5. RISK FACTORS

An investment in our Shares involves a number of risks, many of which are beyond our control. You should carefully consider all the information contained in this Prospectus, including the risks described below, before deciding to invest in our Shares. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The market price of our Shares could decline due to any of these risks, and you may lose all or part of your investment

5.1 RISKS RELATING TO OUR BUSINESS

5.1.1 Our success depends on the value, perception and marketing of our brands, and as a result, we may increasingly become a target for public scrutiny, including complaints to regulatory agencies, incidents involving food or beverage borne illnesses, negative media coverage and malicious allegations, all of which could damage our reputation and adversely affect our business and prospects

We regard our brand names, logos, trademarks and other intellectual property of Tealive and Bask Bear to be of significant value and an important factor in our marketing and success. According to the IMR Report, we have a strong following on our social media platforms through our "Tealive Asia" and "Bask Bear Coffee" Instagram and Facebook pages and our brands hold a leading position in the F&B services industry in Malaysia. In particular, Tealive is recognised as the largest brand within the F&B services industry, and specifically in the tea shops segment, by number of stores as at the LPD. According to the IMR Report, Bask Bear is the largest player within the café segment of the F&B services industry in Malaysia, by number of stores as at the LPD.

Our success depends largely on our ability to maintain and enhance the value, perception and marketing of our brand and our customers' connection to our brand. We have built our Tealive and Bask Bear brands to represent F&B services players that offer affordability, quality and convenience, while maintaining a focus on the consumer experience. We believe maintaining, protecting and enhancing recognition of the brand is critical to our business and market position. Our marketing is undertaken by our internal marketing division as well as external marketing agencies. For more details on our marketing efforts, see Section 7.5.7 of this Prospectus.

Further, consumers are increasingly using social media platforms to provide feedback on their purchasing experience in a manner that may result in a rapid and broad dissemination of such feedback. Our brands could be damaged by negative publicity on platforms which have pervasive customer reach, such as internet forums, food review websites or social media platforms or by claims or perceptions about the quality or safety of our stores or offerings or the quality of our suppliers and service, regardless of whether such claims or perceptions are true. Any untoward incidents such as litigation or negative publicity, whether isolated or recurring and whether originating from us or otherwise may severely damage our brand value. Such incidents may relate to the way we manage our relationship with our franchisees, our growth strategies or in the ordinary course of our business or our franchisees' business.

Through our strong social media presence, publicity about our business may generate more attention from the public, media, and regulators in various jurisdictions that we or our franchisees operate in. As we expand our operations both locally and internationally, we may increasingly become a target of public scrutiny. Any negative report or negative press regarding our business, our brands, our products, the industry in which we operate, our financial condition and results of operations, regardless of its truthfulness, could damage our brand image and severely affect the sales of our products and profitability. In addition, improper behaviours or statements of our spokespersons, endorsers and other celebrities we have cooperated with and our employees may result in substantial harm to our brand, reputation and operations.

We may also be subject to heightened regulatory and public concerns over customer protection and customer safety issues, which could subject us to additional legal and social responsibilities and increased scrutiny and negative publicity over these issues, due to the scale of our operations and continued business expansion. There is no assurance that we would not become a target for regulatory or public scrutiny in the future or that scrutiny and public exposure would not severely damage our reputation.

Other incidents may also arise from events that are, or may be, beyond our control and may damage our brand, such as actions taken by one or more of our franchisees or their employees. Our consumers are often unaware that certain stores of our two largest brands, namely Tealive and Bask Bear are Franchised/Licenced Stores, and may associate our franchisees/licensees as being part of our Group. While we have standard procedures in place and work closely with our franchisees/licensees on an ongoing basis to maintain a high and consistent standard of quality and service in our Franchised/Licenced Stores, we do not have complete control over our franchisees'/licensees' actions. While our franchise agreements in Malaysia (being the country in which we have the largest presence) are governed by the Franchise Act 1998, and therefore we are able to pursue legal action against our franchisees for any breach of the franchise agreements, there is no assurance there will not be any accidents or incidents in connection with our franchisees, which may affect consumer demand for our products and erode consumer confidence, which would further diminish our brand's value and have a negative impact on the reputation of our portfolio or brands.

Further, any instances or reports, whether true or not, of food-safety issues, such as food or beverage-borne illnesses, tampering, adulteration, contamination or mislabelling, either during growing, manufacturing, packaging, transportation, storing or preparation, employee hygiene and cleanliness failures or improper employee conduct, have in the past severely injured the reputations of companies in the F&B services industry. Any report linking us to such instances could severely hurt our sales and could possibly lead to product liability claims, litigation and/or temporary tea shop closures. In addition, instances of food or beverage-safety issues, even those involving or naming only our competitors, suppliers or distributors (regardless of whether we use or have used those suppliers or distributors), could result in negative publicity about us or the food service industry in general, which would in turn adversely affect our sales either locally or globally.

5.1.2 Our business and financial results primarily depend on the success of our Tealive business, in particular our Tealive business in Malaysia

A substantial portion of our revenue is derived from our Tealive business, including (i) the sale of F&B to retail consumers at our Corporate Stores; (ii) the supply of goods, comprising mainly ingredients, packaging materials, consumables and equipment subsequent to the initial setting up of a store to our Tealive and Bask Bear franchisees/licensees as well as sparkling water machines and carbonating gas cylinders to our SodaXpress customers; (iii) franchise/licence fees and royalty from our Tealive and Bask Bear franchisees/licensees; and (iv) management and marketing income. For the Financial Years Under Review, revenue derived from our Tealive business amounted to RM412.2 million, RM448.8 million and RM487.6 million, respectively, accounting for around 97.6%, 87.7% and 82.4% of our revenue, respectively. Approximately 77.9% of our revenue for the FYE 30 June 2024 was generated from Tealive's business in Malaysia.

We anticipate that our Tealive business in Malaysia will continue to be our main revenue driver following our Listing. Our financial results primarily depend on our ability to increase sales and efficiently manage costs in our existing and new Tealive Corporate Stores or Tealive Franchised Stores, as well as to grow our income from franchise agreements. In particular, the success of our Tealive business depends principally on our ability to maintain and increase our customer base and attract greater store traffic. Any adverse impact on the sales of Tealive beverages may thus disproportionately affect our Company's financial performance.

