4. RISK FACTORS

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

4.1 Risks relating to our business operations

4.1.1 We are dependent on customers within the public land transportation sector

We are dependent on customers within the bus and rail segments as these customers operate in a regulated industry. This group of customers from the public land transportation sector in aggregate accounted for approximately 99.60%, 95.59% and 96.61% of our total revenue for the FYE 2020, FYE 2021 and FYE 2022 respectively, further details of which are set out as follows:-

	FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Transportation IT solutions						
- Rail	11,920	62.82	1,601	7.88	15,477	58.30
- Bus	6,978	36.78	17,817	87.71	10,171	38.31
Total	**18,898**	**99.60**	**19,418**	**95.59**	**25,648**	**96.61**

Any material change in the policies or directions in the public land transportation sector could adversely affect our business, financial condition and financial performance. Although we provide maintenance and support services (which provides recurring revenue stream to our Group), expenditure on technology by such customers may reduce based on such material changes in policies or directions affecting the public land transportation sector, which may take into consideration economic conditions and other factors, such as decisions to reduce or restructure technology spending (which are geared towards optimisation of operational efficiency) in an attempt to improve profitability. Further, in the event of the introduction of any new or amendments to regulatory requirements by the relevant regulators, we may be required to adapt our solution offerings to meet such requirements and failure to do so at all or in a timely manner could adversely affect our business and financial performance.

We will strive to enhance our technical capabilities by keeping abreast with the latest technology developments in order to maintain our competitive edge and position in the sector. Nevertheless, in the interim, any changes in the public land transportation sector could cause the market for our solutions to decline and as a result, our business, financial condition and financial performance could be affected.

4.1.2 We are dependent on our major customer, KTMB

We are dependent on KTMB, a rail operator providing transportation and mobility services nationwide in Peninsular Malaysia. We have been providing transportation IT solutions to KTMB since 2019, accounting for 62.83%, 7.90% and 58.30% of our total revenue for the FYE 2020, FYE 2021 and FYE 2022 respectively.

We are currently providing maintenance and support services for CTS for Komuter Utara, ETS, Intercity and Shuttle Tebrau Routes (where the contract period is 90 months commencing from 1 April 2019 to 30 September 2026) as well as undertaking installation works in respect of AFC for KTMB via our KTMB contracts (where the contract period is 18 months commencing from 1 October 2022 to (1)31 March 2024) depending on project specifications, where we derived both non-recurring income (for projects) and recurring income (from maintenance and support services where we charge in the form of fixed fee and revenue sharing in nature). We anticipate that both non-recurring and recurring income from KTMB will contribute significantly to our future financial performance as the rail network undergoes continuous development and upgrades, coupled with a growth in ridership. Out of the total revenue from KTMB from 1 January 2023 up to the LPD, the non-recurring income from KTMB accounted for approximately 60.24% with the balance of 39.76% attributed to recurring income.

Note:-

(1) For information purposes, although the contract tenure for the installation of AFC spanned from 1 October 2022 to 31 March 2024, it should be noted that GOHUB had successfully completed the installation of the AFC at the identified rail stations of KTMB by December 2023 (ahead of the intended completion date, 31 March 2024). The installation stages of AFC comprised of 3 stages, with the first stage being completed in June 2023, second stage in September 2023 and final stage in December 2023.

The ridership of the ETS, Intercity and Shuttle Tebrau services during the pre COVID-19 pandemic period (i.e. the FYE 2017, FYE 2018 and FYE 2019) and during the financial years under review are set out below:-

	Pre COVID-19 pandemic period			**COVID-19 pandemic period**		
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FYE 2022**
Rail ridership ('000)	11,289	12,799	14,028	#4,948	2,056	10,271

(Source: KTMB)

Note:-

 # For information purposes, our Group had only commenced our CTS maintenance services in August 2020 and the fees derived from the revenue sharing model was based on total ticket sales of 0.50 million from 17 August 2020 up to 31 December 2020.

