

4. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING KEY RISK FACTORS WHICH MAY HAVE A MATERIAL ADVERSE IMPACT ON OUR BUSINESS OPERATIONS, FINANCIAL POSITION AND THE FUTURE PERFORMANCE OF OUR GROUP, IN ADDITION TO OTHER INFORMATION CONTAINED IN THIS PROSPECTUS, BEFORE INVESTING IN OUR COMPANY.

4.1 Risks relating to our business operations

4.1.1 We are exposed to risk due to absence of long-term agreements

We provide our AMHS solutions on a project-by-project basis, and our sales are transacted through purchase orders. While certain projects may be governed by project specific agreements due to their scope and technical complexity, such agreements are generally entered into with the aim to define project specifications and commercial terms, and do not provide for long-term supply arrangements or contractual commitments that assure recurring orders or fixed volumes of continuous purchases from our customers. As a result thereof, the absence of such long-term commitments or long-term agreements exposes our Group to the risk of uncertainty in securing repeat orders or sustaining the same level of engagement with our existing customers. This reduces the visibility of our future earnings and subjects our financial performance to fluctuations in customer procurement cycles.

Given the nature of our business, our financial performance is hence dependent on our ability to continuously secure new projects and purchase orders from existing and potential customers. Our revenue visibility is influenced by, amongst others, the capital expenditure plans of the semiconductor production companies, including their brownfield initiatives to upgrade or expand existing fabrication infrastructure and their greenfield investments in the construction of new production facilities.

In the event that we are unable to secure new projects and purchase orders from our existing or potential customers, or if our existing customers choose to cease procuring AMHS solutions from our Group, our financial performance may be adversely affected.

4.1.2 We are dependent on customers operating in the semiconductor industry, which exposes us to customer concentration risks

We primarily derive our revenue from customers operating within the semiconductor industry. Our major customers (who operate in the semiconductor industry) contributed to more than 90.0% of our total revenue during the financial years under review, reflecting a high degree of industry and customer concentration. In particular, our major customers, namely Customer A Group, Customer B and Customer E had each contributed to more than 20.0% of our Group's total revenue for one or more years during the financial years under review. As such, we are materially dependent on a limited number of major customers within the semiconductor industry, in particular, Customer A Group, Customer B and Customer E for a significant portion of our Group's revenue.

Given our past and ongoing projects with Customer A Group, Customer B and Customer E, these customers may continue to contribute significantly to our Group's revenue in the future. However, there is no assurance that these customers will continue to engage us for new projects, maintain existing project scopes or procure our solutions at similar levels over time. Any reduction, delay, suspension or termination of projects or the absence of new project engagements by one or more of our customers within the semiconductor industry could materially and adversely affect our Group's revenue, project order book and financial performance, in particular, if we are unable to secure replacement or additional projects awards from existing or new customers which are of similar value within a comparable timeframe.

We have not encountered any material issues or disputes arising from our past and ongoing projects with our major customers during the financial years under review and up to the LPD. However, there can be no assurance that such incidents will not occur in the future.

4. RISK FACTORS (CONT'D)

4.1.3 Our project-based business model and billing cycle may result in fluctuations in revenue, profitability and operating performance

Our business operates on a project-by-project basis, with each AMHS solutions project involving multiple stages of execution, including system design, sourcing and fabrication of AMHS components, pre-installation preparation, on-site installation and commissioning, as well as customers' acceptance. The timing, scale and technical complexity of individual projects vary significantly depending on customer-specific requirements, system configuration and the site conditions of our customer's production area (which includes, amongst others, the site layout and readiness of the production environment). As a result thereof, the scale of the project together with the timing of project completion as well as customers' acceptance may vary materially between projects and financial periods.

Consequently, any delay in, or deferral of, the completion and acceptance of one or more projects with higher contract values, longer execution timelines or greater technical complexity, whether arising from project-specific factors or circumstances beyond our direct control (which may include customer's site readiness and evolving customer requirements that necessitate refinements to system design, fabrication of additional or modified components or system optimisation) could have a disproportionate adverse impact on our Group's revenue and overall GP margins in any given quarter or financial year.