To this end, the F&B services industry in Malaysia and the international markets we operate in is dynamic and constantly evolving. Customer preferences and lifestyles are rapidly changing with modern stores as well as delivery options. According to the IMR Report, significant factors which might adversely impact our customer base and store traffic levels include, without limitation:

(i) increased competition in the F&B services industry, including in the tea shop segment;

(ii) changes in consumer preferences away from MTO beverages;

(iii) declining economic conditions that may adversely affect discretionary consumer spending in the markets we serve;

(iv) customer sensitivity to increases in our menu prices;

(v) our reputation, as well as consumer perception of our Tealive brand and the quality, affordability and convenience of our product offerings; and

(vi) customer experience.

The profitability of our Tealive Corporate Stores or Tealive Franchised Stores is also subject to increases in costs that may be partially or wholly beyond our control, including increases in:

(i) rental costs under our lease agreements for our existing and new stores;

(ii) costs of ingredients, packaging materials, consumables and equipment;

(iii) labour costs;

(iv) costs associated with any material interruptions in our supply chain; and

(v) compliance costs relating to any changes in applicable government regulations.

Further, our success depends on various factors, including a preference for convenience in the ordering experience among both new and returning customers and ensuring brand familiarity and awareness by maintaining a consistent image under our Tealive brand across all our various store formats including mall shoplots, kiosks, shoplots, drive-through stores and petrol station stores. As we continue to grow our retail business by expanding our menu offerings, services and our geographic reach, maintaining quality and consistency may be more difficult and there is no assurance that our customers' confidence in our Tealive brand and offerings will not be diminished, and it may materially and adversely impact our business, prospectus, financial condition and results of operations.

There is also no assurance that we will be able to maintain our stores' sales growth or revenue growth in the future. See Section 7.2.6 of this Prospectus for details of the investment payback period of our Tealive Corporate Stores as at the LPD. The failure of our existing or new Tealive Corporate Stores or Tealive Franchised Stores to perform as expected could have a material adverse effect on our financial condition and results of operations. If we are unable to successfully adapt to the rapidly changing environment and retail landscape for bubble beverages, our market share of sales, volume growth and overall financial results could be negatively affected. Furthermore, even if our other brands may potentially record strong performances, there is no assurance that this negative impact on our business may be adequately offset by the performances of our other brands, given the disproportionately large contribution of our Tealive brand to our revenue.

5.1.3 Our business is dependent on our ability to attract new customers and maintain customer loyalty, and analyse customer trends to determine a suitable mix of product offerings

Our business relies on consumer demand for our products, which depends substantially on factors that are continuously evolving, such as our ability to acquire new customers, our customers' continuous loyalty to our brand, our ability to analyse constantly evolving customer trends in order to anticipate customer preferences and the discretionary spending power of consumers at large. We believe that the key factors that affect our customer retention and acquisition include our ability to:

(i) maintain the quality of our products and services offered at our stores;

(ii) anticipate constantly evolving customer demands to create new appealing products;

(iii) expand our brand's presence;

(iv) implement successful promotional, advertising and marketing strategies; and

(v) offer a competitive price for our products.

Product development and innovation are important factors in the tea shop and café segments. We regularly develop and intend to continue to introduce new menu items and products through our product development team working in our headquarters. We utilise technology such as our CBIS to identify sales trends and customer preferences, as well as conduct various tests relating to new products before wide-scale implementation. See Section 7.5.4.6 of this Prospectus for further details. However, there is no assurance that our efforts to maintain customer loyalty will continue to be effective or that our new product offerings will gain market acceptance. Moreover, the popularity of some of our products may last for only a limited time, and we may be unable to attract sufficient customers in the long term. If we are unable to accurately adapt to constantly evolving customer preferences and successfully launch new products, our customers may turn to our other competitors in the tea shop and café segments. This could have a material adverse effect on our business, prospects, financial condition and results of operations.

5.1.4 If we are unable to successfully implement our future plans and strategies, our business and prospects may be adversely affected

Our operating history may not be indicative of our future growth and we may not be able to sustain our historical growth rates. Our future plans and strategies depend on, among others, our ability to:

(i) maintain and grow the operations and financial performance of our existing stores;

(ii) identify suitable sites and locations for new stores and successfully negotiate tenancy agreements on terms acceptable to us;

(iii) accurately estimate expected consumer demand for our products in new locations and markets;

(iv) secure and/or maintain the requisite permits and approvals for the operation of our stores;

(v) optimise our product mix and offerings and minimise cannibalisation of sales at our existing stores;

(vi) attract, train and retain skilled personnel in sufficient numbers for our expanding operations;

(vii) effectively manage our supply chain and ensure our third-party suppliers and logistics providers continue to meet our quality and other standards;

(viii) adapt and update our operational and management systems, including our IT systems, to support an expanded network;

(ix) effectively control and manage the costs of our stores, such as purchase costs and expenses relating to rent, logistics, human resources and marketing;

(x) successfully promote our stores through an enhanced digital marketing strategy and compete in the markets where our new stores are located;

(xi) identify future trends in order to execute strategic partnerships (including intellectual property partnerships) through co-branding, recipe and popular anime and movie collaborations; and

(xii) transpose our expertise into successful JVs, strategic alliances or investments in our efforts to expand our multi-brand business model.

By simultaneously undertaking these future plans and strategies, we may put additional strain on our operational and financial resources, as well as on our management, by potentially diverting their attention from our day-to-day business. We cannot be certain that we will successfully develop and implement our future plans and strategies or that we will successfully address the risks to which our plans will expose us. In the event that we do not effectively manage the increased requirements of our expanded network of stores, our business, prospects, financial condition and results of operations could be materially and adversely affected.

If we fail to achieve any of the above, we may not be able to achieve our future plans. We also intend to expand our digital sales channels such as our e-commerce and online delivery platforms. Our business model is premised on low capital investment and a short and efficient roll-out process. However, we may not be able to expand our store network as we planned. The ability to open new stores effectively is subject to a number of factors not entirely within our control, including the ability to identify suitable locations and secure leases on acceptable terms, to obtain adequate funding, to obtain the required licences, permits and approvals, managing design, decoration and pre-opening publicity and hiring and training skilled employees. Failure to overcome these risks may delay or prevent our store openings and may adversely affect our business, prospectus, financial condition and results of operations.

