

5. RISK FACTORS

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

5.1 RISKS RELATING TO OUR BUSINESS

5.1.1 Our business is subject to various governmental regulations, laws and orders, including the CRA Act in Malaysia. These laws and regulations are complex and may change from time to time, and a failure to comply with them could subject us to civil or criminal penalties or other liabilities.

(i) We are subject to the CRA Act which regulates our credit reporting operations in Malaysia. Under the CRA Act, we are required to obtain an annually renewable licence to carry on our credit reporting business.

We derive substantially all of our revenue from our credit reporting business in Malaysia, which is governed by the CRA Act. Pursuant to the CRA Act, we are required to have a CRA Certificate issued by the CRA Registrar to operate our credit reporting business. The CRA Certificate is not perpetual and is subject to renewal annually. Our current CRA Certificates held under our subsidiaries, CTOS Data Systems and Basis, both of which will expire in September 2021. Failure to renew our CRA Certificates in a timely manner or at all would negatively impact our business, financial condition and results of operations.

Under the CRA Act, our subsidiaries, CTOS Data Systems and Basis, are restricted from engaging in any non-credit reporting business unless we obtain the CRA Registrar's prior written approval. As a result, the ability of CTOS Data Systems and Basis to expand into new businesses may be restricted if we cannot obtain the approval from the CRA Registrar. As CTOS Data Systems' and Basis' credit reporting operations are subject to the scrutiny of the CRA Registrar and are subject to annual audit, CTOS Data Systems and Basis are required to obtain the endorsement from the CRA Registrar prior to launching any new digital solution to ensure the digital solution falls under the ambit of "credit reporting business" as defined under the CRA Act. It typically takes about a month from the submission of an application for endorsement to obtain the endorsement from the CRA Registrar. However, digital solutions that are more complex may require more time where concurrence is also required to be sought from other regulators such as the PDP Commissioner, where the digital solution requires personal data that are obtained commercially from data users such as banks, telecommunications companies and insurance companies, or BNM where the digital solution requires data from businesses that are licenced or approved by BNM such as banking, insurance and payment systems. Failure to obtain endorsement from the CRA Registrar or any significant delay in such endorsement could negatively impact our business and growth.

In 2019, the CRA Registrar imposed additional conditions on all CRAs which, among others, limit the foreign shareholding in any CRA to not more than 70.0% and any CRA with foreign shareholding of 51.0% and above is allowed to operate a commercial credit reporting business only. As CTOS Data Systems and Basis are our wholly-owned subsidiaries, CTOS Data Systems and Basis are in full compliance with this foreign ownership equity condition as our Company is a locally incorporated entity.

5. RISK FACTORS *(Cont'd)*

However, if the foreign ownership equity condition is revised and extended to the ultimate/indirect shareholders of all CRAs and the foreign shareholding in our Company is more than 70.0% following our Listing, we may be required to procure our foreign direct and indirect shareholders to reduce their shareholdings accordingly. In such a scenario, our inability to comply with the revised foreign ownership equity condition or an adverse interpretation of the same may result in a reduced coverage of our credit reporting business or revocation of our CRA Certificates which may adversely affect our business and financial condition.

The credit reporting operations of our associate, Experian, are also governed by the CRA Act and the foregoing requirements under the CRA Act also apply to Experian.

The operations of BOL, our associate in Thailand, are subject to applicable laws and regulations in Thailand and any inability of BOL to comply with such laws and regulations may result in legal, regulatory and contractual liabilities to BOL.

For further details of relevant laws and regulations governing our business in Malaysia and our associate in Thailand, see Section 7.19 of this Prospectus.

- (ii) **We and our associate in Malaysia are also required to comply with applicable data protection laws and customer requirements of Malaysia, namely the PDPA, and our associate in Thailand is subject to the Thai PDPA.**

While we are primarily subject to data collection and protection provisions under the CRA Act, for similar aspects of our business that are not regulated by the CRA Act, we remain subject to the PDPA in Malaysia. Our associate, Experian, is also subject to the PDPA in Malaysia for the processing of personal data not related to credit information. In addition, from time to time, our customers require us to adhere to certain data collection and protection requirements, which in turn are driven by their own data collection and protection obligations under the PDPA. The operations of our associate, BOL, are subject to the Thai PDPA.

Our or BOL's inability to comply with applicable laws, regulations or customer requirements with regard to personal data protection may result in legal, regulatory or contractual liabilities to us or BOL, which could have a material adverse effect on our or BOL's business, financial condition and results of operations.

- (iii) **We may be subject to increased scrutiny because of our market position in Malaysia or the market position of our associate in Thailand.**

Three of the seven CRA Certificates issued under the CRA Act in Malaysia are held by our wholly-owned subsidiaries, CTOS Data Systems and Basis, and our associate, Experian.

5. RISK FACTORS (Cont'd)

In Malaysia, the Competition Act prohibits agreements which have the effect of significantly preventing, restricting or distorting competition in any market for goods or services such as price fixing or agreements on trading conditions, among others. The Competition Act also prohibits an enterprise from engaging, independently or collectively, in conduct which amount to an abuse of dominant position in any market for goods and services such as among others, imposing unfair purchase or selling price or unfair trading condition on any supplier or customer or applying differential conditions to equivalent transactions with other trading parties to the extent that may harm competition in the market the dominate enterprise is participating or in any upstream or downstream market. A market share above 60.0% is generally indicative that an enterprise is dominant.

The Thai TCA regulates anti-competitive conducts in Thailand. Any business operator is prohibited from abusing its dominant position in the market which includes fixing or maintaining the level of purchasing or selling price of a good or service unfairly or imposing an unfair condition on another business operator which is its trading partner in order to, among others, limit services, production, purchase or sale of goods. In addition, any business operator, whether with or without a dominant position, is still prohibited from conducting any action that will reduce the competition in a market. This includes: (i) merging with other entity which may substantially reduce competition in the information service market; (ii) jointly undertake any conduct with other information service providers or business operator in other markets which monopolises, reduces, or restricts competition in the market; or (iii) undertake any conduct resulting in damage on other business operators by unfairly obstructing the business operation of other business operators, by unfairly utilising superior market power or superior bargaining power or by unfairly setting trading conditions that restrict or prevent the business operation of others.

The abovementioned restrictions may impede our ability to realise the anticipated benefits of our acquisitions and strategic investments. Further, depending on the market definition adopted by the regulator, our market share in Malaysia may be deemed a dominant position under the Competition Act, which could subject us to increased regulatory scrutiny. The legality of our business practices is also subject to the evolving market conditions and structure of some of the products and services that we offer, and any adverse interpretations or applications of existing laws and regulations in a manner inconsistent with our business practices may result in us being subject to regulatory scrutiny and consequently harm our reputation, business, financial condition and results of operations. Our management may be required to dedicate significant amount of time and resources in response to such heightened scrutiny in Malaysia, which could be disruptive to our business even if we are ultimately found not to have engaged in any unlawful activities. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

5. RISK FACTORS *(Cont'd)*

- (iv) **The various governmental regulations, laws and orders applicable to our business are subject to change and impacted by legal and regulatory developments that could have an adverse impact on our business and results of operations.**

Our business in Malaysia and the business of our foreign associate are subject to various laws and regulations. Such laws and regulations include those relating to credit reporting; safety, health and supervision; direct and indirect taxes and duties; exchange controls and controls on the transfer of funds; intellectual property protection; labour protection; foreign investment limitations; anti-competition laws; anti-corruption laws; anti-money laundering laws; and privacy and data protection. See Section 7.19 of this Prospectus for a description of the relevant laws and regulations to which we are subject to.

