

## 5. RISK FACTORS

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

### 5.1 RISKS RELATING TO OUR BUSINESS

#### 5.1.1 Our business is highly dependent on global and regional economic, financial and political conditions that affect global trading volumes

As an operator of ports and cruise terminals that handles container and conventional cargo and provides port facilities and services for cruise ships and marine and other services within the water limits and land around our ports, our results of operations may be affected by the volume of our business, which in turn depends on global and regional trading volumes, including import and export trade volumes of the region in which we operate and the flow of goods within Malaysia. Trade volumes and import and export trade volumes of the region in which we operate can be significantly affected by changes in economic, financial and political conditions regionally and globally, including sanctions, boycotts, tariffs, and other measures as a result of trade barriers, trade disputes and work stoppages, particularly in the transportation services industry, and acts of war, hostilities, terrorism, natural disasters, and epidemics, as well as by broader macroeconomic factors such as fluctuations in GDP growth rates, inflation, interest rates, currency exchange rates, as well as changes in fiscal and monetary policies, both regionally and globally. Examples of such disruptions include the ongoing geopolitical and global trade and tariff tensions involving the U.S., China and several other countries, the conflict between Russia and Ukraine, the Israeli-Palestinian conflict and the Red Sea crisis, although to date such events have not had any material adverse impact on our operations or financial performance. Economic downturns or slowdowns in major economies can lead to reduced consumer volumes. Any future deterioration in regional and global economic conditions could have an adverse effect on our business, financial condition and results of operations, as well as future growth.

The occurrence of disruptive global political events could potentially reduce trade volumes, alter shipping routes, or increase operational costs, thereby impacting the ports industry, and our business, financial condition and results of operations.

#### 5.1.2 Our operations and revenue are concentrated in Malaysia, exposing us to risks related to the country's economic, financial, and political conditions

Our ports and ports-related business is exclusively located in Malaysia, therefore we are highly susceptible to the country's economic, financial, and political conditions. Economic downturns, driven by factors such as inflation or domestic challenges, could diminish demand for port services, thereby adversely affecting our revenue and profitability. There is a strong correlation between Malaysia's GDP growth, trade activity, and cargo volumes at Northport, Johor Port, Penang Port and Tanjung Bruas Port. PTP, however, is an exception, as it primarily handles transshipment containers, making it more dependent on the performance of global and regional economies as discussed in Section 5.1.1 above. Economic growth in Malaysia typically drives increased demand for port services, with higher trade volumes resulting from growing domestic consumption and exports. Conversely, a downturn in Malaysia's economy, driven by factors such as inflation, slower GDP growth, or global economic challenges, could lead to a reduction in trade activity and, in turn, a decline in cargo volumes. This would directly impact our revenue and profitability, especially if key industries reliant on port services (e.g., manufacturing or industrial) experience a slowdown.

Operating costs are not expected to increase significantly or materially in a way that would adversely affect the financial results, cash flows, or business prospects of our port businesses, except for the anticipated effects of standard inflationary pressures and cost increases arising from increased business activity. However, unforeseen

## 5. RISK FACTORS (Cont'd)

factors such as unexpected regulatory changes, operational inefficiencies, or significant supply chain disruptions could lead to additional cost burdens, which may impact the overall financial performance.

Similarly, political instability, such as shifts in government leadership or policy, might result in regulatory changes, operational disruptions, or increased costs, which could further amplify risks to our operations. For example, there have been shifts in trade policies, tariff structures, and new government regulations in the past. Our Group has not been materially affected by these changes during the Financial Years Under Review, and there has been no material impact on our operations or financial performance arising from such developments. We continue to closely monitor potential changes in government policy and trade agreements, as well as the broader economic environment, to mitigate the risks associated with such exposure.

As all of our revenue is derived from Malaysia, any unfavourable developments in the country could directly and significantly impact its financial performance. Accordingly, our operations and revenue concentration in Malaysia exposes us to ongoing risks related to the country's economic, financial, and political conditions.

### 5.1.3 **Our port concession agreements may be early terminated or not renewed, which may adversely affect our business, financial condition and results of operations, and our inability to maintain the Privatisation Agreements may adversely affect our financial condition and results of operations**

Our rights to operate, manage and develop the ports are held through long-term concession arrangements that have been granted by the Government and the relevant port authorities. All of our five port operating companies, namely PTPSB, JPB, NMB, PPSB and TBPSB, have been granted a concession that will expire in March 2055. These concession agreements are vital to our business but include provisions allowing the government to terminate them prior to expiration if we fail to comply with key terms, such as operational performance requirements relating to maintenance of port infrastructures at the respective ports based on periodical review by the relevant port authorities in consultation with the port operating companies or regulatory obligations imposed by statutes, rules, by-laws and regulations applicable to the ports and the operations of the business of the ports. See Section 7.21 of this Prospectus for more information. Moreover, when these agreements reach their natural end, we may not secure renewals, or any renewals might impose less advantageous conditions due to shifts in policy or competitive pressures. Should a concession be terminated early or not renewed, our business, financial condition, results of operations and prospects may be adversely affected.

The Privatisation Agreements with the Government and the relevant port authorities contain, among others, clauses that allow the Government or the relevant port authorities to terminate the Privatisation Agreements if we do not comply with any provision, obligation, covenant, warranty or undertaking as stipulated in the Privatisation Agreements or the relevant port licences, which includes compliance with any policy of the Government and relevant port authorities, and other directives of the Government. Additionally, the Government may terminate the Privatisation Agreements without any reason if the Government considers that such termination is necessary for national interest, in the interest of national security or for the purpose of government policy or public policy. The Government has imposed certain restrictions on the equity shareholding structure of our Company, requiring MMC Corp to maintain 51.0% equity interest in MMC Ports throughout the concession period, which as at LPD, MMC Corp is in compliance. MMC Corp has committed to ensure compliance with the above.

In the event that the equity shareholding structure of MMC Corp falls below the agreed threshold, potential remedial measures may include: (i) proposing the issuance of new Shares subject to obtaining the necessary regulatory and shareholders' approvals; and (ii) seeking indulgence from the Government, via UKAS, for an extension of time to

## 5. RISK FACTORS (Cont'd)

comply with the said condition whilst we formulate other potential remedial measures to address any shortfall. We cannot assure you that the Government will grant us an extension of time to comply or address the equity shareholding condition, and there can also be no assurance that the Company would be able to complete such an issuance of Shares, and any issuance may dilute our Company's then existing shareholders.

Our Group has not been previously affected by this risk of early termination or non-renewal of its port concession and Privatisation Agreements, as our Group successfully extended the expiry of the concession periods for Johor Port, Northport, Penang Port and Tanjung Bruas Port to March 2055 in the fourth quarter of 2022. Further, the port operating companies are required to fulfill certain obligations to the satisfaction of the Government and relevant port authorities for the said extension of the concession period. If the Government and relevant port authorities determine that the obligations have not been met, they will issue a notice to that effect, and any supplemental agreement for the extension of the concession period will be null and void.

Notwithstanding that, there can be no assurance that the Privatisation Agreements will not be prematurely terminated (with or without cause) or that we will not be penalised (with or without cause) by the Government. If we are unable to maintain the Privatisation Agreements, our business, results of operations, financial condition and prospects may be adversely affected.

### 5.1.4 Our inability to successfully implement our expansion plans and effectively manage our growth strategy could have an adverse effect on our business, results of operations and financial condition

Our future prospects will depend upon our ability to grow our business and operations. This includes executing expansion plans such as increasing container and storage capacities, upgrading port equipment, and integrating advanced technologies for enhanced operational efficiency. There can be no assurance that we will be able to grow our business and operations at the expected levels or at all, and accordingly, we cannot assure you that our operating revenue will continue to achieve a growth rate similar to those achieved in recent years. Further, there can be no assurance that we will be able to effectively manage growth in business levels pursuant to the implementation of our expansion plans. In order to manage the growth effectively, we must also implement and improve our operating systems, IT platforms, procedures and internal controls on a timely basis. If we fail to implement such systems, procedures and controls or if there is any weakness in our internal controls, we may not be able to meet our customers' needs, hire and retain new employees, pursue new businesses, complete future strategic agreements or operate our business effectively. There can be no assurance that our existing or future management, operational and financial systems, procedures and controls will be adequate to support future operations or to establish or develop business relationships beneficial to future operations. Our Group has not been materially affected by this risk during the Financial Years Under Review, as our historical expansion activities have been managed effectively without material adverse impact on our operations or financial performance. Failure to manage growth effectively could have an adverse effect on our business, financial condition, results of operations and prospects.

