

## 9. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that we and to a large extent, our business operations are subject to the regulatory, industry and business risks. 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 other matters in this Prospectus, the risks and investment considerations set out below.

### 9.1 RISKS RELATING TO OUR BUSINESS OPERATIONS

#### 9.1.1 We are reliant on third-party suppliers for food ingredients including intermediate processed food products and ingredients for our sushi chain operations

All of our food ingredients including fresh and prepared ingredients used at our grab-and-go sushi outlets and quick dine-in outlets are sourced from third-party suppliers. As such, we are subject to potential disruptions in our supply chain which could impact our business operations. Some of the risks include (i) issues relating to food ingredients such as shortages or price fluctuations in input materials; (ii) logistics and transportation challenges such as delays in shipping and/or transportation which could affect the timely delivery of imported ingredients or input materials to our sushi outlets; (iii) compliance matters from our suppliers' perspective such as failure in adhering to the necessary quality or food safety standards which could affect the integrity of the input materials that are delivered to our sushi outlets; and (iv) utility and operational disruptions such as interruptions in water or power supply, unforeseen shutdowns due to containment measures, regulatory non-compliance matters, insolvency or bankruptcy, legal actions or voluntary or involuntary closures of our third-party suppliers' business or premises. Either of these events may cause disruptions in the supply of food ingredients which may adversely affect the operations of our sushi outlets and our financial performance.

Notwithstanding the availability of alternative suppliers for procurement of food ingredients and consumables, we rely on a limited number of suppliers for our food ingredients. In certain cases, we rely on a single supplier who may be responsible for supplying us with several food ingredients used in our existing menu. We may seek for alternative suppliers, if necessary, while some of our ingredients such as certain prepared sauces and pastes require special formulation, we retain ownership of the recipes for these specialised ingredients. In the event that our existing suppliers are unable to deliver the required ingredients, we may seek alternative suppliers if necessary. However, such replacement or substitution of suppliers may be time-consuming and there is a risk that the newly identified suppliers may offer less favourable pricing or terms as compared to the existing suppliers. The time taken for our Group to assess and select new suppliers based on the key criteria as disclosed in Section 7.7.4.3 of this Prospectus as replacements may cause temporary disruptions to our business operations. In addition, if the food ingredients sourced from the new suppliers result in alteration of the taste or quality of our sushi products, this could adversely affect our customers' satisfaction level, hence causing our Group to lose some of our existing customers.

During the Financial Years Under Review, we have not experienced any material disruptions in our supply chain as well as any issues relating to our suppliers which impacted our business operations or our financial performance. Notwithstanding, there can be no assurance that any disruption in the supply of our food ingredients including intermediate processed food products and ingredients for our sushi operations would not adversely affect our business operations and financial performance in the future.

#### 9.1.2 We may be affected by either a decline in the performance of shopping centres, hypermarkets, airport retail mall and transit hub malls contributing to lower foot traffic to our sushi outlets or any unfavourable changes in terms of our tenancy or license agreements

As at the LPD, we operate 132 sushi outlets in Malaysia comprising 117 grab-and-go sushi outlets and 15 quick dine-in sushi outlets which are located in shopping centres, hypermarkets, airport retail mall and transit hub malls. For each of the Financial Years Under Review, each of our sushi outlets contributed less than 10.0% of our revenue.

## 9. RISK FACTORS (Cont'd)

Any decline in the conditions, popularity or performance of the shopping centres, hypermarkets, airport retail mall and transit hub malls where our sushi outlets are located would affect foot traffic to our sushi outlets and this may adversely affect our business operations and financial performance of those outlets. Such changes include operational disruptions, changes in the tenancy mix, poor maintenance of the respective shopping centres, hypermarkets, airport retail mall and transit hub malls or decline in foot traffic. In addition, all of our sushi outlets operate in rented premises where we are subject to the rental rates and existing terms as outlined in the respective tenancy or license agreements entered into with the respective premise owners. Upon the expiry of a particular tenancy or license agreement, the respective premise owners have the right to alter the existing terms including, but not limited to, increase in rental rates, request for upgrades or renovations or deciding not to renew the tenancy or license arrangement with our Group. Any such changes to the existing terms as agreed with the respective premise owners may lead to an increase in rental expenses to be incurred by our Group or additional costs to be incurred in relocating or refurbishing the tenanted outlets upon the premise owners' requests.

