
5. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE RISKS SET OUT BELOW, ALONG WITH OTHER INFORMATION CONTAINED IN THIS PROSPECTUS, BEFORE YOU MAKE YOUR INVESTMENT DECISION.

5.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS**5.1.1 We are exposed to product liability and personal injury claims, criminal charges, regulatory penalties and product recalls**

We offer our customers a wide variety of pharmaceutical, healthcare and other related products. If our products are deemed or proven to be unsafe, ineffective or defective, contaminated, contain illicit substances, or result in bodily harm, we could be subject to product liability and personal injury claims, criminal charges, customer complaints, regulatory penalties and product recalls. As we also provide pharmacy services, we are also subject to allegations of improper filling and labelling of prescriptions, providing inadequate or insufficient warnings, misleading disclosures of side effects or any other allegations of negligence or malpractice.

Further, our products that we offer to our customers, including our own-brand products and exclusive products, are sourced from our suppliers and Brand Principals, or manufactured by us and third-party manufacturers. We have put in place quality control measures for our products, however, there can be no assurance that such quality control measures will always satisfy our customers' expectations or meet regulatory standards. Any failure by us, our suppliers, Brand Principals and manufacturers to maintain high quality or meet regulatory standards may cause harm to our customers which could subject us to product liability and personal injury claims.

These claims and allegations could result in the revocation of our business licences or relevant permits or require us to suspend or cease the sale of certain products, which could have a material adverse effect on our business, results of operations and financial condition. Additionally, these claims could cause negative publicity and adversely affect our reputation and/or require significant costs for us to recall or rectify product defects. Any claims made against us could also be costly to defend, result in substantial damage awards against us and divert the attention of our management team from our operations, which could have a material adverse effect on our business, results of operations and financial condition. Please refer to Section 5.1.2 of this Prospectus for further details on the risks relating to our reputation and brand image.

In the event that such product liability claims are attributable to our suppliers, Brand Principals or third-party manufacturers, there can be no assurance that we will be able to obtain full indemnification from them. Even where we may have full indemnification, our reputation may still be severely impacted.

5.1.2 Our business depends on our ability to protect and enhance our brand image

Our reputation is critical to our continued ability to attract customers and maintain relationships with our suppliers, Brand Principals, third-party manufacturers, business partners, healthcare institutions and corporate customers. Events that result in negative publicity to us, damage our brands or otherwise adversely affect our reputation may deter consumers from shopping at our retail outlets and buying our products. These events may also negatively impact the willingness of our suppliers, Brand Principals, manufacturers, distributors, business partners, healthcare institutions and corporate customers to conduct business with us.

5. RISK FACTORS (Cont'd)

Additionally, our reputation and our brands may be adversely affected by the actions of our employees and business partners, whom we may not be able to control or regulate. Key opinion leaders and commercial partners with whom we maintain relationships could also engage in behaviour or use their platforms to communicate directly with our customers in a manner that reflects poorly on our brands. Their actions may be attributed to us or otherwise adversely affect us and the precautions we take to detect such activity may not be effective in all cases. For example, we are currently licensing the "Wellings" brand name to a third-party retail pharmacy operator in Indonesia, which has several retail outlets in Indonesia under the "Wellings" brand name, until the end of 2026. We do not own these retail outlets and have no control over their operations. Any cases of safety breaches or product defects or any other negative incidents in these retail outlets could adversely affect the reputation of the "Wellings" brand. Cases of safety breaches or defects in the pharmaceutical, healthcare and other related products in Malaysia, whether these relate to our products or not, may also reduce customer demand for our own products if customers view them to be symptomatic of the product category. An erosion of trust and confidence in our business or our brands could reduce demand for our products, adversely affect our relationships with our business partners and adversely affect our business, results of operations and financial condition.

5.1.3 We may not be able to successfully expand our retail outlet network or maintain the profitability of our new and existing retail outlets

We plan to strengthen our market leadership by expanding our retail outlet network through organic growth or by acquisitions as set out in Section 7.3.1 of this Prospectus. The expansion of our retail network requires substantial resources including financial resources, management's time, operational resources and technological infrastructure. We will also need to attract, train and retain sufficient and requisite personnel to operate new retail outlets, including pharmacists. We will also need to successfully identify and secure suitable sites for new retail outlets and obtain the funding required to renovate, fit out and operate these new retail outlets. There can be no assurance that we will be able to secure the financial and operational resources required to expand our retail network organically or by acquisitions, whether at the same rate as we have done so in the past or at all.

Moreover, our performance depends on the location of our retail outlets. The performance of our new retail outlets will also be significantly impacted by our ability to identify and secure suitable sites with sufficient consumer traffic for said new retail outlets. Desirable locations for our retail outlets are generally in high demand in Malaysia. Increases in real estate prices in Malaysia may increase the costs that we incur to secure new locations for our retail outlets and operate existing retail outlets. There can be no assurance that we will be able to secure long-term tenancies for our retail outlets, or that we will be able to negotiate tenancies and renewal terms that are commercially acceptable to us.

The profitability and financial performance of our new and existing retail outlets also depend on a number of factors, including our ability to adequately manage our costs and other operational expenses incurred to operate and grow our retail network, such as product costs, labour costs, capital expenditure costs and other operational expenses. If we are unable to effectively manage our inventory and product distribution systems and adapt our accounting, operational and IT systems to efficiently support our growing retail network, our operational costs may increase. An increasingly tech-savvy consumer base may also prefer to view products physically in our retail outlets but make their purchases through our or our competitors' digital channels which may reduce sales made through our retail outlets. Furthermore, our new retail outlets may not be profitable immediately or at all, which will require us to continue to finance the operation of such non-performing retail outlet. The opening of new retail outlets may lower our profit in the short term until sufficient revenue is generated from them to cover the costs of setting up and operating these retail outlets. As a result, our financial condition may be adversely affected as we expand the number of our retail outlets.