It is hence pertinent to note that the ridership levels for the ETS, Intercity and Shuttle Tebrau services during the COVID-19 pandemic period were relatively low, in particular, in the FYE 2020 and the FYE 2021, resulting in lower recurring revenue for our Group as the revenue sharing charges under our CTS maintenance services for KTMB were based on number of ticket sales (i.e. ridership). Hence, it should be noted that prior to CTS going live, our Group was unable to charge any fees for our CTS maintenance during the 16-month gap between April 2019 (commencement of the CTS contract) and August 2020 (commencement of CTS maintenance services).

Although we have not encountered any material disputes with KTMB to-date, our current working relationship with them may deteriorate or we may be unable to continue to secure new projects from KTMB in the future upon completion of the existing projects or renew our maintenance and support services contract if our Group has major disputes with KTMB in the future. Our Group's sustainability, revenue and financial performance will in turn be materially and adversely affected if there is any termination of our business relationship with KTMB and we are unable to secure any new contracts of similar or greater value to replace the loss of business.

4. RISK FACTORS (cont'd)

4.1.3 We are dependent on our ability to secure new projects

Our profitability and financial performance are dependent on our ability to consistently secure and maintain contracts for the provision of enterprise IT services particularly from existing and new customers in the public transportation sector. Our contracts with customers vary in length and scope of services depending on the nature of the project, technical specification, business engagements (i.e. Outright Purchase or Zero Capex) and other customer requirements. Consequently, our revenue streams are subject to fluctuations based on the size and number of active contracts and their respective durations. The duration of contracts within the Zero Capex model would typically span a minimum period of 3 years. This timeframe is necessary for our Group to realise the anticipated return on investment. Meanwhile, the duration of the contracts in respect of Outright Purchase would typically entail a period of up to 2 years.

The potential loss of customers, particularly major ones, or risk of facing difficulties in securing new customers or additional projects from existing customers in a timely manner, could adversely impact our business and financial performance. Further, the volume and size of contracts, as well as the revenue generated from them, can be affected by several factors which include, but are not limited to, economic downturns, industry-specific slowdowns and customers' financial constraints. As a result thereof, our revenue may experience significant fluctuations across different financial years. This is evidenced by the revenue contributions from the non-recurring income (for projects) and recurring income (from maintenance and support services) during the financial years under review, which is set out as follows:-

	FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Recurring	5,739	30.25	7,136	35.14	16,929	64.87
Non-recurring	13,232	69.75	13,173	64.86	9,169	35.13
Total income derived from projects*	**18,971**	**100.00**	**20,309**	**100.00**	**26,098**	**100.00**

Note:-

* *Excludes the income derived from our Group's other solutions (namely GoHub.com.my and GoPartner), both of which are classified as non-projects activities by our Group.*

The success of our bids and tender proposals is influenced by various factors, including pricing and tendering strategy and the level of competition. Hence, we may be unable to secure a tender every time we participate in the tender bid process. Depending on market conditions and the competitive landscape, we may need to adjust our pricing or tendering strategy to remain competitive. If we fail to secure new contracts with comparable values, sizes, or margins to existing ones, our business and financial performance could be materially and adversely affected.

Our ability to secure new projects are also dependent on the negotiated terms of our contracts and the business engagements that we offer to our customers. It should be noted that under the Zero Capex model, our customers are accorded with the option to avoid significant upfront investments in our solutions whilst enabling the preservation of our customers' cash flow, given that no payments are required to be made for the development, customisation and installation of the systems (comprising hardware and/or software). However, this model will affect our revenue and cash flow given that we will incur upfront costs for the hardware involved, before recognising revenues when the solution is live.

After the successful completion of our projects, our customers typically engage us for maintenance and support services for the solutions delivered. Our maintenance and support services will adhere to a pre-scheduled timeline, where such activities include general maintenance or updates of software and hardware, routine part changes and general system testing. Maintenance and support services are available on a contract basis, which typically ranges between 1 to 5 years (with the option to extend) depending on the requirements of our customers' operational needs. There is no assurance that our customers will continue to engage us for maintenance and support services after completion of a project and that our maintenance and support services will be renewed upon its expiry.