We are also subject to rental terms which may include liquidated damages to be borne by our Group if we fail to commence or complete our fit-out works within the agreed timelines with the respective premise owners or experience delays in the commencement of business operations as outlined in the respective tenancy or license agreements.

For the Financial Years Under Review, our rental expenses for the sushi outlets comprising depreciation of ROU assets, interest on lease liabilities and variable rental accounted for 7.0%, 7.5% and 7.4% of our revenue for the FYE 31 March 2023, the FYE 31 March 2024 and the FYE 31 March 2025, respectively.

In addition, any unfavourable incidents taking place within a shopping centre, hypermarket, airport retail mall or transit hub mall including planned events such as temporary closure for renovations or unforeseen emergency situations such as bomb scares, shooting incidents or suicide cases could adversely affect our business operations. During the Financial Years Under Review, there were several unforeseen emergency events which took place in certain shopping centres in Malaysia including a bomb scare incident in a shopping centre in the southern region of Peninsular Malaysia and suicide cases in certain shopping centres in the central and northern regions of Peninsular Malaysia which affected our outlet operations up to a full business day. In addition, we closed an outlet in the central region of Peninsular Malaysia due to a planned renovation carried out by the shopping centre operator in 2024 and another outlet in the same region was temporarily closed for 2 weeks for planned renovations by the shopping centre operator during the Financial Years Under Review. Save for the incidents disclosed, we have not encountered any material unfavourable unforeseen incidents or planned events that adversely affected our business operations and financial performance.

Nevertheless, moving forward, there can be no assurance that there will not be any adverse changes in the tenancy terms nor can we assure that the strong performance of the shopping centres, hypermarkets, airport retail mall and transit hub malls will sustain.

### 9.1.3 Our business operations are dependent on our Executive Directors and Key Senior Management

Our business operations are dependent on the experience, leadership, knowledge and skills of our CEO, COO and the rest of our Key Senior Management. Our CEO, Nicole Lim, leads the overall strategic direction and strategy development of our Group's strategies. Our COO, Jordan Tan, is responsible for overseeing overall outlet operations as well as developing and enhancing our menu offerings including exploring diverse ingredient combinations and preparation techniques. Our CEO and COO are supported by the other members of our Key Senior Management, namely our CFO, Lim Chung Liang and Head of Marketing, Darren Khoo Yen Jen. The loss of services of any one or more of our Executive Directors or Key Senior Management without any suitable and timely replacement may adversely affect our business operations and financial performance.

## 9. RISK FACTORS (Cont'd)

### 9.1.4 Our recipes may be copied and this may result in a loss of our competitive advantage or a decrease in our market share

As with many F&B products, there is a risk that the recipes for our sushi products used in our outlets may be copied. While taste is a personal preference, the replication of the flavour profile of our products by other market participants may result in the loss of our competitive advantage as similar tasting products are available in the market from competitors. This may subsequently result in a loss of our market share for such products.

We engage third-party suppliers for the sourcing of our intermediate processed food products and ingredients and other general ingredients. We also carry out menu development and taste tests with some of these third-party suppliers for certain intermediate processed food products and ingredients as part of our sourcing processes and procedures. Notwithstanding the internal precautions adopted by our Group to limit access to our full recipes by providing our third-party suppliers and certain service crew with only part of the recipe for our sushi products, there can be no assurance that the taste profile of our sushi products will not be replicated. If the taste profile of our sushi products is successfully replicated by others in the market, we may lose our competitive advantage which could adversely affect our business operations and financial performance. During the Financial Years Under Review, we have not encountered any similar tasting products readily available in the market as a result of our recipes being copied by our competitors.

### 9.1.5 We are subject to operational risks including shortage of staff, disruptions in power supply and other adverse events which may cause interruptions to our business

We are subject to operational risks including, but not limited to, shortages of labour and disruptions of power supply which may cause interruptions to our business operations. We are dependent on labour for our day-to-day sushi outlet operations which mainly comprise of our service crew for customer service as well as food handling and preparation works. As such, a stable workforce is crucial in ensuring our day-to-day sushi outlet operations run smoothly. The staff costs attributed to our sushi outlet operations accounted for 37.7%, 38.7% and 39.6% of our cost of sales for the FYE 31 March 2023, the FYE 31 March 2024 and the FYE 31 March 2025, respectively.