### 5.1.5 We derive a significant portion of our revenue from our top five major customers

During the FYEs 31 December 2022, 2023 and 2024, our revenue was concentrated among our top five major customers, accounting for 47.2%, 47.4%, and 50.8% of our total revenue, respectively, during these years. For details on our top five major customers, refer to Section 7.16 of this Prospectus. Our Group has not been materially affected by this risk during the Financial Years Under Review, and there has been no material impact on our operations or financial performance arising from any loss or reduction in business from our major customers.

## 5. RISK FACTORS (Cont'd)

If one or more of our major customers terminates their relationship with us or decides to reduce their business volumes with us, our capacity utilisation, results of operations and profitability could decrease in the short run while we make alternative sales arrangements, and in the long run if we are not able to secure such alternative sales arrangements or if the new arrangements are entered into on less favourable terms. We generally do not enter into long-term contracts with our customers, and both parties have the ability to seek significant changes to the terms of, or discontinue, our business arrangements. Any non-renewal or entering into agreements on terms and conditions unfavourable to us may adversely affect our results of operations and profitability.

### 5.1.6 An increase in fuel and electricity prices may reduce profitability

The cost of fuel and electricity is a significant factor affecting the ports industry. Fuel and utilities costs represented 11.9%, 12.0% and 11.1% of our total operating expenditure for the FYEs 31 December 2022, 31 December 2023, and 31 December 2024, respectively. Fuel prices in Malaysia fluctuate in accordance with global oil prices and the strength of the Malaysian Ringgit. Increases in fuel prices and our consumption generally cause increases in our fuel costs, while our GP margin is generally only adversely affected by increases in fuel prices. In FYE 31 December 2022, the cost of fuel increased as a result of global geopolitical tensions, mainly arising from the conflict between Russia and Ukraine, that temporarily elevated global fuel prices. The higher fuel costs incurred by us for FYE 31 December 2022 resulted in an approximate 12.0% reduction in our PATAMI. Fuel prices had since normalised for our Group in 2023 and 2024. While electricity tariffs in Malaysia were stable between 2022 and 2024, the base electricity tariff has been increased by approximately 14.0% (with effect from 1 July 2025) for the 2025 to 2027 regulatory period.

Generally, our ability to pass on fuel and electricity cost increases to customers is limited. This is due to the regulated nature of port tariffs which constrain pricing flexibility. As a result, cost fluctuations are largely absorbed by our Group, potentially impacting our operating margins and overall profitability.

Increases in the price of fuel and electricity generally cause increases in our operating costs, potentially affecting our profitability in the instances where we are unable to pass on the costs to our customers. Fuel and electricity costs are subject to substantial fluctuations and influenced by various economic and political factors, such as political instability in oil-producing regions, most of which are beyond the control of the operating entities. Accordingly, an increase in fuel and electricity prices may adversely affect our business, financial condition, results of operations and prospects.

### 5.1.7 We face significant competition in the ports industry which could adversely affect our ability to maintain or increase our market share and profitability

We face competition from container terminal operators in the region and, to a lesser extent, container terminal operators globally. The main port competing for transshipment traffic with us in the Strait of Malacca is Westports due to its close proximity to the main shipping route along the Strait of Malacca, as well as Port of Singapore. We face competition for non-containerised cargo within Malaysia. In our cruise terminal operations, we face competition primarily from cruise terminals in Thailand and Singapore. This competitive environment is ever-present, creating a continuous risk that requires us to consistently enhance our services and operational efficiency to maintain our business, financial condition, results of operations and prospects. See Section 7.13 of this Prospectus for more information.

We may be required to modify our pricing strategies to remain competitive, such as by offering lower rates or other incentives and discounts, any of which could adversely affect our revenue, margins and profitability. Aside from pricing, competition also arises in terms of operational efficiency and strategic location or connectivity. Ports with more efficient operations such as more effective in cargo handling and vessel turnaround times, or better access to shipping routes and hinterland connections may be more

## 5. RISK FACTORS (Cont'd)

attractive to shipping lines and cargo owners. If our service levels or location advantages are perceived to be less competitive, we risk losing business to such competitors. To remain competitive, we may need to expand or upgrade our port infrastructure, including berth deepening, acquisition of new equipment, and implementation of digital and automation solutions, which would require additional capital investments that may affect our cash flows and increase our capital requirements in the short to medium term. If we are not able to compete successfully in the future against our existing or potential competitors, our business, financial condition, results of operations and prospects may be adversely affected.

### 5.1.8 We are exposed to credit risk with respect to our customers and our business could be adversely affected if our customers default on their obligations

While we strive to manage our credit risk by establishing credit limits for individual customers, obtaining financial guarantees from certain clients, and closely monitoring outstanding receivables, there remains a possibility that our customers may default on their obligations. This could occur due to reasons such as bankruptcy, liquidity issues, operational failures, or other unforeseen circumstances. Our credit risk is further heightened by the fact that our major customers are concentrated within the same industry, making them susceptible to similar economic and other external conditions. Our Group has not been materially affected by this risk during the Financial Years Under Review, and there has been no significant impairment of trade receivables from either major or smaller customers that had a material impact on our operations or financial performance. Notwithstanding that, the Group continues to transact with some of these customers with impairment losses, while closely monitoring their creditworthiness and maintaining cautious engagement to effectively manage credit risk. For more information on how we manage our credit risk, refer to Section 12.2.13 of this Prospectus.

Any credit risk arising from delayed payments, non-payments, or non-performance by one or more of our major customers, or even several smaller customers, could significantly and adversely impact our business, financial health, operational results, and future prospects.

### 5.1.9 If we are unable to pass on increases in operating costs to our customers through an increase in tariffs in a timely manner, our operating results may be materially and adversely affected

The tariffs we charge customers in our port business are regulated by the relevant port authorities with the approval of the Ministry of Transport of Malaysia, and we must comply with the prescribed charges or scale of charges which are published in the gazette setting out the schedule of charges, which is a gazetted list of maximum tariffs that can be charged. In Malaysia, the process of revising and gazetting port tariffs involves consultation with various stakeholders, including the port operator, the relevant port authority and the Ministry of Transport. The timeline for the gazetting of tariff revisions may vary depending on the scope of the proposed changes and the extent of stakeholders engagement required. For example, as set out in Section 7.7 of this Prospectus, tariff increases for Northport were implemented in 2012, 2015, and 2019, while Penang Port saw adjustments in 2007, 2015, and 2021. Tariff increases are generally implemented in phases and thus there may be time lags between the events that caused us to petition for an increase and the actual increase in the tariff, which could negatively affect our results of operations. For details on tariffs and fees, refer to Section 7.7 of this Prospectus.

There can be no assurance that we will be able to raise tariffs in a timely manner to cover increased expenses or to respond to changes in market conditions. In addition, while there have not been decreases in gazetted tariffs applicable to us during the Financial Years Under Review, tariffs could be reduced in the future, including due to changes in Government leadership or policy.

## 5. RISK FACTORS (Cont'd)

A staggered port tariff increase has been approved for Port Klang, the first tariff adjustment for the port since 2015, with the first phase taking effect in July 2025. While we expect the impact on Northport's competitiveness to be manageable, there can be no assurance that the increases will not affect the competitiveness of Northport, if other regional ports offer lower rates or more favorable incentive structures.

Our Group has not been materially affected by delays in tariff adjustments during the Financial Years Under Review, and such delays did not have a material adverse impact on our financial performance during the Financial Years Under Review, while we continued to closely monitor our operational and financial performance. Notwithstanding that, if we continue to be unable to pass on increases in operating costs to our customers through timely tariff adjustments, it may materially and adversely affect our business, financial condition and results of operations.