5.1.5 Our future plans and strategies for network expansion both in Malaysia and internationally may increase our business and operational risks

As part of our future plans and strategies, we intend to deepen our presence in Malaysia and strengthen our international presence through an expansion of our store network and a mass roll-out of new stores, both within and outside of Malaysia. In this regard, we intend to leverage on our instituted processes and criteria to establish:

(i) approximately 40 new Tealive stores in Malaysia in the FYE 30 June 2025 (in particular outside the Central Peninsular region, where we have achieved a per-capita penetration of 35.9 Tealive stores per 1 million people as at the LPD), as well as opening an additional 55 stores annually over the next three (3) financial years;

(ii) cost-efficient "asset-lite" kiosk store formats (approximately 100 sq. ft.) in order to achieve our abovementioned store rollout plan and increase our market penetration, with a target of opening five (5) new "asset-lite" Tealive kiosk stores in Malaysia in the FYE 30 June 2025, followed by 40 "asset-lite" Tealive kiosk stores annually over the next three financial years;

(iii) approximately ten (10) new Bask Bear stores across Malaysia in the FYE 30 June 2025, as well as maintaining a well-distributed rollout of 20 new Bask Bear stores annually over the next three (3) financial years; and

(iv) over 400 Tealive stores in international territories based on a development schedule of five (5) to ten (10) years depending on the territory.

In addition, the expansion of our Tealive brand outside of Malaysia is also heavily dependent on our franchisees. Our growth will depend on our ability to identify suitable business partners, including franchisees or local JV partners. As at the LPD, we have six (6) master and area franchisees in Myanmar, Brunei, Cambodia, Mauritius, Philippines and Canada and five (5) Tealive Licenced Stores in Vietnam. We are dependent on the cooperation of our franchisees and licensees in performing their obligations under the respective franchise and licence agreements, and there is no assurance that they will consistently and fully comply with these obligations. If their obligations under the agreements are compromised or they do not deliver as agreed, this may materially and adversely affect our business. In addition, the success of our Tealive brand in these countries will depend on the quality and ability of these franchisees and licensees to operate the Tealive Franchised/Licensed Stores and promote the products in their respective local markets, as well as their financial strength. If we are unable to recruit or retain suitable franchisees in the future, there is a risk that the business, operations and financial performance of the current and upcoming Tealive Franchised Stores outside of Malaysia will be adversely affected. Similarly, if we are unable to maintain cooperative relationships with our existing franchisees and licensees, this may result in our current partnerships being terminated, and divert management's attention from expanding our network.

Our future plans and strategies may expose us to various further business and operational risks, including lower cash flows, inadequate funding capability and an inability to hire suitable staff. For example, we have entered into MFAs with parties in India, Thailand, and UAE and an ARDA for Bangladesh, with the intention to open additional stores in these countries. However, there is no assurance that the Tealive Franchised Stores opened in these countries will attract sufficient footfall to generate significant revenue, or that the new staff teams in such Tealive Franchised Stores will possess adequate experience to deliver high quality service, even after training. These operational issues may adversely affect our financial performance.

Additionally, new stores may not be immediately profitable. If: (i) revenues generated by new stores are lower than expected and/or (ii) the costs associated with such new stores are higher than anticipated, establishment of new stores may lower our profit margins until these stores start generating sufficient revenue and/or profits, and there is no assurance that they will always be able to do so. We may therefore be unable to recover our investment and/or suffer losses. In addition, we may be unable to successfully operate existing and new stores, which may on occasion have to close. If any of these events occur, our business, results of operations and financial condition may be materially and adversely affected.

Our Company may also face the challenge of maintaining product safety, consistency and quality while expanding our network of stores at an increasing pace. Although we have in place standard operating procedures, and have implemented semi-automated operation processes across our stores, our operations, as F&B service industry providers, remain labour-intensive by nature. As our operations expand, there is no assurance that customer experience across all of our stores will remain of a consistently high quality, and that all of our staff will comply with the relevant laws and regulations, especially the regulations relating to food safety. In addition, as the quantities of raw materials required for our operations increases in line with our expansion, it may become increasingly difficult to procure a stable supply of high-quality ingredients from reliable suppliers.

Our ability to manage our future growth will also depend on our ability to continue to successfully implement and improve our operational, financial and management systems in the evolving competitive markets. Failure to effectively execute our future plans and strategies may result in lower growth and reduced profitability which could have an adverse effect on our business, prospects, financial condition and results of operations.

5.1.6 We are subject to risks associated with leasing space subject to tenancy agreements, and our ability to secure attractive locations at commercially acceptable terms

As at the LPD:

(i) Tealive has 831 stores across Malaysia, of which 547 are Tealive Corporate Stores and 284 are Tealive Franchised Stores; and

(ii) Bask Bear has 135 stores across Malaysia, of which 129 are Bask Bear Corporate Stores and six (6) are Bask Bear Licenced Stores.

All our Corporate Stores, and most of our Franchised/Licenced Stores, are situated on tenanted properties. Our tenancies for our Corporate Stores typically carry lease duration between one (1) to three (3) years, with the option for us to extend, subject to a review of the lease rate. We expect our Corporate Stores which we open in the future to be on leased property.

In most of the existing tenancies for our Corporate Stores, we are able to terminate the tenancy agreement. Such early termination may subject us to penalties such as the forfeiture of the tenancy deposit, or the payment of rental for the unexpired term of the tenancy. If any of our existing or future Corporate Stores are not profitable, and we decide to close any of them, we may nonetheless be committed to performing our obligations under the applicable lease including, among others, paying the base rent for the notice period or the termination fee.

Further, there is no assurance that as our tenancies expire, we or our franchisees/licensees will be able to negotiate tenancies and renewal terms that are commercially acceptable to us/them. If we or our franchisees, are unable to secure attractive and commercially competitive tenancies, or renew a tenancy at the end of its term or are subjected to unexpected termination, we/they may be forced to relocate to a different, potentially less attractive location, or pay a substantially higher rent.

In addition, the performance of our stores depends largely on our/our franchisees ability to secure attractive locations, which are typically those with high foot traffic and low rental prices. Such locations are in high demand in Malaysia generally, and in urban centres such as Kuala Lumpur and Selangor in particular. A continued increase in property rental prices in Malaysia will increase the costs that we incur in securing locations for our stores and may increase the costs associated with locations in which we already operate. Moreover, if demand for retail locations in Malaysia increases, there is no assurance that we will succeed in securing attractive locations.

There is also no assurance that our existing stores will continue to meet our/our franchisees' expectations in terms of consumer foot traffic and rental prices due to events beyond our/our franchisees control such as prolonged construction or renovation works in surrounding areas, which may affect the accessibility of our/our franchisees' stores and/or reduce consumer traffic. If any of the locations of our/our franchisees current stores become unattractive and receive a decrease in foot traffic due to changing economic conditions, demographic patterns, poor maintenance or less attractive tenant mix, we/our franchisees may lose customers. Potential increase in rental rates, any difficulty in securing or renewing tenancies, or any reduction of the footfall in our/our franchisees stores' current locations could have a material adverse effect on our business, prospects, financial condition and results of operations.