As at the LPD, we have a total workforce comprising 1,138 employees dedicated to our network of sushi chain operations comprising 918 domestic employees and 220 foreign employees. Our entire outlet workforce has completed certified food handler training course recognised by MOH which mainly covers good hygiene practices and food safety principles. We may experience a shortage of workers from time to time due to various factors including changes in government policies and regulations on the supply of foreign labour such as a freeze on hiring of foreign labour, higher salaries and remuneration packages from competing industries as well as lack of domestic workers. In the event of a shortfall in the labour supply for our sushi outlet operations coupled with our inability to maintain a stable outlet workforce by promptly replacing or hiring new workers, this would adversely affect our business operations and financial performance. In addition, in the event of a labour shortage, we may also be unable to execute our planned expansion to establish new additional outlets effectively and promptly which in turn could adversely affect our future business growth and financial prospects. For the Financial Years Under Review and up to the LPD, we have not experienced any material shortage in labour supply as a result of the changes in government policies and regulations that had adversely affected our business operations or financial performance.

The operations of our sushi outlets are equipped with various equipment including kitchens, chillers, freezers and storage areas as well as the operation of relevant equipment and appliances which are dependent on a consistent power supply. Prolonged power outages, intermittent power disruptions or other events such as bomb scares, fires, flood and pest infestations could adversely affect our business operations.

## 9. RISK FACTORS (Cont'd)

During the Financial Years Under Review, there were unforeseen emergencies in certain shopping centres in Malaysia including a bomb scare incident in a shopping centre in the southern region of Peninsular Malaysia and suicide cases in certain shopping centres in the central and northern regions of Peninsular Malaysia which had affected our outlet operations up to a full business day. In addition, there were flood incidents in the east coast region of Peninsular Malaysia in 2024 which affected our local outlet operations, thus impacting customer patronage and ingredient deliveries. However, on an overall basis, these incidents did not result in any material adverse impact towards our Group's business operations and financial performance during the Financial Years Under Review.

Save as disclosed above, during the Financial Years Under Review and up to the LPD, we have not encountered any material power interruptions or negative events that adversely affect our business operations and financial performance. Nevertheless, there can be no assurance that similar or other disruptive events will not occur in the future. Any such occurrences may adversely affect our business operations and financial performance.

### 9.1.6 Our business is exposed to product and public liability risks related to food services in our sushi outlets as well as risks associated with legal matters, employment, consumer claims, and other disputes

We operate a chain of sushi outlets offering F&B services mainly to individual end-consumers. As such, our business is subject to several liability risks including service, product and public liability, risks from consumer claims and the risks of potential legal actions against our Group, directors and employees.

As we are a provider of F&B services, we may face product liability risks which may expose us to various punitive actions such as legal actions by affected consumers, fines imposed by regulatory bodies, temporary closure of outlets or withdrawal of business licences or other certifications awarded by the respective bodies. Our product liability could arise from, among others, product contamination during the manufacturing, processing, storage and/or handling of food and ingredients, unintentional use of expired, unsafe or banned ingredients, sabotage or product mislabelling. We may also be subject to consumer claims arising from dissatisfaction in the quality of our F&B products and services.

We maintain quality control standards at our outlets including adherence to Halal requirements for purpose of our Halal certifications and we also require our third-party suppliers to adhere to various quality, hygiene and food safety standards. Notwithstanding such measures being adopted by our Group, the occurrence of any product liability claims may adversely affect our market reputation, consumers' trust in our brand as well as our operational and financial performance.

In addition, we may be exposed to risks relating to food contamination, poor hygiene and food safety violations which are inherent risks to operators within the F&B sector. In the event of any such occurrences, this may result in an inspection of our premises by local authorities which may translate into monetary fines being imposed, withdrawal of operational licences, loss of Halal certification and/or directives to temporarily cease business operations for cleaning and disinfection purposes. This would have an impact on business operations, brand reputation as well as our financial performance.

