

8. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A MATERIAL IMPACT ON OUR BUSINESS OPERATIONS, FINANCIAL POSITION AND FUTURE PERFORMANCE OF OUR GROUP, IN ADDITION TO OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

8.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

8.1.1 We are subject to regulatory requirements for the certificate of registration and license for our business operations

Our Group is required to obtain and maintain a valid certificate of registration as a Grade G7 contractor issued by CIDB which allows our Group to tender for construction contracts of unlimited value in Malaysia for categories comprising building construction, civil engineering as well as mechanical and electrical engineering works, whereby our Group principally provides foundation and geotechnical services namely piling works, earth retaining structural works and geotechnical works, which are under the civil engineering category.

In Singapore, in order to provide foundation and geotechnical services, hire foreign construction workers (i.e., S Pass and/or Work Permit Holders), and to tender or undertake construction-related public sector projects as part of our business strategies and future plans, our Group is required to obtain and maintain a valid Specialist Builder (Piling Works) licence as well as the CRS registration with BCA, which we have obtained in January 2025 and May 2025, respectively. For further information on the certificate of registration and license for our business operations, please refer to Annexure A of this Prospectus.

In order to maintain our certificate of registration and licence, our Group is required to comply with the relevant conditions, laws and regulations under which it is issued. In the event of non-compliance, our certificate of registration or licence may be downgraded, suspended, revoked or not renewed upon expiry. If our Group is unable to maintain or renew our certificate of registration with CIDB and our licence with BCA, we will be restricted or prohibited from providing foundation and geotechnical services in Malaysia and Singapore respectively. If our Group is unable to maintain or renew our CRS registration with BCA, we will be restricted or prohibited from hiring foreign construction workers (i.e., S Pass and/or Work Permit Holders), and tendering or undertaking construction-related public sector projects. This will result in a suspension of our business operations in Malaysia and our expansion plan into Singapore, respectively. In such event, our Group's business operations, financial performance and prospects may be materially and adversely impacted.

For the Financial Years Under Review and up to the LPD, save for the past non-compliances as disclosed in Section 6.24(i)(a) of this Prospectus, our Group has not received any material penalties or compounds from CIDB and BCA that result in failure in maintaining or renewing our certificate of registration with CIDB and our licence as well as CRS registration with BCA. However, there is no assurance that we will continue to be able to successfully maintain and renew our certificate of registration with CIDB and our licence as well as CRS registration with BCA. Further, there is no assurance that the introduction of any future regulatory developments will not have a material adverse impact on our Group's maintenance or renewal of our certificate of registration with CIDB and our licence as well as CRS registration with BCA, or lead to higher compliance and operational costs which may negatively affect our Group's financial performance.

8. RISK FACTORS (Cont'd)**8.1.2 We are exposed to unexpected interruptions or delays caused by geotechnical risk, machinery and equipment failures as well as other external factors, which may lead to interruptions in our operations**

The time frame required to complete our foundation and geotechnical construction works may be adversely affected by various external factors which are beyond our control, which include:

- (i) exposure to geotechnical risks in the form of unforeseen geological conditions, including landslides, rock falls and mud flows. These geological conditions may be triggered by adverse weather conditions (e.g. heavy rainfall), natural disasters (e.g. floods and storms) and/or human factors (e.g. failure in adhering to safety standards, uncontrolled blasting or inaccurate site assessments). Consequently, the associated geotechnical complications to these geological conditions are amongst others, soil instability, groundwater seepage or ground settlement, which may be dangerous and challenging for our personnel to perform foundation and geotechnical works as well as operate machinery and equipment at the affected construction sites. In such circumstances, re-assessments, site investigations and re-planning of works may be required before resuming the foundation and geotechnical works, hence impacting our business operations and delay the delivery of our services;
- (ii) potential failure of machinery and equipment, as we rely on a series of machinery and equipment to provide foundation and geotechnical services to our customers. These machinery and equipment include rotary boring rigs, crawler cranes, hydraulic grabs and excavators, which are inspected regularly and replaced as and when required. Please refer to Section 6.5 of this Prospectus for further details on our key machinery and equipment. However, these machinery and equipment may, on occasion, be out of service due to unanticipated failures or damages sustained during operation, which would render our machinery and equipment to be non-operational for a period of time; and
- (iii) other external factors including delays or inability to obtain approvals from various regulators as scheduled; shortage of labour as well as building materials in adequate amounts; unfavourable credit terms; delays or poor performance by subcontractors; and unforeseen circumstances affecting our customers' ability and willingness to pay us, amongst others.