4.1.4 Our IT solution projects may be subject to delays arising from the lack of infrastructure readiness at our customers' sites

Our enterprise IT solution projects are subject to specific completion schedules and agreed budgets. The timely deliverables and cost of our projects are dependent on the infrastructure readiness at site. Such delays may be due to various factors, which are beyond our control, which includes but are not limited to, delay in the construction or upgrades in the terminals, suspension or deferment of construction and building works, poor project coordination and site issues which require rectification before we are able to undertake the IT installation works. Any adverse developments of these factors can lead to interruptions or delays in the progress of our projects and this may subsequently reduce our profit margin, delay the recognition of our revenue and incur additional costs, all of which could have a material impact on our financial performance.

During the financial years under review, we have experienced delay in the following projects due to lack of infrastructure readiness at our customers' sites:-

(i) integrated terminal hub located in Gombak; and

The integrated terminal hub located in Gombak had faced delays and subsequent suspension of construction and building progress works which led to deferment of the terminal's operational launch date. As a direct consequence, we were unable:-

(a) to fulfil our IT service obligations and fully deliver our scope of solutions within the prescribed timeframe as set out in the contract (where we were initially required to fully deliver our solutions by first quarter of 2021). This had led to our Group being unable to issue billings for the balance contract value of RM2.01 million relating to the project within the financial years under review; and

(b) to collect on the outstanding billings of RM3.96 million due to the project being delayed and subsequently suspended. This had led our Group to incur an impairment of trade receivables of RM0.38 million in the FYE 2022.

(ii) bus terminal in Sabah

The lack of site readiness at the bus terminal in Sabah had resulted in our Group being unable to undertake our IT service obligations and fully deliver our scope of solutions within the prescribed timeframe. This resulted in a loss of revenue totalling to RM1.12 million, which our Group could have recognised during the financial years under review.

We may hence encounter such delays in the future due to the lack of infrastructure readiness at our customers' sites, all of which are factors beyond our control.

4.1.5 Our business may be affected by outbreaks of any severe contagious or virulent diseases which restrict travel and use of public transportation

The COVID-19 pandemic declared by the World Health Organisation on 11 March 2020, had materially affected our operations. In response to the pandemic, the Malaysian government had imposed a series of lockdown measures across different states nationwide and localities in the country at various points, beginning 18 March 2020. Such lockdown measures included movement restriction orders to mitigate the spread of the COVID-19 virus, which had effectively limited public travels and this led to a sharp decline in ridership and demand for both bus and rail services.

This decline in ridership and demand had a direct impact to our Group. For our CTS maintenance solutions (in particular, the ETS, Intercity and Shuttle Tebrau Routes - which are tied to ridership), and our terminal management services where we function as system operators (which are dependent on bus terminal utilisation), our Group experienced a notably sharp decline in revenue stream arising from the lockdown measures.

The revenue contribution from the CTS maintenance solution for the rail segment (which was primarily revenue sharing in nature) were significantly lower as we had only recognised revenue of RM0.16 million in the FYE 2020 and RM0.56 million in the FYE 2021, as compared to the revenue recognised in the FYE 2022 of RM3.99 million. Our revenue from our terminal management services at the Existing Specified Bus Terminals recorded a similar trend over the same financial years under review.

Further, we had encountered difficulties in trade receivables management of our Group. Our average trade receivables turnover period had increased from 109 days for the FYE 2020 to 145 days for the FYE 2021. This was primarily due to slow collection of trade receivables, which was a direct consequence of the demanding business operating environment during both financial years, materially impacted by the ongoing COVID-19 pandemic. The pandemic had severely limited travel and the ability of our customers to provide mobility services, impacting our customers' ability to meet payment obligations. In addition, during the FYE 2021, a major customer had to temporary suspend the construction of the integrated terminal hub project in Gombak (in view of the COVID-19 pandemic and the rising construction costs) and the subsequent deferment in the operational launch of the terminal (which was previously targeted to launch in first quarter of 2021).