These laws and regulations are complex, subject to change and could become more stringent over time. Legal and regulatory developments and non-compliance with laws and regulations such as the following could have a material adverse effect on our business and results of operations:

- (a) amendment, enactment or interpretation of laws and regulations that restrict the access and use of personal information and reduce the availability or effectiveness of our digital solutions or the supply of data available to us;
- (b) increased oversight and stricter enforcements of existing regulations, including larger fines and other forms of penalties;
- (c) changes in cultural or consumer attitudes in favour of further restrictions on information collection and data sharing, which may lead to regulations that prevent the full use of our digital solutions;
- (d) failure of data suppliers or customers to comply with laws or regulations, which in turn may subject us to compliance breaches;
- (e) our failure to comply with current laws and regulations; or
- (f) our failure to adapt to changes in the regulatory environment in an efficient, cost-effective manner.

Changes in applicable legislation or regulations that restrict or dictate how we collect, maintain, combine and disseminate information, or that require us to provide services to consumers or a segment of consumers without charge, could adversely affect our business, financial condition or results of operations. For example, on 14 February 2020, as part of an ongoing review of the PDPA in Malaysia, the PDP Commissioner issued a Public Consultation Paper No. 1/2020 which aims to collect feedback on the PDP Commissioner's proposal to update the PDPA in Malaysia. The proposals include, among others, imposing direct obligations on data processors and the appointment of data protection officers, which could have an effect on our non-credit reporting products since our non-credit reporting products are not governed by the CRA Act and therefore would be within the scope of the PDPA in Malaysia.

5. RISK FACTORS (Cont'd)

In the future, we may be subject to significant additional expenses to ensure continued compliance with applicable laws and regulations, such as the CRA Act, and to investigate, defend or remedy actual or alleged violations. Failure by us to comply with applicable laws or regulations could also result in significant liability to us, including liability to private plaintiffs as a result of individual or class action litigation, or may result in the cessation of our operations or portions of our operations or impositions of fines and restrictions on our ability to carry on or expand our operations. Moreover, our compliance with privacy laws and regulations and our reputation depend in part on our customers' adherence to privacy laws and regulations and their use of our digital solutions in ways consistent with consumer expectations and regulatory requirements. Certain laws and regulations governing our business are subject to interpretation by judges and administrative entities, creating substantial uncertainty for our business. We cannot predict what effect the interpretation of existing or new laws or regulations may have on our business. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

5.1.2 **We could lose access to our external data sources and providers which could adversely affect our ability to provide our digital solutions. In addition, if our data sources become accessible more easily or affordable, demand for and revenue from some of our digital solutions may decrease.**

We depend on continued access to and receipt of data from external sources, including data obtained directly or indirectly from our customers, strategic partners and various government and public record repositories such as the CCRIS and the CCM in Malaysia, and the Thai DBD and the Thai LED in Thailand. In particular, our ability to access information from the CCRIS is based on our contractual arrangement with BNM under the Participation Agreement, an agreement which we are highly dependent on. Our data sources and providers could stop providing data or provide data in an untimely manner or increase the costs for their data for a variety of reasons, including a perception that our systems are insecure as a result of data security incidents, budgetary constraints, a desire to generate additional revenue, competitive reasons or due to changes in regulations. If access to our external data sources is reduced, whether partially or significantly, or if such data becomes more expensive to obtain, our ability to provide our digital solutions could be negatively impacted which would adversely affect our reputation, business, financial condition and results of operations. There can be no assurance that we will be able to continue to obtain data from our external data sources or providers on acceptable terms or at all or from alternative sources if our current sources become unavailable.

Public and commercial sources of free or relatively inexpensive consumer information may become more readily available over time and as a consequence, may reduce demand for some of our digital solutions. Governmental agencies may also provide free credit information to consumers. For example, in June 2020, to help alleviate the impact of the COVID-19 pandemic on businesses, BNM began providing free access to its CCRIS database which will continue until the end of 2021. As a condition to us receiving the CCRIS fee waiver, BNM required CTOS Data Systems to reduce the fees charged to our customers for our CTOS Data Systems Reports. Our receipt of the CCRIS fee waiver and reduction of fees charged to our customers resulted in lower revenue and cost of sales related to sales of our CTOS Data Systems Reports but had no impact on our GP and had resulted in an improvement in our GP margin for the FYE 31 December 2020. We expect this trend to continue through the end of 2021.

5. RISK FACTORS (Cont'd)

During the remainder of the period that BNM offers free access to its CCRIS database, there remains a risk that our customers may choose to obtain CCRIS information directly from BNM and reduce or altogether cease their purchases of our CTOS Data Systems Reports, CTOS Basis Reports and other digital solutions. To the extent that our customers choose not to obtain reports or digital solutions from us and instead rely on information obtained at little or no cost from these public and commercial sources, our business, financial condition and results of operations may be adversely affected.

5.1.3 If we fail to maintain the integrity of our databases, our financial condition, results of operations, brand and reputation could be adversely affected.

The integrity and reliability of our information databases are critical to our financial condition, results of operations, brand and reputation. There can be no assurance that we will be able to identify and update stale or inaccurate information in our information databases in a timely manner or at all. Any staleness or inaccuracy of information in our databases, if not rectified by us in a timely manner, may result in enforcement actions from our regulators. Further, there can be no assurance that the quality and accuracy of data or databases that we acquire or have access to, including data that we obtain from our customers and data and databases of companies that we acquire.

If the quality of our databases decreases or if the integrity of our databases is compromised, we may face customer or third-party claims and customers or the general public may lose confidence in our digital solutions. We have in the past been subject to customer and third-party complaints and lawsuits regarding our data. While such incidents in the past have not adversely affected our financial condition and results of operations, we could continue to be subject to other complaints and lawsuits in the future which could adversely affect our financial condition, results of operations, brand and reputation.

5.1.4 If we are unable to maintain our pioneer status, we may lose our tax incentives.

Our subsidiary, CTOS Data Systems, which accounted for 98.7%, 99.8% and 95.1% of our Group's PATAMI for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020, respectively, has been awarded pioneer status incentives under the PIA 1986 for MSC Malaysia Qualifying Activities. CTOS Data Systems is entitled to a tax exemption for the tax relief period granted on its "value added income" which means its statutory income for the basis period for the year of assessment less the inflation adjusted base income. CTOS Data Systems' statutory income is its income derived from MSC Malaysia Qualifying Activities. Inflation adjusted base income is calculated with reference to CTOS Data Systems' average statutory income for up to three years before it was awarded pioneer status incentives adjusted with the rate of inflation for the basis year. As a result, our effective tax rate for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020 of 6.7%, 5.4% and 5.8%, respectively, has been significantly lower than the statutory tax rate of 24.0% in Malaysia. The tax relief period under CTOS Data Systems' MSC Pioneer Certificate is from 9 November 2016 to 8 November 2021. However, pursuant to the Grandfathering and Transitional Guidelines which became effective on 1 January 2019, such tax relief period will be until 30 June 2021. CTOS Data Systems requires approval from MDEC to enjoy these tax incentives throughout the Transitional Period.

We plan to seek MDEC's approval for the continuation of these tax incentives throughout the Transitional Period by 30 June 2021. While there is no assurance that we will be able to obtain MDEC's approval by 30 June 2021 for the continuation of these tax incentives throughout the Transitional Period, should we obtain such approval after 1 July 2021, the tax relief period will continue from 1 July 2021 until 8 November 2021 even if the tax relief period has expired on 30 June 2021. We also plan to seek MDEC's renewal of CTOS Data Systems' pioneer status in the third quarter of 2021 for an extended relief period of five years until November 2026.

5. RISK FACTORS (Cont'd)

The continuation of CTOS Data Systems' pioneer status throughout the Transitional Period shall be subject to the approval of MDEC and compliance with the new conditions under the Grandfathering and Transitional Guidelines, and the renewal of CTOS Data Systems' MSC Pioneer Certificate for the Renewed Term shall also be subject to the satisfaction of MDEC of CTOS Data Systems' full compliance with: (i) CTOS Data Systems' conditions of grant under the subsisting MSC Pioneer Certificate; and (ii) CTOS Data Systems' continued compliance of the new conditions under the Grandfathering and Transitional Guidelines.

We believe that CTOS Data Systems' pioneer status will be renewed in 2021. If the pioneer status of CTOS Data Systems is revoked or not renewed, CTOS Data Systems' statutory income would be subject to the prevailing statutory tax rate of 24.0%, resulting in an increase of the effective tax rate of our Group for the FYE 31 December 2021 from 5.8% for the FYE 31 December 2020.

CTOS Data Systems may also lose its MSC Malaysia Status if CTOS Data Systems is unable to continue to comply with the requirements prescribed under the approval by MDEC. See Annexure A of this Prospectus for further details. In addition, CTOS Data Systems' pioneer status is conditional upon CTOS Data Systems' MSC Malaysia Status remaining valid. The loss of CTOS Data Systems' MSC Malaysia Status would result in the loss of CTOS Data Systems' pioneer status (including the related tax incentives described above), which in turn would adversely impact our PATAMI.

5.1.5 If our third-party technology partners, suppliers and vendors do not deliver or perform as expected or if our relationships with them are terminated or otherwise change, it could have a material adverse effect on our business, financial condition and results of operations.

We rely on third-party technology partners, suppliers and vendors that have proprietary technologies and extensive knowledge of our systems, databases and digital solutions, including software developers, software and hardware vendors, network and system providers, data processors and providers of credit score algorithms. Our operations could be disrupted and our reputation, business, financial condition and results of operations could be materially and adversely affected if we do not successfully manage or maintain relationships with these third parties, if they do not perform or are unable to perform to agreed-upon service levels, or if they are unwilling to make their services available to us at reasonable prices. While the support and services we receive from our third-party technology partners, suppliers and vendors have not been impacted by the COVID-19 pandemic, there can be no assurance that our third-party technology partners, suppliers and vendors will be able to continue to meet such expectations due to a number of factors, including those attributable to the COVID-19 pandemic.

If a third-party technology partner, supplier or vendor experiences a cybersecurity breach affecting data related services provided to us resulting in negative publicity, we could experience reputational damage or incur liability. As at the LPD, we are not aware of any such past incidences of cybersecurity breach or negative publicity. In addition, while there are backup systems in many of our operating facilities, we may experience service delays, connectivity issues or an extended outage of network services supplied by these technology partners, suppliers or vendors that could impair our ability to deliver our digital solutions and negatively impact customer experience, which could have a material adverse effect on our business, financial condition and results of operations. Although alternative technology partners, suppliers or vendors may be available to us, we may incur additional expenses and research and development efforts to deploy any alternative providers. The loss of these third-party technology partners, suppliers or vendors could negatively affect our ability to maintain and improve our systems if we are unable to replace them in a timely manner, which could have a material adverse effect on our business, financial condition and results of operations.

5. RISK FACTORS (Cont'd)

5.1.6 Our brands and reputation are key assets and a competitive strength, and our business may be affected by how we are perceived in the marketplace.

Our brand and reputation are key assets of our business and a competitive strength. For further details, see Annexure B and Section 7.2 of this Prospectus. We may lose this competitive strength if a competitor is able to achieve a level of brand awareness comparable to ours. Our ability to attract and retain customers is dependent upon external perceptions of the quality of our data, our digital solutions, our technology resources and the quality of our customer-facing digital platform, our data security and our business practices. For further details, see Section 5.1.3 of this Prospectus. While there has not been any past or existing incidence of negative publicity that has materially affected our business, financial condition and results of operations, any negative perception or publicity in the future regarding our brand and reputation could adversely affect our brand and our reputation with our customers and the public, which could in turn make it more difficult for us to retain and attract customers and materially and adversely affect our business, financial condition and results of operations.

5.1.7 Unfavourable global economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Our business and our associates' business may be impacted by general economic conditions and trends in Malaysia, Thailand or elsewhere abroad. While we believe that the need for credit information and business insights and analytics is heightened during periods of economic volatility or weakness, we could nevertheless be adversely impacted by general economic conditions to the extent that they reduce some of our customers' ability or willingness to pay for our digital solutions.

Our Commercial customers have been the largest contributor to our Group's revenue for the FYEs 31 December 2018, 31 December 2019 and 31 December 2020. Further, among our Commercial customers, our revenues are primarily subscription-based and our single largest category of customers is SMEs whose businesses may be more susceptible to unfavourable economic conditions compared to our Key Accounts customers who are generally larger companies. 56.7% of our total revenue for the FYE 31 December 2020 was from our Commercial customers, and 92.4% of our revenue from our Commercial customers for the FYE 31 December 2020 was derived from SME customers.

During periods of economic slowdown, some of our customers may be less able or willing to pay for our digital solutions, we may have difficulty collecting payment from some customers on a timely basis or at all, and we may see higher rates of bankruptcies, restructurings, dissolutions and similar events among our customer base. Changes in the economy have in the past resulted in, and may in the future result in, fluctuations in volumes, pricing and operating margins for our digital solutions. These types of disruptions could lead to a decline in customer demand for our digital solutions and could have a material adverse effect on our business, financial condition and results of operations.

5.1.8 An outbreak of disease, global or localised health pandemic or epidemic or a similar public health threat, or fear of or response measures to such an event, could have a material adverse effect on our business, financial condition and results operations.

A significant outbreak of contagious diseases in the human population could adversely affect the economies and financial markets in Malaysia and elsewhere, resulting in an economic downturn that could have a material adverse effect on demand for our digital solutions and access to our data sources.

5. RISK FACTORS (Cont'd)

The COVID-19 pandemic has impacted economic activity and financial markets in countries across the world, including Malaysia where our operations are based. In response to an increase in the COVID-19 infection rate in Malaysia, beginning in March 2020, the Government has implemented various measures and restrictions on the conduct of activities in Malaysia, including quarantine measures and restrictions on the movement of persons, interstate travel, and private and public gatherings. These Government actions have been eased and tightened during the course of 2020 and 2021 as the extent of the COVID-19 pandemic has been fluctuating.

The COVID-19 pandemic has most directly impacted our Commercial customers, in particular our SME customers, as their businesses are often more susceptible to major economic shocks compared to our Key Accounts customers. During the MCO, we granted short-term payment deferrals for subscriptions and instalment payment plans to certain of our CTOS Credit Manager customers whose businesses were significantly impacted by the COVID-19 pandemic and the MCO. Our customer churn rate among our Commercial customers was higher in absolute terms by 0.2 percentage points for the FYE 31 December 2020 as compared to the FYE 31 December 2019. Our customer churn rate among our Commercial customers has remained flat from January 2021 through March 2021 despite the reintroduction of the MCO from 13 January 2021 until 4 March 2021.

While we have seen strong demand for our comprehensive portfolio analytics and insights solutions, particularly among our Key Accounts customers who are bank and non-bank financial institutions once moratoriums were lifted or relaxed, the duration and extent of the future impact of the COVID-19 pandemic on our financial condition and results of operations will depend on highly uncertain future developments, including the duration and spread of the global pandemic, future Government actions to contain the spread of the virus, the efficacy and social acceptance of newly approved vaccines, the pace of economic and social re-openings, a potential resurgence of the pandemic once measures to slow the spread of the virus have been lifted and impacts to the global markets. Outbreaks of contagious diseases and other adverse public health threats in the future, as well as market disrupting response measures to such threats, could impact demand for our digital solutions and could have a material adverse effect on our business, financial condition and results of operations.

For further details, see Section 7.24 of this Prospectus.

5.1.9 We have completed acquisitions and investments in the past and may pursue similar transactions in the future. Through our strategic investments, we hold minority interests in entities that do not afford us control over the management and growth of the underlying businesses. These strategic investments are subject to risks affecting the underlying businesses and we are generally not able to manage the underlying businesses' exposures to these risks. Adverse developments affecting these underlying businesses could result in a decrease in the value of our strategic investments.

A part of our growth strategy has been and continues to be to establish strategic partnerships and to grow via acquisitions and investments. We cannot provide assurance that our investments will be successful or that our relationships with our associates will remain on satisfactory terms. Any deterioration in relationships with our associates or their businesses could negatively impact our business, financial condition and results of operations, and may also require significant management time.

For example, we undertook the Distribution to exclude CIBI from our Group after we, in consultation with our shareholders, determined that CIBI requires further investments in terms of capital and time to better position itself to capture growth opportunities in the Philippines, and taking into account the impact of the COVID-19 pandemic on CIBI's business.

5. RISK FACTORS (Cont'd)

In addition, in July 2019, we acquired a 26.0% equity stake in Experian (with whom we compete) and in October 2020 we acquired a 20.0% equity stake in BOL, neither of whom we have control over. Our rights as a minority shareholder in Experian are limited to our board nominee and limited information rights. BOL is a publicly listed company and our rights are limited to our board nominee and rights as a public shareholder. As a result, our visibility into the operations of our associates is significantly limited. Our interests may not be aligned with those of the controlling shareholders of our associates, and those controlling shareholders may direct our associates in ways that may not be in our interest as a minority shareholder. For example, in June 2020, we filed an oppression suit against Experian in the Kuala Lumpur High Court for reliefs arising from oppressive conduct by the majority shareholders of Experian. See Section 14.7 of this Prospectus for further details of this suit. See also Sections 5.1.1, 5.1.12, 5.1.22 and 5.2.1 of this Prospectus for further risks relating to our associate BOL and Sections 5.1.1, 5.1.12 and 5.2.1 of this Prospectus for further risks relating to our associate Experian.

Acquisitions may not be completed on favourable terms and acquired digital solutions, assets, data or businesses may not be successfully integrated into our operations. Any acquisitions or investments will include risks commonly encountered in acquisitions of businesses or investments, including:

- (i) failing to achieve the financial and strategic goals for the acquired business;
- (ii) paying more than fair market value for an acquired business or assets;
- (iii) failing to integrate the operations and personnel of the acquired businesses in an efficient and timely manner;
- (iv) failing to close a transaction, including acquisitions due to conditions such as financing or regulatory approvals not being satisfied;
- (v) disrupting our ongoing businesses;
- (vi) distracting management focus from our existing businesses;
- (vii) acquiring unanticipated liabilities;
- (viii) failing to retain key personnel;
- (ix) incurring the expense of an impairment of assets due to the failure to realise expected benefits;
- (x) damaging relationships with employees, customers or strategic partners;
- (xi) diluting the share value of existing shareholders;
- (xii) incurring additional debt or reducing available cash to service our existing debt; and
- (xiii) increased exposure to business, social, political, economic, legal and regulatory risks in new markets outside of Malaysia where we expand our business or make investments.

Any divestitures will be accompanied by the risks commonly encountered in the sale of businesses, including:

- (i) disrupting our ongoing businesses;
- (ii) reducing our revenues;

5. RISK FACTORS (Cont'd)

- (iii) failing to retain key personnel;
- (iv) distracting management focus from our existing businesses;
- (v) indemnification claims for breaches of representations and warranties in sale agreements; and
- (vi) damaging relationships with employees and customers as a result of transferring a business to new owners;

These risks may have an adverse impact on our business, financial condition or results of operations, particularly if they occur in the context of a significant acquisition or divestiture. Also, if we continue to have any RM borrowing, any acquisition of non-Malaysian assets or entities of more than RM50.0 million for a calendar year by us via the proceeds from our Public Issue will be subject to BNM's approval if we are unable to source any foreign currency funds for such foreign acquisition.

In the future, we may not be able to acquire businesses that we target due to a variety of factors such as competition from companies that are better positioned to undertake the acquisition. Our inability to make such strategic acquisitions could restrict our ability to expand our business and limit our ability to generate future revenue growth. Our inability to make acquisitions, investments and divestitures on our preferred terms and timeline or at all could have a material impact on our business, financial condition and results of operations.

5.1.10 There may be consolidation in our customers' markets which may adversely affect our business, financial condition and results of operations.

If our customers merge with, or are acquired by, our other customers or by other entities that are not our customers, they may use fewer of our services in the future and there may be a smaller pool of customers for us to expand our business. As a result, our revenue may be adversely impacted. Industry consolidation could reduce the number of customers to whom we can sell licences and subscriptions for our digital solutions or result in customers with stronger bargaining power, thus may affect the prices and terms of their contracts with us. In addition, mergers, acquisitions and consolidations could result in our existing customers no longer requiring our digital solutions. For example, if they exit the Malaysian market or switch to one of our competitors, as a consequence, we would generate less revenue than we expect. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

5.1.11 If our Key Accounts and Commercial customers terminate or choose not to continue using our digital solutions, our business, financial condition and results of operations may be adversely affected.