As we operate sushi outlets, we are also subject to the risk of public liability arising from our sushi products, services and/or premises. We may face legal actions by consumers arising from, among others, negligence by our staff in serving our customers and/or the physical condition of our premises that may cause accidents that may harm our customers. During the Financial Years Under Review, there was an incident involving a minor claim from a customer who fell in front of one of our sushi outlets, for which we covered medical expenses of less than RM1,000 on a goodwill basis. Save for the disclosed incident, we have not encountered any other incident involving claims from our customers relating to risk of public liability.

## 9. RISK FACTORS *(Cont'd)*

Dispute resolution processes arising from any legal or other disputes arising from our business operations may be costly, time-consuming and uncertain in outcome. An adverse ruling or decision may affect our market reputation, consumers' trust in our brand and our financial performance.

We cannot assure that such incidents/events will not arise in the future and that they will not have a materially negative impact on our reputation, business operations, and financial performance. While we maintain insurance coverage, there can be no assurance that such insurance compensation will be sufficient to cover all liabilities incurred. Additionally, frequent claims may result in an increase in our insurance premiums, which could adversely affect our financial performance.

### 9.1.7 We are exposed to the risks of theft, robbery or pilferage in our operations

We operate sushi outlets where our staff handle food products, ingredients, consumables and cash. As such, there is a risk of product and cash pilferage that may materially affect our financial performance.

We have implemented various operational procedures and controls to minimise product and cash pilferage. Some of these include the use of our POS system which records our customers' orders, hence allowing us to conduct audits of food products and ingredients. In addition, customers' payments are also recorded through the issuance of bills and receipts via our POS system. This ensures that all customers' payments recorded in the POS system are tallied with the actual cash received. The POS system is connected to our head office and the sales data of each outlet is transmitted to the head office in real time. While we have implemented various operational procedures and controls to minimise product and cash pilferage, there can be no assurance that such occurrences can be fully prevented nor can we assure that they will not impact our financial performance.

While we have obtained insurance coverage for pilferages, theft, loss in transit and burglary across all our outlets and head office, there can be no assurance that our insurance coverage will be sufficient to compensate us for all losses incurred which may affect our financial performance. If we submit multiple insurance claims, our insurance premium may increase and this will adversely affect our financial performance in the future.

During the Financial Years Under Review, we have experienced break-in pilferages. However, there was no material impact on our financial performance. In addition, to further reduce cash handling risks, we are progressively implementing a cashless payment system throughout our sushi chain outlets, with 89 of our sushi outlets operating on a cashless basis as at the LPD, representing 67.4% of our total sushi outlets as at the LPD.

### 9.1.8 Our growth prospects may be limited if we are unable to execute our business strategies and plans effectively

Our business strategies and plans are focused on leveraging our key strengths and core competencies in sushi chain operations in Malaysia. Our strategies are focused on expanding our operational footprint by establishing new outlets in Malaysia and the upgrading of selected existing outlets. Please refer to Section 7.5 of this Prospectus for further details on our business strategies and plans.

In this respect, we are exposed to risks associated with our expansion in the domestic market including shifting market conditions such as changing consumer preferences, cannibalism among our sushi outlets as a result of their proximity, poor patronage in new locations/states due to, among others, lack of or limited brand awareness and deterioration of service quality as well as customer experience due to issues associated with, among others, supply chain disruptions and staffing issues such as staff shortages or inadequate training.



## 9. RISK FACTORS (Cont'd)

The prospects and growth of our business depend on our ability to effectively and promptly implement our business strategies and plans. There is a risk that we may not achieve the intended timing or objectives of these future plans due to factors such as the inability to secure strategic locations for new outlets either due to unavailability or the inability to secure such locations at commercially favourable terms, insufficient funding or bank borrowings after taking into consideration the gross proceeds to be raised from the Public Issue, limitations in sourcing human resources, regulatory changes or delays caused by unforeseen internal or external factors.

We cannot provide any assurance that any of our business strategies and plans will be commercially successful or implemented in line with our expectations. We also cannot assure that we have fully identified or can anticipate all operational and business risks associated with our strategies and plans. In the event of any delays or failures in executing our strategies and plans, our future business growth or expected financial performance may be adversely affected.