Please refer to **Section 6.4** of this Prospectus for further details on the impact of COVID-19 on our Group.

In the event of any prolonged outbreak of any severe contagious or virulent diseases, this may result in material disruptions to our business operations which may adversely affect our business operations and financial performance.

4.1.6 We are exposed to credit risk of our customers

Our normal credit period granted to our customers ranges from 30 to 90 days. Other credit terms to customers are assessed and approved by our management on a case-by-case basis taking into consideration factors such as our relationship with the customers, their financial position and payment track record as well as their creditworthiness.

While we require our customers to make progress payments based on the stages of project completed, we may not be able to collect our trade receivables in a timely manner and/or some of our customers may delay payments. Should we experience any difficulty in collecting a substantial portion of our trade receivables from our customers, our cash flow and working capital may be affected. This was evident in our average trade receivables turnover period from 109 days for the FYE 2020 to 145 days for the FYE 2021, which was primarily attributable to the challenging business environment arising from the effects of the ongoing COVID-19 pandemic.

We are also exposed to credit risks arising from our trade receivables which may arise from unanticipated events and circumstances beyond our control. Such was the case in respect of our average trade receivables turnover period of 114 days in the FYE 2022. The prolonged trade receivables turnover period mainly relates to a major customer's ability to meet payment obligations, stemming from the temporary suspension of the construction of the integrated terminal hub project in Gombak and the subsequent deferment in the operational launch of the terminal.

Our Group will assess the collectability of trade receivables on an individual and collective customer basis and impairment will be made accordingly for customers where recoverability is uncertain, after taking into consideration, amongst others, the payment track record of our customers, their creditworthiness and financial position as well as the current and forward-looking economic conditions.

Further, for any trade receivables which have exceeded the credit period, we will follow up with our customers on the outstanding receivables, and where appropriate, provide for specific impairment on those trade receivables where recoverability is uncertain based on our Group's dealings with these customers.

Our Group has not recorded bad debts for the FYE 2020 and FYE 2021. We had, however, subsequently wrote off RM0.55 million in the FYE 2022 after our credit assessment on an existing customer, Setara Jaya Sdn Bhd who was placed under winding up proceedings via petition filed on 4 July 2022 and was subsequently wound up on 22 February 2023 and with no reasonable expectations on the full recovery of the outstanding debts. Further, we had also recorded an impairment on trade receivables totalling RM0.44 million in the FYE 2022 owed from 2 major customers.

There can be no assurance that our customers will be able to fulfil their payment obligations in a timely manner or we are able to fully collect the trade receivables which exceed credit terms in the future.

4.1.7 We are dependent on our Executive Directors and key senior management

Our success is dependent on the abilities, experience and continued efforts of our Executive Directors and key senior management. Our Executive Director / CEO, Tan Cherng Thong is an industry veteran in the provision of public transportation IT solutions with more than 20 years of working experience, primarily specialising in the conceptualisation, design and provision of an omni channel ticketing system, operational IT based solutions, AFC and seamless integration of front-end and back-end IT systems as well as managing bus terminals' operations. Since joining as CEO of NSS in August 2015, he has been instrumental in spearheading the overall business strategy and direction of our Group. He is supported by our other Promoters and key senior management, namely Lee Li Yee (Executive Director / Finance Director), Hong Boon Huon (CTO), Eng Chee Seng (Chief Business Development Officer), Mohd Aidy Hisyam Bin Abdullah (Head of Operation (Terminal)), Noor Rashid Bin Omar (Head of Operation (BOS)), Sing Chee Yeong (Senior Manager of the IT Development Department) and Chew Boon Keat (Head of Finance). Please refer to **Sections 8.1.3** and **8.4.2** of this Prospectus for details of the profiles of our Executive Directors and key senior management.

