

## Risk Factors – UKMCar (APPVAST SERVICES)

This section outlines the key risks associated with the UKMCar e-hailing platform and the mitigation strategies implemented by AppVast Services to address them. Investors should carefully review these risks before reserving units under the Conditional Share Purchase Agreement (CSPA). All risks are disclosed in compliance with the Cooperative Societies Act 1993, the Capital Markets and Services Act 2007, and guidelines from the Malaysia Cooperative Societies Commission (SKM) and Securities Commission Malaysia (SC). Additional details are available in the Project Information Memorandum at [www.ukmcar.com/investors](http://www.ukmcar.com/investors).

### 1. Regulatory & Legal Risks

- **Risk:** The e-hailing industry is regulated by the Land Public Transport Agency (APAD), requiring an operator license, driver certifications, and vehicle compliance. Failure to secure approvals or comply with SKM (for cooperative registration) and SC (for fundraising) could halt operations. Additionally, changes in regulations (e.g., stricter driver licensing) may increase costs.
- **Impact:** Delays in launch, fines (up to RM500,000 under APAD rules), or suspension of operations; potential investor refunds if cooperative formation fails within 12 months.
- **Mitigation:**
  - Engage reputable legal counsel to submit APAD license application by Month 4 and SKM cooperative registration by Month 3, ensuring compliance with all requirements.
  - Allocate RM10,000–RM15,000 for legal and compliance costs, including by-law drafting and audits.
  - Monitor regulatory updates via APAD and SKM websites ([www.apad.gov.my](http://www.apad.gov.my), [www.skm.gov.my](http://www.skm.gov.my)); maintain dialogue with regulators.
  - Include force majeure clause in CSPA to address unforeseen regulatory delays.

### 2. Financial Risks

- **Risk:** Fundraising may fall short of the RM2 million target (1,000,000 units at RM2), or operating costs may exceed the budgeted RM384,500–RM587,000. Delays in cooperative formation could trigger refund obligations (RM1.40 + RM0.50/unit).
- **Impact:** Insufficient funds for app development, marketing, or operations; potential liquidity issues if refunds are demanded.
- **Mitigation:**
  - Use phased fundraising.
  - Maintain a RM50,000–RM75,000 contingency fund (15% of budget) to cover cost overruns.

- Seek alternative funding (e.g., Cradle Fund grants up to RM500,000) if reservations are insufficient.
- Implement lean operations: prioritize pilot in UKM Bangi, Selangor, and KL to minimize initial costs.
- Provide quarterly financial updates to investors via [www.ukmcar.com/investors](http://www.ukmcar.com/investors).

### 3. Market & Adoption Risks

- **Risk:** Riders and drivers may prefer established competitors due to brand trust, wider availability, or better pricing. Students (core demographic) may not adopt UKMCar at scale.
- **Impact:** Slow adoption (below 50,000 users, 10,000 drivers in Year 1), reduced revenue (below projected RM1.5 million), and weakened cooperative viability.
- **Mitigation:**
  - Offer competitive pricing: 15% commission, base fare RM5 + RM1/km + RM0.50/min.
  - Launch targeted marketing: RM50,000–RM75,000 for TikTok, Instagram, and campus roadshows at UKM, UM, UPM, and UIA.
  - Provide rider incentives: RM5 off first ride, RM5 referral bonuses; driver incentives: RM50 signup bonus.
  - Emphasize cooperative model: Daily surplus distributions and community ownership to build loyalty.
  - Pilot in high-demand areas (UKM Bangi, Selangor, KL) to ensure early traction.

### 4. Operational Risks

- **Risk:** Recruiting and retaining 10,000 licensed drivers by Year 1 may be challenging due to APAD requirements (e.g., RM800–RM1,000 licensing costs) and competition. Insufficient drivers could disrupt service.
- **Impact:** Inability to meet rider demand, leading to poor user experience and reputational damage.
- **Mitigation:**
  - Target UKM students and local drivers for initial 500–1,000 recruits, offering fast-track onboarding and training (RM15,000–RM25,000 budget).
  - Provide competitive driver incentives: RM50 signup bonus, low 15% commission, and daily surplus shares for cooperative members.
  - Partner with driving schools to streamline APAD licensing compliance.
  - Implement driver retention programs: performance bonuses, safety training, and feedback channels.
  - Monitor driver metrics daily via app analytics; adjust incentives if recruitment lags.