5.1.7 Any disruption in the supply of raw materials from our key suppliers or increase in the prices of raw materials from these suppliers may have a material adverse effect on our business, results of operations and financial condition

We are dependent on a consistent and adequate supply of raw materials that meet our quality control standards for the operation of our stores. We rely on a limited number of third-party suppliers for the supply of raw materials which includes ingredients comprising mainly our signature non-dairy creamer and fruit concentrate. The aggregate amount of purchases from our top five (5) major suppliers accounted for 36.1%, 30.2% and 32.6% of our total purchases for the Financial Years Under Review, respectively. While none of our major suppliers have ceased or indicated that they will cease supplying raw materials to us, and we have not in the past experienced any material delay or interruption in the supply of raw materials from our suppliers, there is no assurance that we will always be able to maintain stable business relationships with such suppliers. Their ability or willingness to continue supplying us with sufficient quantities of their products may be influenced by factors such as their capacity, financial position or material unforeseen circumstances. Any adverse impact to our relationship with our suppliers could disrupt their supply of products to us, and hence affect our business operations. If any of these suppliers are for any reason unable to deliver sufficient quantities of raw materials or raw materials of acceptable quality on a timely basis, we may be forced to purchase raw materials from alternative suppliers, which may be of a lesser quality or offered to us on less favourable terms. This may have a material adverse effect on our business, financial condition and results of operations.

Additionally, we do not generally purchase equal quantities of materials from each supplier. Instead, our practice is to purchase the bulk of materials required from one main supplier, in order to increase our bargaining power in price negotiations. As such, in the event the main supplier for each material is unable or unwilling to honour its delivery obligations, the disruption to our supply chain and resulting impact on our operations and financial performance may be exacerbated.

Our supply of raw materials may also be interrupted by any disruptions to the storage and transfer of raw materials to our stores. We rely on third party logistics and warehousing providers in Malaysia to provide warehousing facilities for our inventory before it is despatched to our stores as required, and to also provide transportation services of our raw materials to and from our stores. While we have not experienced any material issues with our logistics providers in the past, any future disruptions to the storage and transfer of raw materials may prevent us from being able to meet our customers' demands. In such an event, there is no assurance that we would be able to find suitable alternative logistics and warehousing providers on equally competitive terms.

The transportation of raw materials to our stores may also be affected by flooding, adverse weather conditions, traffic congestion and other force majeure events which could compromise the transportation and transmission infrastructure in the countries where we operate. All of the above disruptions could materially adversely affect our business, financial condition and reputation.

There is no assurance that we will be able to anticipate decreases in supply and/or increases in ingredient costs, or secure supplies of alternative ingredients that comply with our stringent standards. If we are unable to procure sufficient supplies of key ingredients or pass on increased costs of such ingredients to our customers, our business, prospects, financial condition and results of operations may be adversely affected.

5.1.8 Our business is particularly susceptible to increases in operating costs and expenses and we are exposed to inflation risk

Our results of operations are particularly susceptible to increases in our operating costs and expenses, such as increases in labour costs, rental rates, cost of raw materials and administrative overheads. For example, inflation, which may arise from various factors outside of our control such as disruptions to production of commodities, disruptions to the supply chain as well as geopolitical tensions, resulting in any increase in basic expenses and the price of our raw materials, which would lead to higher costs incurred and could affect our profit margins. The prices and supply of our raw materials and ingredients are also in turn subject to various factors beyond our control, including climate, seasonality, exchange rates, import tariffs and applicable laws, rules, regulations and policies in relation to the sale and/or import of these ingredients. If our operating costs and expenses increase in the future and we are unable to manage or offset those costs by passing the costs to our customers, this may reduce our margins and overall profitability. There is no assurance that we are able to offset all price increases by raising the selling prices of our products, or that such increase will not have a negative effect on our affordability attraction, or that we will not lose our competitive advantage if the selling prices of our products increases significantly. As a result, this may adversely affect our business, prospects, financial condition and results of operation. Inflation may also lead to decreases in consumer spending and demand for our products. Should there be a prolonged decrease in demand for our products, our business, prospects, financial condition and results of operation may be adversely affected.

5.1.9 Failure to maintain the quality of our products could have a material and adverse effect on our reputation

The operations of our stores are dependent on our ability to provide quality F&B products as well as the consistent supply of food ingredients that meet our quality requirements. As we operate in the F&B services industry, we are prone to food and safety and food-borne illness concerns. We have implemented various quality control measures, including providing training on food safety and legislative requirements to all our staff, conducting quarterly audits of all our stores, and requiring our third-party warehouse providers to operate on a first-in-first-out system. For more information on quality control, see Section 7.5.6 of this Prospectus. There is no assurance that we, our franchisees or warehouse providers will always be fully compliant with all relevant food safety laws. Due to the scale of our operations, our rapid growth and our franchise structure, maintaining consistent product quality depends significantly on a number of factors, including but not limited to the design of our quality control system, ensuring that employees and franchisees adhere to procedures and policies and monitoring any potential violations of procedures and policies.

Our sales include perishable F&B products. Preparation, packaging, transportation, storage and sale of perishable F&B products entail the inherent risk of product contamination, tampering, deterioration or defect, which could potentially lead to liability claims and adverse publicity. F&B products may contain contaminants that could, in certain cases, cause illness, injury or death.

Although we have not received any complaints or claims about the quality of our products in the past which had a material adverse effect on our business and operations, if customers become ill after consuming our products, we could be forced to temporarily close some stores and/or become involved in administrative, civil and criminal proceedings initiated by the Government, or civil proceedings initiated by individuals. While complaints are dealt with centrally at our headquarters, there are nonetheless risks of negative press, product liability claims or government scrutiny, all of which could give rise to adverse publicity. A decrease in customer traffic as a result of food-safety concerns or negative publicity, or as a result of a temporary closure of any of our stores, product recalls or food or beverage-safety claims or litigation, and any such negative publicity could have an adverse effect on our business, prospects, financial condition and results of operations. Furthermore, actual or perceived allegations of food contaminations in the industry could cause customers to choose other products.

5.1.10 Our business relies on the satisfactory performance of our IT systems and any significant disruption or loss of data could materially and adversely affect our ability to operate

The proper functioning of our technology infrastructure is essential to our business. For more information, see Section 7.5.4.6 of this Prospectus. We use an integrated POS platform and a CBIS for inventory tracking and ordering, monitoring real-time sales, and the timely exchange of business information between our headquarters and individual stores. These systems are critical to our day-to-day business operations as we use them to manage store procurement, sales and inventory, to collect and analyse information to understand and respond to the needs of our customers and to oversee our cash management and internal controls processes.

There is no assurance that the IT systems we have in place will always operate without interruption or malfunction in the future and that we will not lose data. Moreover, we do not own the IT systems we utilise, but outsource the development and maintenance of our IT system to third parties. For example, in addition to the above platforms, our Tealive App and Bask Bear App are also developed by third party IT developers. Although we have historically had a good relationship with our IT developers, there is no assurance that this will always be the case. The risks we face in relation to the disruption of our technology include encountering problems when upgrading our technology infrastructure (including mobile apps, systems and software), unauthorised access to our IT systems and resultant data loss, or systems crashing due to cyber-attacks, computer viruses and force majeure. Any disruption to our IT systems may cause unavailability of our Apps, hinder our ability to ensure adequate inventory levels and oversee our cash management as well as expose us to other operational inefficiencies and risks, including legal and financial liability.

IT failures may also adversely affect the innovative technologies which our customers currently enjoy, such as our Apps. In order to remain competitive, we must continue to adopt new technologies that allows us to offer customers a seamless experience. If we fail to effectively adopt and utilise new technologies and adapt to changing markets our business may suffer from reduced sales and profitability.

In addition, our business generates and processes a large quantity of personal, transactional and behavioural data through our Apps, and IT systems. We rely on the security of our IT systems as well as the integrity of our staff and physical security of our premises to preserve confidentiality of this information. We face risks inherent in handling large volumes of data and protecting security of such data. We must also comply with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information. While we utilise various computer systems, including our POS systems which are customised web-based systems, third parties may have the technology or knowhow to break into the security system containing customer information transmitted in connection with our credit card sales. Further, our technology vendors may be unable to prevent others from obtaining improper access to this information. Our servers may be vulnerable to hacking, data theft and subsequent leakage of confidential information to unauthorised third parties. It is our contractual obligations to our customers to preserve confidentiality of information. Any compromise of our security systems or failure to comply with policies and regulations may result in proceedings taken by government authorities, the imposition of penalties, damage to our reputation and loss of customer confidence, all of which could adversely affect our business, prospects, financial condition and results of operations.

As at the LPD, there has been no security breaches in the past that have affected our operations. Although we have in place measures to prevent security breaches, such efforts may not always be sufficient or effective and there is no assurance that our Group will not be subject to any security breaches that would materially affect our business, prospects, financial condition and results of operations in the future.

5.1.11 Our success depends significantly on the strength of our Key Senior Management team

Our business performance and future growth are dependent on our ability to consistently attract and retain highly qualified personnel, including our Key Senior Management team. The leadership and deep industry expertise of our management team have been instrumental in increasing the number of stores under our Tealive and Bask Bear brands. The loss of any of our Key Senior Management could impair our ability to operate and impede the execution of our strategies. In particular, our CEO and our COO who are also two of our substantial shareholders and our Promoters, have been instrumental in formulating our business strategies and spearheading the increase in the number of our stores, as well as maintaining our relationships with key stakeholders, such as our business partners and the franchisees/licensees of our brands. They are supported by other members of our management team who are experienced professionals in their respective areas of expertise. Our continued success is dependent, to a large extent, on our ability to retain the services of our CEO, COO and other members of our Key Senior Management team. We may not be able to replace such persons within a reasonable period of time with individuals who possess equivalent expertise and experience. In the event we fail to retain these experienced individuals or encounter issues in recruitment, our business, prospects, financial condition and results of operations could be materially and adversely affected.

5.1.12 There is no assurance that our insurance coverage is adequate

Our significant insurance policies consist of coverage for risks relating to property and equipment, glass, fire, stock, money, fidelity, burglary, personal accident, employer's liability, public liability, machinery breakdown on all plant, machineries and mechanical equipment which is owned/leased or under our control or custody, marine cargo and goods in transit insurance on business goods whilst in transit including loading and unloading of any vehicle by land. There is no assurance that any insurance proceeds we receive under our existing policies would be sufficient to cover expenses relating to insured losses or liabilities. We do not currently maintain any business interruption insurance, which may cover any business interruption arising from incidents such as flooding or other unforeseen incidents. As such, there is no assurance that any insurance proceeds we receive under our existing policies would be sufficient to cover any other losses that we may incur as a result of any reduced operations of our stores due to disruptions outside of our existing coverage. We are also subject to risks of increased premiums or deductibles, reduced coverage and additional or expanded exclusions in connection with our existing insurance policies.

In addition, during storage and transportation, our raw materials are covered by insurance taken out by our storage providers and logistics providers. We therefore rely on the ability of third parties' insurance policies to cover any potential losses incurred during the storage and transportation of materials.

If we suffer any uninsured losses, damages or liabilities in the course of our operations, we may not have sufficient funds to cover any such losses, damages or liabilities. To the extent that we suffer losses or damages as a result of a risk for which we do not maintain insurance, which is not covered by our insurance policies or where the cost of the losses or damages exceeds our insurance coverage, we will have to bear such costs and consequently our business, prospects, financial condition and results of operations may suffer a material adverse impact.

5.1.13 Any unexpected events, such as extreme weather or other natural conditions or accidental fires may result in closures of our stores

Our stores and business operations are vulnerable to any unexpected events outside of our control, such as extreme weather resulting in flooding, or other natural conditions or accidental fires. Such events could result in damage being caused to our stores, which would then need to be closed in order for us to rectify any damage sustained. This in turn would disrupt our operations and prevent our stores from providing products to our consumers. Adverse weather conditions may also cause severe traffic accidents and delays, which could also lead to delayed or lost deliveries of supplies to our stores. Such events could materially and adversely affect our business operations and results of operations.

5.1.14 We may not be able to prevent third parties from unauthorised use of our intellectual property rights and we may be involved in legal and other disputes arising out of the unauthorised use of our intellectual property rights which may result in significant liabilities

We rely on our brand to attract customers. With regard to our trademarks which forms our brand, there is no assurance that third parties or competitors will not infringe our rights. To establish and protect our intellectual property, we register our trademarks as soon as possible when entering new jurisdictions and authorise licensees or franchisees use by way of licence or franchise. The measures we take to protect our intellectual property rights may prove inadequate to prevent misappropriation of our intellectual property.

Litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Legal proceedings and disputes in which we may be involved with are subject to many uncertainties, and their outcomes are difficult to predict. Further, any dispute could lead to the erosion of customers' confidence in our brand and stores and a subsequent reduction in sales. There is no assurance that the resolution of any particular legal proceeding or dispute will be in our favour, and any result that is not in our favour may have a material adverse effect on our business, prospects, financial condition and results of operations.

Further, as we expand into new jurisdictions, we may also become exposed to intellectual property claims, which may be expensive to defend and disruptive to business. Such proceedings may result in prohibition of our ability to use such intellectual property or possible licensing requirements, which could incur substantial costs, and there is no assurance that we would prevail in any such litigation. During the Financial Years Under Review, we issued two separate letters of infringement to third parties in Malaysia that had used trademarks similar to that of our Tealive brand, and succeeded in our claims. We had also successfully objected to the registration of a separate trademark in Malaysia that adopted essential features of our Tealive trademarks which would also be used to cover similar tea shop offerings covered under our Tealive trademarks. Notwithstanding, litigation of this type may result in counterclaims or other claims against us and diversion of resources, and could have a material adverse effect on our business, prospects, financial condition and results of operations.

Further, in respect of our Cambodian franchised stores which are carried out pursuant to an MFA, failure to register the MFA with the Department of Intellectual Property Rights of the Ministry of Commerce of Cambodia may render the franchisee unable to exercise its rights in relation to third parties under the MFA, including taking legal action against third parties for the infringement of intellectual property rights such as trademarks. In the event that third parties infringe on our trademarks, the franchisee will be unable to litigate against the third parties, which could result in the misappropriation of our intellectual property or delay in enforcing our intellectual property rights by us as the registered trademark owner, which could have a material adverse effect on our brand image and consequently, our business, prospects, financial condition and results of operations in Cambodia.

5.1.15 We may be unable to obtain or renew the regulatory licences, approvals and permits we need in order to operate our stores

In accordance with the relevant laws and regulations, our stores require a number of licences, including licences to operate cafes or restaurants and signage licences. As at the LPD, we have obtained the necessary licences and permits to carry out our business activities. See Annexure A of this Prospectus for details of our major licences, permits and approvals.

The licences, permits and approvals that we have obtained are subject to conditions and requirements imposed by the various issuing bodies. In the event of non-compliance by our Group, the licences, permits and approvals we have obtained may be terminated, revoked, or may not be renewed upon its expiry. Our Group and/or our Directors may be subject to penalties, fines or prosecution in the event of our non-compliance. Moreover, we are required to maintain and must regularly renew our licences, permits and approvals. We may not obtain all the requisite licences, approvals and permits that we are required to obtain from the various authorities, or renew existing licences, approvals and permits as they lapse, in a timely manner to operate and continue with our business, or at all. As a result, the authorities may prohibit us from selling particular products, require us to cease operations at a store until the local business licences are obtained, charge us compounds or penalties for non-compliances, or, in some instances, seize those products that we stock in the event that we do not possess the appropriate licence.

As disclosed in Section 7.18 of this Prospectus, as at 26 May 2025:

(a) we have not obtained CCCs in respect of certain of our Group's tenanted properties. Our Group may be liable, on conviction, to a maximum potential fine of RM10.1 million for occupying the remaining 44 premises without CCC or to imprisonment for a term not exceeding ten (10) years or to both;

(b) we have yet to obtain business and signage licences for certain of our Corporate Stores. Our Group may be liable, on conviction, to a maximum fine of RM0.5 million for operating without valid business and signage licences or a term of imprisonment not exceeding one (1) year or both; and

(c) we have certain non-material operational non-compliances in relation to storage spaces of our Group which are not material to the business operations and financial condition of our Group as at the LPD which are subject to ongoing applications, such as certain external storage spaces for which storage licences or applications are pending.

All of our Corporate Stores located at shop lots, shopping malls, petrol stations, commercial buildings and complexes are tenanted and as a result, we are not in a position to ascertain whether the property owners and/or the landlords have complied with all land laws, rules and regulations in respect of such properties including but not limited to the category of land use and/or express condition in the issue documents of title ("**IDT**"), or the availability of the CCC of such properties. Property owners and/or landlords may not co-operate in providing us or may not be able to provide us with sufficient information pertaining to the properties. As such, we are susceptible to risks of fines and penalties of any non-compliance of applicable land laws, regulations and rules to such extent it affects us as occupiers of the tenanted properties. See Section 7.18 of this Prospectus for more information on the applicable land laws, regulations and rules regarding the requirements for a CCC or a valid occupation certificate in Peninsular Malaysia, Labuan, Sabah and Sarawak.

While we endeavour to fully comply with and abide by the aforesaid restrictions and where we can negotiate with our landlords to apply to the relevant authorities to convert the land use of the tenanted properties that we occupy and/or procure the necessary CCC in respect of such properties, we may not always be successful in doing so. Even if we are able to make the necessary application and procure the conversion of land use or the necessary CCC, or procure the registered proprietor to do so, such procedures will take time and there is no assurance that we will not be subject to any penalties or fines in the meantime as an occupier of such land or the lands will not be subject to forfeiture in the meantime.

If such applications are unsuccessful, or in the event that we are certain that we would not receive any response from the landlord, or that we are unable to arrive at a mutual agreement with the landlord to convert the land use and/or procure the CCC, we may be required to shut down the relevant store and relocate it to another location. There is no assurance that we would be able to secure a suitable property for the relocation whether or not within the same vicinity or in a timely manner, or at all, and we may lose the opportunity to operate and remain competitive in the area concerned.

As disclosed in Section 7.18 of this Prospectus, notwithstanding that the outstanding non-compliances may remain unresolved at the time of our Listing, our Directors undertake to continue to make the necessary applications and/or engage with the relevant authorities to resolve and address the outstanding non-compliance incidents in accordance with the directions of the relevant authorities after our Listing. The abovementioned non-compliances are not expected to have any material impact on our Group's business operations and financial condition. See Section 7.18 of this Prospectus for further details of the non-compliances of our Group.

As we continue to grow and expand into new jurisdictions, we may face increased scrutiny from regulatory authorities, which will, at the least, result in us having to increase our investment in compliance. Failure to do so may result in damage to our business, prospects, financial condition and results of operations.

5.1.16 We and our franchisees rely on third-party delivery platform to carry out delivery services for online orders

We and our franchisees offer our order delivery options primarily through orders directly placed on and fulfilled by third-party online delivery platforms. Our and our franchisees' delivery options are reliant on a few service providers with whom we and our franchisees partner with from time to time to offer promotional deals. Any disruption or challenges in our and our franchisees' collaboration with the third-party providers — be it disruptions in their delivery service, issues with order accuracy or quality control during the delivery process, interruption to their business operations, termination or suspension of our and our franchisees' cooperation, disputes or deterioration with respect to our and our franchisees' relationships, or adverse changes in key contractual terms such as increased fee rate — all of which might lead to order delivery delays, heighten our and our franchisees' costs, or have other negative impacts on our business and results of operations. There is no assurance that our and our franchisees' existing relationships with these third-party service providers will continue on terms that are favourable to us. Furthermore, our and our franchisees' attempts to form new partnerships with other delivery service providers may not always result in success. If we face challenges in sustaining or developing positive relationships with these service providers or if we struggle to engage with new service providers, our store sales and brand image could suffer, which would negatively impact our business, prospects, financial condition and results of operations.

5.1.17 We may be exposed to foreign currency exchange risk

Our exposure to foreign exchange risk is primarily related to fluctuations in the RM relative to the USD and JPY. Any significant fluctuations between RM with USD and JPY may have a material impact on our financial performance. Any unfavourable movement in USD and JPY currencies against the RM may adversely affect our profitability. We are exposed to foreign exchange gains or losses in the conversion of foreign currencies into RM for transactions which are conducted in currencies other than RM.

Currently, we practice natural hedging by maintaining foreign exchange bank accounts in RM and USD whereby the collections in the respective currencies can be used to settle payments of the same currencies where possible. Our Group does not use any formal financial instruments to manage our foreign exchange risk. In the future, should the need arise, we may consider other hedging instruments such as derivative contracts to further mitigate our exposure to foreign exchange risks. However, there is no assurance that any adverse fluctuation in foreign exchange rates will not affect the future revenue and financial performance of our Group.

5.2 RISKS RELATING TO THE JURISDICTIONS AND INDUSTRY IN WHICH WE OPERATE

5.2.1 The F&B services industry in Malaysia is highly competitive

The F&B services industry in Malaysia, in particular the tea shop as well as the café segments, is intensely competitive in respect of amongst other factors, new offerings, product mixes, presentation, the quality, consistency, taste, price, value, location and convenience of products available at tea shops and/or cafés, as well as the quality of service offered by our employees. Our ability to attract new customers and retain existing customers in a cost-effective manner is crucial to driving growth and achieving profitability. The products that we and our franchisees sell compete directly against products sold at other tea shops and/or café, such as competitor tea shops offering MTO beverages (including bubble beverages) and snacks, as well as cafés offering caffeinated drinks as well as food products comparable with that of restaurants.

According to the IMR Report, Malaysia's F&B services industry is fragmented, which makes it difficult for both established chains and independent operators to distinguish themselves and gain customer attention. Despite such fragmentation, the entrance hurdles to create a new brand in Malaysia are minimal, which allows for the entry of new players to establish a presence although sustainable function in the long term is a key issue for such entrants. There is no assurance that we will be able to outperform other key players if they are able to provide alternative and more attractive offerings, or if they sell similar products as we do, given that our recipes are not proprietary. There is no assurance that we will be able to continue to attract new customers and that existing customers will remain loyal to us. If we are unable to maintain our competitive position, we could experience lower demand for our products and a loss of market share, each of which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Furthermore, as we continue to expand our product offerings, we will increasingly compete against other businesses such as coffee shops, convenience stores and supermarkets. According to the IMR Report, coffee shops are F&B establishments that heavily focus on coffee beverages rather than food, and have a greater focus on takeaway. While our Bask Bear brand emphasises providing a balanced menu of both food and beverage products, our coffee-based offerings may overlap with the coffee shop segment. Many of these key players bear recognised brand names and have significant customer loyalty. Key competitive factors include the number and location of stores, quality and speed of service, price, attractiveness of facilities, effectiveness of advertising, marketing and operational programmes, demographic patterns and trends, customers' preferences and spending patterns, and perceptions of new product development. For instance, key players might adopt aggressive pricing strategies or offer a broader range of products, which could divert customers away from our stores. Similarly, if competitors establish stores in close proximity to our stores, it could reduce our customer footfall and revenue. We may not be able to compete directly with some of our competitors who may have lower costs than we do due to their economies of scale and who have gained international brand recognition through operating for decades.

5.2.2 Our performance depends on the performance of the Malaysian economy and consumer spending patterns

Malaysia is our primary market. Our performance depends on consumer demand for our products, some of which are discretionary products, and, consequently, is sensitive to various factors that may affect consumer spending, including general economic conditions, consumer confidence in future economic and political conditions, disposable consumer income, consumer demographics and consumer perceptions of personal well-being. According to the IMR Report, the Malaysian economy grew between 2019 and 2024 despite global headwinds, at a CAGR of 3.0%[1&2]. This is notwithstanding a recorded CAGR decline of -5.5% in 2020 due to the initial political uncertainty at the beginning of the year and the economic impact of the COVID-19 pandemic. The Malaysian economy grew by 3.6% and 5.1% in 2023 and 2024[3] respectively and is forecasted to grow at a CAGR of 4.1% from 2024E to 2029F[4&5], supported by government initiatives such as the National Energy Transition Roadmap, the New Industrial Master Plan 2030 and the Mid-Term Review of the Twelfth Malaysia Plan[6]. However, there is no assurance that Malaysian economic conditions will grow as forecasted, or will they continue to be as favourable as they have been in the recent past.

[1] International Monetary Fund ("**IMF**"), World Economic Outlook ("**WEO**"), October 2024
[2] Department of Statistics, Malaysia ("**DOSM**"), Gross Domestic Product, Fourth Quarter of 2024
[3] DOSM, Gross Domestic Product, Fourth Quarter of 2024
[4] 2024E indicates an estimated value for the year 2024 and 2029F indicates a forecasted value for the year 2029
[5] IMF, WEO October 2024
[6] Ministry of Finance, Economic Outlook 2025

As our products are not staple food or necessities to consumers, the demand for our products and our results of operations typically move in tandem with the economic conditions in Malaysia. If a general economic downturn does occur, then as a tea shop and café provider, demand for our products may reduce, due to a decrease in spending on non-essential goods. In an economic downturn, as consumer discretionary spending decreases, it is possible that consumer demand for our products will decrease or they will increasingly purchase products from our indirect, lower-cost competitors. The following factors may affect the performance of the Malaysian economy and overall levels of business activity:

(i) decreases in business, industrial, manufacturing or financial activities;

(ii) fluctuation of the respective local currencies against foreign currencies;

(iii) scarcity of credit or other financing, resulting in lower demand for products provided by companies in the respective country;

(iv) a prolonged period of inflation or increase in interest rates;

(v) changes in the government's taxation policies;

(vi) political instability, terrorism or military conflict in the South East Asia region or globally;

(vii) other regulatory, political or economic developments; and

(viii) amount of foreign investment flowing into the respective country.

While the factors listed above are not exhaustive, they could have a material adverse effect on our business, prospects, financial condition and results of operation.

We believe that the success of our stores is directly dependent on customer traffic and consumer discretionary spending. Customer visits to our stores are usually linked to recreational activities and leisure. Discretionary spending and leisure activities of customers are influenced by general economic conditions, employment levels and the availability of income.

Any adverse development in the Malaysian economy generally, or developments that impacts consumer discretionary spending, in particular, could slow our pace of growth, result in forced closure of our stores and in turn, materially affect our business, prospects, financial condition and results of operations.

5.2.3 Natural disasters, epidemics and other catastrophes as well as political, economic, legal, regulatory and other developments in Malaysia and other jurisdictions where we operate may adversely affect us

Our business, prospects, financial position and results of operations may be adversely affected by political, economic, social, legal, regulatory and other developments in Malaysia and, to a lesser extent, South East Asia and the rest of Asia where we are expanding or sourcing raw materials. These developments, which may be uncertain, include, but are not limited to, the risks of war, terrorism, riots, health epidemics, expropriation, nationalisation, renegotiations or nullification of existing contracts, deterioration of international bilateral relationships, changes in laws and regulations (including increases in the minimum wage), changes in interest rates, inflation, economic recession, foreign exchange control regulations and methods of taxation (including customs, excise, duties and tariffs). Some types of losses, such as from terrorism and acts of war, may be either uninsurable or too expensive to justify insuring against. Should an uninsured loss or a loss in excess of insured limits occur, our business, prospects, financial condition and results of operation may be materially and adversely affected.

Any adverse changes in the economy, household consumption and retail sector in Malaysia and other jurisdictions where we operate or that we intend to grow our presence in, may also affect our business, financial position and results of operations. The countries where we operate may experience varying changes in their economic condition, and there is no assurance that the economic outlook will remain positive across all of these countries. For example, according to the IMR Report, rising costs for key ingredients can significantly affect the pricing of F&B products. Supply imbalances, often caused by unfavourable weather conditions, labour shortages, or geopolitical tensions, have driven up the prices of products such as coffee beans and cocoa. This may in turn affect our production costs, disrupt supply chains, affect customer demand and spending behaviour and have a material adverse impact on our financial performance and results of operation.

Our operations, investments and expansion plans may also be adversely affected by changes in the legal and regulatory landscapes in the countries where we operate. For example, our operations in Malaysia must comply with all applicable labour laws in Malaysia, including compliance with the monthly minimum wage, which has increased from RM1,500 to RM1,700 since 1 February 2025. There is no assurance that the minimum wage will not be further increased substantially or in the near future. In the event of any increase in minimum wage, this could cause a material increase in our operating costs, which could in turn affect its business, prospects, financial condition and results of operation.

Any adverse public health developments, including health epidemics and disease outbreaks, in the jurisdictions in which we operate, may result in government authorities imposing measures to curb the spread of diseases, which in turn may negatively impact foot traffic and offline sales recorded by our stores and disrupt our supply chain. Further, the government authorities may order movement restrictions or the closure of non-essential services, which may affect our operations if we are forced to shut down or reduce our workforce capacity for the duration of any such order. There is no assurance that our business activities will not be materially affected by such orders, and if prolonged, this may have a material adverse impact on our business, prospects, financial condition and results of operation.

5.3 RISKS RELATING TO OUR SHARES AND OUR LISTING

5.3.1 The offering of our Shares may not result in an active and liquid market for our Shares

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

5.3.2 Our Share price and trading volume may be volatile

The market price of our Shares could be affected by numerous factors, including the following:

(i) general market, political and economic conditions;

(ii) trading liquidity of our Shares;

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

(iv) investors and analysts;

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

(vi) changes in market valuations of listed shares in general or shares of

(vii) companies comparable to ours;

(viii) perceived prospects of our business and the industry in which we operate;

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

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

(xi) general operational and business risks.

In addition, many of the risks described in Section 5 of this Prospectus could materially and adversely affect the market price of our Shares. Accordingly, there is no assurance that our Shares will not trade at prices lower than the Final Retail Price.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that has affected the share prices of many companies. Share prices of many companies have experienced wide fluctuations that were not always related to the operating performance of such companies. There is no assurance that the price and trading of our Shares will not be subject to similar fluctuations.

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

Following our Listing, we will have in issue 1,169,188,203 Shares, of which up to 350,756,900 Shares, representing up to approximately 30.0% of our enlarged issued Shares, will be held by investors participating in our IPO, and not less than approximately 52.1% will be held by our Promoters via their direct interests in our Company. Our Shares sold in our IPO will be tradable on the Main Market without restriction following our Listing.

In addition, our Promoters could dispose of some or all of our Shares that they hold after the moratorium period pursuant to their own investment objectives. If our Promoters sell, or is perceived as intending to sell, a substantial amount of our Shares that they hold, the market price for our Shares could be adversely affected.

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

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

(i) the Sole Managing Underwriter's or the Joint Underwriters' exercise of their rights under the Retail Underwriting Agreement, to discharge themselves of their obligations under such agreements;

(ii) our inability to meet the minimum public shareholding spread requirement of having at least 25.0% 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

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

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

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

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

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

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

(ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of our share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by 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 is no assurance that such monies can be returned within a short period of time or at all under such circumstances, or (b) a solvency statement from the directors.

5.3.5 We may not be able to pay dividends

As part of our Board's guidance on dividends, we aim to declare a certain portion of our retained earnings for the year, subject to the approval of our Board and to any applicable law and contractual obligations, as dividends, provided that such distribution will not be detrimental to our Group's cash requirements or to any plans approved by our Board. See Section 12.4 of this Prospectus for further details of our dividend policy. We propose to pay dividends after setting aside the necessary funds for capital expenditure and working capital and taking into account applicable restrictive covenants under our financing documents such that any declaration of dividends 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, credit facilities and the gross proceeds of approximately RM[●] million that we expect to raise from our Public Issue. 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 that we currently propose. Further, if we incur new 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 Company is a holding company and substantially all of our operations are conducted through our subsidiaries, JVs and associate. Accordingly, dividends and other distributions received from our subsidiaries, JVs and associate are our Company's principal source of income. Our Company, subsidiaries, JVs or associate may also enter into financing agreements which could further limit our ability to pay dividends, and we may incur expenses or liabilities that would reduce or eliminate the cash or profit available for the distribution of dividends.

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

5.3.6 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, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements are made based on assumptions that we believe to be reasonable as at the date of this Prospectus. 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. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance, achievements, or industry results expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, among others, general economic and business conditions, competition, the impact of new laws and regulations affecting our industry and government initiatives.

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.