5. RISK FACTORS (Cont'd)

Furthermore, as we expand our retail network in Malaysia, or if our competitors successfully expand their retail networks in Malaysia, these markets may become increasingly saturated, and we may not be able to continue to operate our existing retail outlets profitably or maintain the profitability of our existing retail outlets.

5.1.4 Failure to retain our existing customers and attract new customers in a cost-effective manner may affect our sales

Our success depends to a significant extent on retaining our existing customers and attracting new customers. We seek to staff our retail outlets with trained and knowledgeable pharmacists and employees who focus on delivering high levels of customer service. The maintenance of such service levels is a significant contributor to our expenses and cost of sales. If we were to scale back our commitment to high levels of service as a result of labour or other costs or if our customer service levels were to decline for any other reason, we may lose customers, which could have a material adverse effect on our business, results of operations and financial condition.

The products which we sell at our retail outlets may also be available at our competitors' retail outlets, online or through other retail channels. Such competitors or alternative retail channels may also sell the same or similar products at lower prices. As such, our success also depends on our ability to establish effective advertising, marketing and promotional programmes, including pricing and promotional strategies implemented in response to competitive pressures and/or to drive demand for our products. If we are unable to maintain and increase the awareness of our brand, products and services, we may not be able to attract and retain customers. Marketing campaigns can be expensive and may not result in the cost-effective acquisition of customers. We have made, and we expect that we will continue to make, significant investments to attract new customers, including through corporate partnerships, key opinion leaders, traditional advertising, digital and social media advertising and engaging in sponsorship initiatives. For the FYE 2023, the FYE 2024 and the FYE 2025, our selling and distribution expenses accounted for 4.0%, 3.3% and 4.5% respectively, of our total operating and administration expenses.

There can be no assurance that our advertising and marketing efforts will result in continued and/or increased awareness of our brand, products and services and increased sales of our products. If any of our marketing campaigns prove less successful than anticipated in attracting customers, we may not be able to recover our advertising costs and our net sales may fail to meet market expectations, either of which could have a material adverse effect on our business, results of operations and financial condition.

5.1.5 We face risks in relation to negligence, malpractice or sub-standard services of our healthcare providers

Pharmacists, doctors, dieticians and physiotherapists are important to our business operations and such healthcare providers play a critical role in ensuring that our customers receive safe and appropriate diagnosis, treatments, counselling and/or prescriptions. As a result, we are exposed to the risk of legal claims, regulatory actions and reputational damage arising from the services provided by such healthcare providers.

Any failure by our healthcare providers to exercise their duty of care, including but not limited to, failure to provide an accurate diagnosis, inappropriate, negligent or sub-standard treatment, advice or prescriptions or failure to provide adequate usage instructions, as the case may be, could result in serious consequences on our customers' health and safety. In such scenarios, we could face significant liability for the actions or omissions of our healthcare providers. Customers may pursue legal claims against us for negligence, medical malpractice or breach of duty. Even if such claims are ultimately unsuccessful, defending them can be costly and time-consuming and can also damage our reputation.

5. RISK FACTORS (Cont'd)

We also face risks in relation to professional malpractice by our pharmacists and doctors. The prescription drugs that we dispense in our retail outlets have been approved for specific medical indications. However, there can also be no assurance that our pharmacists or doctors will not prescribe such drugs for uses outside of the approved indications. There can also be no assurance that our pharmacists will not dispense such drugs without a valid prescription or under an improper dispensing process. The misuse of the pharmaceuticals we dispense could potentially harm our customers and lead to an increased risk of product liability claims against us, which could also lead to damage to our reputation.

Any negligence, malpractice or professional misconduct by healthcare providers may also result in disciplinary actions taken against them and result in them losing their licence to practise. This could also adversely affect our ability to offer our physiotherapy, tele-consultation and other healthcare-related services, and there can be no assurance that we could find qualified replacements in a timely manner on commercially reasonable terms, or at all.

Although we ensure that our healthcare providers obtain the necessary professional insurance, such professional insurance coverage may not be adequate in the future, or at all. Our business, results of operations and financial condition may be materially and adversely affected if any such claims are made against us or our medical professionals.

5.1.6 We may not be able to attract and retain qualified pharmacists

Our ability to expand our retail network and deliver high-quality customer service depends on our ability to attract and retain qualified and skilled pharmacists, who undertake a major role in providing pharmacy services and ensuring that advice and instructions for prescription drugs are communicated to customers. While we have maintained a pharmacist retention rate of approximately 85.0% for the Financial Years Under Review, there can be no assurance that we will continue to be able to maintain such pharmacist retention rates. A shortage in pharmacists in Malaysia may also result in an increase in costs to attract or retain qualified and skilled pharmacists.

Our Group generally has at least one registered pharmacist stationed at each of our retail outlets during all business operating hours, and any failure to attract, retain or replace qualified staffs and pharmacists may adversely affect our ability to expand our retail network, increase revenue or deliver high quality customer service, which in turn may have an adverse effect on our business, results of operations and financial condition.

5.1.7 We are dependent on our Key Senior Management for our continued success and growth of our business

We are dependent on our Key Senior Management for setting our strategic business direction and managing our business. We are led by our Group Managing Director cum Group CEO, Lee Meng Chuan and our Executive Director, Lim Sin Yin, who each have more than 20 years of experience in the pharmaceutical industry. They are supported by our other experienced Key Senior Management team who have 19 years to 34 years of experience in their respective areas of expertise.

Our ability to achieve continued success and grow our business depends on the continued services of our experienced Key Senior Management and our ability to retain them. The loss of services of our Key Senior Management, our inability to recruit or train a sufficient number of experienced personnel for succession, or our inability to effectively manage attrition levels may adversely affect our business, results of operations and financial condition.

5. RISK FACTORS (Cont'd)

5.1.8 Our distribution channels and distribution centre operations may be disrupted

Our distribution channels and distribution centre operations are critical to our ability to meet customer demand and efficiently deliver our products. As at the LPD, we operate BRDC, our centralised distribution centre, and three other satellite distribution centres located in Penang, Johor and Sarawak to support our business and operations. Most of our retail inventory is shipped to BRDC, which distributes inventory to the majority of our retail outlets across Malaysia. The satellite distribution centres also distribute inventory to retail outlets in the respective regions.