### 5.1.10 The Government (through the MOF Inc.) by virtue of the special shares may have interests which conflict with those of our shareholders

The Government, through the MOF Inc, holds one special share in each of PTPSB, JPB, NMB and PPSB. The special shares are currently held by the MOF Inc. but may be transferred to its successor or any minister of the Government, representative or any person acting on behalf of the Government. The MOF Inc. as the Special Shareholder or any person acting on behalf of the Special Shareholder shall be entitled to receive notice of and to attend and speak at all general meetings or any other meetings of any class of shareholders of PTPSB, JPB, NMB and PPSB, but the special shares shall carry no right to vote or any other rights at such meeting. The Special Shareholder shall be entitled to nominate one director to be on the board of directors of NMB and two directors to be on the board of directors of PTPSB, JPB and PPSB. The Government appointed directors on the board of PTPSB may attend all meetings of the board but are only entitled to vote on matters that are considered to have national or security implications on Malaysia, whilst the Government appointed directors on the board of JPB, NMB and PPSB share the same rights as the other directors on the respective boards.

Any rights to veto or approve certain matters exist only in their capacity of a Special Shareholder. Certain matters, including, among others, the amendment, removal, or alteration of the effect of the Special Shareholder or any other matters that are likely to materially or adversely affect national interest or security require the prior consent of the Special Shareholder. For the terms of the special shares held by the MOF Inc., refer to Sections 6.3.1, 6.3.5, 6.3.9 and 6.3.12 of this Prospectus.

Our Group has not been materially affected by the special shares, and there has been no material adverse impact on the Group's operations or financial performance as a result of the special shares during the Financial Years Under Review. However, there can be no assurance that the interests of the board member appointed by the Government, or the representative of the Special Shareholder, will be aligned with those of our shareholders. In particular, any change in Government policy and/or direction on matters involving national interests, may have a material adverse impact on our financial condition and results of operation.

### 5.1.11 Certain tax incentives or exemptions from the Government may no longer be available to us in the future

We are eligible for certain tax incentives and exemptions granted by the Government relating to capital expenditure allowances. We benefit from the ITA, the IASS and similar incentives and accommodations that the Government provides from time to time to promote general economic growth and investments in selected industries. During the Financial Years Under Review, NMB, PTPSB and TBPSB have received the ITA, and PPSB has received the IASS, in each case for qualifying capital expenditures incurred for approved projects or service projects within certain tax assessment years. The amount is determined based on the qualifying capital expenditures incurred during

## 5. RISK FACTORS (Cont'd)

specific years of assessment as determined by the relevant authority for each of the said entities, and such qualifying capital expenditures have been or will be incurred during their respective incentive periods, including: (i) NMB – from 1 January 2023 to 31 December 2027 under ITA; (ii) PTP – from 23 April 2007 to 22 April 2017 under ITA, and from 30 March 2020 to 29 March 2023 under Green ITA; (iii) PPSB – from 24 September 2019 to 31 December 2020 under Green ITA, and from 1 January 2008 to 31 December 2012 under IASS; and (iv) TBP – from 10 March 2021 to 9 March 2026 under ITA. As at the LPD, unutilised ITA and IASS remain available for utilisation by the relevant entities.

We are entitled to set off these allowances against our statutory income, subject to a cap. Any unutilised ITA can be carried forward indefinitely until it is fully utilised, and any unutilised IASS can be carried forward for utilisation for up to seven consecutive assessment years, unless further extended by the relevant authority. For example, the expiry date of the unutilised IASS for PPSB has been extended to the year of assessment 2028.

For us to benefit from these tax incentives and exemptions, certain conditions must be satisfied during the period in which these tax incentives are in effect, and we must achieve a certain level of income after tax adjustments. To the extent that these conditions are not met before their respective expiry dates, these tax incentives and exemptions may no longer be available to us. Our Group has not been materially affected by any discontinuation of such incentives or exemptions that has had a material adverse impact on the Group's operations or financial performance during the Financial Years Under Review. If the relevant tax authorities choose to discontinue the tax incentives or exemptions we currently receive or that may be available to us in the future, either due to our failure to meet certain conditions necessary for such renewal or due to a change in policy or law, our results of operations and financial position may be adversely affected.

### 5.1.12 Any actual or perceived cybersecurity, data or privacy breach could interrupt our operations and adversely affect our reputation, brand, business, financial condition and results of operations

Our technology systems and back-end infrastructure may be vulnerable to cyberattacks and security breaches including social engineering, denial of service, credential stuffing, ransomware and other malware, employee error and malfeasance and other sources of disruption, and third parties may be able to access data. Employee error, malfeasance, or other errors in the storage, use or transmission of any of these types of data could result in an actual or perceived privacy or security breach or other security incidents. Although we have policies, system controls and checks restricting the access to the data we store, there is a risk that these policies may not be effective in all cases.

Any actual or perceived breach or similar incident could interrupt our operations; harm our reputation, brand and competitive position; result in our operating systems being temporarily unavailable; result in a loss or the unavailability of data; result in a fraudulent transfer of funds; or lead to significant regulatory investigations, proceedings and financial exposure. Any such incidents or any perception that our security measures are inadequate could lead to loss of our customers' confidence in, or decreased use of, our ports, any of which could adversely affect our business, financial condition and results of operations. Further, any cyberattacks, or actual or perceived breaches or other incidents directed at, or suffered by, our competitors could reduce confidence in our industry as a whole and, as a result, reduce confidence in us. Any actual or perceived breach or other security incident, impacting any entities with which we share or disclose data could have similar effects.

Our technology systems could also experience a material failure or breakdown that could interrupt normal operations and result in a significant slowdown in operational and management efficiency for the duration of such failure or breakdown. Any prolonged failure or breakdown could significantly impact our ability to offer services to

## 5. RISK FACTORS (Cont'd)

our customers, which may have an adverse effect on our business, financial condition, results of operations and prospects. Similarly, any significant delays or interruptions in our IT systems could cause delays and interruptions in the loading or unloading of containers or cargo which could negatively impact our reputation as an efficient and reliable terminal operator.

Our Group has not experienced any cybersecurity or data breaches, or material failures in our technology systems that have had a material adverse impact on our operations or financial performance during the Financial Years Under Review. Notwithstanding this, any actual or perceived cybersecurity, data or privacy breach could interrupt our operations and adversely affect our reputation, brand, business, financial condition and results of operations.

### 5.1.13 We are exposed to certain risks in respect of the expansion of our existing terminals and port facilities and the development of new terminals and port facilities

Our new projects contemplated or currently under development include, but are not limited to, expanding container handling and storage capacities at PTP, Johor Port and Northport, upgrading port equipment and terminals at Penang Port and adding a new berth and expanding the Pelepas Freezone at PTP. For more information on our expansion projects, refer to Section 7.5.4 of this Prospectus. Such expansion projects may take months or years before they become operational, during which time we are subject to a number of financing, operating and other risks beyond our control, including, but not limited to:

- (i) shortages of materials, equipment and labour;
- (ii) adverse weather conditions and natural disasters;
- (iii) adverse changes in demand for our services;
- (iv) labour disputes and/or disputes with sub-contractors;
- (v) inadequate infrastructure, including as a result of failure by third parties to fulfil their obligations relating to the provision of utilities and transportation links that are necessary or desirable for the successful operation of a project;
- (vi) failure to complete projects according to specification;
- (vii) accidents;
- (viii) changes in governmental planning and approval; and
- (ix) an inability to obtain and maintain project development permissions or requisite governmental licences, permits or approvals.

Currently, we intend to fund various expansion plans through internally generated cash for our ports' operations, bank borrowings and Sukuk issuances. For more information on our expansion plans, refer to Section 7.5.4 of this Prospectus. Our ability to arrange external financing and the cost of such financing are dependent on numerous factors, including our future financial condition, contractual restrictions applicable to us, general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investors' confidence in us, applicable provisions of tax and securities laws and political and economic conditions in any relevant jurisdiction. We cannot assure you that we will be able to arrange any such external financing on commercially reasonable terms, if at all.