These external factors may disrupt our work progress, increase the hazardous nature of our work and/or increase our overall project costs due to additional works required. All of which may result in cost overruns and/or delays in the completion of our works, thereby subject us to claims for LAD by our customers. Furthermore, in the event of cost overruns, our Group's cash flow and financial performance may be adversely affected.

In FYE 2023 and FYE 2024, our group recorded LAD of RM6.35 million and RM2.58 million respectively, primarily resulted from the delay in the completion of three (3) residential development projects and one (1) infrastructure project in the central region. For further information on the impact of LAD to our Group's financial performances, please refer to Section 11.3.2 of this Prospectus.

For the Financial Years Under Review and up to the LPD, save for the aforementioned, there were no occurrences of geotechnical risk, machinery and equipment failures or other external factors that resulted in material disruptions to our service provisions and/or material cost overruns that had a material adverse impacts to our Group's financial performances and business prospects. However, there can be no assurance that these events will not happen in the future, and will not cause any adverse impact to our business operations, financial performance and prospects.

8. RISK FACTORS (Cont'd)**8.1.3 Our growth and profitability are dependent on our ability to continuously secure new projects and maintain or grow our order book**

Due to the nature of our business whereby we provide foundation and geotechnical services on a project basis, our financial performance may fluctuate and is dependent on our ability to continuously secure new projects. Failure to do so may result in a decline in our order book, which may lead to adverse impact to our growth and profitability.

In April 2025, the government of USA had announced an imposition of reciprocal tariff on import of goods from other countries, including Malaysia. In July 2025, the government of USA announced that effective 1 August 2025, the government of USA is imposing a 25% tariff (a 1% increase from the initial 24% tariff announced in April 2025) on imports from Malaysia. While the imposition of reciprocal tariff by the government of USA currently has no direct impact on the foundation and geotechnical industry or the construction industry in Malaysia, there can be no assurance that there will not be material adverse impact to our order book from ongoing projects with our major customers resulting from the imposition of reciprocal tariff, as the overall impact remains uncertain and is subject to the outcomes of negotiations between governments. Notwithstanding that, our Group does not foresee any potential major impact on our order book from ongoing projects with our major customers, as our Group solely operates in Malaysia as at LPD.

As at the LPD, our order book amounted to a total of RM382.66 million. For the Financial Years Under Review and up to the LPD, we have not experienced major challenges in securing new projects and maintaining or growing our order book. However, there is no assurance that we will be able to maintain or grow our order book moving forward, as it is subject to various factors beyond our control, including market demand, competitive dynamics and economic conditions in Malaysia. Any unfavourable development of these factors may result in a decline in the demand for foundation and geotechnical services as a whole, which may consequently affect our project pipeline, hence adversely impacting our growth and profitability.

8.1.4 We are exposed to contractual pricing mechanism which lacks flexibility for adjustment

Our projects are secured on contractual basis and our order book comprises mainly contracts awarded on:

- (i) firm-price basis, where the cost of wages, building materials, fuel, temporary works or transport, amongst others, shall be fixed (i.e. there shall be no adjustment on the agreed cost in the event of fluctuation or variation in prices, which may occur during the work progress); while the final contract sum is adjustable according to the actual measurement quantities at site. This pricing mechanism is usually adopted in traditional build-only contracts whereby our customers have full responsibility for any variation or changes to the design; and
- (ii) lump-sum basis, where the final contract sum is fixed and cannot be adjusted. This pricing mechanism is usually adopted in design-and-build contracts as we are responsible for the project design, and the contract sum is not adjustable, save for any variation or changes to project requirements by our customers.

As our contractual pricing mechanism lacks flexibility for adjustment, any underestimation of costs and/or unanticipated increase in operating costs (e.g. costs of labour, building materials, equipment and subcontracted services) may result in cost overruns for our projects. Under such pricing mechanisms, cost overruns would have to be absorbed by our Group, thereby adversely affecting our profitability and financial performance.

Our Group has not experienced any cost overrun situations which had a material adverse impact on our profitability and financial performance in the Financial Years Under Review and up to the LPD. However, there is no assurance that we will be able to cover or avoid cost overruns for all our projects in the future, which may adversely affect our business operations, financial performance and prospects.