Further, as revenue from our AMHS solutions is recognised at specific points in time (with the remaining portion recognised only upon completion of installation and commissioning and customer acceptance), a substantial project pipeline or significant WIP may not translate into revenue or profitability in the same financial period. There can be no assurance that customer acceptance will occur within initially anticipated timeframes. As such, our Group may be exposed to material variations in financial performance between financial periods, which may arise primarily from the timing of customer acceptance rather than due to any changes in the scale of our Group's production activities or prevailing market conditions. It should be noted that such timing differences may hence result in short-term earnings volatility, reduced predictability of results and operating losses in certain financial periods.

Given the project-based nature of our operations, engineering, fabrication and installation costs are incurred throughout the project lifecycle, often over an extended period (which spans over multiple financial periods, depending on project size, technical complexity, system integration requirements and customer site conditions). In financial periods where one or more major projects remain in progress and have not yet achieved customer acceptance, we may recognise project-related operating costs incurred during project execution, including engineering, technical manpower and outsourced costs, without a corresponding recognition of revenue. Such timing differences may hence result in lower gross margins, reduced profitability and operating losses in certain financial periods.

4.1.4 We are dependent on our ability to attract and retain skilled engineers

We are dependent on our ability to attract and retain skilled engineers as the technical skills and engineering capabilities of our engineering workforce will have an impact on the quality and reliability of our cleanroom AMHS solutions. Our engineers play crucial roles across system design, R&D, project management, fabrication, installation and commissioning as well as sales engineering functions. Their technical knowledge of our AMHS solutions is also essential for solution development, customisation, customer engagement and the overall execution of our operations. As at the LPD, we have a total of 201 engineers, representing approximately 42.68% of our total workforce, further supported by 148 technicians, who accounted for approximately 31.42% of our total workforce.

4. RISK FACTORS (CONT'D)

Given that our business is fundamentally driven by engineering capabilities with engineering functions underpinning our solution design, customisation, project execution and system delivery, our future growth and success depend, to a significant extent, on the continued service of our skilled and experienced engineers. The loss of any of our engineers simultaneously or within a short span of time without any suitable and timely replacements could disrupt our operations and, in turn, negatively affect our financial performance. This risk is heightened by the talent shortage within the semiconductor industry and the risk of talent drain. In the event of an industry wide talent shortage, we may lose skilled engineers to our customers or to other participants in the semiconductor industry or other industries, which may make it challenging for us to find suitable and timely replacements or hire sufficient new engineers to support the growth of our Group.

Accordingly, a high turnover of engineers and/or any substantial reduction in our engineering workforce may impair our ability to deliver ongoing projects and undertake new project opportunities. It is hence crucial for our Group to retain and recruit engineering personnel with the required expertise and capabilities to support our ongoing operations, future growth and expansion.

While we have not experienced any major disruptions to our operations due to shortage of skilled engineers during the financial years under review and up to the LPD, it should be noted that engineering personnel changes may occur from time to time, and there is no assurance that we will continue to attract and retain an adequate number of skilled engineers to support our ongoing operations and growth.

4.1.5 We are dependent on our management team for the continued success and growth of our business

Our success is dependent on the abilities, experience and continued efforts of our management team, comprising our Executive Directors and key senior management, all of whom possess the relevant knowledge in their respective fields of expertise to ensure the smooth operation of our business as well as the continued growth of our Group. Please refer to **Sections 8.1.3** and **8.4.2** of this Prospectus for further details on the profiles of our Executive Directors and key senior management.

We are dependent on the leadership of our Promoter, substantial shareholder and Executive Director / CEO, Ryo Narisawa, in determining the strategic direction and driving the business development and growth of our Group as well as spearheading the R&D efforts of our Group. Given his age profile, any interruption in the continuity or pace of his active leadership role may affect our decision-making process, execution of growth initiatives and continuity of technical guidance for our AMHS solutions.

We also rely on our key senior management, who have years of relevant experience ranging from 9 years to 35 years, for their respective expertise and technical knowledge which are essential to our business operations. The loss of any member from our key senior management team, whether due to retirement, resignation or inability to perform their roles, may disrupt ongoing projects, delay operational decisions and/or impact customer relationships.

While our Group continues to strengthen our management bench and develop internal talent to support long-term succession planning, there is no assurance that suitable replacements with equivalent experience can be identified or onboarded in a timely manner. Any disruption to leadership continuity may adversely affect our operations, market position and future growth prospects. Further, any loss of these personnel simultaneously or within a short period of time, and our inability to find a suitable replacement in a timely manner, may create an unfavourable impact on our Group's operations, financial performance and the future growth of our business.