Any disruption in the operation of our warehouses and distribution centres, including any failure or malfunction of BRDC's management systems, whether due to natural disasters, IT failures, labour issues, failure to maintain or renew requisite approvals or licences or other factors, could result in higher costs, longer lead times and an inability to effectively meet customer demand. We may also be unable to optimise our distribution activities, leading to excess or insufficient inventory, warehousing, or fulfilment capacity. Any of these events could result in a material adverse effect on our business and financial condition.

For our retail operations, approximately 20% of our transportation requirements by volume are handled by our own in-house drivers and the remaining 80% is outsourced to multiple logistics providers as at the LPD. Any unexpected delivery difficulties faced by our fleet or third-party delivery service providers, due to operational or IT failure, work stoppages, inclement weather, natural disasters, disruptions to transportation infrastructure, imposition of logistics-related regulatory measures or increases in transportation costs (such as fuel costs), could materially and adversely affect our business operations. In addition, in the event we have to change or find alternative third-party delivery service providers, we may not be able to do so on equally favourable terms or at all and we may face unanticipated increases in costs.

As we continue to grow our business, we will also need to ensure that our distribution and warehousing infrastructure can adequately support our anticipated expansion by providing sufficient scalable space and capacity. Failure to successfully grow and optimise our distribution and warehousing infrastructure and capabilities could adversely affect our ability to execute our growth strategy and, in turn, materially and adversely affect our business, results of operations and financial condition.

In addition, we will continue to invest in improving our logistics and distribution infrastructure. There can be no assurance that the costs of these investments will not exceed estimates or that the expected benefits will be fully realised. Please also refer to Section 5.1.17 of this Prospectus for details on the risks in relation to our Manufacturing Facility and distribution centres.

5.1.9 We may not be able to timely identify or otherwise effectively respond to changing customer preferences, and we may fail to optimise our product offering and inventory position

The healthcare and pharmacy industry in Malaysia is subject to changing customer preferences. Our success depends on our ability to anticipate and identify customer needs and preferences and to adapt our product selection accordingly. If we fail to accurately and promptly anticipate or respond to market demand for our products or changes in customers' needs and purchasing habits, we may not be able to adjust our product offerings or inventory positions appropriately, which could significantly reduce our revenue and have a material adverse effect on our business, results of operations and financial condition.

5. RISK FACTORS (Cont'd)

We are exposed to inventory risks due to a variety of factors, including changing customer consumption trends and customer preferences, rapid changes in product life cycles, a decline in prescription volumes, launches of competing products, uncertainty of success of new product launches and supplier backorders and other supplier-related issues.

For example, increased safety and efficacy concerns for specific drugs or classes of drugs may lead to reduced utilisation, whether due to lower consumer demand or product recalls. Additionally, negative publicity regarding drugs with higher safety risk profiles may result in reduced demand for such drugs. In such circumstances, where there are no acceptable prescription drug equivalents or alternatives for these products, our sales volumes of such product may decline. We carry a broad selection of products and maintain significant inventory levels to ensure continuous supply to our retail outlets. However, we may not be able to move our products efficiently, leading to provisions being made for slow-moving products in our inventory or inventory that may become obsolete, outdated, expired or otherwise unsellable or unusable and further provisions may have to be made for such products. For our own-brand products, we may not be able to return unsold inventory to third-party manufacturers and may incur inventory write-downs, product expirations and increases in inventory holding costs. Further, we may also incur additional costs associated with the safe disposal of unused or expired medicines.

Maintaining an optimal level of inventory is critical to the success of our business. Higher or excessive levels of inventory may increase our inventory holding costs and require us to offer discounts or conduct promotional activities to clear slow-moving inventory. Conversely, if we underestimate customer demand or if our suppliers fail to provide products to us in a timely manner, we may experience inventory shortages which may, in turn, result in a delay in servicing consumer orders, which could have a negative impact on our customer experience and may result in loss of sales.

In addition, our supply chain may be adversely affected by geopolitical tensions, political crises, or war in regions that are critical to global trade routes or pharmaceutical manufacturing hubs. Such events may disrupt the production, export or transportation of pharmaceutical products and medical supplies, resulting in shipping delays, increased freight and insurance costs, and/or reduced availability of certain products. Any such disruptions may affect our ability to procure sufficient inventory in a timely manner, which may in turn lead to stock shortages and impair our ability to meet customer demand. Prolonged or severe disruptions to our supply chain may therefore have a material adverse effect on our business results of operations and financial condition. From time to time, extraordinary events or crises may significantly alter consumers' spending habits, preferences and needs, resulting in sudden or heightened demand for certain products such as medicines and healthcare-related items. Any inability to respond effectively to such shifts in demand whether due to supply constraints or other factors may have a material adverse effect on our business, results of operations and financial condition.

5.1.10 We rely on technology and computer software and hardware systems in our business operations

We are dependent upon our integrated information management system that supports our points of sales system, supply chain management system, warehouse management system as well as finance and control system to monitor the daily operations of, among others, our retail outlets and inventory levels and to maintain accurate and up-to-date operating and financial data for compilation of management information. In addition, we rely on an underlying network infrastructure which supports these systems, including servers, data centres, network devices and communication lines. BRDC also integrates IT systems and automation technology to optimise our inventory management and distribution processes for our retail operations.

5. RISK FACTORS (Cont'd)

Our systems are subject to damage or interruption from computer and telecommunications failures, computer viruses, security breaches, catastrophic events and human error. If any of our systems are damaged, malfunctions or otherwise become unavailable, we may incur substantial costs to repair or replace them and may experience loss or corruption of critical data. Any significant failure or security compromise of our systems could result in disruptions to our e-commerce platforms and the management and fulfilment of orders from our distribution centres. Further, general business interruptions, and any network outage or slowdown could disrupt communications among our systems and retail outlets, distribution centres and headquarters, which may result in delays in order processing and inventory management. Any of the foregoing events could materially and adversely affect our business, results of operations and financial condition.