As such, the loss of services from our Executive Directors and key senior management without suitable and timely replacement may adversely impact our business operation and financial performance. It is pertinent to note that our CTO is part of a designated group (comprising our CEO and IT managers) holding the key source codes for our software (which are pivotal to the functionality of our solutions). By limiting the number of key individuals having access to the source code, our Group will be able to a certain extent, mitigate the risks of such source codes being easily accessed or obtained by any third parties. We believe that such safeguard measure is in line with industry norms.

Although the loss of his service does not affect our safeguard measures for our intellectual property rights, it may however materially affect our IT operations (in particular, overseeing the development and installation of our customised software and solutions) as our Group will be required to embark on a recruitment process to recruit a new personnel with the requisite technical skill sets to assume the role of our CTO.

As part of our strategy to retain our employees, we offer competitive remuneration packages to our key senior management and provide training and career development opportunities to our employees. Further, in conjunction with our Listing, we have allocated a portion of our IPO Shares to our Eligible Persons which includes our directors and employees, as set out in **Section 3.3.1(ii)** of this Prospectus. We believe that our Listing will enhance our profile and will facilitate talent retention and recruitment.

For the financial years under review and up to the LPD, we have not experienced any loss of our key senior management that has materially impacted our business. However, there is no assurance that we are able to retain and attract key senior management based on the measures mentioned above.

4.1.8 We are dependent on our ability to attract, train, motivate and retain IT personnel

Our future growth and success depend, to a certain extent, on the continued service of our skilled and experienced IT personnel. The expertise of our IT employees who are equipped with IT knowledge and skill are crucial in delivering our services, from consultation to implementation of the respective enterprise IT solutions. They also play major roles in our operations, maintenance and support services.

Our ability to operate and compete could be adversely affected if we are unable to attract, train, motivate and retain qualified individuals. This, in turn, could negatively impact our business and financial results.

We could also lose IT personnel to our customers or other participants in the IT sector and it may be difficult for us to find suitable and timely replacement(s) given the talent shortage. A high turnover and/or any reduction in numbers to our headcount of IT personnel may be disruptive to our business and may result in loss of crucial and confidential knowledge about our customers which, in turn, could lead to the loss of our customers.

4.1.9 Failure to protect our intellectual property rights could adversely affect our business

Our established track record within the public land transportation sector is a testament to our expertise in delivering effective solutions (including TOS, BOS and AFC) tailored to meet and cater to the operational and technical requirements of our customers. It is pertinent to note that our customers are entitled to the right of use for the software solutions whilst we retain the intellectual property rights of the software, subject to the terms and conditions of the contracts with our customers.

The core strength of our solutions lies in our software architecture, which is known for its modular design and ability to integrate with our customers' existing IT systems. Such features help to ensure an efficient implementation process. Hence, the key source codes for our software, which are pivotal to the functionality of our solutions, are accessible only to a designated group including our CTO. This limited access is critical to safeguard our intellectual property rights, including software designs and source codes. We also rely on the confidentiality and invention assignment stated in the employment handbook and/or contracts with our employees and contracts entered with our suppliers and customers to protect our intellectual property rights.

There is no assurance that our intellectual property rights relating to our software will not be infringed by any parties arising from the breach of confidentiality pursuant to contractual obligations which could have a material adverse effect on our business operations and financial conditions. Further, while we have put in place the relevant security measures to safeguard our source codes, there is also no assurance that such security measures are able to safeguard us from security breaches in light of the changing cybersecurity landscape. As at the LPD, we have not encountered any security breaches to our system and operations.

4.1.10 Our reputation may be affected if the security of confidential information or personal information of our customers is breached or otherwise subject to unauthorised access or disclosure

In the course of offering our solutions and with the consent of our customers, we will have access to confidential information of our customers including information on our customers' operations, IT policies and IT systems.