4. RISK FACTORS (CONT'D)

As part of our strategy to retain our employees, we offer competitive remuneration packages to our key senior management and provide training and career development opportunities to our employees. We believe that our Listing will also enhance our corporate profile and facilitate talent retention and recruitment. However, there is no assurance that these efforts will be sufficient to retain and attract key senior management in the future. During the financial years under review and up to the LPD, we have not experienced any loss of our key senior management that has materially impacted our business.

4.1.6 Damage to our reputation may affect our business, financial conditions and results of operations

Our Group's ability to secure and retain customers is highly dependent on our reputation and market perception relating to the quality, reliability and performance of our AMHS solutions as well as our ability to deliver projects in accordance with agreed timelines, specifications and performance requirements. Given the critical role of AMHS solutions in semiconductor manufacturing operations, customers place significant emphasis on proven track record, referenceability and delivery capability when selecting AMHS solutions providers.

Any negative publicity, adverse market perception or reputational issues, whether arising from actual or perceived deficiencies in product quality, system performance, project execution, delays or failure to meet customer expectations, could adversely affect customer confidence in our Group and reduce market acceptance of our AMHS solutions. Such adverse developments may result in existing customers reducing, suspending, scaling back or not extending new project engagements with our Group, and potential customers may elect to procure alternative AMHS solutions from competitors. In particular, adverse market perception arising from a single project or engagement may affect customers' willingness to award additional or follow-on projects to our Group, even where such adverse perception is not representative of our overall project performance.

Any material damage to our reputation or adverse shift in market perception may weaken our competitive position, impair our ability to secure new projects or retain existing customers, which will materially and adversely affect our business operations, financial condition, results of operations and future prospects.

Although we have not experienced any material damage to our reputation during the financial years under review and up to the LPD, there can be no assurance that our reputation and market perception will not be adversely affected in the future.

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4. RISK FACTORS (CONT'D)**4.1.7 We are exposed to foreign exchange fluctuation risks which may impact the profitability of our Group**

Our Group primarily uses RM and USD as our functional currencies, with USD being the main foreign currency in which our transactions are conducted. Our revenue and purchases in the respective currencies in the financial years under review are as follows:-

	FYE 2023		FYE 2024		FYE 2025	
	RM'000	%	RM'000	%	RM'000	%
Revenue denominated in:-						
USD	145,916	100.00	158,877	100.00	220,275	100.00
Total	145,916	100.00	158,877	100.00	220,275	100.00
Purchases denominated in:-						
RM	36,887	59.47	44,302	60.54	35,296	62.82
USD	18,006	29.03	19,091	26.09	10,302	18.33
SGD	6,143	9.91	8,054	11.01	10,550	18.78
EUR	987	1.59	1,722	2.35	39	0.07
JPY	-	-	5	0.01	-	-
RMB	2	*	-	-	-	-
Total	62,025	100.00	73,174	100.00	56,187	100.00

Note:-

* Negligible.

In view of the above currency exposure, we are subject to fluctuations in USD, SGD, EUR, JPY and RMB. It should also be noted that while our revenue is denominated in USD and a significant portion of our purchases (apart from RM) is denominated in USD, which to a certain extent, provides a natural hedge, our Group remains exposed to foreign exchange fluctuations arising from foreign currencies sales and purchases as well as timing differences between billings and settlements. Further details on the impact of foreign exchange fluctuation risks on our business operations are set out in **Section 11.3.6** of this Prospectus.

Our Group may enter into forward foreign exchange contracts to partially manage our foreign exchange exposure. However, there can be no assurance that such hedging arrangements will be sufficient to mitigate the impact of adverse foreign exchange movements, or that future fluctuations in foreign exchange rates will not have a material adverse effect on the financial performance of our Group.

4.1.8 We may be adversely affected by system malfunctions, quality issues or product defects

Our Group designs and supplies cleanroom AMHS solutions that are deployed within our customers' manufacturing operations, where reliability and strict conformance to technical specifications are critical. While we have implemented QA/QC testing measures to prevent the occurrence of product defects and malfunction incidents, there can be no assurance that our AMHS solutions will not have any defects or experience malfunctions that may lead to the disruption of our customers' operations.

We are obligated to ensure that our cleanroom AMHS solutions function in accordance with our customers' technical and operational specifications. Any failure to meet such requirements, or the occurrence of defects or malfunctions following installation and commissioning of our AMHS solutions, may result in additional costs arising from repairs, replacements, or other corrective work, which could adversely affect our Group's reputation and financial performance.