8. RISK FACTORS (Cont'd)**8.1.5 We are exposed to risks relating to workplace health, safety and environment (“HSE”) practices**

Our business operations are subject to laws and regulations relating to workplace HSE requirements enacted or issued by government bodies. Legislation, regulations and industry code of practice applicable to our workplace HSE practices include the OSHA 1994 and the EQA 1974. Please refer to Section 6.24 for further details on the legislation, regulations and industry code of practice applicable to our workplace HSE practices.

As our foundation and geotechnical services involve the use of machinery and equipment to carry out boring, drilling, excavating and lifting works, any improper handling of these machinery and equipment may jeopardise the safety of our site personnel, and any improper safety practices may result in incidents at construction sites, all of which may cause serious injuries to our personnel or even fatalities. Furthermore, during our foundation and geotechnical works, vibration, noise, smoke or other pollutants are generated. If these pollutants exceed the standards set by the authorities, it may pose a health risk to our site personnel and the public residing near the construction sites. As such, any failure to comply with the relevant HSE requirements may result in incidents, injuries, illnesses and fatalities, as well as penalties and closure of construction sites.

As at the LPD, our Group has not breached any workplace HSE requirements that have resulted in material adverse impact to our business operations and financial performance. For the Financial Years Under Review and up to the LPD, our Group has recorded three (3) incidents at our project sites, all of which are minor, whereby two (2) of the incidents resulted in minor injuries of on-site personnels and the remaining did not result in any casualty or harm. Notwithstanding this, these incidents did not result in material impacts to our Group's financial or operations. Further, there were also no major workplace incidents and/or environmental non-compliance that have resulted in serious incidents, injuries, illnesses and fatalities. In the occurrence of major incidents or injuries, it may lead to negative publicity and/or suspension of our relevant licences which may adversely impact our business operations, financial performance and reputation. Furthermore, our operations may also be affected as we adapt to any changes in HSE requirements, and the required compliance with new requirements may impose a significant cost to our Group.

8.1.6 There is no assurance that our business strategies and future plans will be commercially successful

We plan to expand our Group's business by expanding our business operations, through our business strategies and future plans as follows:

- (i) to expand our fleet of machinery to increase our operating capacity; and
- (ii) to expand our customer reach and establish our presence in Singapore.

Please refer to Section 6.18 of this Prospectus for further details of our business strategies and future plans.

The implementation of our business strategies and future plans is subject to additional expenditures including operational expenditures and other working capital requirements, which will increase our Group's overall operational cost, including overhead costs and cost of sales. This may result in an adverse impact to our profit margin if we are unable to gain sufficient revenue following the execution of our business strategies and future plans. Our plan to expand our customer reach and establish our presence in Singapore will also expose us to competition risk as detailed in Section 8.2.4 of this Prospectus.

Further, while our Managing Director, Non-Independent Executive Directors and Key Senior Management have years of experience in our business operations, there can be no assurance that the effort and expenditures spent on the execution of our business strategies and future plans will yield expected results in expanding our business. We are also not able to guarantee the successful implementation of our business strategies and future plans, nor can we assure that we will be able to anticipate the business and operational risks arising from our business strategies and future plans.

8. RISK FACTORS (Cont'd)

8.1.7 We are dependent on our Managing Director, Non-Independent Executive Directors and Key Senior Management for the continued success and growth of our business

The future growth and continuing success of our Group largely depend on the continuous contribution and involvement of our Managing Director, Non-independent Executive Directors and Key Senior Management. We depend on the leadership of our Managing Director, Lee Kim Seng and our Non-Independent Executive Directors, Ir. Oh Chin Wah and Lee Jie Min, to spearhead the strategic direction and business development of our Group. With their experience in the foundation and geotechnical industry and in managing our business, they play a pivotal role in developing and implementing business strategies and policies to drive the growth of our Group. In addition, we also depend on our Key Senior Management for their expertise in their respective roles which are essential to our business operations to support the operations and growth of our Group. Please refer to Sections 5.1.2 and 5.2.8 of this Prospectus for the profiles of our Managing Director, Non-Independent Executive Directors and Key Senior Management.