While we have long-standing relationships with a number of our Key Accounts and Commercial customers, the terms of their respective contracts allow these customers to terminate their relationship with us with notice or materially reduce the amount of business they conduct with us. Our Key Accounts customers may terminate their licences of our digital solutions upon advance written notice (typically ranging from one month to three months), and this provides these customers with the opportunity to renegotiate their contracts with us or to award more business to our competitors. Similarly, our Commercial customers may terminate their CTOS Credit Manager subscriptions upon advance written notice (typically 30 days). If our customers terminate or choose not to continue using our digital solutions, our business, financial condition and results of operations may be adversely affected.

5. RISK FACTORS (Cont'd)

Market competition, business requirements, financial condition and consolidation through mergers or acquisitions, could adversely affect our ability to continue or expand our relationships with our customers. There can be no assurance that we will be able to retain or renew existing agreements, maintain relationships with any of our customers on acceptable terms or at all, or collect amounts owed to us from insolvent customers. The loss of one or more of our major customers could adversely affect our business, financial condition and results of operations.

5.1.12 The outcome of litigation, inquiries, investigations, examinations or other legal proceedings which we are involved in, which we may become involved or which our customers or competitors are involved in could subject us to significant monetary damages or restrictions on our ability to do business.

Legal proceedings arise frequently as part of the normal course of our industry and include individual consumer cases, class action lawsuits and inquiries, investigations, examinations, regulatory proceedings or other actions brought by governmental authorities or by consumers. The scope and outcome of these proceedings are often difficult to assess or quantify. Plaintiffs in lawsuits may seek recovery of large amounts and the cost to defend such litigation may be significant. There may also be adverse publicity and uncertainty associated with complaints, investigations, litigation and orders (whether pertaining to us, our customers or our competitors) that could decrease customer acceptance of our services or result in material discovery expenses. In addition, a court-ordered injunction or an administrative cease-and-desist order or settlement may require us to modify our business practices or may prohibit conduct that would otherwise be legal and in which our competitors may engage. As at the LPD, there is an ongoing defamation suit which has been filed against us in relation to alleged misreporting and misrepresentation in respect of credit information pertaining to searched subjects, an appeal filed against us in relation to a defamation suit regarding alleged misreporting and misrepresentation in respect of credit information pertaining to searched subjects which the court had ruled in our favour and one ongoing oppression suit we filed in June 2020 against Experian in the Kuala Lumpur High Court for reliefs arising from oppressive conduct by the majority shareholders of Experian.

The relevant statutes to which we are subject, including credit reporting and financial privacy requirements under the CRA Act and the PDPA in Malaysia, provide for administrative actions and criminal penalties. CTOS Data Systems had in 2016, 2017 and 2019 received warning letters from the CRA Registrar pertaining to (a) non-compliance with Section 24 of the CRA Act with regards to disclosure of credit report without the data subject's consent; and (b) non-compliance with Section 29 of the CRA Act with regards to disclosure of inaccurate credit information. Any contravention of Section 24 or Section 29 of the CRA Act by a credit reporting agency shall, upon conviction, be liable to a fine not exceeding RM500,000 or imprisonment for a period of not more than two years, or both. However, we have taken immediate rectification steps and other long-term improvement plans have also been implemented, including but not limited to, (a) improving our consumer redress mechanism and conducting periodic training for front-liners dealing with consumers to ensure the effectiveness of our customer service; (b) putting in place an enhanced consent mechanism which requires consent to be given by the data subject directly; (c) widening the scope of our audit on trade reference data to address high risk clientele segments; and (d) issuing periodic notices to our subscribers to raise awareness of the regulatory requirements which should be observed while using our services. Such steps were taken and implemented to avoid repeated incidents and no further actions were taken by the CRA Registrar with regard to the warning letters. As at the LPD, we have not been subject to any penalties for the non-compliances mentioned as set out in the warning letters and no administrative action has been imposed on us by the CRA Registrar or the PDP Commissioner. BOL, our associate in Thailand, is subject to the Thai PDPA, which provides for certain penalties and sanctions in the event of any non-compliance.

5. RISK FACTORS (Cont'd)

While we do not believe that the outcome of any currently pending legal proceeding as described above, even if they turn out to be unfavourable to us, will have a material adverse effect on our financial position as the contemplated maximum exposure is not expected to be material for each legal proceeding, there can be no assurance that there will not be any legal proceedings or actions by the authority in the future which could be inherently uncertain and adverse outcomes could result in significant monetary damages, penalties or injunctive relief against us.

5.1.13 We may be unable to protect our intellectual property adequately or cost-effectively, which may cause us to lose market share. We also rely on other forms of unpatented intellectual property that may be difficult to protect.

Our success depends, in part, on our ability to protect our brand and preserve the proprietary aspects of our digital solutions such as our proprietary software and data. We have registered or are in the process of registering trademarks for our material brands and digital solutions. For further details, see Annexure B of this Prospectus. If we are unable to protect our intellectual property, including trademarks, and other unpatented intellectual property, our competitors could use our intellectual property to market and/or deliver similar solutions which may confuse our customers, negatively affect customers' perception of our brand and decrease the demand for our digital solutions. We rely on copyright, trademark and other intellectual property laws, as well as contractual restrictions, such as non-disclosure agreements, to protect and control access to our proprietary intellectual property. However, these measures afford only limited protection, particularly in regard to protection of databases, and may prove to be inadequate. We may be unable to prevent third parties from using our proprietary assets without our authorisation or from breaching any contractual restrictions with us. Enforcing our rights could be costly, time-consuming, distracting and harmful to significant business relationships. Any significant failure or inability to adequately protect and control our proprietary assets may reduce our ability to compete and have a material adverse effect on our business, financial condition and results of operations.

5.1.14 Our insurance coverage may not adequately protect us against liabilities that arise in the future.

While we maintain insurance policies with a total insured amount of up to RM29.3 million to cover a variety of risks that are relevant to our business needs and operations, there can be no assurance that any insurance proceeds we receive would be sufficient to cover expenses relating to insured losses or liabilities, for example in the case of a catastrophic data breach.

While there has not been any incidence of material losses, damages or liabilities incurred by our Group due to insufficient insurance coverage in the past, if we suffer any uninsured losses, damages or liabilities in the course of our operations in the future, we may not have sufficient funds to cover any such losses, damages or liabilities. To the extent that we suffer losses or damages as a result of a risk for which we do not maintain insurance or which is not covered by our insurance policies or where the cost of the losses or damages exceeds our insurance coverage, we will have to bear such costs which could have a material adverse effect on our business, financial condition, and results of operations.

5. RISK FACTORS *(Cont'd)*

5.1.15 We depend on our key senior management and skilled employees, and we may be unable to attract and retain such key senior management and skilled employees that we need to support our business.

We believe that our success is dependent upon the continued service of our key senior management, namely, our Group Chief Executive Officer, Dennis Colin Martin, the Chief Executive Officer of CTOS Data Systems, Chin Kuan Weng, our Group Chief Financial Officer, Chen Thai Foong, the Chief Executive Officer of CTOS Data Systems, Tracy Gan Jo Lin, our Group Head of Risk and Business Compliance, Lim Sue Ling and our Group General Manager of IT, Benjamin Lau Chi Meng, who have valuable experience and in-depth understanding of our business and customers. There can be no assurance that we will be able to retain our key senior management in the future or find qualified replacements in a timely manner. While our key senior management are supported by direct reports, who receive training and are given opportunities to carry out the responsibilities of key senior management where required, the loss of one or more of our key senior management may adversely affect the execution and implementation of our business strategies, which could have a material adverse effect on our business, financial condition and results of operations.