4. RISK FACTORS (CONT'D)

In addition, quality-related concerns or system performance issues, particularly if recurring or not resolved in a timely manner, may affect customer confidence in our solutions and influence customers' decisions relating to future project awards or follow-on engagements with our Group. Any such developments may also affect our Group's industry standing and demand for our solutions.

Further, there can be no assurance that quality-related issues, warranty claims or customer concerns will not arise in the future, which could adversely affect our Group's business operations and financial performance.

4.1.9 We rely on third-party vendors for the quality of the fabrication of parts for our cleanroom AMHS solutions as well as the installation and commissioning of our AMHS solutions

Our Group undertakes in-house fabrication for certain components of our cleanroom AMHS solutions and selectively outsources the following fabrication functions to the third-party fabricators:-

- (i) less critical parts for our cleanroom AMHS solutions (such as shafts, pulleys and sheet metal covers) to third-party fabricators as such arrangement is deemed to be more cost-effective as opposed to our Group fabricating these parts in-house; and
- (ii) certain standardised critical parts for our cleanroom AMHS solutions (such as bearings, rollers, sensors and motors) as the third-party fabricators have the technical expertise and specialised equipment required to fabricate and produce these parts.

We engaged 51, 54 and 65 third-party fabricators in the FYE 2023, FYE 2024 and FYE 2025 respectively, and the outsourcing of fabrication works accounted for approximately 20.63%, 21.16% and 17.85% of our Group's total purchases in the FYE 2023, FYE 2024 and FYE 2025 respectively.

As a result thereof, we are dependent on our third-party fabricators to fabricate parts that meet our specifications in accordance with our fabrication schedule. Any shortage of third-party fabricators or unexpected disruptions in the fabrication works outsourced by our Group may adversely affect our business operations by causing delays in the delivery of our AMHS solutions. Although our Group reviews the performance of our third-party fabricators on an annual basis, any decrease in quality of the parts fabricated by our third-party fabricators will result in our Group incurring additional costs to rectify the part issues. In the event of any such unexpected disruptions or decrease in quality, there is no assurance that we will be able to engage other existing or new third-party fabricators to manufacture the required parts in a timely manner or at similarly competitive prices. Further, any increase in the price of third-party fabrication services will result in an increase in our cost of sales, which may in turn adversely affect our financial performance.

Our Group may also engage third-party service providers on a project-by-project basis to support certain aspects of the installation and commissioning of our AMHS solutions. For installation and commissioning activities involving third-party service providers, our Group deploys our project engineers to undertake management and supervision of such activities and ensure compliance with technical specifications and conformance with our customers' operational requirements. Nevertheless, any shortage, underperformance or unavailability of these third-party service providers may result in delays in project execution, increased costs or quality issues, which could adversely affect our business operations, reputation and financial performance.

Notwithstanding the above, we have not experienced any material shortage of third-party vendors, unexpected disruptions to our outsourced fabrication works or installation and commissioning works, material decrease in quality of parts manufactured by our third-party fabricators or increase in price of third-party vendor services which resulted in material disruptions to our operations, product rectification costs incurred or negatively affect our financial performance during the financial years under review and up to the LPD. However, there can be no assurance that we will not face such incidences in the future.

4. RISK FACTORS (CONT'D)

4.1.10 Our future growth depends on our ability to execute our future plans and business strategies

Our future plans and business strategies are as follows:-

- (i) expansion of our Group's facilities through the establishment of a New Facility;
- (ii) overseas business expansion through setting up sales and engineering support offices in Asia, Europe and the USA; and
- (iii) strengthening of our R&D capabilities through continuous development and refinement of our AMHS solutions as well as recruitment of additional R&D engineers.

Please refer to **Section 6.23** of this Prospectus for further information on our future plans and business strategies.

The implementation of our future plans and business strategies will require capital expenditures, operational expenditures and other working capital requirements, which are expected to increase our Group's overall operational cost, including overhead costs. Hence, if we are unable to generate sufficient revenue following the execution of such future plans and strategies, our profitability may be adversely affected. In addition, any delays in completion or cost overruns in respect of our existing or proposed expansion plans may adversely affect our Group's financial performance and constrain our ability to pursue other growth opportunities.