The loss of any of our Managing Director, Non-Independent Executive Directors and Key Senior Management simultaneously or within a short period of time may unfavourably impact our Group's operations and the future growth of our business. If we are unable to attract suitable talents to replace the loss of any of our Managing Director, Non-Independent Executive Directors or Key Senior Management in a timely manner, our business operations, financial performance and prospects will be adversely affected.

8.1.8 We are dependent on the quality of services of our subcontractors

Our Group engages subcontractors to carry out sub-structure works, earthworks, and other related services, as well as to perform labour-intensive works and/or works that require specific license, such as soil dumping. Our subcontractors are selected based on, amongst others, the quality of service and/or materials, responsiveness, reputation, timeliness of delivery, technical expertise, safety and health awareness and compliance, environmental awareness and compliance, as well as availability of resources.

In engaging subcontractors, we are dependent on their ability to perform and deliver according to our needs. In the event our subcontractors do not have the required skills, experience and resources, we may be exposed to risks of poor quality of work, delays and/or costs overrun for our projects, which may lead to our customers claiming damages and penalties from us as well as harming our reputation in the industry. In addition, we would have to be liable for these claims and penalties if we are unable to pass the loss or damage to our subcontractors.

For the Financial Years Under Review and up to the LPD, we have not received or encountered any major complaints from our customers in relation to the quality of services of our subcontractors which led to our Group incurring claims and penalties from our customers. However, moving forward, there can be no assurance that the services rendered by our subcontractors will be satisfactory, and that they will meet our requirements in terms of quality and delivery timeliness. Thus, any failure of our subcontractors to perform and deliver according to their contracted scope of work in a timely manner and of high quality, may adversely impact our business operations, financial performance and industry reputation.

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8. RISK FACTORS (Cont'd)**8.1.9 We are exposed to risks arising from defect liability periods, including claims from customers due to defective or unsatisfactory works by our Group and/or our subcontractors, as well as uncollectible retention sums**

The defect liability periods of our contracts range from one (1) to two (2) years from the receipt of CPC from our customers. Any findings of defective works or dissatisfaction amongst our customers within the defect liability period may give rise to claims against our Group, which may result in the incurrence of additional costs for the remediation or rectification works. This includes defective or unsatisfactory works that were performed by our subcontractors, whereby our Group will be held responsible for remediation or rectification. In addition, we may also be required to compensate our customers for the defective or unsatisfactory works, which may adversely affect our financial performance. While we may attempt to seek compensation from the relevant subcontractors, we may be required to compensate our customers prior to receiving compensation from subcontractors. In the event we are unable to seek compensation from subcontractors or the amount of the claims cannot be recovered in full, or at all, from the subcontractors, we may be required to bear some or all of the costs of the claims. These additional costs will increase our overall costs and may adversely impact our financial performance.

In addition, it is an industry practice where a portion of payment may be withheld by customers as retention sum against defects that may develop after the completion of projects. Our customers generally withhold retention sum up to a maximum of 5.00% of the total contract value, whereby entire retention sum to be retained throughout the contract period until issuance of CPC, and half of the retention sum to be retained until the end of the defect liability period and upon issuance of CMGD. If our customers do not release the retention sum after the agreed periods or require us to write off such amounts, our financial performance may be adversely affected.

For the Financial Years Under Review and up to the LPD, we have not received or encountered any major complaints from our customers in relation to defective and unsatisfactory works during the defect liability period which require our Group to incur significant rectification or remedial costs, as well as incidences where our customers fail to release the retention sum to our Group upon the expiry of the defect liability period. However, there is no assurance that we would not experience any defect liability claims or failure to collect all retention sum in full in the future, or that these incidences would not adversely impact our business operations, financial performance and prospects.

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8. RISK FACTORS (Cont'd)**8.1.10 We are exposed to credit risks and default payment by customers**

We generally grant our customers a credit period of up to 60 days upon completion of a project milestone as stipulated in the respective contracts. In the event of not receiving payment within the credit period or default in payment by our customers, our operating cash flows or financial results of operations may be adversely affected. Further, it may also lead to impairment losses on financial assets or writing-off of trade receivables as bad debts, which may adversely affect our financial performance.