Our success also depends on our ability to attract and retain skilled employees such as experienced sales, research and development, analytics, marketing and technical support personnel. The complexity of our services requires trained software engineers, customer service and technical support personnel. We may not be able to hire and retain such qualified skilled personnel at compensation levels consistent with our compensation structure. Some of our competitors may be able to offer more attractive terms of employment. In addition, we invest resources in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expense replacing employees and our ability to provide quality services could diminish, resulting in a material adverse effect on our business, financial condition and results of operations.

5.1.16 We may not be able to successfully implement our strategies to grow our business and this may limit our growth prospects.

The execution of our business strategies is critical in order for our overall business to grow our market share and increase our profitability. Our success in implementing our business strategies may be adversely affected by factors within and outside of our control, including:

- (i) our ability to grow our relationships with current and new customers and to provide higher value solutions to them;
- (ii) changes in demand for our digital solutions for any reason, including changes in laws, regulations or perceptions of outsourcing operations such as “know-your-customer” processes, client onboarding and decisioning to service providers;
- (iii) an increase in competition;
- (iv) inability to continually improve or adapt to rapid technology changes;
- (v) inability to develop further financial, operational and management controls, reporting systems and procedures to continue our growth;
- (vi) adverse changes to our cost structure and cost overruns;
- (vii) existing or potential customers’ decisions to move services we provide in-house or rely on free sources;
- (viii) inability to attract skilled employees or shortage of skilled employees;

5. RISK FACTORS (Cont'd)

- (ix) operational, financial and legal challenges; and
- (x) negative press and reputational risks that adversely affect our brand, including similar risks to our industry.

Our failure to successfully execute our business strategies could also adversely affect our future operating performance and cash flow, which in turn could restrict our ability to innovate new digital solutions, make our operations more efficient and grow our business. There can be no assurance that we will be able to successfully implement our planned business strategies and failure to do so could have a material adverse effect on our business, financial condition and results of operations.

5.1.17 We may be involved in tax audits or investigations from time to time which may result in the assessment of additional tax liabilities.

Tax authorities may disagree with our positions and conclusions regarding tax positions taken by us, our subsidiaries or our associates, or may apply existing tax laws or rules in an unforeseen manner, resulting in unanticipated costs, taxes or non-realisation of expected benefits from our original tax positions or tax conclusions. Contesting such an assessment may be lengthy and costly and if we were unsuccessful in disputing the assessment, the implications could increase our anticipated effective tax rate, where applicable, or result in other liabilities.

From time to time, we may be subject to routine or special tax and audit processes and investigations by regulatory bodies in relation to taxes in connection with our operations. Furthermore, such audits and investigations may require the production of certain documents which may no longer be available because of the length of time since such documents were executed or prepared. Any adverse finding resulting from such audits and investigations may lead to administrative proceedings and the assessment of additional tax liabilities or result in fines or penalties.

A part of our growth strategy has been and continues to be to establish strategic partnerships and to grow via acquisitions and investments. Strategic investments or acquisitions inherently involve the risk of incurring liability for activities of the acquired business before our acquisition, including tax liabilities that arose prior to our acquisition or investment. In addition, we may continue to be exposed to the risk of tax non-compliance for a period of time after our acquisition or investment as: (i) we integrate the acquired business and review the acquired business; and (ii) where necessary, improve, the acquired business' reporting and compliance functions. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

5.1.18 Our debt service requirements and restrictive covenants limit our ability to borrow more money, to make distributions to our shareholders and to engage in other activities.

Our existing credit facilities granted by RHB Bank contain a number of covenants that limit our ability and our subsidiaries' ability to, among others, sell, transfer or dispose of assets or receivables, pay dividends or make distributions, incur additional indebtedness, create liens, make investments, loans and acquisitions, engage in transactions with affiliates, merge or consolidate with other companies or sell substantially all of our assets. In particular, under the terms of our Facilities Agreement 1 and Facility Agreement 2 and a supplemental letter dated 20 April 2021 from RHB Bank, we are restricted from declaring or making any payment and/or cash distribution, whether capital or income in nature, to our shareholders, except for the following circumstances:

5. RISK FACTORS (Cont'd)

- (i) dividend payments with the condition that the portion of such payment or cash distribution received by Inodes is used by Inodes to repay principal and interest in relation to Inodes' borrowing with RHB Bank (L) Ltd. The borrowing with RHB Bank (L) Ltd was used by Inodes to refinance its term loan facilities ("**Inodes Facilities**") which were drawn down for, among others, the acquisition of additional Shares in 2018, increasing its equity interest in our Company from 75.0% to 80.0%. As at the LPD, the Inodes Facilities have not been fully repaid and Inodes intends to repay all the outstanding amount in relation to the Inodes Facilities with the proceeds from the Offer for Sale; and
- (ii) the dividend payments mentioned in paragraph (i) above are made when Inodes holds 80.0% interest in our Company.

The abovementioned facilities are guaranteed by us and certain of our subsidiaries and secured by substantially all of our and the assets of our subsidiaries. We intend to repay [●] the abovementioned facilities with the proceeds from our Public Issue. For the avoidance of doubt, even if the Inodes Facilities remain outstanding after our Listing, the restriction from us declaring or making any payment and/or cash distribution, whether capital or income in nature, to our shareholders does not apply upon our Listing if we repay all the outstanding amount under the facilities with the proceeds from the Public Issue. For further details, see Section 4.6 of this Prospectus. If the proceeds are insufficient, the aforementioned restrictions will continue to apply.

The terms of our credit facilities may restrict our current and future operations and could adversely affect our ability to finance our future operations or capital needs. In addition, complying with covenants in our credit facilities may make it more difficult for us to successfully execute our business strategy and compete against companies who are not subject to such restrictions. Additionally, our obligations to repay principal and interest on our indebtedness may make us vulnerable to economic or market downturns. If we are unable to comply with our payment requirements, our lenders may accelerate our obligations under our credit facilities and foreclose upon the collateral, or we may be forced to sell assets, restructure our indebtedness or seek additional equity capital, which would dilute our shareholders' interests. Failure to comply with any covenant could result in an event of default under the agreement and the lenders (or any subsequent lender) could make the entire debt immediately due and payable. If this occurs, we might not be able to repay our debt or borrow sufficient funds to refinance it. Even if new financing is available, it may not be on terms that are acceptable to us. These events could cause an adverse impact on our financial conditions and results of operations or cause us to cease operations.

5.1.19 We may need additional capital and failure to raise additional capital on favourable terms, or at all, could limit our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges.

We may require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our resources are insufficient to satisfy our cash requirements, we may seek to issue or sell additional equity or debt securities or obtain another credit facility. The issuance or sale of additional equity securities could result in dilution to our shareholders. The incurrence of indebtedness whether through credit facilities or issuance of debt securities would result in increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- (i) investors' perception of, and demand for, securities of peer companies;
- (ii) conditions of Malaysia and other capital markets in which we may seek to raise funds;

5. RISK FACTORS (Cont'd)

- (iii) our financial condition and results of operations in the future;
- (iv) government regulation of foreign investment; and
- (v) economic, political and other conditions.