To the extent that we fund these plans through bank borrowings and/or Sukuk issuances, our Group's gearing ratio – which stood at 0.8, 0.9 and 0.9 as at 31 December 2022, 2023 and 2024 – may increase, which may potentially pose limitations for our Group to raise additional capital in the future as well as maintaining its credit rating and the price of our Shares. In comparison to industry peers, our gearing ratio is



## 5. RISK FACTORS (Cont'd)

within the range for the sector. Any increase will be closely monitored to ensure it remains manageable and does not impact our financial flexibility. Given that our expansion and development plans span multiple years, up to the FYE 31 December 2029 as disclosed in Section 7.5.4, the gearing ratio may fluctuate annually depending on the timing of capital expenditures and overall financial performance. However, we expect the gearing ratio to remain within the range of 1.0 to 1.5 during the said period, in line with industry peers, and subject to ongoing close monitoring by our Group.

As some expansion projects involve construction within operating terminals, there may be temporary disruptions to existing operations, such as reduced capacity or congestion, which could affect service levels and throughput during the construction period.

Delays with respect to these projects may negatively affect our ability to complete our current or future projects on schedule, if at all, or within the estimated budget and may prevent us from achieving the projected revenues, internal rates of return or increased capacity associated with such projects. In addition, there can be no assurance that our revenues generated upon the completion of our projects will be sufficient to cover the associated expansion and development costs.

In addition, the timing and speed of commencement of revenue-generating operations from our projects and capital expenditures may vary considerably from our expectations based upon the size and complexity of the project being implemented, which is further dependent on factors such as government approval and macroeconomic conditions. These factors may make it difficult to replace anticipated income that we do not receive as a result of delays in implementing our services or due to losses of customers, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

Our Group has not been materially affected by this risk during the Financial Years Under Review, and there has been no material impact on our operations or financial performance. Notwithstanding this, the risk of delays or disruptions arising from the expansion of our existing terminals and port facilities and the development of new terminals and port facilities may have a material adverse effect on our business, financial condition, results of operations and prospects.

### **5.1.14 We require various governmental and regulatory approvals, licences, registrations, permits and property rights for our business as well as under the Privatisation Agreements, and the failure to obtain or renew them in a timely manner may adversely affect our operations**

We require various governmental and regulatory approvals, licences, registrations and permissions for our business. Amongst others, we require approvals from the relevant port authorities to operate our port businesses, necessary licences for our information systems and certificates of fitness for certain machineries, some of which may have expired and for which we have either made or are in the process of making an application for obtaining approval or renewal. However, there can be no assurance that such approval or renewal will be obtained, which could have a material adverse effect on our operations. For further details on our major licenses and permits, refer to Annexure B of this Prospectus.

We are also required to obtain approval from the Government for various activities under the Privatisation Agreements, Lease Agreements and the relevant port licences. We are required to ensure that our ports comply with all plans, policies and directives of the Government and the port authorities and to ensure that our ports remain equipped to provide and maintain a full range of competitive and adequate port services. Furthermore, we are required to ensure that our ports' facilities and services are profitable and effectively managed and are required to allow the Government and/or the port authorities to conduct operational and financial audits throughout the concession period. We are also required to comply with all laws and the Government

## 5. RISK FACTORS (Cont'd)

policies on the conservation and preservation of the environment within the ports and to take all reasonable precautions to prevent pollution and adhere to all laws and regulations pertaining to pollution and discharge of effluent matters. Our port licences may be suspended or revoked if the Privatisation Agreements or the Lease Agreements are terminated for any reason. In this regard, we cannot assure you that such agreements will not be prematurely terminated (with or without cause) by the Government or the port authorities, respectively.

Additionally, any expansion of the scope of the regulations governing the environmental obligations, in particular, would likely involve substantial additional costs, including costs relating to maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address environmental incidents or external threats.

Our Group has not experienced any material adverse impact on our operations or financial performance arising from the failure to obtain or renew any material governmental or regulatory approvals, licences, permits or property rights during the Financial Years Under Review. Notwithstanding this, our failure to obtain or comply with any of these or any other required approvals or licences, registrations, permits or renewals thereof, in a timely manner, or at all, could lead to substantial penalties, including criminal or administrative penalties, other punitive measures and/or increased regulatory scrutiny, trigger a default under one or more of our financing agreements or invalidate and/or increase the cost of the insurance that we maintain for our business. For the most serious violations, we may also be forced to suspend operations until we obtain such certifications, permits or licences or otherwise bring our operations into compliance. If we fail to obtain or renew the necessary governmental and regulatory approvals, licences, registrations, permits or property rights in a timely manner, or if we are unable to control the costs involved in complying with these and other laws and regulations or recover the full amount of such costs from our customers, our business, financial condition, results of operations and prospects may be adversely affected.

### 5.1.15 Our business could be affected by legal, regulatory, or political and social environment changes

Our business is subject to various laws, regulations, policies, and the political and social environment in Malaysia. Any legal, regulatory, or political and social environment changes could increase our costs and expenses. For example, from 1 February 2025, the minimum wage in Malaysia increased from RM1,500 per month to RM1,700 per month. The resulting increase in our operating expenses for FYE 31 December 2024 and up to the LPD was immaterial, as approximately 40.0% of our Group's workforce is subject to minimum wage requirements and the increase was relatively modest at RM200. Nevertheless, similar changes in laws or regulations in the future may lead to further cost increases that could adversely affect our margins and profitability.

We, like other port operators globally, regionally and domestically, are subject to various central, state, and local environmental, health, and safety laws and regulations, including regarding accidents, damage caused by air emissions, wastewater discharges, and solid and hazardous waste handling and disposal. We are also subject to the International Ship and Port Facility Security Code (ISPS Code), which places additional security, safety, and other obligations on us. We may incur additional costs and liabilities in relation to compliance with these laws and regulations or any remedial measures in relation thereto. Any non-compliance with such laws and regulations may force us to close our operations until we are in compliance with these laws and regulations, and in that event, our business, results of operations, financial condition and prospects may be adversely affected. In the event of non-compliance, our licences and approvals may be revoked or may not be renewed upon expiry. Similarly, any breach of these laws and regulations can result in penalties, fines, potential prosecution against us and/or our directors, restrictions on operations and/or remedial liabilities.

## 5. RISK FACTORS (Cont'd)

We are also subject to the risk that regulatory authorities may, from time to time, impose additional standards and requirements, which could be more stringent or onerous than those which currently apply to us. Additional standards and requirements could require substantial investment in time on behalf of our management and staff, which may adversely affect our business and results of operations. Accordingly, any legal, regulatory, or political and social environment changes could adversely affect our business, financial condition, results of operations and prospects.

### **5.1.16 Our operations are dependent on road and rail connectivity and any disruption in the operation of or delays in the improvements to the road and rail network may have an adverse effect on our business and results of operations**

Our ports connect to Malaysia's hinterlands via the North-South Expressway, North-South Expressway Central Link, Shah Alam Expressway and South Klang Valley Expressway. The North-South Expressway spans the length of Peninsular Malaysia from Bukit Kayu Hitam at the Malaysia-Thai border to the Johor Causeway in the south, covering a distance of 772 kilometres. This expressway along the west coast of Peninsular Malaysia together with the New Klang Valley Expressway and the Federal Highway Route 2, play an important role in the distribution of import/export cargo through our ports. However, there can be no assurance that existing linkages can cater for the increase in traffic as we seek to increase throughput at our ports in the future. We may experience short-term disruptions to our operations if road, sea or air linkages become temporarily unavailable. Our Group has not been materially affected by this risk during the Financial Years Under Review, and there has been no material impact on our operations or financial performance as a result of road or rail connectivity issues.

In addition, there can be no assurance that existing or planned supporting road, highway and railway infrastructure near our ports will be completed or will not be closed, relocated, terminated or delayed. Such occurrences would adversely impact the accessibility of our ports and our appeal and marketability to customers. This, in turn, may have an adverse effect on our business, financial condition, results of operations and prospects due to the risk of disruptions in the operation of or delays in the improvements to the road and rail network on which we are dependent.

### **5.1.17 Our debt service requirements and restrictive covenants limit our ability to borrow additional funds, issue Sukuk, make distributions to our shareholders and engage in other activities**

We have funded our operations since inception primarily through revenue generated from our business, borrowings from financial institutions and Sukuk issuances. Our obligations to repay principal and interest may make us vulnerable to economic downturns. If we cannot meet our repayment obligations through operational cash flow, we may need to use additional debt or equity financing. We intend to continue to make investments to support the development and growth of our business and will require additional funds to support our growth. There is no assurance that such financing will be available on acceptable terms or at all.