Our net impairment loss/reversal of impairment losses on trade receivables and bad debts written off for the Financial Years Under Review were as follows:

	Audited FYE		
	2022	2023	2024
	RM'000	RM'000	RM'000
Impairment loss on trade receivables	⁽¹⁾ 986	-	⁽²⁾ 262
Reversal of impairment loss on trade receivables	-	-	⁽³⁾ (133)
Bad debts written off ⁽⁴⁾	304	-	-
Total	1,290	-	129

Notes:

- (1) It was general impairment losses on trade receivables after excluding those impaired individual trade receivables, which were assessed separately. The higher impairment loss on trade receivables of RM0.99 million for FYE 2022 was primarily driven by the expected higher collection risk on receivables and changes in forward-looking macroeconomic assumptions.
- (2) It was specific impairment losses on individual trade receivables, which were mainly due to long outstanding debts and delay in payments by customers.
- (3) It was reversal of general impairment losses on trade receivables in FYE 2024 attributable to the general impairment loss balance previously recorded as at 31 December 2023, primarily driven by the expected lower collection risk on receivables and changes in forward-looking macroeconomic assumptions.
- (4) Bad debts were written off for a customer due to uncollectible long outstanding trade debts.

Please refer to Section 11.3.2 this Prospectus for further details on impairment losses/reversal of impairment losses on trade receivables and bad debts written off.

During the Financial Years Under Review, our impairment loss and bad debts does not had a material adverse impact to our Group's financial performance. Nevertheless, there can be no assurance that any delay or failure in receiving payments from our customers in the future may not result in trade receivables being written off as bad debts, which could have material adverse impact to our financial performance.

8.1.11 Our insurance coverage may be inadequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities. As at the LPD, the insurance policies which our Group has taken up include contractors' all risk insurance, fire insurance, machineries and equipment insurance, professional indemnity and workmen compensation insurance, amongst others. However, there is no assurance that our insurance coverage is sufficient to cover all damages to our Group or business operations.

Moreover, we will be subject to the risk that we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates in the event of increase in insurance premium in the future. In addition, if we were to incur a significant liability for which we were not fully insured, for instance major mishaps or major incidents, it may result us incurring additional cost that may adversely affect our business operations and financial performance.

8. RISK FACTORS (Cont'd)

For the Financial Years Under Review and up to the LPD, we have not experienced any claims arising from major mishaps or major incidents which are not sufficiently covered by insurance and having a material adverse impact on our business operations and financial performance.

8.1.12 We are exposed to borrowing and interest risks

Our Group's business operations are funded through a combination of internally generated funds and external financing from financial institutions and machinery leasing companies. Our total borrowings as at 31 December 2024 which consist of term loans, bankers' acceptances, invoice financing and lease liabilities amounted to approximately RM100.32 million, all of which are borrowed from local financial institutions and machinery leasing company, and are interest bearing. As such, we have interest commitment due to loan or borrowings granted by financial institutions and machinery leasing company. Any additional borrowings or increase in interest rates which is beyond our control may adversely affect our profitability.

There can be no assurance that we will not increase our borrowings or that the current interest rate of our borrowings will be maintained in the future. Notwithstanding the above, for the Financial Years Under Review and up to the LPD, we have not experienced any substantial increase in interest rate which had adversely affected our profitability or financial performance.

8.1.13 We may be involved in legal and other proceedings arising from our operations

We may, from time to time, be involved in disputes with various parties such as suppliers, main contractors, subcontractors and/or project consultants in the course of carrying out our business which may be due to amongst others, disputes on progress payments, variation orders, retention sum, defective workmanship, non-compliance with specifications or otherwise relating to our projects. Costs, time and management resources would have to be diverted towards defending such claims should they arise. Such disputes and claims may lead to legal, administrative and other proceedings against our Group; and unfavourable decrees issued against our Group may cause us to suffer additional costs, delays and/or financial losses.

For the Financial Years Under Review and up to the LPD, we were not involved in any material disputes, legal proceedings or litigation cases. Nevertheless, there is no assurance that whenever disputes and claims arise, they will be settled on terms which are favourable to our Group; or if such disputes and claims result in litigation or arbitration, such judgment, order or award will not adversely affect our business operations, financial performance and reputation.