We cannot guarantee that we will be able to raise additional capital on favourable terms, or at all, and failure to do so may have a material adverse effect on our business, financial condition and results of operations.

5.1.20 We are controlled by our substantial shareholders whose interests may not always align with our other shareholders.

Immediately after the completion of our IPO, our substantial shareholders will own in aggregate 49.0% of our enlarged issued Shares. Accordingly, our substantial shareholders may be able to exercise significant influence over the outcome of matters requiring the vote of our shareholders, including voting on appointments of directors and consequently, may be able to influence the composition of our Board. The interests of our substantial shareholders may differ from the interests of our other shareholders. For example, (i) our substantial shareholders, Inodes, Creador II, Chung Tze Keong and Chung Tze Wen have interests, direct and indirect, in CIBI, a credit information bureau in the Philippines which also provides business information reporting services and data analytics services such as pre-employment checks, although our Board is of the view that such interests do not give rise to any existing or potential conflict of interest situation, and (ii) one of our substantial shareholders has an interest in one of our suppliers. For further details, see Section 11.1 of this Prospectus.

Our substantial shareholders could also have significant influence in determining the outcome of any corporate transaction or other matters requiring our shareholders' approval, including mergers, consolidations and the sale of all or substantially all of our assets and other significant corporate actions to the extent that they are not required to abstain from voting (and procuring persons connected to them to abstain from voting) in respect of such transactions and corporate actions. Our substantial shareholders are also able to prevent or cause a change in control in our Company.

5.1.21 We are subject to social and political environments and other inherent risks of the markets in which our operations and investments are located.

We have business activities and investments in Malaysia and Thailand. Our businesses and investments are and will continue to be subject to the social and political environments and other inherent risks generally associated with the markets in which they are located, including, but limited to, changes in political leaderships, risks of war, civil unrest and terrorism, risks of natural disasters and outbreaks of contagious diseases, increase in trade barriers and tariffs exchange rate fluctuations, inflation or increase in interest rates, changes in local labour conditions, power and other utility shutdowns or shortages, expropriation and nationalisation of our assets in a particular jurisdiction and restrictions on repatriation of dividends or profits or other capital transfers or movements. Any changes in the political, social and other conditions in the markets where we operate and/or have investments could adversely affect our business, financial condition and results of operations.

5.1.22 We are subject to risks relating to foreign currency exchange rate fluctuations.

Our share of profits or loss from our associate, BOL, is denominated in THB and consequently, our profit margins will also be affected by exchange rate fluctuations of

5. RISK FACTORS *(Cont'd)*

THB against RM. The impact of future exchange rate fluctuations of these currencies on our results cannot be accurately predicted.

In addition, our financial statements are presented in RM and our reporting currency is in RM. Exchange rate gains or losses will arise when the assets and liabilities in foreign currencies are translated or exchanged into RM for financial reporting or repatriation purposes. If the foreign currencies depreciate against the RM, this may materially and adversely affect our reported financial results and dividends, if any, respectively.

As at the date of this Prospectus, we have not entered into any hedging transactions to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. As a result, significant fluctuations in exchange rates may have a material adverse effect on our financial condition and results of operations.

5.2 RISKS RELATING TO OUR INDUSTRY

5.2.1 **Cybersecurity incidents could result in a material loss of business, regulatory enforcement, substantial legal liability and/or significant harm to our reputation**

We operate in an environment of significant risk of cybersecurity incidents. Due to the sensitive nature of the information we and/or our data providers collect, store and transmit, it is common for efforts to occur (coordinated or otherwise) by unauthorised persons to attempt to obtain access to our systems or data, or to inhibit our ability to deliver our digital solutions to our customers. Our data providers are also subject to similar risks of cybersecurity incidents. Cybersecurity attacks can originate from a wide variety of sources and may seek to exploit highly obscure security vulnerabilities or employ sophisticated attack methods. Such attacks may seek to gain access to our systems either directly or using equipment or security passwords belonging to employees, customers, third-party service providers or other users.

We have experienced and expect to continue to experience numerous attempts to access our computer systems, software, networks, data and other technology assets from time to time. We cannot be certain that our systems and third-party systems that have access to our systems will not be compromised or disrupted in the future. Any preventive actions that we take to address cybersecurity risks may be insufficient to repel or mitigate the effects of cyberattacks as it may not always be possible to anticipate, detect or recognise threats to our systems, or to implement effective preventive measures against all cybersecurity risks.

Cyberattacks could result in, among other things, unauthorised third parties obtaining access to confidential information, the manipulation, destruction or dissemination of data, and the disruption, sabotage or degradation of our systems. Cybersecurity incidents could disrupt our operations, may not be covered by sufficient insurance, subject us to substantial regulatory and legal proceedings and potential liability and fines, result in a material loss of business and/or significantly harm our reputation.

5. RISK FACTORS (Cont'd)

A breach of our computer systems, software, networks or other technology assets could occur and persist for an extended period of time before being detected or remedied. We may not be able to immediately address the consequences of a cybersecurity incident after detection, and it may take a significant amount of time before an investigation can be completed and the cyberattack is fully understood. During any ongoing investigation, we may not necessarily know the extent of the harm or how best to remediate it. There can be no assurance that errors or oversights will not be repeated or compounded before they are discovered and remediated, any or all of which could further increase the costs and consequences of a cybersecurity incident. If we are unable to protect our computer systems, software, networks, data and other technology assets it could have a material adverse effect on our business, financial condition and results of operations.

We and our associates, Experian and BOL, have obligations under the CRA Act, the PDPA in Malaysia and the Thai PDPA to protect credit information and personal data from any loss, misuse, modification, unauthorised or accidental access or disclosure, alteration or destruction of such information. While we have implemented cybersecurity measures to protect credit information and/or personal data in accordance to the law, any failure by us to comply with such data protection requirements as a result of cybersecurity attacks, data breaches and general unauthorised accesses to computers, networks and data may subject us to penalties, regulatory scrutiny and in the worst case licence suspension and additional liability, and we may incur additional significant costs to maintain or regain compliance. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

5.2.2 **Our business, financial condition and results of operations could be adversely affected if we fail to respond to changes in technology or if we are unable to develop successful new digital solutions in a timely manner.**

Our future success will depend, in part, upon our ability to recognise and apply new and competitive technological innovations; use leading third-party technologies and contractors effectively, respond to changing customer needs and regulatory requirements; and transition customers and data sources successfully to new interfaces or other technologies. Continuous improvements are required for our computer hardware, network operating systems, programming tools, programming languages, operating systems, data matching, data filtering and other database technologies. If we do not recognise the importance of a particular new technology to our business in a timely manner or are not committed to investing in and developing such new technology, applying these technologies to our business, and adequately training our personnel for the new technologies, our current digital solutions and services may be less attractive to existing and potential customers, and we may lose market share to competitors who have recognised these trends and invested in such technology. Additionally, our failure to implement important updates or the loss of key third-party technology consultants could affect our ability to successfully meet the timeline for us to generate cost savings resulting from our investments in improved technology. Failure to achieve any of these objectives would impede our ability to deliver strong financial results and adversely impact our business, financial condition and results of operations.