Our Group has established stringent policies and protocols, which are designed to protect the security, integrity and confidentiality of the information that we handle and/or store. These stringent policies and protocols include installation of firewall systems, enforcement of authentication and user access restriction at workstations through the use of password protection on devices and access cards and/or biometrics scanning to access areas in the office, regular examination of security logs and installation of CCTV within our office. We also impose strict confidentiality obligations on all our employees and any contravention will result in disciplinary action and/or legal actions.

As at the LPD, we have not experienced any security breaches to our systems and information to date, whether arising from internal sources (such as technical malfunctions, employee error or misconduct) or external sources (such as malware, hacking, espionage and cyber intrusion). However, despite our stringent efforts, there is no guarantee that inadvertent disclosure (which may arise from software bugs or other technical malfunctions, employee error or misconduct, or other factors) or unauthorised disclosure or loss of personal or confidential information will not occur or that third parties will not gain unauthorised access to such information.

4.1.11 Our contracts may be subject to early termination or non-renewal

Our contracts from customers are secured on a project-by-project basis via contracts and/or purchase orders, where it may contain clauses which could give rise to a right of early termination by our customers, other than the standard termination clauses where our customers may terminate our services in the event of our failure to execute the services in accordance with the terms of the purchase orders and/or contracts or persistently neglects to carry out our obligations under the purchase orders and/or contracts or if we or our employees are involved in corruption or unlawful activities or in situation of insolvency faced by us, amongst others. We also face the prospect of non-renewal of existing contracts upon expiry of the agreed project duration.

In the event we experience any early termination or non-renewal of our contracts, the loss of revenue incurred arising from such early termination may have an adverse impact on the financial condition and prospects of our Group if we are unable to secure any new contracts of similar or greater value to replace such loss of business. If our Group is at fault, we may also be subject to the risks of legal claims, liabilities and compensation to our customers which could have a negative impact on our business and financial condition.

During the financial years under review, we have ceased to provide CTS to a bus terminal in Sepang, Selangor following the early termination of the CTS contract in October 2022 due to a change in the terminal operator (where the terminal owner appointed a new terminal operator who in turn preferred a new solutions provider). The said early termination of the CTS contract did not result in any penalty charges or any other financial costs to be borne by our Group.

Our Group had also experienced non-renewal of our contract in respect of our CTS at Terminal Larkin Sentral in Johor following the expiry of our 5 years contract period (which ended in August 2023) with the terminal operator. The reason for the non-renewal of our CTS contract was due to the terminal operator's commercial decision to appoint a new solutions provider. This in turn has resulted in a loss of potential revenue of RM3.03 million on the assumption that our CTS contract was renewed for additional 5 years contract period.

Save for the contracts mentioned above, we have not experienced any early termination or non-renewal of our contracts in the past 5 financial years up to the LPD which could have a material adverse effect on our business operations and financial conditions.

4.1.12 We may face cost overruns in our enterprise IT solution projects

As an enterprise IT solutions provider, we are required to accurately estimate the time and costs associated with the implementation of enterprise IT solution projects. There may be various factors affecting the actual cost incurred in implementing these projects, including amongst others, technical difficulties, integration with third-party software or hardware, procurement of additional hardware and other unforeseeable problems and circumstances. Any one of these factors may lead to delay in the completion of project or cost overruns, which would adversely affect our business and financial performance.

For the financial years under review and up to the LPD, we have not experienced any material project cost overruns. However, there is no assurance that we would not encounter cost overruns in our current and future enterprise IT solution projects.

4.2 Risks relating to the industry in which we operate

4.2.1 We may not be able to respond in a timely manner to changes in technology, customer requirements, industry standards and regulatory compliance requirements

The enterprise IT services industry requires responsiveness to technological advancements, customer requirements, evolving industry standards and regulatory compliance requirements as well as the changing IT operating environment. To remain competitive, it is crucial for our Group to adapt promptly to the advancements in technology and continuously enhancing the features and new functionalities of our enterprise IT software solutions.