8.2 RISKS RELATING TO OUR INDUSTRY**8.2.1 We are dependent on the construction industry in Malaysia and Singapore**

The performance of our business is dependent on the construction industry as we provide foundation and geotechnical services to construction projects. Thus, our financial performance is likely to move in tandem with the performance of the construction industry in Malaysia. Further, as we intend to expand into Singapore, our business prospects are also dependent on the construction industry in Singapore. Growth in the construction industry in Malaysia and Singapore generally depends on several factors, including:

- (i) Economic growth, which drives the demand for residential, mixed development, industrial, and commercial properties as well as supporting infrastructure;
- (ii) Government initiatives, which drive the property market and infrastructure development; and
- (iii) External factors such as changes in the political and regulatory landscape or sudden outbreak of diseases (e.g. the COVID-19 pandemic in 2020), which may adversely impact Malaysia's and Singapore's economic activities.

8. RISK FACTORS (Cont'd)

Further, the construction industry may be cyclical in nature as they generally move in tandem with economic conditions. A growing economy will give rise to the demand for residential, mixed development, industrial, commercial properties as well as supporting infrastructure development and thereafter creating spill-over effects to the construction industry, which will in turn drive the demand for our foundation and geotechnical services. In the event of a prolonged slow-down in economy, the demand for residential, mixed development, industrial, and commercial properties as well as supporting infrastructure may decline, which could cause the decline in the growth of the construction industry due to lower demand for construction services. This will in turn adversely impact the foundation and geotechnical industry, which our Group operates in.

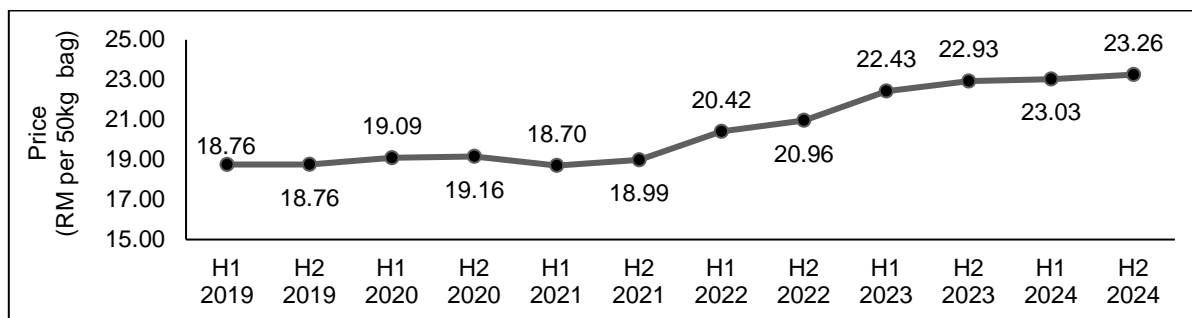
For instance, our Group recorded a decline in revenue due to the temporary halt of construction activities as a result of the outbreak of the COVID-19 pandemic in 2020. Subsequently as the COVID-19 pandemic subsided and Malaysia entered into an endemic phase in 2022, the construction industry recovered, followed by continuous growth in 2023 and 2024. Similarly, our Group's revenue and financial performances recovered and grew in the Financial Years Under Review in tandem of the growth in the construction industry. For further details on the performance of the construction industry in Malaysia and Singapore, please refer to Section 7 of the Prospectus.

8.2.2 We are subject to fluctuation in prices and availability of building materials and raw materials

In carrying out our foundation and geotechnical services, we use a range of building materials (e.g. ready-mix concrete, steel bars, API pipes and cement), as well as other raw materials such as diesel. The prices of these materials are subject to fluctuations as a result of supply and demand conditions, geopolitical and economic conditions as well as potential disruptions in the supply chain. Our business and financial performance may be affected by the fluctuation in material prices as any unanticipated and substantial increase in the prices may result in cost overruns for our projects.

For illustration purposes, the six (6)-month price trends of cement (i.e. one of the main raw materials and largest cost component used in the production of ready-mix concrete) and high tensile deformed bars (i.e. a type of steel bars commonly used in construction activities) are as depicted in the charts below. For further details on the price trends of cement and high tensile deformed bars, please refer to Section 7 of this Prospectus.