### 9.1.9 We may not be able to sustain the same level of growth rate and financial performance in the future

Our revenue grew from RM137.1 million for the FYE 31 March 2023 to RM235.6 million for the FYE 31 March 2025, representing a CAGR of 31.1%. Meanwhile, our PAT grew from RM14.6 million for the FYE 31 March 2023 to RM37.9 million for the FYE 31 March 2025, representing a CAGR of 61.1%.

There can be no assurance that we will be able to achieve similar growth rates and financial performance in the future due to internal and/or external factors. Some potential internal factors include, among others, the inability or delays in expanding our sushi chain operations as per our business strategies and plans as detailed in Section 7.5 of this Prospectus, operational and management issues, supply chain disruptions and the consistency and quality of our products and services. Potential external factors include shifting economic, social and regulatory conditions, rigorous market competition, changes in consumer tastes, preferences, spending habits and brand relevance as well as the decline in the performance of the shopping centres, hypermarkets, airport retail mall and transit hub malls including commercial facilities where our sushi outlets are located. Such factors may adversely affect our ability to sustain growth and financial performance, which could, in turn, have an adverse impact on our business operations and overall financial results.

### 9.1.10 There can be no assurance that our insurance coverage would be adequate

We maintain general insurance policies where relevant and practical, covering our assets, employees and business operations with policy specifications and insured amounts that we believe are reasonable for our risk profile. As at the LPD, we have various insurance coverages including fire and fire consequential losses, product liability, public liability and money insurance with a total coverage of RM288.7 million.

If our claims exceed the coverage limits of our general insurance policies, we may be required to bear the shortfalls in the amounts claimed which could adversely affect our financial position. Alternatively, if there are numerous and sizable insurance claims, it may lead to increased insurance premiums to be borne by our Group moving forward, thus adversely impacting our future financial performance. During the Financial Years Under Review and up to the LPD, there have not been any material insurance claims that have exceeded the amount covered by our general insurance policies.

There are also risks associated with insurance renewals such as the possibility of increased premiums, reduced coverage or additional exclusions. In addition, if certain types of risks are not covered under our insurance policies, we may be required to bear the costs of such losses which could adversely impact our financial position.

## 9. RISK FACTORS (Cont'd)

Notwithstanding the necessary steps taken by our Group to ensure that our assets, employees and business operations are adequately insured, there can be no assurance that our insurance coverage would be adequate to compensate for the replacement costs of assets, claims arising from employees or the public and any consequential losses.

### 9.1.11 We operate within the consumer market, making our business susceptible to changes in consumer behaviour, trends, brand preferences as well as negative publicity, perceptions or actions

As a sushi chain owner-operator in the consumer market, we face risks arising from negative publicity, perceptions or actions related to our products and services as well as changes in consumer behaviour, trends and brand preferences. Consumer spending in the dining out or takeaway segment is primarily discretionary in nature as consumers have the option of cooking at home. As such, the sustainability and success of our business rely on our ability to consistently adapt to changing consumer behaviour, trends and brand preferences supported by our brand equity.

The performance of our sushi chain outlets is directly influenced by several evolving consumer dynamics. We need to consider and respond to shifts in culinary trends such as the increasing demand for fusion or local dishes as well as the growing preference for plant-based foods and specific dietary regimes. These changes significantly impact both the demand of our products and our menu development. In addition, we must adhere to diverse dietary laws including Halal standards and other cultural or religious dietary practices which shape our menu offerings. Furthermore, macroeconomic factors such as prevailing economic conditions including inflation and changes in consumer confidence directly affect consumer spending on dining out or ordering takeaway.

Branding also plays an important role in the consumer market. As such, the sustainability and growth of our business depend on our ability to continually build on our brand equity including increasing brand awareness, loyalty, trust and the image portrayed, so as to retain our existing customers while securing new ones. Building brand equity also includes enhancing and sustaining our brand relevance in the minds of target customer groups as our brand matures over time.

Consumer changes in behaviour, trends and brand preferences are increasingly shaped by consciousness-driven choices and the pervasive influence of social media. They are influenced by various other factors such as social and health trends, food security, religious and environmental considerations. We are also vulnerable to negative publicity or actions stemming from factors such as consumer boycotts, dissemination of negative information, fake news, sabotage and/or issues regarding quality, hygiene and food safety. The materialisation of any of these events may adversely affect our operations and financial performance.