As our Group mainly serves customers in the public land transportation industry, we constantly undertake D&D to develop and enhance new and existing solutions to meet the changing requirement of our customers as well as industry. However, there is no assurance that we would be able to continue to react and meet the changing demand in a timely manner as we may not have sufficient resources and technical expertise and/or be responsive enough to react to new technologies and software developments.

If we are unable to anticipate and adapt to such changes in technology and/or unable to adequately upgrade our capabilities to develop new and innovative enterprise IT solution in a timely manner, our business and financial performance may be adversely impacted.

4.2.2 We face competition within our industry

Our competitors compete in terms of technology, range and quality of solutions, price and timeliness of project delivery. Our competitors may have longer operating histories, equipped with better resources and possess comparable software and technical expertise than us, thereby enabling them to offer better value proposition to our potential customers. As such, we may experience and expect to continue to face intense competition from local and international vendors or solution providers. Our Group may have to also compete with international IT solution providers that have greater name recognition in the market.

Further, we may also compete with existing and new entrants who adopt aggressive pricing strategies and offer more attractive sales terms. In such scenario, we may lose potential sales or forced to offer our enterprise IT solutions at a lower price to maintain or expand our market share. Our business and financial condition may be affected should our competitors successfully develop or offer solutions and services at a better price and quality.

4.2.3 We are subject to the changes in political, economic and regulatory environment in Malaysia

We presently operate in Malaysia and our customers' projects are also based in Malaysia. As such, the financial performance and business prospects of our Group will depend on the political, economic and regulatory conditions in Malaysia. Changes in the political, economic and regulatory conditions could arise from, amongst others, unfavourable changes in political leadership, interest rates, changes in government policies and regulations, import duties and tariffs, methods of taxations and inflation could adversely affect our business operations, which may in turn lead to an adverse effect on our profit margin and future growth.

Notwithstanding thereof, we have not experienced any adverse political, economic and regulatory changes which have materially adversely affected our operations and financial performance. However, there can be no assurance that any adverse political, economic and regulatory changes, which are beyond our control, will not unfavourably affect our future financial performance.

4.3 Risks relating to investment in our Shares

4.3.1 There has been no prior market for our Shares

Prior to our IPO, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or if developed, that such market will be sustainable. There is no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the selling prices at which holders would be able to obtain for our Shares.

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

4.3.2 Delay in or cancellation of our Listing

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

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

(ii) our inability to meet the minimum public spread requirement under the Listing Requirements of having at least 25% of the total number of our Shares for which our Listing is sought being in the hands of at least 200 public shareholders holding at least 100 Shares each at the point of our Listing; or

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

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

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled, and our Company or such other person who received the monies shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which the Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(ii) our Listing is aborted, investors will not receive any of our IPO Shares and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

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

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, the Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by 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.

4.3.3 Volatility of our Share price and trading volume

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

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

4.3.4 Our ability to pay dividends

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

It should be highlighted that as we are a holding company, our Company's income, and therefore our ability to pay dividends, is dependent upon the dividends and other distributions that we receive from our subsidiaries. Our subsidiaries have entered into facility agreements which contain negative and financial covenants and hence, the inability of our subsidiaries to comply with any of these covenants may affect our ability to pay dividends. Furthermore, if we were to obtain new borrowings subsequent to our Listing, we may be subject to additional covenants restricting our ability to pay dividends.

There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected.

Please refer to **Section 11.6** of this Prospectus for further information on our dividend policy.

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

As disclosed in **Section 8.1** of this Prospectus, our Promoters will directly or indirectly collectively hold in aggregate approximately 58.56% of our enlarged issued share capital upon Listing. As a result, our Promoters will collectively be able to, in the foreseeable future, effectively control the business direction and management of our Group including the election of our Directors, the timing and payment of dividends as well as having majority voting control over our Group and as such, will likely influence the outcome of matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations. There can be no assurance that the interests of our Promoters always will be aligned with those of our other shareholders.

4.4 Other risks

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

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

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

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