8. RISK FACTORS

OUR BUSINESS IS SUBJECT TO A NUMBER OF RISK FACTORS, MANY OF WHICH ARE OUTSIDE OUR CONTROL. THESE RISK FACTORS MAY HAVE A MATERIAL ADVERSE IMPACT ON OUR BUSINESS OPERATIONS, FINANCIAL POSITION AND PERFORMANCE. BEFORE INVESTING IN OUR SHARES, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING KEY RISK FACTORS.

If you are in any doubt as to the information contained in this section, you should consult your stockbroker, bank managers, solicitors, accountants or other professional advisers.

8.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

8.1.1 We are dependent on our major customers

We are dependent on 3 of our major customers namely, Electro Scientific Industries group of companies, Customer S and Teradyne. These companies in aggregate contributed approximately 78.09%, 86.45%, and 92.16% to our revenue for the FYE 2018, FYE 2019 and FYE 2020, respectively. The breakdown of their contribution are as follows:

	FYE 2018		FYE 2019		FYE 2020	
	Revenue contribution		Revenue contribution		Revenue contribution	
	(RM'000)	(%)[(a)]	(RM'000)	(%)[(a)]	(RM'000)	(%)[(a)]
Electro Scientific Industries group of companies	13,742	49.75	8,709	28.73	7,716	18.77
Customer S	4,123	14.93	15,093	49.80	21,703	52.81
Teradyne	3,704	13.41	2,397	7.91	8,459	20.58
Total	**21,569**	**78.09**	**26,199**	**86.44**	**37,878**	**92.16**

Note:

(a) The total revenue of our Group for the FYE 2018, FYE 2019 and FYE 2020 are RM27.62 million, RM30.31 million and RM41.10 million, respectively.

The aforementioned major customers are mainly involved in the semiconductor industry and our products sold to these customers contribute to our sheet metal fabrication segment, CNC machining segment and assembly services segment. Further details on Electro Scientific Industries group of companies, Customer S and Teradyne are provided in Section 6.18 of this Prospectus.

We are dependent on our above major customers and the loss of any of these major customers, if not replaced with new customers or with additional orders from other existing customers in a timely manner, may result in a loss of revenue and adversely affect our financial condition and results of operation.

Our ability to continue securing purchase orders from these major customers are dependent on several factors including, amongst others, our ability to meet customers' specification and requirements, competitive pricing, prompt delivery of products, as well as continued customer service. Any disruptions in customer orders which may result in the loss and / or any reduction in purchase orders which could adversely affect our Group's business operations and financials. Further, even if we are able to secure new customers, there is no assurance that we will be able to register the same level of sales volume and / or profit margins. As such, if any adverse events occur, our financial performance would be adversely affected.

8.1.2 We are subject to risk of fluctuation of foreign exchange rate

Our Group has foreign currency exposure arising from sales to both local and foreign country customers, as well as purchases of imported raw materials. For the Financial Years Under Review, our sales and purchases denominated in foreign currencies are as follows:

Sales

	FYE 2018		FYE 2019		FYE 2020	
	Revenue contribution		Revenue contribution		Revenue contribution	
	(RM'000)	(%)[(a)]	(RM'000)	(%)[(a)]	(RM'000)	(%)[(a)]
USD	25,408	92.00	28,681	94.64	39,449	95.98
Total	**25,408**	**92.00**	**28,681**	**94.64**	**39,449**	**95.98**

Purchases

	FYE 2018		FYE 2019		FYE 2020	
	Purchases contribution		Purchases contribution		Purchases contribution	
	(RM'000)	(%)[(b)]	(RM'000)	(%)[(b)]	(RM'000)	(%)[(b)]
USD	966	14.50	112	2.25	242	4.10
RMB	1	0.01	-	-	34	0.58
SGD	171	2.57	51	1.03	61	1.03
Others[(c)]	34	0.51	1	0.02	8	0.14
Total	**1,172**	**17.59**	**164**	**3.30**	**345**	**5.85**

Notes:

(a) Based on the revenue of the Group for the FYE 2018, FYE 2019 and FYE 2020 of RM27.62 million, RM30.31 million and RM41.10 million, respectively.

(b) Based on the total purchases of raw materials of the Group for the FYE 2018, FYE 2019 and FYE 2020 of RM6.66 million, RM4.96 million and RM5.90 million, respectively.