Further, the feasibility and implementation of our future plans and business strategies may be subject to factors beyond our control, including unfavourable economic conditions or changes in the political and regulatory environment in jurisdictions where our Group operates or maintains a presence, primarily Malaysia, the USA and Singapore, as well as in the key markets in which our customers are located, including Asia and Europe. Accordingly, our future plans may not materialise in a timely manner or with the expected benefits, which in turn may adversely affect our profitability and future prospects.

As such, there is no assurance that the execution of our future plans and business strategies will yield expected results in expanding our business, nor can we guarantee the successful implementation of our future plans and business strategies. In the event of such failure, our business operations and financial performance may be adversely impacted.

4.1.11 Our business operations are exposed to unexpected interruptions or delays caused by unexpected equipment failures, electricity failures, fires and environmental factors (including natural disasters)

We rely on the utilisation of machineries and equipment to carry out the in-house fabrication, assembly and QA/QC testing of cleanroom AMHS solutions at our Bayan Lepas Facility. These machineries and equipment may encounter unforeseen failures or damages during their operation, leading to temporary downtime. In addition, as our assembly and QA/QC testing activities are dependent on continuous and uninterrupted supply of electricity, any major disruptions to the supply of electricity may result in interruptions in our operations.

Further, our business operations may be affected by the occurrence of fires and natural disasters, which may cause damage or destruction to all or part of our factory, machineries and equipment. In the event of such unexpected incidences, our business operations may experience interruptions or prolonged suspension, which may consequently affect our ability to fulfil our customers' orders in a timely manner. Further, any material damage to our factory, machineries and equipment may result in our Group incurring significant costs for repair, refurbishment and/or replacement, which may adversely impact our financial performance.

4. RISK FACTORS (CONT'D)

Our Group has not experienced any occurrences of unexpected equipment failures, electricity failures, fires or environmental disasters which had led to material damage to our inventory and facilities, unanticipated downtime or prolonged disruption to our operations during the financial years under review and up to the LPD. However, there can be no assurance that such incidences will not occur in the future. Further, although we may be able to outsource the assembly activities of our cleanroom AMHS solutions in the event of any unforeseen failures or damages to our equipment or facilities, the occurrence of any such incidences may result in disruptions to our business operations and additional costs incurred, which may, in turn, adversely impact our business operations and financial performance.

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

We maintain insurance to protect against a variety of losses and liabilities for our business operations. As at the LPD, the insurance policies maintained by our Group include fire, flood, burglary, public liability, freight insurance, group hospitalisation and surgical scheme as well as travel insurance.

Despite the above, there is no assurance that our insurance coverage is sufficient to cover all damages, losses and liabilities that may arise in connection with our Group's operations. In the case of uninsured losses or losses in excess of our insured limits, we may be required to bear such damages, losses and liabilities out of our own funds, which could adversely affect our business, financial conditions and results of operations.

Moreover, we may be subject to the risk of non-renewal of our existing insurances or failure to obtain the type of insurances and coverage amount that we require at reasonable rates. If we were to incur a significant loss or liability for which we were not fully insured, the additional cost incurred by our Group may adversely affect our financial performance.

4.2 Risks relating to the industry in which we operate

4.2.1 We are dependent on the semiconductor industry and we face changes and uncertainties in the end-user industries for semiconductors

Our customers comprise front-end and back-end semiconductor production companies, including IDMs, semiconductor foundries and OSATs, and our revenue is therefore directly dependent on capital expenditure within the semiconductor industry. Demand for our AMHS solutions arises mainly from greenfield projects (involving the construction of new production facilities) and brownfield projects (involving the expansion or upgrades to existing production facilities such as capacity expansion, layout optimisation, automation enhancements and equipment replacement). Accordingly, our ability to secure projects and generate revenue depends on the scale, timing and continuity of these investments.

The semiconductor industry is cyclical and influenced by global supply and demand conditions, inventory adjustments, macroeconomic factors, government incentive programmes, geopolitical developments, export control regimes and localisation policies. During periods of industry downturns or heightened uncertainty, semiconductor production companies may defer, reduce or cancel planned capital expenditure, which may lead to fewer AMHS project tenders, delays in project mobilisation, reduced revenue visibility, underutilisation of resources and slower recovery of project costs. A sustained downturn in the semiconductor industry or prolonged reduction in capital expenditure would adversely affect our business and financial performance.