Existing bank borrowings and Sukuk contain a number of covenants that limit our ability and/or our subsidiaries' ability to, among others, sell, transfer or dispose of assets or receivables, pay dividends or make distributions, incur additional indebtedness, create liens, make investments, loans and acquisitions, engage in transactions with affiliates, merge or consolidate with other companies or sell substantially all of our assets. We are also subject to certain restrictions under the terms of the Sukuk we have issued. In particular, our Company is subject to restrictions under the terms of our outstanding Sukuk from declaring or making any payment and/or cash distribution, whether capital or income in nature, to our shareholders, if an event of default has occurred and is continuing under the financing arrangement. Our subsidiaries are also subject to similar restrictions under their outstanding Sukuk from declaring or making any payment and/or cash distribution, whether capital or income in nature, to its shareholders. These

## 5. RISK FACTORS (Cont'd)

arrangements also require the maintenance of certain financial ratios and, in some cases, prior written consent from relevant securityholders before making distributions.

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

Our Group has not been materially affected by this risk during the Financial Years Under Review, and there has been no material impact on our operations or financial performance due to our debt service requirements and restrictive covenants. Nevertheless, we may be adversely affected by this risk of our debt service requirements and restrictive covenants limiting our ability to borrow additional funds, issue Sukuk, make distributions to our shareholders and engage in other activities, which could adversely affect our business, financial condition, results of operations and prospects.

### 5.1.18 Changes in technology or improper maintenance may render our current equipment obsolete or require us to make substantial capital investments

Our business depends on specialised equipment, machinery and systems that are essential to our operations, including electrified RTGs and quay cranes, and key systems such as our terminal operating systems and enterprise resource planning systems. In addition, we rely on other digital systems such as vessel traffic management information systems, marine risk management systems, digital twin technology, and IoT applications to support the management of our port operations. As advancements are made in the development of these equipment, machinery and systems, we may be unable to ensure that our equipment, machinery and systems are in line with the latest technological advances, which may result in competitor ports becoming equipped with more advanced and efficient equipment, machinery and systems over time. This may adversely affect our ability to retain and attract customers, which in turn have an adverse effect on our business, financial condition and results of operations.

A significant portion of the equipment, machinery and systems that we use requires regular maintenance, upgrading, revamping or replacement. Despite our planned operating and capital expenditure, there can be no assurance that our equipment, machinery and systems will not suffer material damage through wear and tear, natural disasters or industrial accidents, or will not require further significant capital improvements or maintenance in the future. Any failure, malfunction, cyberattack or disruption to our key operational and digital systems could result in operational downtime or data loss. Additionally, we may fail to maintain sufficient financing and budgetary controls, planning and monitoring systems, procurement coordination, scheduling for equipment upgrading and maintenance and efficient use of hired services with respect to our equipment, all of which may increase the cost of operations which could have an adverse effect on our business, financial condition, results of operations and prospects.

## 5. RISK FACTORS (Cont'd)

Our Group has not been materially affected by this risk during the Financial Years Under Review, and there has been no corresponding material impact on our operations or financial performance. Notwithstanding that, any failure to maintain or upgrade our equipment, machinery or systems in a timely or cost-effective manner could adversely affect our business, financial condition, results of operations and future prospects.

### 5.1.19 We rely on third party vendors and service providers for certain port operations which may be subject to interruption

We rely on certain third-party vendors and service providers for certain aspects of port operations at our various ports, including, for example, to supply and maintain equipment and IT systems as well as to provide marine tugboat services, pilotage services and prime mover fleet services at some of our ports. In the event that one or more of such third-party vendors and service providers cease operations or become unable or unwilling to meet our needs, for example, due to work stoppage or labour unrest, there can be no assurance that we would be able to replace any such vendors or service providers promptly or on commercially reasonable terms. Delay or failure in finding suitable replacements could adversely affect our business, financial condition, results of operations and prospects.

Our Group has not been materially affected by this risk during the Financial Years Under Review, and there has been no material impact on our operations or financial performance due to reliance on third-party vendors and service providers. Nevertheless, we may be adversely affected by this risk of relying on third-party vendors and service providers for certain port operations which may be subject to interruption.

### 5.1.20 Our operations and workforce may be adversely affected by risks related to worker safety and hazardous activities

Our business involves inherently dangerous activities, including operating port facilities where individuals work with equipment, and other materials that can cause harm if not handled with due care, as well as transportation activities that pose additional risks. Unsafe working conditions or acts by our employees or service providers, including non-compliance with operational safety and health policies, can lead to hazardous situations and accidents. Such incidents may result in injury or death to individuals, damage to property, and disruptions to our operations, exposing us to regulatory scrutiny, legal and financial liabilities, including compensation claims and significant reputational damage. Ensuring a safe working environment requires ongoing investment and vigilance, and any failure to maintain these standards could adversely affect our reputation, business, financial condition, results of operations, and prospects.

Our Group has not been materially affected by this risk during the Financial Years Under Review, and there has been no material impact on our operations or financial performance due to worker safety or hazardous activity incidents. Nevertheless, we may be adversely affected by this risk of worker safety and hazardous activities, which could adversely affect our business, financial condition, results of operations and prospects.

### 5.1.21 We may handle goods that are hazardous, which could result in spills and/or environmental damage

Some of our customers are involved in the transportation of hazardous materials. The transportation of these materials, which are handled by us or our third-party operators, such as petroleum or chemicals, is subject to the risk of leaks and spills, which may cause environmental damage. In addition, vessels operating in the waterways surrounding our ports may also be involved in spillage incidents involving hazardous materials, which can similarly affect our operations and the environment. For example, in 2016, the container wharf area at PTP was affected by a spill incident involving a tanker carrying marine fuel oil at a third-party berth located across from our wharf. This incident resulted in temporary operational disruptions, which had a short-term impact

## 5. RISK FACTORS (Cont'd)

on revenue and led to cleanup costs. However, such events have not had any material adverse effect on our overall operations or financial performance, as the costs incurred were recovered through an insurance claim against the vessel's insurer. Furthermore, our customers may ship undeclared hazardous cargo to avoid surcharges for which we may be held accountable. Although our management believes that our container terminals do not handle or store these hazardous chemicals in quantities that are in violation of any applicable regulations, there can be no assurance that they have not in the past or will not in the future violate applicable environmental regulations. Violations of environmental regulations may subject us to fines and penalties or result in the closure or temporary suspension of our operations. If we are found to have violated any environmental regulations because of the cargo handled and stored or required to discontinue handling such cargo, it could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our Group has not been materially affected by this risk during the Financial Years Under Review, and there has been no material impact on our operations or financial performance due to spills or environmental damage caused by hazardous materials. Nevertheless, we may be adversely affected by this risk of handling hazardous goods, which could result in spills and/or environmental damage, and could adversely affect our business, financial condition, results of operations and prospects.

### 5.1.22 We face risks related to ESG matters, which may impose additional costs and expose us to new risks

We are subject to risks from evolving ESG regulations and stakeholder expectations, which could affect our operations and financial condition. New or changing ESG regulations may require significant costs for compliance, reporting, and operational adjustments, such as adapting to climate change impacts like rising sea levels or extreme weather events that could disrupt port activities. Social issues, including labour disputes or community opposition, and governance obligations, such as compliance with anti-corruption laws, may lead to operational interruptions or penalties. Stakeholders, including investors and customers, increasingly expect strong ESG performance, and failure to meet these expectations could harm our reputation and access to capital. Investments in ESG initiatives may also strain our financial resources. These risks could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Our Group has not been materially affected by this risk during the Financial Years Under Review, and there has been no material impact on our operations or financial performance due to ESG matters. Nevertheless, we may be adversely affected by this risk of ESG-related matters, which may impose additional costs and expose us to new risks, and could adversely affect our business, financial condition, results of operations and prospects.