Further, if the capacity of our technology and computer software and hardware systems fails to keep pace with the growing needs of our expanding operations, our ability to grow the business may be constrained. We may be required to make significant additional investments in our IT infrastructure to ensure it can support our future growth, which could negatively impact our financial performance.

Furthermore, if and when we undertake acquisitions to grow our business, we face risks in relation to the integration of our IT systems with the systems of such businesses and any failure to integrate and interface the IT systems may require us to incur significant costs to replace or upgrade the systems of such acquired companies or businesses.

We also rely on third-party service providers and operating systems for some of our IT functions, such as point of sales, warehouse, customer relationship management and network management systems. If any such third-party service provider or operating system stops providing us with access to their platform or infrastructure, fails to provide reliable access, ceases operations, modifies or introduces new systems or otherwise terminates services, the delay caused by switching to other service providers or operating systems could be time consuming, costly and could materially and adversely affect our business, results of operations and financial condition.

5.1.11 We may not be able to secure tenancies at suitable locations, maintain or renew existing tenancies on commercially favourable terms or at all

The performance of our retail outlets depends on our ability to secure suitable locations of such retail outlet. Notwithstanding that our business development team adopts a data-driven site selection approach for our retail outlets taking into consideration, market analytics, demographic insights and competitive mapping to identify these locations, there can be no certainty that the selected locations will achieve the expected footfall, sales performance or long-term profitability. Further, where we have identified a favourable site for the opening of our new retail outlet, there can be no certainty that we will be able to secure a tenancy on commercially acceptable terms or at all. If we are unable to identify suitable locations for our new retail outlets, our business, results of operations and financial condition may be materially and adversely affected.

Further, almost all of our retail outlets operate on tenanted properties. We generally enter into tenancies for our retail outlets for an initial term of three years with an option for us to extend for two subsequent terms of up to three years each. Our three satellite distribution centres located in Johor, Penang and Sarawak are also operated on tenanted properties. Each tenancy is entered into for an initial term of three years, with options to renew for up to one or two further terms, each of which may be for a period of up to two or three years.

If the tenancy agreements for our retail outlets and/or distribution centres are terminated, or if we are unable to renew such tenancy agreements on commercially acceptable terms or at all, we may incur higher rental expenses or incur significant costs to relocate and/or close such retail outlets and/or distribution centres which may have a material adverse effect on our business, results of operations and financial condition.

5. RISK FACTORS (Cont'd)

5.1.12 Our properties and our use of these properties are subject to various land use, licensing and compliance certification requirements where breaches of such requirements may result in our inability to use these properties

We are required to maintain and regularly renew various licences, approvals and permits for our occupation and use of our properties, including our tenanted properties. Each of our retail outlets and distribution centres is required to comply with regulations relating to the operation of a business on site, occupancy and land use rights. Additionally, prior to carrying out any development or construction work, we are required to obtain planning permission and building plan approvals from the relevant local authorities. Subsequently, we are also required to obtain a CCC for the buildings we occupy as official recognition that these buildings have been completed, are in compliance with the statutory requirements on health and safety, are connected to all essential utilities services and are fit for occupation. Failure to obtain the requisite licences and certification affects our ability to operate at our retail outlets and distribution centres, which results in us having to relocate such retail outlets or distribution centres and may also subject us to other penalties or fines.

As at the LPD, we have not obtained the required permits and licences for some of our properties. While we have undertaken the necessary steps towards rectifying such non-compliances, there can be no assurance that we will be able to obtain the relevant permits and licences in time or at all.

Please also refer to Section 7.15 of this Prospectus for details on the relevant non-compliances and rectification actions taken.

5.1.13 We are dependent on our suppliers and Brand Principals for the supply of our products

We rely on our suppliers and Brand Principals for the supply of products to us. In particular, we obtain a large proportion of our products from two major suppliers, (i) Zuellig Pharma Sdn Bhd and its group of companies; and (ii) DKSH Malaysia Sdn Bhd and its group of companies, which accounted for 55.9%, 54.9% and 55.8% of our total purchases for the FYE 2023, the FYE 2024 and the FYE 2025 respectively. If our suppliers or Brand Principals face shipping and port disruptions or supply shortages or for any reason fail to deliver sufficient quantities of products to meet our needs in a timely manner, this could have a material adverse effect on our business, results of operations and financial condition.

Our profit margins and results of operations are dependent on our relationship and continued collaboration with our suppliers and Brand Principals. There can be no assurance that we will be able to continue to maintain a good relationship with such suppliers or Brand Principals or maintain our collaboration with them on terms acceptable to us. If our suppliers or Brand Principals were to terminate or materially alter their arrangements with us, we may not be able to find suitable alternative suppliers or Brand Principals for the supply of these products at reasonable prices, on commercially acceptable terms or at all.

As at the LPD, we have not encountered any material disputes with or supply shortages from our major suppliers and Brand Principals, but there can be no assurance that we will be able to continue to maintain such relationships with them.

5. RISK FACTORS (Cont'd)

5.1.14 Acquisitions that we have made or may make in the future could require significant resources, may be unsuccessful and could expose us to unforeseen liabilities

Our acquisitions of independent pharmacies and other complementary businesses, namely the Caring Acquisition, the Yanling Acquisition, the Medispec Acquisition and the Your Physio Acquisition have been instrumental to our growth. Acquisitions remain an important part of our growth strategy and we may, in the future, continue to acquire independent pharmacies or other complementary businesses to expand our business. At any particular time, we may be in various stages of assessment, discussion and negotiation with regards to one or more potential acquisitions or mergers, which may or may not materialise.