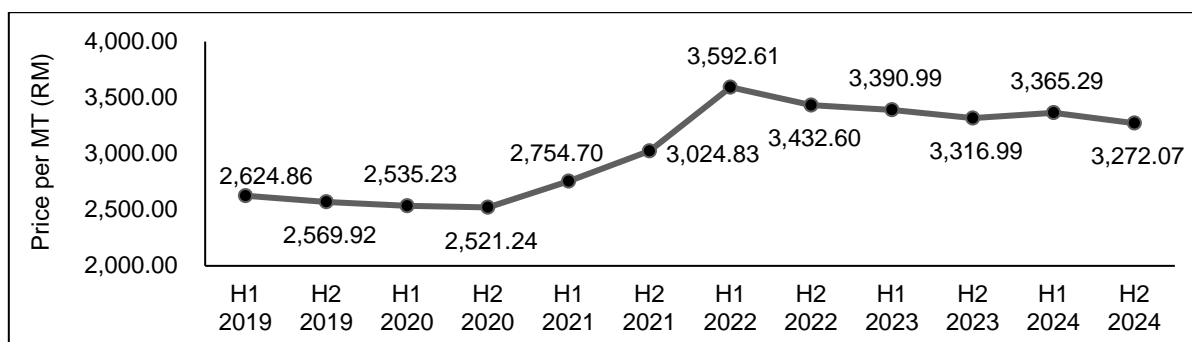
Cement prices, 2019 – 2024



Note: H1 and H2 refer to first half and second half respectively.

Sources: DOSM, SMITH ZANDER

High tensile deformed bar prices, 2019 – 2024



Note: H1 and H2 refer to first half and second half respectively.

Sources: DOSM, SMITH ZANDER

8. RISK FACTORS (Cont'd)

Moreover, we do not enter into long-term contracts or agreements with our suppliers for the purchase of materials but source our materials from a variety of suppliers based on the need, location and timeline of each project on a purchase order basis. As such, there is no assurance that we will be able to source sufficient quantities of building materials required in a timely manner and at commercially viable rates.

In FYE 2022, we recorded a lower GP margin as we were unable to pass on the increased material costs resulted from increase in prices for ready-mix concrete and steel bars to our customers. For further details of the impact of material price fluctuations to our GP margins, please refer to Section 11.4 of this Prospectus. Save for the aforementioned, we were generally able to pass on any substantial increase in material costs to our customers. Notwithstanding that, there is no assurance that we will be able to continue to pass on future increases in cost to our customers.

Further, for the Financial Years Under Review and up to the LPD, we have not experienced any shortage of building materials which had a material adverse effect on our Group's business operations and financial performance. However, moving forward, there can be no assurance that we will not be faced with shortage of building materials.

8.2.3 We are dependent on foreign workers

The foundation and geotechnical industry is a labour-intensive industry. Due to the shortage of local workers in the local construction industry in general, we are largely dependent on foreign workers, particularly for on-site works. As at the LPD, we have a total of 400 foreign workers, representing 54.64% of our Group's total headcount.

The issue of labour shortages is common in the construction industry (including the foundation and geotechnical industry) in Malaysia where Malaysia is dependent on foreign workers as a result of limited supply of local workers for on-site works. The availability of foreign workers in Malaysia is subject to the labour and immigration policies as well as regulations imposed by the Government. Any changes in the labour and immigration policies, regulations and/or visa restrictions on foreign workers may pose challenges to us in hiring sufficient number of foreign workers for our operations. In March 2023, the Government announced a freeze on quota applications to hire foreign workers. Should the hiring freeze prolongs, our Group may experience labour shortages due to inability to hire additional foreign workers to support our business operations.

In the event of any unfavourable changes to policies for hiring foreign workers, we may have to source for local workers which may come at higher cost. Further, any increase in the levy rate for foreign workers or minimum wages for employees could increase the cost of labour. The Government has also announced a mandatory Employee Provident Fund contribution of 2.00% for foreign workers to be made by employers as well as the foreign workers, which is expected to take effect on 1 October 2025. This could increase our cost of labour, in turn causing adverse impact to our profitability if we are unable to pass on the increase in labour costs to our customers. However, our Group does not expect any material adverse impact on our financial performance arising from the implementation of the 2.00% Employee Provident Fund contribution, as we foresee the potential impacts to be minimal. Further, any delays in hiring sufficient number of local workers may result in operational disruptions, which would subsequently affect the timely completion of our projects.

For the Financial Years Under Review and up to the LPD, we have not experienced any significant shortage of foreign workers which materially affected the quality of services provided as well as timely completion of our projects. Notwithstanding, there can be no assurance that our Group will continue to have adequate supply of foreign workers with the expected skill, expertise and quality.

8. RISK FACTORS (Cont'd)

8.2.4 We face competition from other industry players

According to the IMR report, the foundation and geotechnical industry is specialised in nature with relatively high barriers of entry. We compete with other industry players in Malaysia as well as Singapore (which we intend to expand into) who are also specialised in the provision of foundation and geotechnical services.

We compete with these industry players in terms of technical expertise, range and quality of service offerings, ability to deliver on a timely manner, project track record and pricing. It is also essential for our Group to build and maintain our track record and business relationships with a network of construction companies to secure service engagements from them. Thus, our financial performance and prospects will be adversely affected if we fail to maintain our competitive edge.

8.2.5 We are exposed to political, economic and social development risks

Adverse developments in the political, economic and social conditions in Malaysia where our Group operates and Singapore where we intend to venture into, could materially and unfavourably affect our business, financial position, results of operations and/or prospects. Political, economic and social uncertainties that may develop include changes in political leadership, risks of war, terrorism, riots, expropriation, nationalisation, and renegotiation or nullification of existing contracts.

Any changes to the economic, political and social environments in Malaysia may cause disruptions in the completion schedules of our services, which may consequently cause a decline in our revenue; or may cause a decline in demand for our Group's services. For example, a change in government policy could result in the suspension or cancellation of infrastructure projects, such as highways, railways and/or public buildings which our Group may have secured the contract for or are in the midst of tendering for. Moreover, such disruptions may also lead to delays in timelines on our existing projects and/or termination of ongoing contracts which we secured, thus adversely impacting our business operations, financial performance and prospects. Further, any changes to the economic, political and social environments in Singapore where we intend to venture into, may cause a decline in demand for construction works, including foundation and geotechnical services. This may in turn delay or disrupt our plan to expand our customer reach and establish our presence in Singapore.

8.3 RISKS RELATING TO OUR IPO

8.3.1 There has been no prior market for our Shares

Prior to our IPO, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such market can be sustained. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

Our IPO Price was determined after taking into consideration various factors including but not limited to our business strategies and our financial and operating history.

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

8.3.2 Our Share price and trading volume may be volatile

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our listed Shares.

8. RISK FACTORS (Cont'd)

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

- (i) material variations in our financial results and operations;
- (ii) success or failure in our management in implementing future plans, business and growth strategies;
- (iii) gain or loss of an important business relationship;
- (iv) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (v) changes in conditions affecting the industry, the prevailing global and local economic conditions or stock market sentiments or other events or factors;
- (vi) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;
- (vii) natural disasters, health epidemics and outbreaks of contagious diseases;
- (viii) additions or departures of key senior management;
- (ix) fluctuations in stock market prices and volumes;
- (x) involvement in claims, litigation, arbitration or other form of dispute resolution;
- (xi) changes in government policy, legislation or regulation; and/or
- (xii) general operation and business risks.

8.3.3 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after the IPO

As disclosed in Section 5.1 of this Prospectus, our Promoters will collectively hold in aggregate 70.82% of our enlarged number of issued shares upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations.

For instance, if our Promoters vote in favour of ordinary resolutions which require a simple majority approval, their vote will result in the ordinary resolutions being passed. If our Promoters vote in favour of special resolutions which require a majority of at least 75.00% shareholders' approval, they will be able to influence the passing and approval of these resolutions at a general meeting. Conversely, if our Promoters vote against such resolutions, such resolutions would not be able to be passed.

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

The occurrence of any one (1) or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:

- (i) our Sole Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from its obligations thereunder;
- (ii) the revocation of approvals from the relevant authorities for the Listing and/or admission for whatever reason;

8. RISK FACTORS (*Cont'd*)

- (iii) we are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25.00% of our issued share capital for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing; or
- (iv) there is a need to issue a supplementary prospectus or a replacement prospectus due to significant change or new matter arising that will affect the content of the prospectus.

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

- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled. Our Company shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which our Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (b) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

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

- (1) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, our Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (2) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:
 - (a) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the directors.

8.3.5 Forward-looking statements in this Prospectus may not be achievable

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Group for future operations are forward-looking statements. Such forward-looking statements are made based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, among others, general economic and business conditions, competition, the impact of new laws and regulations affecting our industry and government initiatives. Such forward-looking statements reflect our current view with respect to future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminologies such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions and include all statements that are not historical facts.

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