### 5.1.23 Our operations could be adversely affected by strikes, work stoppages, increased wage demands by our employees or any other kind of disputes with our employees

Although we have not experienced any material labour unrest or disputes with employee unions, there can be no assurance that we will not in the future experience disruptions in work due to disputes or other problems with our workforce, which may adversely affect our ability to continue our business operations. Any labour unrest directed against us, could directly or indirectly prevent, or hinder our normal operating activities, and, if not resolved in a timely manner, could lead to disruptions in our operations. Any such event could adversely affect our business, financial condition, results of operations and prospects.

Our Group has not been materially affected by this risk during the Financial Years Under Review, and there have been no strikes, work stoppages, increased wage demands or other employee disputes that had any material impact on our operations

## 5. RISK FACTORS (Cont'd)

or financial performance. Nevertheless, we may be adversely affected by this risk of labour disruptions, which could adversely affect our business, financial condition, results of operations and prospects.

### 5.1.24 Our business and facilities may be adversely affected by severe weather conditions or natural disasters in Malaysia or elsewhere

Our business and operating facilities may be adversely affected by severe weather conditions, such as heavy rain and flooding, haze, dense fog and low visibility, climatic changes or natural disasters such as earthquakes, tremors, tsunamis and hurricanes. Such severe weather conditions, climatic changes or natural disasters may force us to temporarily suspend operations at our terminals. In some cases, we may temporarily suspend operations based on warnings from local and national meteorological departments. If weather conditions, climatic changes or natural disasters of any type were to force the terminals to close for an extended period of time, our facilities and business may be adversely affected. In addition, any weather condition, climatic change or natural disaster, including but not limited to severe monsoons or flooding, affecting ports that serve as starting points or final destinations for shipping lines calling at us may have an adverse effect on our business. Fortunately, our Group had not in the past been materially affected by severe weather conditions or natural disasters occurring in Malaysia or elsewhere, which could adversely affect our business, financial condition, results of operations and prospects.

Natural disasters in Malaysia and/or in Southeast Asia may lead to a disruption of transportation networks, information systems and communication services on which we rely for sustained periods of time. Further prolonged spells of natural calamities could have a negative impact on the Malaysian economy, adversely affecting our business. We may also be liable to our customers for disruption in our operations resulting from such damage or destruction. Furthermore, prolonged disruption of port operations may entitle our customers to terminate their contracts. Any such disruptions arising from this risk of our business and facilities being adversely affected by severe weather conditions or natural disaster in Malaysia or elsewhere may have an adverse effect on our business, financial condition, results of operations and prospects.

### 5.1.25 Our operations depend on the adequate and timely supply of spare parts and equipment at acceptable prices and quality

Our operations rely on our ability to secure spare parts and equipment from suppliers at reasonable prices, with acceptable quality, and delivered in a timely manner. We face market risks associated with price fluctuations for certain spare parts and equipment. Prices and availability of these items may vary significantly over time, influenced by factors such as consumer demand, production capacity, market conditions, and the costs of raw materials. Additionally, the supply of spare parts and equipment critical to our operations is largely affected by the economic, environmental, and other factors in the areas where we do business. As a result, we cannot guarantee that we will always be able to obtain sufficient spare parts or equipment at acceptable prices or within the required timeframe. Moreover, if we are compelled to purchase such items at higher prices, we may not be able to pass these cost increases onto our customers.

Our Group has not been materially affected by this risk during the Financial Years Under Review, and there has been no material impact on our operations or financial performance due to supply disruptions of spare parts or equipment. Nevertheless, failure to secure adequate spare parts and equipment in a timely manner, or on commercially reasonable terms, could materially and adversely impact our operations, financial performance, and overall business health.

## 5. RISK FACTORS (Cont'd)

### 5.1.26 Risk of indirect tax compliance

We have taken the position to not charge service tax on logistics services that we provide within the free zones surrounding our ports. This position aligns with the intention behind establishing such free zones, which is to promote commercial and trading activities through entrepôt trade and pro-business policies. However, based on the current service tax legislation and exemptions provided under the service tax policy promulgated by the Ministry of Finance, our position could be challenged, potentially resulting in service tax liabilities being assessed on us.

We have been informed by our tax consultant that the service tax rate that could be levied on us for providing logistics services within our free zone areas is 6.0%, with retroactive effect from 1 April 2024, which is the applicable service tax registration date. Additionally, this tax liability would be subject to a late penalty of up to 40.0%. In assessing potential service tax exposure, our Group applied judgment that the logistic services provided within the free zones qualify for the B2B exemption, as the recipients meet the required conditions of the B2B exemption. The potential service tax exposure will accumulate until the matter is resolved. Presently, we are pursuing an exemption from the MOF on this position and the process is ongoing as of the date of this Prospectus.

In the absence of the B2B exemption, the potential service tax liabilities payable by our Group which, as at the LPD, is estimated at (i) RM128.6 million inclusive of a late payment penalty of RM36.7 million for the period from effective date of 1 April 2024 to 31 December 2024; and (ii) RM64.8 million inclusive of a late payment penalty of RM18.5 million from 1 January 2025 until the LPD, based on the maximum penalty rate of 40.0%. If imposed, these liabilities would have a material adverse impact on the financial condition of our Group. However, the likelihood of not qualifying for the B2B exemption is considered low. This assessment is based on customer feedback conducted by our Group, where the majority of our customers indicated that they satisfy the criteria for the B2B exemption. Their responses formed the basis for estimating the potential service tax liabilities with the B2B exemption factored in, as set out below. In view of the foregoing, our Board is of the view that the materiality of this risk is mitigated.

Applying the B2B exemption, the potential service tax liabilities payable by our Group which, as at the LPD, is estimated at (i) RM18.1 million inclusive of a late payment penalty of RM5.2 million for the period from effective date of 1 April 2024 to 31 December 2024; and (ii) RM13.4 million inclusive of a late payment penalty of RM3.8 million from 1 January 2025 until the LPD, based on the maximum penalty rate of 40.0%. Our Board is of the view that the aforesaid estimated service tax liabilities under B2B exemption (including any late payment penalties), if imposed, will not have a material adverse impact on the business operations and financial condition of our Group.

### 5.1.27 Fluctuations in currency exchange rates may have an adverse effect on our results of operations

While our revenue is in RM, we face exposure to foreign currency exchange rate fluctuations when making purchases in currencies other than RM. We have incurred, and anticipate continuing to incur, expenses for items like machinery and parts, primarily priced in USD. Additionally, our fuel and electricity purchases, though priced in RM, are subject to foreign exchange rate fluctuations because their costs are tied to global fuel and electricity prices. Consequently, currency fluctuations can impact our operational results. A depreciation of RM against the USD could raise the costs of fuel, electricity, machinery, and parts essential for our operations. Conversely, an appreciation of RM against the USD might lower these costs in RM terms. Moreover, an appreciation of RM against other currencies could impact our competitiveness, as the tariffs for our revenue services may become more expensive compared to those charged by competitors in other currencies. For more information on currency risk, please refer to Section 12.2.13 of this Prospectus.



## 5. RISK FACTORS (Cont'd)

Our Group has not been materially affected by this risk during the Financial Years Under Review, with no material impact on our operations or financial performance. Notwithstanding this, any significant future fluctuations in currency exchange rates may have an adverse effect on our business, financial condition, results of operations and prospects.

### 5.1.28 **Our key management team and other key personnel in our business units are critical to our continued success and the loss of, or the inability to attract and retain, such personnel in the future could harm our business**

Our success substantially depends on the continued service and performance of our key management team and other key personnel, including the management teams of our ports and cruise terminals, for the management and running of operations and the planning and execution of our business strategy. Our ability to implement our business strategy will depend, in large part, on our ability to attract, train, motivate and retain highly skilled personnel. There is intense competition for experienced senior management and other key personnel with technical and industry expertise in the ports industry and if we lose the services of any of these key individuals to competitors and are unable to find suitable replacements in a timely manner, our ability to implement and realise our strategic objectives could be impaired. The loss of services of some of our senior management team may adversely affect our business, results of operations and prospects.

Our Group has not been materially affected by this risk during the Financial Years Under Review, and there has been no material impact on our operations or financial performance. Nevertheless, the inability to retain or attract key management personnel in the future may have an adverse effect on our business, financial condition, results of operations and prospects.