4. RISK FACTORS (CONT'D)

Semiconductor demand is further driven by conditions in its end-user industries, including the E&E industry. Changes in consumption patterns, product life cycles, technology adoption or investment cycles within these sectors may affect semiconductor production volumes and alter long-term semiconductor manufacturing and capacity expansion roadmaps. As AMHS solutions form part of the core manufacturing infrastructure within semiconductor manufacturing operations, any reduction or delay in such capital expenditure may result in fewer project opportunities, delayed project awards, or reduced order sizes for our Group.

Further, it is imperative that our Group observes the latest technology developments and responds timely to the market trends through our continuous R&D efforts to design and adopt new technology in a timely and cost-effective manner, spearheaded by our Promoter, substantial shareholder and Executive Director / CEO, Ryo Narisawa, together with our Director of R&D, Lee Junyi. If we are unable to anticipate or adapt to changes in technology and customer requirements, existing customers may reduce their reliance on our solutions and may migrate to alternative AMHS solutions providers, which may adversely affect our revenue and financial performance. Evolving industry standards or manufacturing requirements may also reduce the applicability of our AMHS solutions or necessitate substantial redesign, and hence we may incur additional development costs without assurance of commercial acceptance. Any failure to align our AMHS capabilities with the technological shifts may result in reduced demand for our solutions and weaken our competitive position.

While our Group has not encountered any incidents where the technology used for our products became obsolete and were no longer demanded by customers, there is no assurance that such incidents will not occur in the future if we fail to adapt our technology in a timely manner due to factors beyond our control, or if we fail to invest in new technology or are unable to attract suitable talents.

4.2.2 We face competition from industry players in the global semiconductor AMHS industry

We delivered our solutions to customers located across the regions of Asia, Europe and North America during the financial years under review. Please refer to **Sections 6.3.2** and **11.3.2** of this Prospectus for the breakdown of revenue derived from these geographical locations in the financial years under review. According to the IMR Report in **Section 7** of this Prospectus, the semiconductor AMHS industry is global in nature, with IDMs, semiconductor foundries and OSATs sourcing for semiconductor AMHS solutions globally. In Malaysia, semiconductor AMHS industry players comprise local companies and multinational companies with presence in Malaysia, with or without locally incorporated entities in Malaysia. As such, in addition to competing with local companies and multinational companies with presence in Malaysia, industry players in Malaysia also compete with foreign industry players.

Due to the global nature of the semiconductor AMHS industry, we are positioned to serve customers from any geographical region, and we are not bound by any geographical restrictions. As such, we face competition from other companies with an established track record in offering semiconductor AMHS solutions globally.

Apart from existing industry players, we may also face competition from new industry players who have the capital and technical expertise to provide similar semiconductor AMHS solutions to IDMs, semiconductor foundries and OSATs. Failure to remain competitive may adversely impact our Group's ability to remain sustainable, in terms of securing sales from existing customers at current or increased levels, as well as to attract new customers, which in turn may affect our Group's financial performance.

4. RISK FACTORS (CONT'D)

4.2.3 We are subject to risk relating to the economic, political and/or legal environment in the markets in which we operate and serve

While our principal operations are based in Malaysia, a significant portion of our revenue is derived from overseas customers across Asia, Europe and North America. Our overseas sales accounted for 41.30%, 36.89% and 55.42% of our total revenue in the FYE 2023, FYE 2024 and FYE 2025 respectively. We are hence affected by the economic, political and/or legal conditions in the geographical markets where we transact business or have interests, making us increasingly susceptible to the risks caused by these conditions. Please refer to **Sections 6.3.2** and **11.3.2** of this Prospectus for the breakdown of revenue derived from these geographical regions in the financial years under review.

Any adverse economic and political developments which may influence consumer confidence and spending in the geographical markets where we transact business may materially or adversely affect our operations and financial performance. Such developments include but are not limited to unemployment trends, imposition of tariffs or international trade sanctions, changes in government fiscal and monetary policies, political leadership, terrorism, nationalisation as well as deterioration of international bilateral relationships. Further, conducting business in foreign markets also requires us to comply with foreign laws and regulations covering many aspects of our operations, including trade laws and licensing regulations, and these laws and regulations may change from time to time, which is beyond our control. Any such changes may increase our cost of doing business in certain markets and adversely affect our competitiveness.

While we have not encountered any disruptions to our business operations resulting from economic and political developments or changes to laws and regulations in the markets in which we transact during the financial years under review, there can be no assurance that any adverse economic, political and/or legal developments will not materially affect our business operations and financial performance in the future.