Any future acquisitions may involve significant cash expenditure, debt incurrence, operating losses, amortisation of certain intangible assets of acquired companies and expenses that could have a material adverse effect on our financial condition. Acquisitions involve numerous risks and uncertainties, including, without limitation:

- difficulties integrating acquired operations, personnel and information systems, or in realising projected efficiencies and cost savings;
- failure to operate acquired facilities profitably or to achieve improvements in their financial performance;
- diversion of management's time from existing operations;
- potential loss of key employees or customers of acquired companies;
- inaccurate assessment of assets and liabilities and exposure to undisclosed or unforeseen liabilities of acquired companies, including liabilities for failure to comply with applicable laws and regulations; and
- increase in our indebtedness.

5.1.15 We may not be able to successfully implement our business strategies and future plans, and manage our growth

Our ability to implement our business strategies is subject to various risks, such as our ability to grow our market share, expand our retail network and improve our operational efficiency and capability to serve a larger market. We also need to continuously enhance and upgrade our infrastructure and technology, improve control over our operational, financial and management aspects, strengthen our supplier and retail network management, refine our reporting systems and procedures and expand, train and manage our growing employee base.

Our future growth also depends on our ability to penetrate and broaden our customer and retailer bases, including by increasing the number of our retail outlets, entering into partnerships and agreements with healthcare institutions, insurance companies and other government agencies or corporate organisations, enhancing our systems to adequately support our growth and maintaining good relationships with our suppliers, Brand Principals, employees and customers.

5. RISK FACTORS (Cont'd)

We have expanded our business operations beyond the retail of pharmaceutical and healthcare products and may continue to expand our business operations and product and service offerings in future. Such initiatives may require our management to develop expertise in new areas, manage new business relationships and attract new types of customers. Furthermore, such initiatives may require significant attention from our management, and the diversion of our management's attention and resources may adversely affect our ability to manage our business, results of operations and financial condition. We may also be exposed to additional compliance risks related to any such new business operations or new product or service offerings.

5.1.16 The supply of our raw materials for our manufacturing business may be disrupted

We also rely on third-party suppliers for raw materials and packing components for our manufacturing operations. We order such raw materials in quantities adequate to facilitate our day-to-day intended manufacturing volume. As such, we are dependent on the consistent supply of raw materials which meet our quality requirements. There can be no assurance that these suppliers will continue to or be able to supply their products in the quantities and timeframes required by us. A supplier's inability to supply a raw material or packaging component for any reason, a disruption or interruption in the supply chain, the loss of our material suppliers or any global shortages of raw materials would affect our ability to manufacture, sell and deliver our products and could increase our costs and affect our business, results of operations and financial condition. We have, in the past encountered occasional supply shortages due to, among other reasons, shipment delays and regulatory changes. For example, in October 2025, the Department of Islamic Development Malaysia (Jabatan Kemajuan Islam Malaysia) implemented additional deoxyribonucleic acid (DNA) testing requirements for all animal-derived ingredients, which extended supply lead times for these raw materials.

There can be no assurance that we will be able to maintain our relationships with our major suppliers or obtain raw materials on similar or favourable terms in the future. The loss of one or more raw material major suppliers or the inability to source raw materials at competitive prices or in a timely manner, could have a material adverse effect on our business, results of operations and financial condition.

5.1.17 We face certain risks in relation to our Manufacturing Facility and distribution centres

We are exposed to certain risks in relation to our Manufacturing Facility and distribution centres, including industrial accidents, fires, burglary, malicious damage, labour strikes and other labour or industrial disputes, interruptions to logistics, disruptions to our water supply, power supply, information and/or other systems, problems or breakdowns of our machinery or equipment, licensing requirements and other regulatory or government issues, environmental actions, as well as natural disasters, extreme weather conditions, disease outbreaks or pandemics, acts of terrorism and other external factors over which we have no control and which may not be fully covered by insurance. Any accident may expose us to risks related to the total or partial loss of our Manufacturing Facility and distribution centres, depending on the severity of such accidents.

While we have implemented various precautionary measures at our Manufacturing Facility and distribution centres, including installing firefighting equipment, fire safety systems, backup water supply, temperature and humidity monitoring systems and closed-circuit television surveillance systems, there can be no guarantee that such measures will be effective in minimising or eliminating such operational disruptions and potential loss and damages.

5. RISK FACTORS (Cont'd)

In addition, in the event of any machinery and equipment breakdown, our Manufacturing Facility and distribution centres may be interrupted, causing production downtime and delay in the delivery of products to our customers. We may also incur additional costs to repair or replace the affected machinery, equipment and inventory, and may not be able to address such problems or obtain replacements in a timely manner. These in turn may materially and adversely affect the operations of our Manufacturing Facility and distribution centres as well as our business, results of operations and financial condition.

5.1.18 We may not be able to adequately protect our intellectual property rights and may be required to defend against charges or claims of infringement of intellectual property or other proprietary rights of third parties

Our trademarks are central to the value of our brands and products, including our own-brand products. As at the LPD, we have 18 registered material trademarks and six material trademarks that are pending registration ("**Unregistered Trademarks**"). Please refer to Annexure C of this Prospectus for further details.

The process of registering a trademark involves the submission of a duly completed application to MyIPO. Such applications are subject to formal and substantive examination by MyIPO. Thereafter, the trademarks are published and open to opposition prior to registration. Barring any unforeseen circumstances, the timeframe for completing the registration of an unregistered trademark, assuming no objections are raised and no opposition is filed, is estimated to be up to 12 months from the submission of the application. Any objection or opposition to an application for registration may result in a delay in registration by several years.

As at the LPD, out of the Unregistered Trademarks, two trademark applications have been objected to and are currently subject to appeal or hearing. While we are in the process of appealing against the decisions issued by MyIPO, there can be no assurance that such appeals will be successful. Accordingly, there can be no assurance that the registration of the Unregistered Trademarks will be completed within the expected timeframe or that registration will ultimately be obtained.

If we are unable to protect our rights, including the use of our trademarks, third parties may, in the future, counterfeit our brands, infringe our intellectual property rights or challenge the validity of our intellectual property. We may not always be able to obtain adequate protection for, or effectively prevent infringement of, our intellectual property. Any actions taken to protect our intellectual property rights may also be costly, and there can be no assurance that such measures will be successful or that we will pursue such measures in all cases.