### 5.1.29 **Terrorist acts and other catastrophic events may affect our operations**

Our operations may face adverse effects or disruptions due to terrorist attacks, natural disasters (such as earthquakes, floods, tsunamis, hurricanes, hydrological and climatic patterns, fires or typhoons) or other catastrophic or otherwise disruptive events, including, but not limited to:

- (i) invasion, piracy, sabotage, rebellion, revolution, insurrection, military or usurped power, war and radioactive or other material environmental contamination;
- (ii) riots or other forms of civil disturbance;
- (iii) any recurrence of severe acute respiratory syndrome or other contagious disease, which could negatively impact global, regional or domestic trade volumes or customer demand with respect to cargo transported to or from affected areas or result in the imposition of quarantines;
- (iv) denial of access to any railway, port, airport, shipping service or other means of public transport; and
- (v) strikes, lockouts, or other industrial actions by workers or employers.

Our Group has not been materially affected by this risk during the Financial Years Under Review, and there has been no occurrence of such events that had a material impact on our operations or financial performance. Nevertheless, the occurrence of terrorist attacks and other catastrophic events may materially and adversely impact our business, financial condition, results of operations and prospects.

## 5. RISK FACTORS (Cont'd)

### 5.1.30 If it is determined or alleged that our currently utilised structures require but do not have certain certifications, and would necessitate temporary cessation of our operations prior to rectification, our business, financial condition and results of operations may be adversely affected

In general under regulations relating to the operation of a business on site, occupancy, and land use rights, any person who occupies, or permits to be occupied, any building or any part thereof is required to obtain a CCC or CF for such occupation. If the CCC or CF is not obtained in respect of such properties, owners and occupants may be required to vacate such properties and may become subject to a fine and/or imprisonment, pursuant to the applicable legislation. However, as explained in Sections 7.21(i), (ii), (iii) and (vi) of this Prospectus, the approving authority for buildings and other structures that are part of our port concessions is the relevant port authority. While we endeavor to obtain CCCs and CFs where commercially feasible, we have not done so for a number of our buildings and structures (most of which were constructed before privatization), consistent with how the port authorities operated these buildings and structures prior to privatisation. If, in the future, port or other authorities interpret or otherwise determine or allege that certain approvals, certifications, or clearances (including those from port authorities and, where applicable, state or local authorities), such as CCCs or CFs, are required and have not been obtained by us, we may be subject to enforcement actions such as fines, orders to vacate the premises, or other penalties under applicable laws and regulations, which could have a material adverse impact on our business and operations.

Our Group has not been materially affected by this risk during the Financial Years Under Review. Nevertheless, failure by us to renew, maintain or obtain the required approvals, licences, permits and certificates may interrupt our operations, delay, or prevent the implementation of any capacity expansion or new projects and may have a material adverse effect on our business, financial condition, results of operations and prospects.

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

If there is an outbreak of a pandemic of infectious diseases or other health epidemics, whether in Malaysia or in other countries, or disruptive political events, such developments may lead to the introduction of restrictions on economic activity, which may result in material disruptions in the movement of cargo, travel, and the ports industry. Global trading volumes could likewise decline, impacting the demand for port services. Additionally, operational challenges such as workforce shortages could affect our ability to maintain efficient port operations. A significant outbreak of contagious diseases in the human population could also adversely affect the economies and financial markets in Malaysia and elsewhere, resulting in an economic downturn that could have a material adverse effect on the ports industry, including our business. Although COVID-19 temporarily disrupted our port operations in the first quarter of 2020, the essential nature of the ports industry allowed us to continue operations throughout the pandemic to support critical supply chains. As a result, we did not experience any major operational disruptions, and our financial performance remained stable.

Nevertheless, any future outbreak of contagious diseases, similar public health threats or disruptive global political events may have a material adverse effect on our business, financial condition and results of operations.

## 5. RISK FACTORS (Cont'd)

### 5.1.32 We may suffer uninsured losses or losses in excess of insured limits

We maintain a range of insurance policies consistent with general business practices and industry standards where practicable. Our insurance policies cover risks such as fire, flood, riot, strike, malicious damage, and public liability to protect against property damage, business interruption and general liability.

There are, however, certain types of losses that are generally not insured as they are either uninsurable or not economically insurable, for example, losses arising from wars, acts of terrorism or acts of God. Should an uninsured loss or a loss in excess of insured limits or a failure of insurers to fulfil their obligation for the sum insured occur, we could be required to pay compensation and/or lose the capital we invested in the property, as well as anticipated future revenue from that property.

During the Financial Years Under Review, our Group has not been materially affected by this risk, and there has been no occurrence of such events that had a material impact on our operations or financial performance. Nevertheless, any such loss could adversely affect our business, financial condition, results of operations and prospects. There can be no assurance that material losses arising from uninsured losses or losses in excess of insured limits will not occur in the future that exceed the compensation received or that adequate insurance coverage will be available in the future on commercially reasonable terms or rates.

### 5.1.33 Certain of our subsidiaries are subject to shareholders' agreements that require their minority shareholders to consent to reserved matters

While the Group controls and consolidates all its subsidiaries, certain subsidiaries that are not wholly owned are subject to shareholders' agreements that include reserved matters requiring the consent of minority shareholders. These reserved matters may include, among others, decisions within and outside the ordinary course of business, and could affect the speed or flexibility with which strategic decisions involving such subsidiaries are made.

During the Financial Years Under Review, our Group has not been materially affected by this risk, and there has been no instance where the requirement to obtain consent from minority shareholders on reserved matters had a material impact on our operations or financial performance. Nevertheless, any future inability to reach agreement with minority shareholders on such reserved matters could adversely affect our business, financial condition, results of operations and prospects.

### 5.1.34 We may face legal disputes in the future that could impact our operations and financial performance

We operate in a complex industry where disputes may arise with various stakeholders, including customers, third-party vendors and contractors, regulatory authorities, or employees, potentially leading to legal proceedings. Such disputes could stem from issues like contractual disagreements, non-compliance with regulatory requirements, environmental concerns, or labour-related claims. The likelihood and impact of future legal disputes may be evaluated by our historical performance, though past patterns are not necessarily predictive of future outcomes. Any prior disputes, whether frequent or significant, could indicate areas of vulnerability, such as operational or compliance challenges. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular dispute or any adverse judgments arising from the legal proceeding will not have a material adverse effect on our future cash flow, results of operations or financial condition. We may incur substantial legal expenses due to any litigation or legal proceedings. As at the LPD, our Group is not engaged in any governmental proceedings pursuant to the Government Proceedings Act 1956, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material

## 5. RISK FACTORS (Cont'd)

or significant effects on our financial position or profitability in the 12 months immediately preceding the date of this Prospectus.

During the Financial Years Under Review, our Group has not been materially affected by this risk, and there has been no occurrence of legal or arbitration proceedings that had a material impact on our financial position or profitability. Nevertheless, any future legal disputes may have a material adverse effect on our business, financial condition, results of operations and prospects.

### 5.1.35 We could be impacted by matters affecting reputation, litigation, regulatory or other matters due to our association with MMC Corp

We are associated with MMC Corp. As a wholly-owned subsidiary of MMC Corp, we believe that we benefit from the industry reputations of MMC Corp in our business dealings, including with our customers and suppliers. Any negative publicity on MMC Corp or changes in the public opinion regarding MMC Corp could harm our reputation and the confidence in and use of our ports and services. If MMC Corp does not successfully maintain a strong and trusted brand, our business, financial condition, results of operations and prospects could be adversely affected even if we are not involved. We may incur additional costs in addressing such matters regardless of merit or outcome. This may also divert our management's time and attention.

During the Financial Years Under Review, our Group has not been materially affected by any matters involving MMC Corp that had an adverse impact on our operations or financial performance. Nevertheless, any negative developments or reputational issues affecting MMC Corp in the future may have a material adverse effect on our business, financial condition, results of operations and prospects.