(c) Comprises purchases denominated in Euro.

As shown above, we are exposed to foreign currency exchange gains or losses arising from timing differences between billings / invoices and actual receipt from customers / actual payment to suppliers. Therefore, any unfavourable fluctuations in these foreign exchange rates may have an adverse impact on our financial performance and profitability.

We currently do not use any financial instrument to hedge our exposure against transactions in foreign currency. However, our purchases denominated in USD are to a certain extent, naturally hedged through us maintaining the receipt from our overseas customers in a foreign currency account for payment to overseas suppliers. Nonetheless, there can be no assurance that any other foreign exchange administrative rule imposed or varied by any relevant authority from time to time will not materially affect the business and / or financial performance of our Group. Neither can there be any assurance that our foreign currency exchange exposure will be adequately hedged. We also constantly monitor and review our need to hedge. Should this exposure become substantial, we may need to enter into derivatives contracts with banking institutions to minimise the impact of the foreign fluctuations.

Please refer to Sections 11.3.1(ii), 11.3.4 and 11.3.5 of this Prospectus respectively, for the breakdown of foreign-denominated sales by currency and our foreign exchange gain / loss.

8.1.3 We are dependent on our Managing Director, Executive Director and Key Senior Management for the continuing success of our Group

The continuing success of our Group's business is dependent on the experience, knowledge and skills, efforts and capabilities of our Managing Director, Executive Director and Key Senior Management who play significant roles in our day-to-day operations as well as the development and implementation of our business strategies. Our Chief Executive Officer and Chief Financial Officer, who play significant roles in running our operations and implementing our business strategies are on service contracts up to 31 January 2024 and 30 November 2023, respectively. Please refer to Section 5.7 of this Prospectus for further details on our Chief Executive Officer and Chief Financial Officer's service contracts. As such, the loss of service from our Managing Director, Executive Director and / or any of our Key Senior Management without any suitable and prompt replacement may adversely impact our business operations and financial performance.

In order to ensure smooth succession planning, we have put in place human resource strategies, which include competitive remuneration packages, incentive scheme and a variety of on-going training and development programmes. Nonetheless, there can be no assurance that the abovementioned measures will be successful in retaining our key management or in ensuring a smooth management succession plan.

The profiles of our Managing Director, Executive Director and Key Senior Management are set out in Section 5 of this Prospectus.

8.1.4 Our financial performance may be materially affected in the event of revocation or expiry of the pioneer status of our Subsidiaries

Both of our Subsidiaries were granted pioneer status by MITI for the following activities:

(a) STSB for the design, development and manufacture of semiconductor test head manipulator, which entitles STSB for tax exemption of Malaysian income tax for income derived from these activities. The tax incentive period for the pioneer status is for a period of 5 years effective on 22 January 2015 to 21 January 2020, and has subsequently been extended for another 5-year period up to 21 January 2025.

(b) EEASB for the production of factory automation machine and related modules, which entitles EEASB for tax exemption of Malaysian income tax for income derived from these activities. The tax incentive period for the pioneer status is for a period of 5 years effective 1 November 2018 to 31 October 2023.

    Subsequent to the Acquisitions, EEASB had submitted the Waiver Application to MITI. As at the LPD, this Waiver Application is still pending.

    For illustration purposes, assuming that the Waiver Application is not approved, EEASB will not be able to maintain its pioneer status which would have resulted in additional tax payable. For the FYE 2020, computed based on taxable income and the prevailing tax rate of 24%, the tax payable by EEASB would have been approximately RM1.64 million (EEASB's actual tax payable for the 16-month FPE 31 December 2020 is RM16,000.00 which translated to an effective tax rate of 0.64%).

The effective tax rate of our Group for the FYE 2018, FYE 2019 and FYE 2020 were 5.95%, 12.78% and 5.91%, respectively. As such, upon expiry and / or revocation of the pioneer status of any / all our Subsidiaries, income generated from the respective Subsidiaries will be subject to the applicable statutory tax rates and this will directly affect our financial performance.

Please refer to Section 6.13 for further information on the pioneer status conditions imposed for STSB and EEASB.

8.1.5 We are dependent on skilled workers and the availability of foreign workers for our manufacturing operations

Majority of our manufacturing operation is semi-automated with customised instructions programmed in the machineries. