

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS

9.1.1 We are dependent on certain major customers

For the FY Under Review and FP 2023, we are dependent on two of our top 5 customers, namely One Medicare Sdn Bhd and Pembinaan Mitrajaya Sdn Bhd as each of these customers accounted for 10.00% or more continuously in each of the FY Under Review and FP 2023.

- (i) One Medicare Sdn Bhd accounted for 11.13% (RM1.64 million), 19.29% (RM3.39 million), 20.11% (RM3.75 million) and 16.74% (RM2.81 million) of our total revenue for the FY 2020, FY 2021, FY 2022 and FP 2023 respectively. As at the LPD, we have 4 subsisting energy performance service contracts with One Medicare Sdn Bhd. These contracts are for 4 government hospitals in Sarawak namely Sarawak Heart Centre, Miri Hospital, Sarikei Hospital and Sibuh Hospital and their contract validities are from 2019 up to 2025 with the exception of Sarawak Heart Centre which commenced from 2020 to 2025. We have been dealing with One Medicare Sdn Bhd for 5 years in FP 2023.
- (ii) Pembinaan Mitrajaya Sdn Bhd accounted for 29.10% (RM4.28 million), 12.01% (RM2.11 million), and 10.54% (RM1.97 million) and RM0.31 million (1.83%) of our total revenue for FY 2020, FY 2021, FY 2022 and FP 2023 respectively. We have been dealing with this customer for 12 years in FP 2023. However, for the FY Under Review and FP 2023, the revenue contribution from this customer has been declining in terms of value and as a proportion of total revenue which reduces the level of dependency from this customer.

There is a risk that our financial performance and results of operations will be adversely affected if One Medicare Sdn Bhd terminate our contracts prematurely prior to the expiry of their respective subsisting contracts and we are unable to replace the shortfall in revenue from existing customers or new customers promptly. Furthermore, upon the expiry of the contracts, there is also the risk that we may not be able to secure any new contracts from these customers which could adversely affect our financial performance. Although we have been dealing with One Medicare Sdn Bhd and Pembinaan Mitrajaya Sdn Bhd for 5 years and 12 years respectively for FP 2023, there is no assurance that we will be able to continue to retain them as our customers.

9.1.2 Our business and financial performance are dependent on our ability to continually secure new and sizeable projects to ensure the sustainability and growth of our business

The nature of our business comprises project based revenue and ad hoc maintenance services which generate non-recurrent revenue. In addition, we have businesses that generate recurrent revenue including energy performance services and maintenance services. Our business is typically based on competitive bidding or requests for proposals. As such, we have to continually submit bids and proposals to compete against other service providers in order to secure new projects. There is a risk that we may not be able to secure sufficient new and sizeable projects to sustain or grow our business which would materially affect our future financial performance.

For the FY 2020, FY 2021, FY 2022 and FP 2023 our non-recurrent revenue accounted for 66.45% (RM9.78 million), 61.64% (RM10.84 million), 62.73% (RM11.70 million) and 67.81% (RM11.40 million) of our total revenue respectively. Our non-recurrent revenue includes systems integration of BMS, installation of solar thermal systems as well as ad hoc maintenance services for BMS and solar thermal hot water systems. The typical contract period for our systems integration of BMS and installation of solar thermal hot water systems ranges from 1 to 3 years.

9. RISK FACTORS (CONT'D)

Our recurrent business is derived from the provision of energy performance services as well as maintenance of BMS, solar thermal cooling systems and other systems and equipment including gas fired chillers. For the FY 2020, FY 2021, FY 2022 and FP 2023, the abovementioned services collectively accounted for 33.55% (RM4.93 million), 38.36% (RM6.75 million), 37.27% (RM6.95 million) and 32.19% (RM5.41 million) of our total revenue respectively. As at the LPD, we have 6 subsisting energy performance service contracts with our customers who are concessionaires of public hospital support services. The periods for our energy performance service contracts typically ranges from 4 to 6 years. At the end of the concession period, all the assets and systems revert to the customers and there is no option for renewal. As at the LPD, we have 6 subsisting energy performance service contracts expiring in 2025.

As at the LPD, we have a total unbilled order book of RM24.66 million. While our order book for energy performance services is up to 2025, there is no assurance that we will be able to continually secure new projects to sustain and grow our revenue and profitability. In the event we are unable to do so, this may materially affect our business growth and future financial performance. For further details on our order book, please refer to Section 12.7 of this Prospectus.

9.1.3 We may face early termination or suspension of our contracts which may adversely affect our financial performance

Our business operations in BMS, solar thermal systems and energy saving services, and maintenance of solar thermal cooling systems and gas fired chillers are based on contractual agreements with customers and these may be terminated or suspended before our specified scope of works are completed. The early termination or suspension of any contracts may adversely affect our financial performance if we are unable to recover our expenses before the termination of the contract as well as foregone potential revenue and profit. The risk of early termination or suspension of our project based contracts may be due to, among others, material non-performance of obligations by either party, by court order, insolvency, default of payment by customers, mutual agreement, inability to fulfil the terms and conditions of our contract, or factors beyond our control.

For the FY Under Review, FP 2023 and up to the LPD, we experienced a suspension in one of our projects relating to the supply, delivery, installation, testing and commissioning of the building management systems for a hotel and a service apartment in Klang, Selangor which was secured in June 2015. The total contract value for the project was RM0.62 million. In 2020, we suspended our installation works as there was no notification from our customer to proceed to the next stage of the project. Prior to the suspension of the project in 2020, we have completed approximately 70% of the total project which amounted to the contract value of RM0.43 million and as at the LPD, this amount has been fully collected.

Similarly, we also face the risk that our recurrent revenue based energy performance service contracts with the concession companies may be terminated early due to, among others, national interest, material non-performance of obligations by either party, court order, insolvency, default of payment by the customer or by mutual agreement or factors that are beyond our control.

As we are funding the project investment for the installation of the hybrid solar thermal hot water system and for some contracts, the retrofitting of LED lighting, the early termination of any energy performance service agreement with the concession companies may occur before the payment is sufficient for us to recoup the initial project investment. While the contracts commonly include a stipulation that the customer may pay us a specified sum if they choose to terminate the contracts early, there is no assurance that the payment would be sufficient to recover our initial project investment at the time of the early termination. The upfront project investment that we provide for our energy performance service contracts was partially financed by term loans. In the event the concession companies do not pay the monthly payments due to us, we may not be able to meet the repayment schedule for the respective term loans which may cause us to default on the term loans and/or be in financial distress.

9. RISK FACTORS (CONT'D)

For the FY 2020, FY 2021, FY 2022 and FP 2023, revenue contribution from our energy performance service contracts accounted for 18.35% (RM2.70 million), 27.92% (RM4.91 million), 27.61% (RM5.15 million) and 24.07% (RM4.05 million) of our total revenue. For the FY Under Review, FP 2023 and up to the LPD, we did not encounter any early termination of our energy performance service contracts. Nevertheless, there is no assurance that we would not face any early termination of our energy performance service contracts which may adversely affect our results of operations and financial performance.

9.1.4 As our customers' concessions with MOH will be expiring in 2025, we face the risk of not being able to secure any new energy performance service contracts in respect of this group of customers until their concession agreements with MOH are successfully renewed

For the FY Under Review, FP 2023 and up to the LPD, we serve customers which comprise companies who are holding concessions for providing public hospital support services in Malaysia. Our customers' concession agreement period for providing public hospital support services with the MOH will expire by March 2025. As at the LPD, we have 6 subsisting energy performance service contracts with such customers where our role is to install new solar thermal hot water systems and integrated with the existing fossil fuel boiler system, and for some contracts, it includes retrofitting the existing fluorescent lighting with LED lighting. For the FY 2020, FY 2021, FY 2022 and FP 2023, revenue derived from our energy performance service contracts accounted for 18.35% (RM2.70 million), 27.92% (RM4.91 million), 27.61% (RM5.15 million) and 24.07% (RM4.05 million) respectively.

The contract periods for our energy performance service contracts are typically from 4 to 6 years. As part of the energy performance service contracts with the concessionaires, we are responsible for funding the project investments for the installation of hybrid solar thermal hot water systems and retrofitting of LED lighting, where applicable. As our customers' concession agreements will be expiring by March 2025, there is a risk that our customers would not be seeking to enter into any new energy performance service contracts until their concession agreements are successfully renewed in 2025.

Although we have been serving these customers, there is no assurance that we may be able to continue to secure new energy performance service contracts as a subcontractor. As such, any negotiations with the existing concessionaires for energy performance service contracts, if at all, is likely to commence after the renewal of their concessions in 2025. Although there are opportunities to provide energy performance services within the private healthcare sector, there is no assurance that we would be able to secure any new energy performance contracts in the public sector.

9.1.5 Our business and financial performance may be affected by increases in the costs of our projects

An increase in the cost of the systems integration of BMS and/or installation of solar thermal hot water systems and/or provision of energy saving and maintenance services may adversely affect our profitability. Increases in costs may be caused by, among others, increases in the costs of labour, equipment, materials, subcontractors' fees and overheads. For FY 2020, FY 2021, FY 2022 and FP 2023, purchases of materials for BMS, solar thermal systems and energy saving services, and maintenance of gas fired chillers operations accounted 39.57%, 37.04%, 57.59% and 78.63% of our total purchases of materials and services respectively. Meanwhile, subcontracted services for BMS, solar thermal systems and energy saving services, and maintenance of gas fired chillers operations accounted for 60.43%, 62.96%, 42.41% and 21.37% of our total purchases of materials and services in FY 2020, FY 2021, FY 2022 and FP 2023 respectively.

There is a risk that our profitability may be adversely affected if we are not able to adequately factor in potential price increases of materials and services into our contracts or if we have to absorb any unanticipated cost increases during the duration of our contracts or if we have to

9. RISK FACTORS (CONT'D)

incur cost to carry out additional works based on instructions given by the customer which are still pending confirmation of variation order from the customer. During the FY Under Review and FP 2023, we experienced an overall gross loss of RM0.22 million for a BMS project which commenced in FY 2019 and was completed in FY 2022. This was mainly due to cost incurred for the additional works done as per written instructions given by the customer. However, the additional works done is still pending issuance of variation orders by the customer.

There can be no assurance that our financial performance and profitability would not be adversely affected by any future increases in the costs of materials and services pertaining to BMS, solar thermal hot water systems and energy saving services, and maintenance services.

9.1.6 We are dependent on our Directors and Key Senior Management

We are dependent on the experience, technical knowledge, and sales and marketing expertise from our Managing Director, Edison Kong and Executive Director, Eileen Liuk which are key to our Group's overall sustainability, development and growth. We are also dependent on our key senior management team for their experience, technical knowledge and expertise in their respective areas of responsibility, namely Gan Yee Shan, our Finance Manager, Khoirol Suhardi Bin Shaaban, our Technical Director, Ed Kamil Bin Md Bashah, our Project Director and Mohd Hanafy Bin Rasimon, our Project Director.

Our daily business operations and the successful implementation of our business strategies may be adversely affected if we lose the services of one or more of our Directors and key senior management and we do not promptly secure a suitable replacement. For more information on the profiles of our Directors and key senior management, please refer to Section 5 of this Prospectus.

9.1.7 We are subject to LAD if there were any delays in completing our projects according to the timeline stipulated in our contracts or penalties if the minimum guaranteed savings stipulated in the energy performance service contracts are not achieved

Depending on the contracts, our systems integration of BMS, installation of solar thermal systems and provision of energy saving services include project implementation timelines and milestones. Any delays in meeting specified project implementation timelines and milestones may lead to delays in recognising revenue and receiving payments. Furthermore, the customer may make claims for LAD against us if we fail to complete the project according to the specified timeline stipulated in the agreements. Delays in project implementation may be caused by factors including, among others, delay in handover from other contractors, unforeseen issues with the site upon handover such as engineering issues, safety and site conditions, accidents on site, delays in receiving materials, labour shortages, supply chain disruptions, delay from our subcontractors in meeting their obligations and unfavourable changes in government policies such as those relating to foreign labour.

For the FY Under Review, FP 2023 and up to the LPD, we have received written confirmation for the following LAD claims:

- (i) LAD claim of RM0.06 million from our customer which was attributed to a delay in the completion of the supply, installation, testing and commissioning of the hybrid solar hot water system for Ampang Hospital. The claim by the customer has been settled in FY 2021.
- (ii) LAD claim of RM0.09 million from our customer which was attributed to a delay in the installation of the hybrid solar hot water system and retrofitting of LED lighting for Sibul Hospital.

In addition, there is a potential LAD claim from a customer for the supply, install, testing, commissioning and maintenance of building management system for a resort development in

9. RISK FACTORS (CONT'D)

Terengganu which was expected to be completed by 1 July 2023. However, the progress of our installation works has been hindered as there was no power supply at the project site for us to proceed with the testing and commissioning. As at the LPD, we have notified the customer through written communications to inform them of our inability to proceed with our work.

Furthermore, depending on the terms and conditions stipulated in the energy performance services contracts, the payment for our energy performance services is subject to end-of-year adjustment ("EOYA") arising from the shortfall in meeting the minimum guaranteed savings. For the FY Under Review, FP 2023 and up to the LPD, we have received the following EOYA from our customers:

- (i) There was an EOYA with Customer E for the Hospital 3 Contract where there was a deduction of payment amounting to RM0.04 million arising from the shortfall in the actual energy savings and the guaranteed energy savings in FY 2021; and
- (ii) There was an EOYA with One Medicare Sdn Bhd for Sarikei Hospital Contract where there was a deduction of payment amounting to RM0.09 million arising from the shortfall in the actual energy savings and the guaranteed energy savings in FY 2021.

There can be no assurance that our projects will be completed on time in the future or that we will not be subject to any LAD claims in the event we are unable to obtain an extension of time from the customer. Similarly, we are unable to provide any assurance that we will be successful in achieving the minimum guaranteed savings stipulated in the energy performance service contracts with the respective customers during the duration of the contracts. In the event there are delays in project implementation and completion or if we are unable to achieve the minimum guaranteed savings in the energy performance service contracts, we will be subject to deductions in payment and/or LAD claims from our customers which would adversely affect our results of operations or financial performance.

9.1.8 We are subject to credit risk from either delay in collections or non-recoverability of trade receivables or retention sum

We are exposed to delays in collection of non-recoverability of trade receivables and/or retention sum from our customers. Our normal credit terms granted to our customers mainly range from 1 day to 60 days. If customers fail to pay us within the stipulated credit period or fail to pay us at all, we may be required to make an allowance for any impairment losses to our trade receivables or write off our bad debts, either of which would adversely affect our financial performance.

For the FY Under Review and FP 2023, we recorded net impairment loss on trade receivables of RM0.12 million, RM0.28 million and RM0.39 million in FY 2021, FY 2022 and FP 2023 respectively, which was recognised based on the ECL computed in accordance with MFRS 9. As at the LPD, we have subsisting legal proceedings against 4 customers for the recovery of outstanding receivables, of which only 1 legal proceeding is material. Please refer to Section 15.6 of this Prospectus for further details on the material litigation.

9.1.9 We are subject to defect liability claims which may adversely affect our financial performance

There is a risk that we may incur substantial expenses to make good our customers' defect liability claims. The contracts for our BMS and solar thermal systems and energy saving services include provisions for the customer to make claims against us in the event of poor workmanship, and manufacturing defects in the equipment installed during the defect liability period. The defect liability period for our systems integration of BMS and installation of solar thermal system contracts generally ranges from 12 months to 24 months after the date of the testing and commissioning report or the issuance of acceptance by our customers. We are responsible for making good any defects due to design, materials, equipment or workmanship

9. RISK FACTORS (CONT'D)

at no additional charges to the customer. We are also responsible for any costs related to repairing or replacing the affected equipment, such as transportation of personnel and equipment, labour cost and/or engaging subcontractors during the defect liability period.

For the FY 2020, FY 2021, FY 2022 and FP 2023, the cost incurred to make good any defects during the defect liability period was RM0.01 million, RM0.02 million, RM0.08 million and RM0.04 million respectively. Nevertheless, there can be no assurance that we will not be subject to material defect liability claims in the future which may adversely affect our financial performance.

9.1.10 We cannot assure that our business strategies and plans will be commercially successful

Our business strategies and plans are focused on leveraging from our key strengths and capitalising on our competencies in BMS, and solar thermal systems and energy savings services.

Part of our future strategies relating to business expansion comprises addressing opportunities in solar PV systems while other plans to support our existing business operations include expanding our headquarters, purchasing new tools and equipment for our BMS and solar thermal systems and energy saving services, as well as purchasing and subscribing to ICT software and services to improve our business operations. Please refer to Section 7.19 of this Prospectus for further details on our strategies and plans.

The prospects and future growth of our business are dependent, to a certain extent, on our ability to implement and execute our strategies and plans effectively and promptly. There is a risk that we may not be able to successfully implement our business strategies and plans according to the expected schedule nor can we provide assurance that our business strategies will be commercially successful or that we will be able to anticipate as well as mitigate all the business and operational risks associated with our strategies and plans. Some of the factors that may affect our timing and objectives to execute our business strategies and plans include, among others, the inability to secure sufficient funding and/or bank borrowings, limitations in human resources, insufficient expertise or experience, regulatory changes, competition and other unanticipated delays.

In the event of any delays or failures in executing our business strategies and plans effectively, our future business growth or expected financial prospects or returns may be adversely affected.

9.1.11 We are dependent on the quality of our subcontractors' work and any shortcomings may subject us to claims that may affect our financial performance or market reputation

We engage subcontractors to carry out the installation works for BMS, installation works for solar thermal hot water systems and retrofitting of LED lighting as well as maintenance of solar thermal hot water and cooling systems and gas fired chillers. All our subcontractors work under our supervision and project management. Furthermore, some of the materials used in the installation of BMS and solar thermal hot water systems are supplied by the respective subcontractors, such as electrical wiring and piping. During the FY Under Review and FP 2023, subcontracted services accounted for 60.43% (RM6.21 million), 62.96% (RM5.20 million), 42.41% (RM3.05 million) and 21.37% (RM1.57 million) of our total purchases of materials and services for the FY 2020, FY 2021, FY 2022 and FP 2023 respectively.

We may be subject to claims by our customers if there are any shortcomings in our subcontractors' work such as the failure to carry out the required works according to specifications, completing the works on time, delivering substandard works or using defective or poor quality materials. This may result in our customers making claims against us to make good the defects during the defect liability period or other claims. We may incur additional costs to settle such claims or make good the defects, which may adversely affect our financial performance or market reputation.

9. RISK FACTORS (CONT'D)

In FY 2020, we experienced an incident where one of our subcontractors in East Malaysia whom we have appointed to work on previous projects absconded without completing the installation works for the Hospital 1 Contract. As a result, we had to engage another subcontractor to complete the installation works for the Hospital 1 Contract as well as the rectification of work done by this subcontractor for 3 other projects, namely the Miri Hospital Contract, Sibu Hospital Contract and Hospital 2 Contract.

For the FY Under Review, FP 2023 and up to the LPD, we have not received any defect liability claims from our customers caused by our subcontractors. Nevertheless, there can be no assurance that we would not receive any claims from our customers due to the work of our subcontractors in the future.

9.1.12 Our business depends on the retention and procurement of certain registrations and licences

As a provider of systems integration of BMS and solar thermal systems and energy saving services for private and public buildings, we are required to obtain and hold valid registrations and/or licences with authorities such as CIDB, Energy Commission, and the Ministry of Finance. Please refer to Section 6.10 of this Prospectus for further details of the required registrations and licences.

We must comply with any regulations, terms and conditions imposed by the relevant authorities to retain such registrations and/or licences. This includes notifying and submitting to CIDB information and documents relating to construction works secured, whether new or otherwise, including changes in the value of the construction works, as well as making levy payments. Failure to comply with the regulations, terms and conditions may result in the imposition of fines and penalties, suspension, cancellation or non-renewal of our registrations and licences. The failure to keep or renew promptly the requisite registrations and licences could result in the suspension or restrictions in our business operations including our ability to participate in tenders, inability to carry out our work or participate in energy performance services which would adversely affect our business and financial performance.

For the FY Under Review, FP 2023 and up the LPD, we have not encountered any suspension or non-renewal regarding registrations and/or licences.

9.1.13 Any breaches of health, safety and environment (“HSE”) laws and regulations may result in penalties including the suspension of our operations

We must comply with the relevant HSE laws and regulations at the worksites. These HSE laws and regulations are concerned with, amongst others, the occupational health and safety of our employees and contract workers as they perform their work, and the effect that our work may have on the environment and occupants and visitors of the buildings.

Failure to comply with the relevant HSE laws and regulations, and events such as worksite accidents that injure or harm our employees, contract workers and people within the premises may lead to the relevant authorities taking action against us, such as suspending or restricting our operations at the affected worksite and/or taking administrative or legal action against us.

During the FY Under Review, FP 2023 and up to the LPD, there were no workplace accidents and we have not made any insurance claims in relation to workplace injuries or accidents. There have been no breaches or failure to comply with the relevant HSE laws and regulations that resulted in any of the negative consequences described above. However, there can be no assurance that our business operations will not be adversely affected by workplace accidents, breaches or non-compliance with the relevant HSE laws and regulations in the future.

9. RISK FACTORS (CONT'D)

9.1.14 We are subject to any changes in Government regulations or policies relating to energy performance contracting initiative for our energy performance service contracts

Energy performance contracting is an initiative by the Malaysia Government that was approved in 2013 to promote energy efficiency in public sector buildings. These concession companies have direct energy performance contracting agreements with the Ministry of Health Malaysia. We are a subcontractor and service provider to the concession companies. As at the LPD, we have entered into 7 energy performance service contracts with our customers who are the concession companies providing hospital support services in Malaysia, of which 1 has been completed.

There is a risk that the Malaysia Government may stop, redefine or curtail energy performance contracting activities for government buildings or discontinues or reduces energy performance contracting activities for its public hospitals, all of which may materially reduce the demand for our energy performance services in the public healthcare sector. Furthermore, we may be subject to changes in Government regulations or policies which may affect our ability to secure new energy performance service contracts on terms and conditions that are financially viable to us. If such an event occurs, a material proportion of our business growth will be affected, which may adversely affect our future financial performance.

9.1.15 Our insurance coverage may not cover all losses or liabilities that may arise from our business operations and are subject to renewal

Carrying out our business operations at our operational facilities and worksites involves risks and hazards including, but not limited to, workplace accidents, fire, flood and other natural disasters. To protect against various losses and liabilities, we maintain general insurance coverage for our business operations as a whole, as well as specific insurance coverage for some of our contracts at levels that are stipulated in such contracts or at levels that we believe are customary to the nature of our business. We maintain insurance policies covering, amongst others, fire, motor vehicle insurance, erection all risks, contractor's all risks, workmen's compensation, some of which are required by contract and by law. Despite our insurance coverage, our business operations and financial performance may be adversely affected if we suffer losses or liabilities from events that are not covered by our insurance policies, or if the losses or liabilities incurred exceed our insurance claim limits.

All of our insurance policies must be renewed periodically and are subject to changes in the insurance premium, terms and/or claim limits. If there is a significant increase in the premium on any insurance policy, we may incur higher costs to maintain our insurance coverage at the same level or we will have to reduce the level of our insurance coverage. There is also a risk that we are unable to renew or replace our insurance policies when they expire.

9.1.16 We are subject to foreign exchange risks

Our business is exposed to the risk of foreign exchange fluctuations where 4.24%, 16.42%, 36.01% and 47.02% of our purchases of materials and services including subcontractors' costs for FY 2020, FY 2021, FY 2022 and FP 2023 respectively were transacted in foreign currencies including US Dollar (USD), Renmimbi (RMB), Singapore Dollar (SGD) and Euro. Any unfavourable foreign exchange fluctuations to the RM will adversely impact our financial performance.

The breakdown of our revenue and purchases transacted in RM and other currencies for the FY Under Review and FP 2023 are as follows:

	FY 2020 RM'000	FY 2021 RM'000	FY 2022 RM'000	FP 2023 RM'000
Revenue	14,709	17,594	18,648	16,806
- RM	14,334	17,408	18,587	16,663

9. RISK FACTORS (CONT'D)

	FY 2020 RM'000	FY 2021 RM'000	FY 2022 RM'000	FP 2023 RM'000
- USD	375	186	61	143
Purchases	10,270	8,262	7,198	7,356
- RM	9,835	6,905	4,606	3,897
- USD	335	845	2,326	3,294
- RMB	-	299	-	-
- SGD	98	213	266	165
- EUR	2	-	-	-

As at the LPD, we do not have any foreign currency forward hedging contracts.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We are subject to risks inherent in the property and construction industry

We are involved in the systems integration of BMS and installation of solar thermal systems and energy saving services mainly for commercial, industrial and institutional buildings. The demand for our services would come existing buildings as well as new buildings. As our services include upgrading of BMS in existing buildings, installation of hybrid solar thermal hot water system and retrofitting of LED lighting for existing public hospitals as well as maintenance services, our services are, to a certain extent, dependent on the property and construction industry.

From this perspective, the growth or decline of new properties and the renovation market would affect operators within the BMS and solar hot water thermal system industry. As we continue to operate within this industry, our business will be subject to the inherent risks in the property and construction industry, which include, among others, general economic conditions, business and consumer sentiments which may affect the general demand for property investment and construction activities.

Risks inherent in the property and construction industry would equally affect operators involved in the systems integration of BMS and installation of solar thermal systems and energy saving services as these services are also applicable for new as well as existing properties.

9.2.2 Technological developments in solar hot water systems may result in other more cost efficient renewable and environmentally friendly heating methods

Our solar thermal hot water system is based on renewable and environmentally friendly energy using sunlight. In Malaysia, hot water systems commonly use diesel or LPG which are non-renewable fossil fuels, as well as electricity which are mainly generated using coal and natural gas as the primary fuel sources.

Although solar thermal represents an environmentally sustainable means of heating water, there is a risk that technological developments in other types of renewable energy sources or methods may render solar thermal hot water systems becoming less cost effective or relevant.

Some of these may include renewable and environmentally sustainable energy sources such as wind and solar PV used to generate electricity or hydrogen fuel to heat water, especially if their resultant unit cost falls significantly compared to using solar thermal energy. This may result in the displacement of solar thermal hot water facilities as the preferred method of generating hot water, and consequently, this would adversely affect our business operations, financial performance and prospects.

9. RISK FACTORS (CONT'D)

9.2.3 We are subject to the risk of competition from providers of similar products and services

We are subject to competitive pressure from operators that provide similar products and services as well as different technologies that perform similar functions. As of 16 January 2024, there were 6,307 local mechanical and electrical (M&E) contractors registered with the CIDB focusing on building automation systems, of which 1,335 of them are Grade 7 contractors. Meanwhile, there were 616 local M&E contractors registered with CIDB as hot water system contractors, of which 223 of them are Grade 7 contractors and 328 ESCO registered with the EC. (*Source: IMR Report*)

Although we have our competitive advantages, there is no assurance that we will be able to compete effectively against our peers. In the event we are unable to remain competitive or unable to build on our competitive advantages and key strengths moving forward, our prospects and financial performance may be adversely affected.

9.2.4 We are subject to economic, social, political and regulatory risks in Malaysia as well as the occurrence of force majeure events such as global pandemic risks and geo-political conflicts

Any adverse changes in the political, social, economic and regulatory conditions in Malaysia may affect our business operations and financial performance. Changes in the political, social, economic and regulatory conditions could arise from, among others, the following:

- changes in domestic and global political leadership, geopolitical events, expropriation or nationalisation, deterioration of international bilateral relationships, trade sanctions, imposition of tariffs, acts of terrorism, riots and wars;
- changes in domestic fiscal and monetary policies affecting interest rates, methods of taxation and tax policies;
- prolonged pandemic or the emergence of new epidemics or pandemics; and
- others such as foreign worker levy, unemployment trends, and other matters that may influence consumer and business confidence and spending.

Our customers' products and services are also dependent on domestic and/or global demand for their respective products and services. Any adverse events may cause our customers to revise, defer, halt or abandon their development or expansion plans. As such, there can be no assurance that any adverse economic, social, political, and regulatory developments which are beyond our control, will not materially affect our business operations and financial performance.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 There has been no prior market for our Shares

Prior to our Listing, there has been no public market for our Shares. Hence, there is no assurance that upon our Listing, an active market for our Shares will develop, or if developed, that such market can be sustained. The IPO Price was determined after taking into consideration a number of factors, including but not limited to our financial and operating history, our competitive strengths, our future plans and strategies, as well as the industry overview as detailed in Sections 7 and 8 of this Prospectus. There is also 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 price at which holders would be able to sell our Shares.

There can be no assurance that the IPO Price will correspond to the price at which our shares will trade on Bursa Securities upon 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 volume of our Shares following our Listing may be volatile

After our Listing, the trading price and volume of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, the performance of 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. Sentiments are also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of 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 Our Promoters will be able to exert significant influence over our Company

Upon our Listing, our Promoters will hold 305,152,460 Shares, which represents 72% of our enlarged issued share capital upon Listing. As a result, our Promoters will be able to, in the foreseeable future, effectively control the business direction and management of our Group, including the election of Directors, the timing and payment of dividends as well as having majority voting control over our Company 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 will be aligned with those of our other shareholders.

9.3.4 We may not be able to declare dividends to our shareholders

Our Group's ability to pay dividends to our shareholders is dependent on, amongst others, our future financial performance, cash flow positions, capital requirements, compliance with bank covenants as well as the implementation of our business plans. Our ability to pay dividends to our shareholders may be affected should these factors deteriorate and as such, there can be no assurance that we will be able to pay dividends to our shareholders. In addition, dividends are not guaranteed and our Board, at its discretion, may decide not to pay dividends at any time and for any reasons. If we do not pay our shareholders dividends, or if the dividends paid are lower compared to levels anticipated by our investors, the market price of our Shares may be negatively affected, reducing the value of any investment in our Shares.

9.3.5 Our listing may be delayed or aborted

Our Listing may be delayed or aborted should any of the following events occur:

- (i) we are unable to meet the public shareholding spread requirements under the Listing Requirements, where 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, with each holding not less than 100 Shares at the point of our Listing;
- (ii) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligation therein; and
- (iii) revocation of approvals from relevant authorities for our Listing.

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 fourteen (14) days, failing which the provisions of Section 243(2) of the CMSA will apply.

9. RISK FACTORS (CONT'D)

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 Section 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.

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