## 5.2 RISKS RELATING TO OUR INDUSTRY

### 5.2.1 We depend on security measures implemented at other port facilities and by our shipping line customers, which are beyond our control

We inspect the physical condition and the seals of containers that enter our ports in accordance with our own practices and the inspection procedures prescribed by the relevant port authorities charged with oversight of our ports. We also rely on the security procedures carried out by shipping line customers and the port facilities that containers have previously passed through to supplement our own inspection to varying degrees. There can be no assurance that the cargo that passes through our ports will not be affected by breaches in security or acts of terrorism, either directly or indirectly, in other areas of the supply chain, which would have an impact on us. A security breach or act of terrorism that occurs at one or more of the facilities, or at a shipping line or other port facility that has handled the cargo prior to the cargo arriving at our facilities, could subject us to significant liability, including the risk of litigation and damage to our reputation. A major security breach or act of terrorism that occurs at one of the facilities or one of our competitors' facilities may result in a temporary shutdown of the container terminal industry and/or the introduction of additional or more stringent security measures and other regulations affecting the container terminal industry, including us. The costs associated with any such outcome may have an adverse effect on our business, financial condition, results of operations and prospects.

During the Financial Years Under Review, our Group has not been materially affected by security breaches or acts of terrorism occurring at external port facilities or by shipping line customers that had an adverse impact on our operations or financial performance. Nevertheless, any such event in the future may have an adverse effect on our business, financial condition, results of operations and prospects.

## 5. RISK FACTORS (Cont'd)

### 5.2.2 Additional security requirements may raise our operating costs and limit our ability to conduct business effectively

Various domestic and international bodies, governmental agencies and authorities have adopted requirements that port operators implement security measures, and such measures have affected and may affect our operations and our costs associated with such operations. For example, compliance with the International Ship and Port Facility Security Code (ISPS Code), a mandatory security framework under the International Maritime Organisation, requires us to meet various surveillance and preparedness standards. Port security services are provided by a dedicated police auxiliary force through 24/7 surveillance systems, security patrols, marine patrol vessels, and aerial drone monitoring, all of which have been costly to implement and maintain. Failure to comply with the security requirements applicable to us or to obtain relevant security-related certifications may, among other things, prevent certain shipping line customers from using our facilities and result in higher insurance premiums, which could have an adverse effect on our business, financial condition, results of operations and prospects.

The costs associated with existing and any additional or updated security measures will negatively affect our operating income to the extent that we are unable to recover the full amount of such costs from our customers, who generally also have faced increased security-related costs. Similarly, additional security measures that require us to increase the scope of our screening procedures may effectively reduce the capacity of, and increase congestion at our ports, which may negatively affect our business, financial condition, results of operations and prospects.

During the Financial Years Under Review, our Group has not been materially affected by this risk, and there has been no adverse impact on our operations or financial performance. Nevertheless, there can be no assurance that future security requirements or compliance obligations will not have an adverse effect on our business, financial condition, results of operations and prospects.

## 5.3 RISKS RELATING TO OUR SHARES AND OUR LISTING

### 5.3.1 There is no prior market for our Shares, and it is uncertain whether an active, liquid market for our Shares will ever develop

Prior to our IPO, there has been no prior public market for our Shares. Accordingly, there is no assurance that an active market for our Shares will develop upon Listing or, if developed, that such a market can be sustained. 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 can be no assurance that the trading price of our Shares will reflect our operations and financial condition, our growth prospects or the growth prospects of the industry in which we operate. There can be no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares. 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 of Bursa Securities upon our Listing. There also can be no assurance that the Final Retail Price will not decline below the price of our Offer Shares.

Our controlling shareholder, MMC Corp was listed on the Main Market of Bursa Malaysia until it completed a delisting exercise in December 2021. The price and liquidity of MMC Corp's shares prior to its delisting are not indicative of the future price and liquidity of our Shares and should not be considered when making an investment decision in relation to our Shares.

Accordingly, there is no assurance that an active, liquid market for our Shares will develop, and investors may be unable to realise a return or recover their investment.

## 5. RISK FACTORS (Cont'd)

### 5.3.2 Our Share price and trading volume may be volatile

Our Share price and trading volume may fluctuate as a result of, among other things,

- (i) general market, political and economic conditions;
- (ii) trading liquidity of our Shares;
- (iii) differences between our actual financial and operating results and those expected by investors and analysts;
- (iv) changes in earnings estimates and recommendations by financial analysts;
- (v) changes in market valuations of listed shares in general or shares of companies comparable to ours;
- (vi) changes in government policy, legislation or regulation; and
- (vii) general operational and business risks.

In addition, many of the risks described in this Section could materially and adversely affect the market price of our Shares. Furthermore, if the trading volume of our Shares is low, price fluctuation may be exacerbated. While locked up shareholders are restricted from selling any of their Shares for a period of six months following our Listing, the market price of our Shares may also fluctuate if our existing shareholders choose to sell their Shares in the future. For further details on the moratorium and our lock-up arrangements, see Sections 2.2 and 4.8.3 of this Prospectus. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Final Retail Price.

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

### 5.3.3 We may not be able to pay dividends

The declaration and payments of any dividend is subject to the confirmation of our Board as well as any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board. See Section 12.5 of this Prospectus for further details.

Dividend payments are not guaranteed, and our Board may decide, in its sole absolute discretion, at any time and for any reason, not to pay dividends or to pay smaller dividends than we currently propose. Additionally, as our Company is a holding company and substantially all of our operations are conducted through our subsidiaries and associates, our Company relies on dividends and other distributions from our subsidiaries and associates as our Company's principal source of income. Our Group may in the future enter into financing agreements that limit our ability to pay dividends or other distributions, and we may incur expenses or liabilities that would reduce or eliminate the cash or profit available for distribution. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of your investment in our Shares may be reduced.

Additionally, any payment of dividends may adversely affect our ability to fund unexpected capital expenditures, as well as our ability to make future interest and principal repayments on any borrowings we may have outstanding at the time. As a

## 5. RISK FACTORS (Cont'd)

result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be possible or on favourable terms or at all. Further, in the event we incur new borrowings subsequent to our Listing, we may be subject to covenants restricting our ability to pay dividends.

Accordingly, there can be no assurance that we will be able to declare or pay dividends in the future.

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

Following our Listing, 4,272,000,000 Shares, representing 30.0% of our issued Shares, will be held by investors participating in our Listing, and 9,968,000,000 Shares, representing 70.0% of our issued Shares will be directly held by our Promoter, MMC Corp, assuming the Over-allotment Option is not exercised. Save for the restrictions pursuant to the moratorium and our lock-up arrangements as set out in Sections 2.2 and 4.8.3 of this Prospectus, respectively, our Shares sold in our IPO will be traded on the Main Market of Bursa Securities without restriction following our Listing.

Our Promoters and other shareholders, including the Selling Shareholder, could dispose of some or all of our Shares that they hold after the moratorium period pursuant to their own investment objectives. If our shareholders sell, or are perceived as intending to sell, a substantial amount of our Shares that they hold, the market price for our Shares could be adversely affected.

### 5.3.5 There may be a delay in or termination of our Listing

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

- (i) the Joint Underwriters' exercise of their rights under the Retail Underwriting Agreement, or the Joint Bookrunners' exercise of their rights under the Placement Agreement, to discharge themselves of their obligations under such agreements;
- (ii) our inability to meet the minimum public shareholding spread requirement pursuant to Paragraph 3.06 of the Listing Requirements of having at least 25.0% 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 transfer of the Offer 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 the Selling Shareholder or such other person who receives the monies, shall repay without interest all monies received in respect of the applications for the Offer Shares within 14 days of the stop order, failing which the Selling Shareholder shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, investors will not receive any Offer Shares, and all monies paid in respect of all applications for the Offer Shares will be refunded free of interest.

## 5. RISK FACTORS (Cont'd)

Where after the transfer of the Offer Shares:

- (i) the SC subsequently issues a stop order under Section 245(1) of the CMSA, the issuance of such securities shall be deemed null and void, and the Selling Shareholder or such other person who received the monies shall:
  - (a) promptly repay, without interest, all monies received from the applicants; and if any such monies are not repaid within 14 days from the date of service of the stop order, shall be liable to repay such monies with interest at the rate of 10.0% per annum or such other rate as may be specified by the SC; and
  - (b) take all necessary steps to give effect to the stop order.

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

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

In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved. Accordingly, reliance should not be placed on such forward-looking statements as actual outcomes may differ materially, which could adversely affect your investment decision.

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