In this regard, there can be no assurance that the market perception and reception of our products and services and that our brand will remain positive and relevant over time. Failure to align our offerings with consumer requirements and expectations could potentially harm our reputation and impact the results of our business operations and financial performance.

### 9.1.12 Inflationary pressures or other cost increases may necessitate price increase for our products and services which may adversely affect our business performance

As a consumer-based business, our products and services are subject to inflationary pressures which impact our cost of goods and services. Consequentially, we may have to pass on such cost increases to our customers to maintain our profit margins. Inflationary pressures may arise directly from the higher cost of goods such as food ingredients and products as well as consumables coupled with any indirect factors such as rising costs in, among others, utilities, fuel, logistics, rental and labour.

**9. RISK FACTORS (Cont'd)**

During the Financial Years Under Review, our staff costs accounted for 25.7%, 25.3% and 25.1% of our revenue for the FYE 31 March 2023, the FYE 31 March 2024 and the FYE 31 March 2025, respectively. We pay our employees in accordance with the applicable statutory minimum wage and any increase in the statutory minimum wage will result in an increase in our overall staff costs. The Minimum Wage Order 2022 was gazetted in 2022 with the initial implementation of the minimum wage of RM1,500 taking effect on 1 May 2022. The minimum wage was subsequently revised to RM1,700, effective 1 February 2025. As at the LPD, we have complied with the latest minimum wage requirements.

Our rental expenses for our sushi outlets comprising depreciation of ROU assets, interest on lease liabilities and variable rental accounted for 7.0%, 7.5% and 7.4% of our revenue for the FYE 31 March 2023, the FYE 31 March 2024, and the FYE 31 March 2025, respectively. The expansion of the Sales and Service Tax regime in Malaysia will have a direct impact on the rental cost for our business. Rental or leasing services for properties located in Malaysia including commercial properties such as shop lots, offices, and buildings used for business purposes are subject to an 8% service tax effective from 1 July 2025. This revised service tax applies to new rental and lease agreements entered into on or after 1 July 2025.

If we are unable to fully pass on these cost increases to consumers through price adjustments, this may lead to higher operational costs which could adversely affect our financial performance. In such a scenario, we may have to absorb the increased costs which in turn would adversely affect our profit margins and financial performance. Conversely, if we pass on all the cost increase to our customers, we might lose our existing customers or our competitiveness in the market as a whole.

Notwithstanding that our financial performance during the Financial Years Under Review was not materially affected by inflationary pressures, there can be no assurance that our results of operations and financial performance moving forward would not be affected by such inflationary risks.

**9.1.13 Our business operations are subject to risks of security breaches or malfunction of ICT and network systems, unintended human errors or careless actions**

Our sushi chain operations rely on our ICT systems, which are hosted in the cloud, to facilitate connectivity between our head office, outlets and devices. This connectivity supports essential functions such as our POS systems, corporate website, mobile application, customer loyalty and reward programmes, online and mobile payment systems, sales order processing, finance and accounting, outlet management, inventory management and delivery services. Our communications infrastructure includes our local area networks, third-party wide area networks and the Internet.

Our ICT system handles and stores sensitive data including personal and company information. In this respect, we are exposed to the risk of security breaches, system malfunctions, unavailability of third-party services and wilful or accidental damage to our ICT and network systems, infrastructure, properties or assets. Additionally, security breaches including eavesdropping, cyberattacks, malicious code, ransomware or other destructive or disruptive actions targeting our software, hardware, processing, communications and data, as well as our online platform, may adversely impact our business operations and financial performance. In addition, any disruption to our ICT system may result in interruptions to online transactions and the unavailability of our mobile application to customers.



**9. RISK FACTORS (Cont'd)**

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In the event of any security breach or malfunction of our ICT and network systems, it may render our systems inoperable for an extended period or disrupt our operations. In addition, any security breach that results in the unauthorised access to our ICT system and resultant data loss may result in a violation of applicable privacy laws, which could subject us to significant liabilities, losses, or regulatory actions, including legal suits. It could also harm our reputation and adversely affect our business operations and financial performance. During the Financial Years Under Review and up to the LPD, we have not encountered any material security breaches or malfunctions of our ICT systems. In addition, we have implemented relevant SOPs as part of our cybersecurity measures. Nevertheless, there can be no assurance that we can anticipate or implement adequate preventive measures against all security breaches, malfunctions in our systems, or human errors and/or careless actions by our employees, any of which could adversely impact our reputation, business operations and financial performance.

