia is currently our Group's largest overseas market and accounted for 42.6%, 47.8% and 49.4% of our Group's total revenue for the FYE 31 December 2022, 2023 and 2024, respectively. As such, our business and financial performance may be affected by changes in Indonesia, particularly if more stringent restrictions or unfavourable trade policies, customs duties, or tariffs are imposed.

On 2 April 2025, the United States of America ("**USA**") government had announced, among others, the imposition of reciprocal tariff on Malaysian imports at 24%, to be effective from 9 April 2025. However, on 9 April 2025, the USA government announced the drop in tariffs for USA's trade partners, except the People's Republic of China, to 10% for 90 days, to allow for trade negotiations. For the FYE 31 December 2022, 2023 and 2024, our Group's export sales to the USA represented a minimal portion of our total revenue. The revenue from the USA was less than 0.1% in FYE 31 December 2022, and there were none in the FYE 31 December 2023 and 2024. As at the LPD, our Group has not encountered any direct impact of cost increases or supply chain disruptions as both our customers and key suppliers are not based in the USA or have been directly impacted by the USA tariffs announcements.

A prolonged pandemic, for example, could disrupt the supply chain and hinder our operations. Economic downturns may lead customers to defer, reduce, or cancel contracts, lower their order volumes, or request price reductions. Additionally, our business could be affected by global events such as geopolitical tensions, financial crises, trade conflicts, sanctions, or rapid technological changes.

Adverse developments in any of the factors described above could adversely impact our business operations and financial performance.

## 5.4 RISKS RELATING TO OUR SHARES AND OUR LISTING

### 5.4.1 Any future issuance of our Shares may dilute prospective investors' shareholding and may adversely affect the trading price of our Shares

We may be required to finance our future growth and expansion plans and business requirements, including opportunistic acquisitions, through additional securities offerings. Any future equity issuances by us, including in a primary offering or pursuant to a preferential allotment or issuances of stock options under employee stock option plans or any perception by investors that such issuances might occur, may lead to the dilution of investor shareholding in our Company or affect the trading price of our Shares and could affect our ability to raise capital through an offering of our securities. There can be no assurance that we will not issue further Shares which may dilute prospective investors/ shareholders and/or adversely affect the trading price of our Shares.

### 5.4.2 Our Listing may not result in an active and liquid market for our Shares

There can be no assurance as to the development of any market, or the liquidity of any market that may develop, for our Shares, the ability of shareholders to sell our Shares or the prices at which shareholders would be able to sell our Shares. Neither we nor our Promoter have an obligation to make a market for our Shares or, if such a market does develop, sustain it.
In addition, there can be no assurance that the trading price of our Shares will reflect our operations and financial conditions, our growth prospects or the growth prospects of the industry in which we operate.

### 5.4.3 Our Share price and trading volume may be volatile

The market price of our Shares may fluctuate as a result of, amongst other things, the following:

(i) general market, political and economic conditions;

(ii) trading liquidity of our Shares;

(iii) differences in our actual financial and operating results and those expected by investors and analysts;

(iv) changes in earnings estimates and recommendations by financial analysts;

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

(vi) perceived prospects of our business and the industry where we operate;

(vii) adverse media reports regarding us or our shareholders;

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

(ix) general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares. Furthermore, if the trading volume of our Shares is low, price fluctuation may be exacerbated. While locked up shareholders are restricted from selling any of their Shares for a period of six months following our Listing, the market price of our Shares may also fluctuate if our existing shareholders choose to sell their Shares in the future. For further details on the moratorium and our lock-up arrangements, see Sections 2.2 and 4.8.3 of this Prospectus, respectively. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Final Retail Price. There can also be no assurance that the trading price of our Shares will reflect our operations and financial conditions, our prospects, or the prospects of the industry we operate in.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that has affected the share prices of many companies. The share price of many companies have experienced wide fluctuations which were not always related to the operating performance of those companies, including fluctuations as a result of developments in other emerging markets and trade tariffs. There can be no assurance that the price and trading of our Shares will not be subject to similar fluctuations.

### 5.4.4 The sale, or the possible sale, of a substantial number of our Shares in the public market following our Listing could adversely affect the price of our Shares

Following our Listing, we will have in issue 500,000,000 Shares, of which up to 119,500,000 Shares, representing up to 23.90% of our enlarged issued share capital, will be held by institutional investors participating in our Listing, and not less than 350,000,000 Shares, representing 70.00% of our enlarged issued share capital will be held by the existing shareholders of our Company (including the Promoter) via their direct and/or indirect interests in our Company. Save for the restrictions in relation to the moratoriums and our lock-up arrangements as set out in Sections 2.2 and 4.8.3 of this Prospectus, respectively, our Shares sold in our IPO will be traded on the Main Market of Bursa Securities without restriction following our Listing.

Our existing shareholders (including the Promoter) and/or other shareholders, could dispose of some or all of our Shares that they hold, after the moratorium or lock-up period, pursuant to their own investment objectives. If our shareholders sell, or are perceived as intending to sell, a substantial amount of our Shares that they hold, the market price for our Shares could be adversely affected.

### 5.4.5 There may be a delay in, or termination of, our Listing

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

(i) the [Joint] Underwriters' exercise of their rights under the Retail Underwriting Agreement, or the [Joint] Bookrunners' exercise of their rights under the Placement Agreement, to discharge themselves of their obligations under such agreements;

(ii) our inability to meet the minimum public shareholding spread requirement pursuant to Paragraph 3.06 of the Listing Requirements of having at least 25.0% of our enlarged number of issued Shares for which our Listing is sought to be held by a minimum of 1,000 public shareholders holding at least 100 Shares each at the point of our Listing as approved by Bursa Securities;

(iii) the revocation of the approvals from the relevant authorities for our Listing for whatever reason;

(iv) any material change or development affecting matters disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment/transfer of our IPO Shares, which warrants the issuance of a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6 on Supplementary and Replacement Prospectus) of the Prospectus Guidelines; or

(v) non-completion of our IPO if either the Retail Offering or the Institutional Offering fails to complete for any reason including but not limited to insufficient subscription, adverse market conditions, or withdrawal by the Cornerstone Investors, which will result in the termination of our Listing.

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

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

(ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(7)(a) of the CMSA, investors will not receive any IPO Shares, and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment or transfer of our IPO Shares and the issue proceeds form part of our share capital:

(i) the SC issues a stop order under Section 245(1) of the CMSA, any issue of our Issue Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of our share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by way of special resolution in a general meeting and supported by either (A) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of

Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances, or (B) a solvency statement from our Directors.

### 5.4.6 Our ability to pay dividends in the future will depend upon our future retained earnings, financial condition, cash flows, working capital requirements and covenants in favour of our creditors and we may be affected by our payment of dividends

As part of our Board's guidance on dividends, we aim to declare a certain portion of our retained earnings for the year, subject to the approval of our Board and to any applicable law and contractual obligations, as dividends, provided that such distribution will not be detrimental to our Group's cash requirements or to any plans approved by our Board. Details of our dividend policy is set out in Section 12.4 of this Prospectus. We propose to pay dividends after setting aside the necessary funds for our capital expenditure and working capital needs such that any declaration of dividends shall not exceed our distributable profits. We may not declare dividends should there be events of defaults occurring or that would occur with such dividend payment. Dividend payments are not guaranteed and our Board may decide, in its sole and absolute discretion, at any time and for any reason, not to pay dividends or to pay smaller dividends than we currently propose.

We are a holding company and conduct substantially all of our operations through our subsidiaries. Accordingly, dividends and other distributions received from our subsidiaries are our principal source of income. Our Group has entered into, and may further enter into, financing agreements, which could limit our ability to pay dividends or other distributions, and we may incur expenses or liabilities that would reduce or eliminate the cash or profit available for the distribution of dividends. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of your investment in our Shares may be reduced. In addition, certain of the facility agreements entered into by certain of our subsidiaries contain certain negative and financial covenants. If these subsidiaries are in breach of any of these covenants, it may affect our ability to pay dividends.

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

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