4.3 Risks relating to investment in our Shares

4.3.1 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 our Listing, an active market for our Shares will develop, or if developed, that such market will be sustainable. There is 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 selling prices at which holders would be able to obtain for our Shares.

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

4.3.2 There may be delay in or cancellation of our Listing

Our Listing could be delayed or terminated due to the possible occurrence of certain events, which include the following:-

- (i) the Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations under such agreement; or
- (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; or

4. RISK FACTORS (CONT'D)

- (iii) the revocation of approvals from relevant authorities prior to our Listing or admission to the Official List for whatever reason.

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

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled, and our Company or such other person who received the monies shall repay all monies paid in respect of the Applications for our IPO Shares within 14 days of the stop order, failing which the Company 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, investors will not receive any of our IPO Shares and all monies paid in respect of the Applications for our IPO Shares will be refunded free of interest.

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

- (i) 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, the Company 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 under Section 245(1) of the CMSA, 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 the sanction of our shareholders by way of special resolution in a general meeting and supported by either:-
 - (a) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - (b) a solvency statement from our Board.

4.3.3 There may be volatility of our Share price and trading volume

The market price and trading volume of our Shares may fluctuate as a result of variations in the liquidity of the market for our Shares, differences between our actual financial operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as growth potential of various sectors of the economy. Other factors that may negatively affect investor sentiment generally include natural disasters, health epidemics and outbreak of contagious diseases. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

4. RISK FACTORS (CONT'D)

4.3.4 We may not have the ability to pay dividends or maintain our dividend policy

As part of our Board's guidance on dividends, we aim to declare a certain portion of our PAT attributable to the owners of our Company for each financial year, subject to the approval of our Board as well as any applicable laws and contractual obligations, and provided that such distribution will not be detrimental to our cash requirements or any plans approved by our Board. Please refer to **Section 11.6** of this Prospectus for further information on our dividend policy.

We propose to pay dividends after setting aside the necessary funds for capital expenditure and working capital, and subject to compliance with applicable legal and regulatory requirements. Any future declaration of dividends will also take into account any restrictive covenants that may be imposed under financing arrangements entered into by our Group from time to time, and shall not exceed our distributable profits. We believe that we have sufficient working capital for the next 12 months from the date of this Prospectus, based on our cash generated from our operating activities, cash and bank balances and the gross IPO proceeds of approximately RM[●] million. However, there is no assurance that our working capital will be sufficient or that we will be able to make dividend payments in the future. Even if we are able to pay dividends, our Board may decide, in its sole and absolute discretion, at any time and for any reason, not to pay dividends or to pay smaller dividends than we currently propose. Further, if we incur any borrowings subsequent to our Listing, we may be subject to additional covenants restricting our ability to pay dividends. If we do not pay dividends or we pay dividends at levels lower than 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.

Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business.

It should be highlighted that as we are a holding company, our Company's income, and therefore our ability to pay dividends, is dependent on the dividends and other distributions that we receive from our subsidiaries. Our subsidiaries may enter into facility agreements in the future which may contain negative and financial covenants. Any failure by our subsidiaries to comply with such covenants could restrict our Group's ability to declare or pay dividends. Furthermore, if we were to obtain new borrowings subsequent to our Listing, we may be subject to additional covenants restricting our ability to pay dividends.

There can be no assurance that dividends will be paid out in the future or on the timing of any dividends that are to be paid in the future. 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.

4.3.5 The interest of our Promoters who control our Group may not be aligned with the interest of our shareholders

As disclosed in **Section 8.1.1** of this Prospectus, our Promoters will, directly or indirectly, collectively hold in aggregate 59.26% of our enlarged number of issued Shares upon our Listing. As a result, our Promoters will collectively be able to, in the foreseeable future, effectively control the business direction and management of our Group including the election of our Directors, the timing and payment of dividends as well as having majority voting control over our Group and as such, will likely influence the outcome of 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. There can be no assurance that the interests of our Promoters always will be aligned with those of our other shareholders.

4. RISK FACTORS (CONT'D)

4.4 Other risks

4.4.1 Forward-looking statements in this Prospectus are subject to uncertainties and contingencies

Certain statements or expectations or forecasts in this Prospectus are based on historical data which may not be reflective of future results. Forward-looking statements in this Prospectus are based on assumptions and subject to uncertainties and contingencies.

Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure you that such expectations will subsequently materialise.

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