## 5. Technology Risks

- **Risk:** The UKMCar app may face bugs, downtime, payment failures, or cybersecurity breaches (e.g., data leaks). Poor technology could deter users in a competitive market.
- **Impact:** Loss of user trust, reputational damage, or legal liabilities (e.g., Personal Data Protection Act 2010 fines up to RM300,000).
- **Mitigation:**
  - Allocate RM100,000–RM150,000 for professional app development, including AI matching, GPS, and FPX integration.
  - Conduct beta testing with 100 users by Month 5 to identify and fix issues pre-launch.
  - Invest in cybersecurity: SSL encryption, DDoS protection, and regular audits (RM10,000–RM15,000/year for servers).
  - Maintain 24/7 customer support (RM10,000–RM15,000 setup) with live chat and call center.
  - Use backup servers and failover systems to minimize downtime.

## 6. Competitive Risks

- **Risk:** Larger competitors may lower prices, offer promotions, or leverage brand dominance to capture market share. New entrants could further intensify competition.
- **Impact:** Loss of riders and drivers, reduced revenue, and slower cooperative growth.
- **Mitigation:**
  - Differentiate via cooperative model: daily surplus distributions and member ownership create loyalty competitors cannot replicate.
  - Maintain low 15% commission and affordable fares to attract price-sensitive users.
  - Introduce unique features: female-only rides, student discounts, and integration with public transport (planned for Year 2).
  - Monitor competitor pricing via web searches and adjust dynamically if needed.
  - Allocate RM20,000–RM30,000 for ongoing marketing to sustain visibility post-launch.

## 7. Profit Distribution Risks

- **Risk:** Daily surplus distributions may be delayed or insufficient due to slow revenue growth, high operating costs, or regulatory restrictions on cooperative payouts. Cash flow issues could arise from maintaining reserves.
- **Impact:** Investor dissatisfaction, potential disputes, or reduced trust in the cooperative model.
- **Mitigation:**

- Implement transparent financial reporting: monthly audited statements shared via investor portal.
- Set realistic distribution policies in by-laws: 20% of surplus retained for operations, remainder distributed daily if positive cash flow.
- Maintain RM50,000–RM75,000 contingency fund to cover shortfalls.
- Offer fallback to weekly/monthly distributions if daily payouts are unsustainable.
- Communicate delays promptly with clear explanations and revised timelines.

## 8. Economic & External Risks

- **Risk:** Economic downturns, inflation, or fuel price hikes (e.g., petrol at RM2.05/liter in 2025) could reduce rider demand or increase driver costs. Force majeure events (pandemics, natural disasters) may disrupt operations.
- **Impact:** Lower revenue, higher expenses, or operational halts; potential refund obligations if cooperative formation fails.
- **Mitigation:**
  - Use dynamic pricing to adjust fares based on fuel costs and demand.
  - Maintain RM1 million liability insurance to cover operational disruptions.
  - Include force majeure clause in CSPA to extend timelines for delays beyond control.
  - Diversify revenue streams (e.g., in-app ads, premium rides) to offset economic impacts.
  - Provide quarterly economic updates to investors via [www.ukmcar.com/investors](http://www.ukmcar.com/investors).

## Notes

- **Investor Protection:** The CSPA ensures refunds (RM1.40 + RM0.50/unit) if cooperative formation fails within 12 months, mitigating financial exposure.
- **Regulatory Compliance:** All mitigations align with APAD, SKM, and SC guidelines, minimizing legal risks.
- **Transparency:** Quarterly updates and audited financials build investor trust and reduce dispute risks.
- **Market Context:** Risks are informed by industry data and Malaysian e-hailing regulations.

Investors are encouraged to consult financial advisors and review the Project Information Memorandum at [www.ukmcar.com/investors](http://www.ukmcar.com/investors) for further details.