**9.1.14 Our business operations and financial performance may be affected by prolonged epidemics or pandemics**

We face the risks associated with any prolonged epidemics or pandemics which may adversely impact our business operations. The risks may include the temporary closure of our business operations and a decline in patronage at our outlets. We may also face supply chain disruptions and workforce shortages in the event of any prolonged epidemic or pandemic. All of these situations may adversely affect our business and financial performance. Our sushi chain operations were affected during the COVID-19 pandemic when all of our outlets were closed for approximately 6 weeks in 2020. Subsequently, we were allowed to operate under restrictions following the implementation of various Movement Control Orders by the Government in 2020 and 2021. We were permitted to provide takeaway services for walk-in customers or through food delivery platforms. These restrictions affected all outlets located in malls in 2020 and 2021 during the COVID-19 period.

## **9. RISK FACTORS (Cont'd)**

### **9.2 RISKS RELATING TO OUR INDUSTRY**

#### **9.2.1 We are subject to competition from other food service providers**

Sushi chain operators compete with other operators involved in the F&B sector. Factors of competition include brand equity including awareness, loyalty and positive image; menu offerings and innovations; product taste, quality and pricing; dine-in, takeaway and delivery services; outlet location accessibility and convenience; outlet interior layout, decoration and ambience; and online presence and ease of ordering, payment and delivery.

Competition also arises from other similar format sushi outlets as well as different format F&B services including hawkers, food courts, traditional and quick-service restaurants and online platforms serving similar or different cuisines and types of F&B products. According to the IMR, in 2024, there were 30,005 food service outlet premises registered with the MOH.

If we are unable to remain competitive or build on our existing competitive advantages and key strengths, our prospects and financial performance may be adversely affected.

#### **9.2.2 We are subject to economic, social, political and regulatory changes in Malaysia**

Our business is susceptible to adverse changes in economic, social, political and regulatory conditions in Malaysia, which may adversely impact our business operations and financial performance. Such changes may include the following:

- changes in domestic and global environments, including political leadership, geopolitical events, expropriation or nationalisation, deterioration of international bilateral relationships, trade sanctions, boycotts, and acts of terrorism, riots and wars;
- changes in domestic fiscal and monetary policies affecting interest rates, foreign investments, methods of taxation and tax policies;
- emergence of new epidemics or pandemics;
- changes in consumer trends and behaviour;
- changes in social conditions such as inflation, unemployment rate and minimum wage;
- changes in regulations affecting the operations of F&B services; and
- other macroeconomic factors such as foreign worker levy, unemployment trends, inflation and other matters that may influence consumer and business confidence and spending.

As such, there can be no assurance that any adverse economic, social, political and regulatory developments that are beyond our control will not materially affect our business operations and financial performance.

### **9.3 RISKS RELATING TO OUR SHARES AND OUR LISTING**

#### **9.3.1 Our Listing may not result in an active liquid market for our Shares**

There can be no assurance as to the liquidity of the market will develop upon our Listing or, if developed, that such market will be sustained. There can be no assurance that our IPO price will correspond to the price in which our Shares will be traded on the Main Market of Bursa Securities upon or subsequent to our Listing or that an active market for our Shares will develop and continue upon or subsequent to our Listing.

In addition, there can be no assurance that the market 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 in.

## 9. RISK FACTORS *(Cont'd)*

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

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

- (i) general market, political and economic conditions;
- (ii) trading liquidity of our Shares;
- (iii) differences in our actual financial and operating results and those expected by investors and analysts;
- (iv) changes in market valuations of listed shares in general or shares of comparable companies to ours;
- (v) perceived prospects of our business and the industry in which we operate;
- (vi) adverse media reports regarding us or our shareholders;
- (vii) changes in government policy, legislation or regulation; and
- (viii) general operational and business risks.

In addition, many of the risks described in this Prospectus could materially and adversely affect the market price of our Shares. If we are not able to declare 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. Furthermore, if the trading volume of our Shares is low, price fluctuation may be exacerbated.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that has affected the share price of many companies where the share price of many companies have experienced wide fluctuations which were not always related to the operating performance of these companies, including fluctuations as a result of developments in other markets. There can be no assurance that the price and trading of our Shares will not be subject to similar fluctuations.

### 9.3.3 The sale of a substantial number of our Shares in the public market following our Listing could materially affect the price of our Shares

Following our Listing, we have an issue of 1,100,000,000 Shares, of which up to 363,000,000 Shares, representing 33.0% of the enlarged issued Shares, of which not less than 737,000,000 Shares, representing 67.0% of the enlarged issued Shares will be held by Empire 11. Save for the restrictions pursuant to the moratorium [and lock-up arrangements] as set out in Sections 2.2 and [4.8.3] of this Prospectus respectively, our Shares will be tradeable on the Main Market of Bursa Securities without restriction following our Listing.

In addition, our Promoters and Substantial Shareholders could dispose of some or all of our Shares after the moratorium period pursuant to their own respective investment objectives. If our Promoters and Substantial 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.

## 9. RISK FACTORS *(Cont'd)*

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

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

- the Sole Underwriter's exercise of their rights under the Retail Underwriting Agreement, or the Sole Bookrunner's exercise of their rights under the Placement Agreement, to discharge themselves of their obligations under such agreements;
- our inability to meet the minimum public shareholding spread requirement under 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
- the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

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

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

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

- (i) the SC issues a stop order under Section 245(1) of the CMSA, any issue of the IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of our share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by way of special resolution in a general meeting and supported by either (a) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances, or (b) a solvency statement from our Directors.

## 9. RISK FACTORS *(Cont'd)*

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

As part of our Board's guidance on dividends, we aim to declare a certain portion of our retained earnings for the year, subject to the approval of our Board and to any applicable law and contractual obligations, as dividends, provided that such distribution will not be detrimental to our Group's cash requirements or to any plans approved by our Board. We propose to pay dividends after setting aside the necessary funds for capital expenditure and working capital. We believe that we have sufficient working capital for the next 12 months from the date of this Prospectus, based on our cash generated from our operating activities, cash and bank balances, credit facilities and the gross proceeds of approximately RM[●] million that we expect to raise from our Public Issue.

However, there can be no assurance that our working capital will be sufficient or that we will be able to make dividend payments in the future. Even if we are able to pay dividends, our Board may decide, in its sole and absolute discretion, at any time and for any reason, not to pay dividends or to pay smaller dividends than we currently propose. Further, if we incur new borrowings subsequent to our Listing, we may be subject to additional covenants restricting our ability to pay dividends. If we do not pay dividends, or we pay dividends at levels lower than anticipated by investors, the market price of our Shares may be negatively affected and the value of your investment in our Shares may be reduced.

The payment of our dividends and the receipt of dividends from our subsidiary may also be affected by the passing of new laws, adoption of new regulations and other events outside our control, and we or our subsidiary may not continue to meet the applicable legal and regulatory requirements for the payment of dividends in the future. In addition, changes in accounting standards may also affect our ability to pay dividends.

Further, our payment of dividends may adversely affect our ability to fund unexpected capital expenditure. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms or available at all. For a description of our dividend policy, see Section 12.5 of this Prospectus.

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

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

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.



**9. RISK FACTORS** *(Cont'd)*

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**9.3.7 The Promoters will be able to exert significant influence over our Company**

Our Selling Shareholder, Empire 11 which is owned by our Promoters i.e. Nicole Lim and Jordan Tan, will hold 67.0% of our enlarged issued Shares upon our Listing. As a result, Nicole Lim and Jordan Tan will be able to control our business direction and management. Nicole Lim and Jordan Tan via their interests in Empire 11 may have significant influence over, among others, the election of our Directors, the timing and payment of dividends as well as having voting control over our Group. As such, they will likely influence the outcome of certain matters requiring the vote of our shareholders except where they are required to abstain from voting either by law and/or by the relevant guidelines or regulations. We cannot assure you that the interests of our Promoters will be aligned with those of our other shareholders.