

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 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.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 We depend on our ability to maintain our business relationship with our existing customers and to secure new customers

Our profitability and financial performance are dependent, to a large extent, on our ability to maintain and strengthen our business relationship with our existing customers and also to secure new customers. Our provision of equipment and imaging, analytical and test solutions to our pool of customers are mostly on a purchase order basis and there can be no assurance that purchase orders will continue to be issued. The purchases of our customers are, in addition, primarily dependent on individual capital expenditure, expansion plans and business strategies and therefore, our customers have no obligation to continue to engage us for provision of our solutions and services.

Generally, the services which we provide to our customers include lab services and after-sales services which comprise technical support and maintenance services as well as sale of consumables and as such, we are not dependent on purchases from any individual customer. However, our ability to maintain the business relationship with our existing customers as well as securing new customers is dependent on various factors, including, but not limited to, the following:

- (a) our ability to keep abreast with rapid technological advances in order to meet our customers' specifications and cater to our customers' operational needs;
- (b) any unexpected changes in our customers' business and budget plans; and
- (c) any factors beyond our control or adverse economic conditions which have a material effect on the equipment industry.

In the event we are unsuccessful in adapting to such development or circumstance in a timely manner, we may lose our customers and may face difficulty in securing sales from new customers, thus affecting our financial performance.

9.1.2 We are reliant on our equipment principals

Our Group relies on our equipment principals for the imaging, analytical and test equipment that we supply. As our Group does not manufacture or develop the equipment, our Group relies on the partnership with our equipment principals for our supply of a diverse range of equipment portfolio in order to meet our customers' demands.

In the event our equipment principals decide to cease distribution of certain equipment or a change in their business direction, this may result in disruption to our business and operations. Under such circumstances, our Group will need to seek out alternative equipment principals. However, this may take time and affect our ability to continuously meet customers' demands.

Further, our Group is also reliant on us maintaining our status as a registered distributor with our top 2 major suppliers for the equipment that we sell as part of our imaging, analytical and test solutions as disclosed in Section 7.15 of this Prospectus, by virtue of our Group's total purchases for the Financial Years Under Review and FPE 2023.

9. RISK FACTORS (Cont'd)

Supplier Group A is one of our top 2 major suppliers for the Financial Years Under Review and FPE 2023. Our purchases from Supplier Group A accounted for approximately 42.71%, 41.41%, 42.27% and 42.54% of our Group's total purchases for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

Supplier Group B is our other top 2 major suppliers for the Financial Years Under Review and FPE 2023. Our purchases from Supplier Group B accounted for approximately 18.49%, 20.79%, 21.10% and 18.81% of our Group's total purchases for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

Both Supplier Group A and Supplier Group B have been our suppliers for the past 8 years as at the LPD and we have subsisting distributorship agreements with both these suppliers. In this respect, both our top major suppliers have discretion with regards to the renewal of the distribution agreements. In the event our top 2 major suppliers grant new distributorships within the regions which we operate in, we may face increased competition in our industry. On the other hand, in the event our top 2 major suppliers choose to not renew or terminate our distributorship, our financial performance may be adversely affected.

Although we have established a good and long-standing relationship with our top 2 major suppliers, there is no assurance that there will be no disruption in supply from, or change in the relationship with, our top 2 major suppliers moving forward.

Any loss of our equipment principals or our top 2 major suppliers and our inability to replace them in a timely manner will negatively affect our Group's business operations and financial performance. As at the LPD, we have not been informed of any potential changes in the business strategies of our product principals which may materially affect our supply chain nor have we encountered any dispute or disagreement with any of our suppliers which has materially affected or may materially affect our business operations.

9.1.3 We are dependent on our Key Senior Management for the continued success and growth of our Group

We believe that our growth and success are, to a significant extent, dependent on the continued service, performance and efforts of our Executive Directors who play pivotal roles in our Group's day-to-day operations and who are adept and have extensive experience and market understanding in our business and industry. Our Executive Directors, LSW, ACM and YKM have been instrumental in the development of our business since our inception and have over the years, established long term relationships and built a network of customers and suppliers in the industry which significantly contribute to the continued success of our Group.

We are also reliant on the continued service of our Key Senior Management who have in-depth technical and operational knowledge relevant to the demands of our business operations as well as the needs of our customers, some of whom have been with our Group for over 20 years and are actively involved in the day-to-day operations and implementation of our business strategies. Our Key Senior Management play a significant role to the continuing success of our Group and is integral to the business and future development of our Group.

However, there is no assurance that we will be able to retain our Key Senior Management. The prevailing job market is ever competitive and this may result in difficulty in staff retention who may choose to pursue other opportunities. The loss of services from any of our Key Senior Management without suitable or timely recruit for replacements may result in an adverse effect on our Group's operations and financial conditions. For further information on the profiles of our Key Senior Management, please refer to Sections 5.1.2 and 5.4.3 of this Prospectus.

9. RISK FACTORS (Cont'd)

9.1.4 We are exposed to fluctuations in foreign exchange rates

We are exposed to fluctuations in foreign exchange rates as a certain part of our sales and purchases are transacted in foreign currencies. Our revenue denominated in foreign currencies accounted for 57.6%, 57.3%, 61.2% and 70.0% of our total revenue respectively, for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023. Our purchases denominated in foreign currencies accounted for 91.5%, 94.0%, 94.4% and 95.6% of our total purchases respectively, for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023. As such, any significant change in foreign exchange rates may affect our financial results. Please refer to Section 12.11 of this Prospectus for the breakdown of our revenue and purchases transacted in RM and the respective foreign currencies during the Financial Years Under Review and FPE2023.

The financial statements of our subsidiaries in Singapore are denominated in USD, whereas the financial statements of our subsidiaries in Thailand and the PRC are denominated in their respective local currencies THB and RMB. Consequently, any future fluctuations in foreign currencies against the RM may have an impact on our Group's reported profits.

We usually factor in a buffer to cater for foreign exchange fluctuations in our sale and purchase transactions. We coordinate our sales and purchases to be in the same currency as much as possible to minimise our foreign exchange exposure as a form of natural hedging. Notwithstanding that, there can be no assurance that the exchange rate fluctuations will not affect our Group's financial performance. Any adverse fluctuations in the foreign exchange rates may have an adverse impact on our Group's revenue and earnings.

9.1.5 We are subject to operational risks and the risk of inadequate insurance compensation

Due to the nature of our business, we are susceptible to various operational risks such as accidents, outbreaks of fire or floods and natural disasters, which may cause disruption to our business operations and damage to our inventory, demonstration equipment, office and shipment. For the Financial Years Under Review up to the LPD, we have not encountered any major disruptions due to operational risks. However, there can be no assurance that any occurrence of major incident in the future would not adversely disrupt our business operations.

We currently secure and maintain various general insurance policies for our business operations which coverage includes property all risks, personal accident and public liability. However, all the insurance policies undertaken by us are subject to exclusions and limitation of liabilities, both in amount and with respect to the insured events. Our insurance policies undertaken are also subject to periodic renewals, such renewals may affect factors such as insurance premium, terms and policy limits.

Although the insurance we maintain are adequate coverage for our business and customary to our industry and level of operations, there can be no assurance that in the event of insurance claims, our insurance coverage would be sufficient to compensate in all circumstances the extent of losses, damages or liabilities incurred. Consequently, our business and financial performance may be materially and adversely affected.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We face uncertainties on the end-user industries of our customers

The business of our Group may be reliant on the end-user industries of our customers. The end-user industries of our customers may be adversely affected by numerous factors such as changes in technology, decrease in regional or global demand, as well as political, economic, and regulatory risks. In the event of negative performance in the end-user industries of our customers, this may in turn affect the demand for our Group's solutions and equipment. There is no assurance that we would be able to continually anticipate changes in the market, consumer preferences and market trends. If we are unable to adapt to such market conditions promptly, our business operations and financial performance would be materially affected.

9. RISK FACTORS (Cont'd)

9.2.2 We are subject to technology advances and evolution

Our Group operates in an environment which is primarily focused on the utilisation of equipment, as such, we are required to continuously keep abreast the inherent rapid rate of technological evolution and the resultant ever-changing operational needs of our customers. Our industry frequently introduces improved and/or substitute technologies and in order for us to consistently offer quality and value-added services, it is imperative that we continue to seek feedback from our customers, participate in training and be involved in trade fairs and exhibitions to keep pace with latest technology developments in our industry.

While we seek to minimize these risks by actively and continuously procuring the newest model of equipment carried by our Group and pursuing advancement of our knowledge and expertise so as to enable us to cater to the specification demands and/or technological needs of our customers, there is however no guarantee that our range of equipment and/or solutions will continuously meet the customers' changing expectations. There is no assurance that we will be able to successfully anticipate technological changes and adapt in a timely manner. In such situation, our Group's business, financial conditions and results of operations may be adversely affected.

9.2.3 We face competition from other industry players

Notwithstanding our competitive advantages and key strengths, we continue to face competition from other existing and prospective local and international industry players which may be capable of offering similar equipment and solutions. The key areas of competition for our business comprise quality of services, pricing, proximity to customers and the range of solutions and equipment provided.

Whilst we strive to remain competitive, there can be no assurance that we will be able to compete effectively against our competitors and also new market entrants which may in turn affect our profit margins and/or a reduction in orders from our customers which may have a material and adverse impact on our business and financial performance.

9.2.4 We are subject to economic, social, political and regulatory risks in the countries in which we operate

We have business operations in Malaysia, the PRC, Singapore and Thailand. Accordingly, our business is subject to risks associated with conducting business internationally because we sell our solutions and, to a certain extent, purchase equipment, parts and components from overseas. We also have market presence in both local and international markets and therefore, we are susceptible to legal, regulatory, political and economic conditions as well as operational risks in the countries in which we operate.

In addition, our business is subject to various laws, rules and regulations. Please refer to Annexure A of this Prospectus for the list of our major licenses, permits and approvals. Our major licenses, permits and approvals are subject to compliance with relevant conditions where applicable. In the event of non-compliance, these licenses, permits and approvals may be revoked or may not be successfully renewed upon expiry. As at the LPD, our Group has complied with the conditions imposed on all our major licenses, permits and approvals from various governmental authorities and there is no action, pending or threatened, against us under any laws and regulations. However, any revocation or failure to maintain or renew any of the licenses, permits and approvals may disrupt and materially affect our business operations and financial performance.

9. RISK FACTORS (Cont'd)

As we continue to expand our business to foreign markets, our financial condition and results of operations could be affected by a variety of factors, including:

- Political and economic instability, including unfavourable changes in government policies resulting in the introduction of new regulations pertaining to our business as well as global and regional macroeconomic disruptions such as natural calamities, pandemics or other risks related to countries where we procure our equipment, components and parts or sell our solutions;
- Changes in trade protection measures and import or export restrictions and/or licencing requirements;
- Changes and risks with respect to international taxation, including transfer pricing regulations;
- Managing widespread operations and any increased travel, infrastructure and legal compliance costs associated with multiple international locations, particularly due to the imposing of any restrictions due to any public health outbreak of any contagious or virulent diseases;
- Difficulties in enforcing contracts and collecting accounts receivable because of distance and different legal rules;
- Global or domestic recession or economic slowdown; and
- Risks with respect to social and political crises resulting from terrorism, war and riots, amongst others.

Notwithstanding that our Group has not experienced any adverse political, economic, social and regulatory changes which has adversely affected our business operations and financial performance, our Group will continue to adopt prudent management and efficient operating procedures to mitigate these factors. Nevertheless, there can be no assurance that any adverse development in the economic, social, political and regulatory environment will not materially affect our Group's future financial results.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our Listing, there has been no prior market for our Shares. Our Listing does not guarantee that an active market for the trading of our Shares will develop, or if developed, that such market can be sustained.

There is also no assurance as to the liquidity of the 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.

Our IPO Price was determined after taking into consideration a number of factors as set out in Section 4.5 of this Prospectus, including but not limited to our historical financial performance, competitive strengths, business strategies and prospects, as well a financial and operating history.

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 or subsequent to our Listing and that the market price of our Shares will not decline below the IPO Price.

9. RISK FACTORS (Cont'd)

9.3.2 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and trading volume of our Shares could be subject to fluctuations as a result of various factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. Such factors may include variations in the results of our operations, changes in analyst's recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, the performance of the share prices and trading volumes of other companies listed on Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volume witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.3.3 There is no assurance of payment of dividends to our shareholders

Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded, excess of funds not required to be retained for working capital for our business, anticipated capital expenditure requirements, gearing and other investment plans. Further, our Company is a holding company and all our operations are primarily conducted through our subsidiaries and as such, our Company relies on dividends and other distributions from our subsidiaries as our Company's principal source of income.

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 12.15 of this Prospectus for further information on our dividend policy.

9.3.4 There may be a delay in or abortion of our Listing

Our IPO is exposed to the risk of potential failure or delay should the following events, amongst others, occur:

- (i) we are unable to meet the minimum public spread requirements under the Listing Requirements, i.e. at least 25% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the time of our Listing; or
- (ii) the Underwriter exercising its rights under the Underwriting Agreement to discharge itself of its obligations under such agreement;
- (iii) the revocation of the approvals from the relevant authorities prior to our Listing and/or admission for whatever reason.

Should any of the events occur, investors will not receive any Shares, and all monies paid in respect of the Application will be returned in full without interest within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and our Shares have been allotted to the investors, the return of monies to investors could only be achieved by way of cancellation of share capital as provided under Section 116 or 117 of the Act and its related rules. Such cancellation requires, among others, the sanction of our shareholders by special resolution in a general meeting and consent of our creditors (if required). There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

9. RISK FACTORS (Cont'd)

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

Following our Listing, we will have in issue 865,598,000 Shares, of which up to 265,939,100 Shares, will be held by investors participating in our Listing (representing approximately 30.72% of our enlarged issued share capital) and 69.28% will be held by the Promoters and substantial shareholders via their direct interests in our Company. Our Shares offered pursuant to our Listing will be tradable on the ACE Market of Bursa Securities following our Listing.

Notwithstanding our existing level of cash and cash equivalents, we may issue additional Shares in connection with our financing activities or otherwise. In addition, the Promoters and substantial shareholders could dispose of some or all of our Shares which they hold after the moratorium period pursuant to their own investment objectives. If the 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.

9.4 OTHER RISK**9.4.1 Our Promoters will be able to exert significant influence over our Company**

Upon completion of our IPO, our Promoters will collectively hold, directly and indirectly, an aggregate of 599,658,900 Shares, representing approximately 69.28% of our enlarged issued Shares. As a result, these shareholders, acting together, will be our controlling shareholders and have voting control over our Company and are expected to have significant influence on the outcome of certain matters, unless they are required to abstain from voting by law and/or by the relevant authorities. However, there can be no assurance that the interests of our Promoters will be aligned with those of our other shareholders.

Nevertheless, our Company has appointed 4 Independent Directors and they will play an active role in our Board's deliberations to ensure future transactions involving related parties are entered into on an arms-length basis, so as to facilitate good corporate governance whilst promoting greater corporate transparency.

9.4.2 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, there can be no assurance that such prospective statements or expectations or forecasts will subsequently materialise and the actual results may be materially different than those shown. Any deviation from these statements or expectations may have a material adverse effect on our business and financial performance.

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