Due to the large number and wide range of products and services that we offer, there can be no assurance that our operations, products or any aspects of our business do not or will not infringe upon patents, copyrights or other intellectual property rights held by third parties. In particular, our exclusive products and second-brand products may bear similarities to other established brands and may be susceptible to intellectual property infringement claims. Furthermore, we rely on our Brand Principals to ensure that products supplied to us do not infringe third-party intellectual property rights. However, even where any such infringement may be attributable to the acts or omissions of our suppliers, Brand Principals or any other third parties, we may nevertheless be subject to claims and adverse publicity.

5. RISK FACTORS (Cont'd)

If our operations, products or any aspects of our business are found to have infringed upon third-party rights, we may be subject to liabilities, including damages or settlement costs or be prohibited from using such intellectual property. We may also be required to obtain licences, incur additional costs to develop alternatives products, or cease the sale of certain products. In addition, we may incur significant legal and other expenses and be required to divert management time and resources to defend against such claims, regardless of their merits. Any successful infringement or licensing claims made against us could result in significant financial liabilities and may materially and adversely affect our business, results of operations and financial condition.

5.1.19 Our operations may be restricted by current and future debt covenants and conditions, and our failure to comply could result in acceleration of debt repayment

Under the terms of our bank loans and under any debt financing arrangement that we may enter into in the future, we are, and may in the future be, subject to certain covenants and conditions. If we breach any of these covenants or conditions, our lenders will be entitled to accelerate our debt obligations. Any default under our debt obligations could result in us having to repay these debts prior to maturity as well as limit our ability to obtain additional financing, which in turn may have a material adverse effect on our cash flow and liquidity. In addition, our loan agreements with certain banks also contain cross-default clauses which state that if we breach the provisions of another loan agreement, we will also be in breach of the first loan agreement. If any cross-default occurs, such banks are entitled under these agreements to accelerate the repayment of all or part of the relevant loans and to recover against the security for such indebtedness.

Furthermore, our loan repayment plan may be accelerated if our lenders conclude that we are at risk of not being able to repay our indebtedness. If our loan repayment is accelerated or if we default on our repayments, it may be difficult for us to refinance our debt or obtain additional financing. Having significant leverage could have important consequences for our business, results of operations and financial condition, such as making it more difficult for us to satisfy our obligations under our financing arrangements, requiring us to dedicate a substantial portion of our cash flow from operations to repay our debt, or negatively impacting our creditworthiness, which could limit our ability to borrow additional funds on commercially acceptable terms.

Our ability to grow our business and maintain our market share is also dependent on our ability to raise additional funds to implement our business strategies or to refinance our existing debt or for our working capital. There can also be no assurance that we will be able to secure additional financing on terms as favourable as existing instruments or at all. Any failure to do so may materially and adversely affect our liquidity, expansion plans, or ability to refinance existing obligations.

5.1.20 Failure to deal effectively with fraudulent conduct would materially and adversely affect our business, results of operations and financial condition

We may be exposed to fraud or other misconduct committed by our business partners, employees, pharmacists, doctors or other third parties that could affect our reputation and subject us to litigation, financial losses and sanctions imposed by governmental authorities. Such misconduct could include improperly using or disclosing sensitive information, engaging in improper activities such as offering bribes to, or receiving bribes from, counterparties in return for any type of benefit or gain, or engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities.

We may also be exposed to fraud from our customers or users of our pharmacy services. For example, our customers may provide false information or forged medical records to our doctors or our pharmacists to obtain prescriptions or drugs to which they are not entitled. Such fictitious transactions and fraudulent conduct may subject us to lawsuits, regulatory investigations, fines and penalties against us.

5. RISK FACTORS (Cont'd)

5.1.21 We may be subject to legal proceedings, regulatory disputes and governmental inquiries

We may, from time to time, be subject to claims, lawsuits, government investigations and other proceedings in relation to product, injury, health, safety, data protection or operational concerns, nuisance, negligence or failure to comply with applicable laws and regulations, including consumer protection legislation.

Litigation and regulatory proceedings that we could face may be protracted and expensive and the results are difficult to predict. Certain of these matters may include speculative claims for substantial or indeterminate amounts of damages and include claims for injunctive relief. Additionally, our brand name and reputation may be affected regardless of the outcome of such proceedings, and our litigation costs could be significant.

Adverse outcomes with respect to litigation or any of these legal proceedings may result in significant settlement costs or judgments, penalties and fines or require us to modify our products or technologies, make products unavailable or require us to stop offering certain features, all of which could materially and adversely affect our business, results of operations and financial condition.

5.1.22 We face risks related to the unauthorised disclosure of confidential information and compliance with privacy laws

We store highly confidential information on our IT systems, including personal data, financial information and other types of information related to our business, products and customers. We also collect and process a considerable volume of information which may be considered, in certain jurisdictions, to be sensitive personal data and which is subject to legal regulations. As such, we must ensure that any processing, collection, use, storage, dissemination, transfer and disposal of data for which we are responsible, complies with relevant data protection and privacy laws in each jurisdiction, including the Personal Data Protection Act 2010 and Personal Data Protection (Amendment) Act 2024 in Malaysia.

Any compromise or breach of our data security, which results in confidential information being accessed, damaged or used by unauthorised or improper persons, or misuse of such data, could result in a violation of applicable privacy and other laws, claims from our customers, legal and financial exposure, damage to our reputation and a loss of confidence in our security measures, which could harm our business and reputation. A security breach could also require that we expend significant resources on our information systems and infrastructure, and could distract management and other key personnel from performing their primary operational duties.

5.1.23 Our insurance coverage may be inadequate

We have obtained or caused relevant counterparties to obtain insurance to cover certain potential risks and liabilities, such as product liability insurance and professional liability insurance for our doctors.

While we maintain insurance policies 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 and all future claims by us will be allowed and successful paid-out in full. There can also be no assurance that we will be able to comply with all policy terms and conditions as well as continue to observe all warranties at all times.

In addition, our insurance policies are subject to periodic renewal, which may involve changes in the insurance premium, terms and policy limits. If there is a significant increase in our insurance premium, we may incur higher costs to renew our insurance policies.

5. RISK FACTORS (Cont'd)

There can also be no assurance that such insurance policies will continue to be available to us based on acceptable terms and costs.

5.2 RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE**5.2.1 We face competition within the healthcare and pharmaceutical industry in Malaysia**

We face competition from other pharmaceutical retailers and from general merchandise stores, mini-markets, supermarkets, or hypermarkets and specialised health food and supplement stores that carry a similar range of related products. In addition, we also face competition from other healthcare institutions with their in-house dispensaries.

We compete with our competitors in a variety of aspects including market experience, brand recognition, product variety, store location, cost efficiencies and financial, sales, marketing and technological resources. While we are Malaysia's leading retail pharmacy chain, ranked highest by revenue, number of licensed pharmacies, and number of registered pharmacists holding Type A licence according to the IMR, there can be no assurance that we will be able to maintain or continue to grow our market share in the industry. Our competitors may operate different business models, have different cost structures or participate selectively in different industry segments which may ultimately prove to be more successful or more adaptable to customer demand and new regulatory, technological and other developments. Some of our competitors may also be willing to reduce prices and accept lower profit margins to compete with us. As a result of this competition, we could lose market share and sales or be forced to reduce our prices to remain competitive.

In addition, further market concentration of the healthcare and pharmaceutical industry in Malaysia may result in more competition for us and a decline in our relative market position, and any price competition from time to time may result in reduced average selling prices and profit margins, which could adversely affect our business, results of operations and financial condition.

There can be no assurance that we will be able to compete successfully with our current and future competitors, and failure to do so would have an adverse effect on our business, results of operations and financial condition.

5.2.2 Our business is subject to governmental regulations and approvals, and we are subject to changes in laws, regulations or government policy

We are required to obtain and comply with various permits, licences, certificates, consents and other approvals from governmental authorities for our business operations. In particular, to operate a retail outlet in Malaysia, we and our pharmacists are required to obtain certain licences from the relevant Malaysian governmental authorities, among others, a business and signboard licence, certificate of registration of body corporate, certificate of registration of pharmacist, an annual certificate for body corporate, an annual retention certificate for pharmacists and a Type A licence issued to a pharmacist. We are also subject to product registration, certification and regulatory requirements for some of the products that we sell at our retail outlets. For example, we are required to register the medical products and medical devices that we sell at our retail outlets under Control of Drugs and Cosmetics Regulations 1984 and Medical Device Act 2012, respectively.

In addition to pharmaceutical products and medical devices, our retail outlets also sell healthcare, beauty, general merchandise and other related products. We are required to obtain the relevant approvals and permits for the sale of rice and pet food at our retail outlets.

5. RISK FACTORS (Cont'd)

The relevant laws and regulations governing our Group which are material to our operations are summarised in Section 7.14 of this Prospectus, and details of the major approvals, licences, permits and registrations obtained by our Group for our business operations as at the LPD are set out in Annexure A of this Prospectus. These licences, permits and certifications are subject to periodic renewal and/or reassessment by the relevant authorities and the standards of such renewal or reassessment may change periodically.

There can be no assurance that we, our pharmacists, doctors or any other medical professionals will be able to fulfil the conditions necessary to obtain, maintain or renew the required governmental approvals or that we will be able to adapt to and comply with the new laws, regulations or policies that may come into effect from time to time with respect to our operations. Additionally, there may be delays on the part of the relevant administrative bodies in reviewing our applications and granting approvals. Any failure by us to renew, obtain or comply with the requisite permits, licences, certificates, consents or other approvals, or failure by us to properly manage the licensing or registration of our pharmacists and doctors may subject us to administrative penalties, fines, or the revocation of our licences, or the licences of our pharmacists and doctors. This may also affect our ability to operate certain retail outlets or offer certain services and may materially and adversely affect our business, results of operations and financial condition. Any change in the standards used by governmental authorities in considering whether to renew or reassess our business licences, permits and certifications, as well as any enactment of new regulations that may restrict the conduct of our business, may also materially and adversely affect our business, results of operations and financial condition.

Many of our products are also subject to regulations relating to the manufacture, import, marketing, distribution and wholesale of such products. Any delays in obtaining or renewing the necessary approvals may cause interruptions in respect of the import and sale of these products, and any breach of the relevant regulations or conditions related to the relevant approvals may result in fines or other penalties.

Changes in laws, regulations or government policy (including in relation to taxation) could also materially and adversely affect our business, results of operations and financial condition. For example, from 1 March 2024, the rate of sales and service tax on most taxable services in Malaysia was increased from 6.0% to 8.0%. Any such changes may result in an increase in competitive intensity, increase in the costs of operations and reductions in prices or changes in price structures, which may result in a material adverse effect on our business, results of operations and financial condition.

5.2.3 We are subject to general economic conditions and consumer spending in Malaysia, as well as inflationary pressures and rising costs

Our business, results of operations and financial condition depend on Malaysian consumer spending and the general state of the Malaysian economy, and may be adversely affected by overall political, economic and social conditions and developments in Malaysia and globally, some of which are beyond our control. Such developments include any changes in laws, government regulations and policies (such as price controls, interest rate adjustments, currency trading band adjustments, taxation laws and exchange rate controls) and political leadership, as well as any uncertainty in the implementation of economic or legal reform, changes in labour conditions (including changes in regulations relating to minimum wage – please refer to Section 12.2.2(iv) of this Prospectus for further information), nationalisation of assets and political disturbance or unrest which may cause decreased economic activity in Malaysia.