As technologies continue to evolve, our success will also depend on our ability to meet customers' demand for increasingly sophisticated solutions and bring new digital solutions to market in a timely manner. The process of developing new solutions is complex and uncertain, and we must commit significant resources to this effort before knowing whether the market will accept new solutions. We may not successfully execute on our new solutions because of challenges in planning or timing, technical hurdles, changes in regulation or a lack of appropriate resources. Even if we successfully develop new digital solutions, we may not achieve solution-market fit and our existing customers or new markets might not adopt our new digital solutions. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

5. RISK FACTORS (Cont'd)

5.2.3 **If we experience system failures or personnel disruptions for which our business continuity plan is insufficiently prepared for, the delivery of our services to our customers could be delayed or interrupted, which could harm our business operations and reputation and result in the loss of our revenues or customers.**

Our ability to provide reliable service largely depends on our ability to maintain the efficient and uninterrupted operation of our computer network, systems and data centres, some of which have been outsourced to third-party providers. Our systems, personnel and operations could be exposed to damage or interruption from fire, natural disasters, pandemic, power loss, war, terrorist acts, civil disobedience, telecommunication failures, computer viruses, distributed denial-of-service and other attacks or human error. Our business continuity and disaster recovery plan may not prevent or reduce the impact of such disruptions or address all eventualities. For further details, see Section 7.8.2 of this Prospectus. Any significant interruption could severely harm our business operations and reputation and result in a loss of revenue and customers.

5.2.4 **We are subject to competition in the markets in which we operate.**

The market for our digital solutions is competitive and we may not be able to compete successfully against our competitors which could impair our ability to sell our services and could reduce our market share as our industry grows. We compete on, among others, differentiated digital solutions, datasets, analytics capabilities, ease of integration with our customers' technology, stability of services, customer relationships, innovation and price. Our competitors vary in size, financial and technical capability and the scope of the products and services they offer. For further details, see Section 7.13 of this Prospectus. We may encounter competitors in the future that may be better positioned to develop, promote and sell their products or larger competitors that may benefit from greater cost efficiencies and may be able to win business simply based on pricing. Our competitors may gain access to new data sources that we do not have. We generally face downward pressure on the pricing of our digital solutions, which could result in us having to reduce prices for certain digital solutions, or a loss of market share. Our competitors may also be able to respond to opportunities before we do, for example by taking advantage of new technologies, changes in customer requirements or market trends. Price reductions by our competitors could also negatively impact our operating margins or harm our ability to obtain new long-term contracts or renewals of existing contracts on favourable terms. Emerging competitors, or alliances among existing competitors, may also result in such competitors gaining significant market share. These new competitors may develop digital solutions, products and services that are superior to ours or that achieve greater market acceptance.

There can be no assurance that we will be able to respond to changes in customer requirements as quickly and effectively as our competitors and compete effectively against current and future competitors. If we fail to successfully compete, our business, financial condition and results of operations may be adversely affected.

5.2.5 **We may face claims for intellectual property infringement, which could subject us to monetary damages or limit us in using some of our technologies or providing certain services.**

Our industry is subject to substantial risks of intellectual property rights litigation such as copyright or patent infringement. We cannot be certain that we do not infringe on the intellectual property rights of third parties, including the intellectual property rights of third parties in other countries, which could result in a liability to us. If such claims are asserted against us, we may be required to obtain licences from third parties (if available on acceptable terms or at all). Any such claims, regardless of merit, could be costly and time-consuming to litigate or settle, divert the attention of management and materially disrupt the conduct of our business, and we may not prevail. Intellectual property infringement claims against us could subject us to liability for damages and restrict us from providing services or require changes to certain of our digital solutions.

5. RISK FACTORS *(Cont'd)*

Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

5.3 RISKS RELATING TO OUR SHARES

5.3.1 An active and liquid market for our Shares may not develop.

There can be no assurance as to the liquidity of the market that may develop for our Shares, the ability of holders to sell our Shares or the price at which holders 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, to sustain it. In addition, there can be no assurance that the trading price of our Shares will reflect our operations and financial condition, our growth prospects or the growth prospects of the industry in which we operate.

5.3.2 Our Share price and trading volume may be volatile.

The market price of our Shares may fluctuate as a result of, among other things,

- (i) general market, political and economic conditions;
- (ii) trading liquidity of our Shares;
- (iii) differences between 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) changes in government policy, legislation or regulation; and
- (vii) general operational and business risks.

In addition, many of the risks described in this Section 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. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Final Retail Price.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility, which has affected the share price 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. There can be no assurance that the price and trading of our Shares will not be subject to similar fluctuations.

5. RISK FACTORS *(Cont'd)*

5.3.3 We may not be able to pay dividends.

We target a pay-out ratio of 60% of our profit attributable to the owners of our Company for each financial year on a consolidated basis after taking into account working capital, maintenance capital and committed capital requirements of our Group. The declaration and payments of any dividend is subject to the confirmation of our Board as well as any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board. See Section 12.5 of this Prospectus for further details.

We may not declare dividends should there be events of default occurring or that would occur with such dividend payment. For more information, see Section 5.1.18 of this Prospectus. While we intend to repay [●] the abovementioned facilities with the proceeds from our Public Issue, in the event the proceeds raised are not sufficient to settle the facilities granted, we will be restricted from declaring dividends until the facilities are fully repaid. Dividend payments are not guaranteed, and our Board may decide, in its sole absolute discretion, at any time and for any reason, not to pay dividends or to pay smaller dividends than we currently propose. Additionally, as our Company is a holding company and substantially all of our operations are conducted through our subsidiaries and associates, our Company relies on dividends and other distributions from our subsidiaries and associates as our Company's principal source of income. Our Group has entered, and may in the future enter into financing agreements that 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 distribution. 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. Additionally, any payment of dividends may adversely affect our ability to fund unexpected capital expenditures, as well as our ability to make future interest and principal repayments on any borrowings 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, in the event we incur new borrowings subsequent to our Listing, we may be subject to covenants restricting our ability to pay dividends.

5.3.4 The sale, or 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 2,200,000,000 Shares, of which up to 1,100,000,000 Shares, representing 50.0% of our enlarged issued Shares, will be held by investors participating in our Listing, and not less than 880,000,000 shares, representing 40.0% of our enlarged issued Shares will be held by our Promoter via its direct interest in our Company. Save for the restrictions pursuant to the moratorium 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 Promoter and other shareholders, including the Selling Shareholders, could dispose of some or all of our Shares that they hold after the moratorium 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. RISK FACTORS *(Cont'd)*

5.3.5 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 Managing Underwriters' or the Joint Underwriters' exercise of their rights under the Retail Underwriting Agreement, or the Joint Global Coordinators' 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% of the total number of our Shares for which our Listing is sought being in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of our Listing as approved by Bursa Securities (See Section 2.1 of this Prospectus for details); or
- (iii) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

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

- (i) the SC issues a stop order under Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we and the Selling Shareholders shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, investors will not receive any IPO Shares, 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 proceeds from our Public Issue form part of our share capital:

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

5. RISK FACTORS *(Cont'd)*

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

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

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