5. RISK FACTORS (Cont'd)

Further, any worldwide or regional financial instability, whether caused by political crises, such as a government shutdown, terrorist attacks, war and other incidents of political instability, such as Russia's invasion of Ukraine, the Israel-Hamas war, the recent military actions in Iran by the U.S. and Israel and other conflicts in the Middle East, and the risk of increased tensions between China and Taiwan, could have a negative impact on the Malaysian economy and result in high inflation, rising interest rates and high foreign exchange rate volatility and disrupt global supply chains, which could have a material adverse effect on our business, results of operations, financial condition and prospects. In particular, the U.S. has re-escalated the use of broad-based and sector-specific tariffs under President Trump's second administration, including the imposition of a temporary across-the-board tariff on imports and the continued use of national security-based trade measures, contributing to heightened volatility in global trade flows and supply chains. Political tensions as a result of trade policies could reduce trade volume, investment, technological exchange and other economic activities between major international economies, resulting in a material adverse effect on global economic conditions and the stability of global financial markets. Further, recent military operations by the U.S. and Israel in Iran could lead to disruption of the global supply chain, including in oil and gas, which could potentially destabilise global economies and result in significant spikes in global energy prices. The situation remains highly fluid and significant global political, trade, or regulatory developments are difficult to predict. These developments may have a direct or indirect material adverse effect on Malaysia, our customers and on our business.

Cost increases due to rising inflation and high interest rates in the markets in which we operate may require us to increase the prices of our products to cover inflation and higher packaging and material costs, operating costs and transportation costs, therefore materially and adversely affecting our sales volumes and financial results.

Any adverse developments in one or more of the abovementioned conditions may cause disruptions to our business and operations or result in decreased demand for our products and services, which may consequently cause a decline in our business, results of operations, financial condition and prospects.

5.2.4 Our retail outlets are subject to risk of theft and robbery

Our retail outlets operate in a retail environment that is open to the public. Therefore, we are exposed to the risk of theft by staff and customers, as well as the potential risk of robbery.

Although we have put in place various preventive measures and operational procedures to deter pilferages, robbery and theft, there can be no assurance that such measures will be effective in preventing such events.

5.3 RISKS RELATING TO OUR SHARES AND OUR LISTING**5.3.1 There has been no prior market for our Shares**

Prior to our Listing, there has been no public market for our Shares. Hence, there is a risk that upon our Listing, an active market for our Shares may not develop, or if developed, that such market can be sustained.

There can be no assurance that the Final Retail 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 our Final Retail Price. A number of factors could cause our share price to fluctuate, including but not limited to, announcements of developments relating to our business, fluctuations in our business, results of operations and financial condition and the performance of the global economy. These could also materially and adversely affect our ability to raise capital at a time and at a share price we deem appropriate.

5. RISK FACTORS (Cont'd)

5.3.2 Our ability to pay dividends is dependent on our financial performance

Our ability to declare dividends to our shareholders will depend on, among other matters, the level of our cash, gearing, return on equity and retained earnings, our expected financial performance, applicable restrictive covenants and conditions under our financing documents, working capital requirements and other considerations as our Board may consider relevant from time to time.

These factors are also dependent on market demand, our business, results of operations, financial condition, capital requirements and ability to implement our future plans. We may also be required to obtain the approval of certain of our financiers in order to declare dividends. As such, there can be no assurance that we will be able to pay dividends to our shareholders.

Please refer to Section 12.5 of this Prospectus for a description of our dividend policy.

5.3.3 Our share price and trading volume may be volatile

The trading price and volume of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our business, results of operations and financial condition. These factors may include changes in analysts' recommendations or projections, the economic and political conditions of our country as well as the growth potential of the retail pharmacy industry.

In addition, the trading price and volume of our Shares is dependent on external factors such as the performance of world exchanges and the inflow or outflow of foreign funds. These factors will contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares. There can be no assurance that the price and trading of our Shares will not be subject to fluctuations.

5.3.4 Future offerings of a substantial number of our Shares in the public market may result in dilution

Our shareholders may experience dilution in their shareholdings as a result of any additional securities offerings. If additional funds are raised through future equity issuance by us other than on a *pro rata* basis to existing shareholders, the percentage shareholdings of existing shareholders may be reduced.

5.3.5 Substantial sale of our Shares by our Promoters and Substantial Shareholders could cause the market price of our Shares to decline

Upon the completion of our IPO and Listing, we will have 7,381,835,680 Shares in issue, of which at least 4,549,570,280 Shares, representing 61.7% of our enlarged number of Shares upon our Listing, will be held by our Promoters and Substantial Shareholders assuming that the Over-allotment Option is fully exercised. Our Shares sold in our Listing will be traded on the Main Market following our Listing.

It is possible that our Promoters and/or Substantial Shareholders may dispose of some or all of our Shares that they hold after the moratorium period, pursuant to their own investment objectives. If our Promoters and/or Substantial Shareholders sell, or are perceived as intending to sell, a substantial amount of our Shares, the market price for our Shares could be adversely affected.

5. RISK FACTORS (Cont'd)

5.3.6 There may be a delay in or termination of our Listing

Our Listing may be potentially delayed or aborted due to the occurrence of any one or more of the following events:

- (i) our Joint Managing Underwriters and Joint Underwriters exercising their rights pursuant to the Underwriting Agreement to discharge themselves from their obligations thereunder;
- (ii) if we are unable to meet the public shareholding spread requirements under the Listing Requirements of having at least 25.0% of our total number of Shares for which our Listing is sought, being held by a minimum number of 1,000 public shareholders holding not fewer than 100 Shares each upon our Listing; and
- (iii) the revocation of the approvals from the relevant authorities prior to 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 or 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(7)(a) of the CMSA, investors will not receive any IPO Shares, 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:

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

5. RISK FACTORS (Cont'd)

5.3.7 This Prospectus contains forward-looking statements which 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 to those regarding our financial position, business strategies, prospects, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements, or industry results expressed or implied by such forward-looking statements. Such forward-looking statements are made based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, among others, general economic and business conditions, competition, and the impact of new laws and regulations affecting our industry and government initiatives. Such forward-looking statements reflect our current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminologies, such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts.

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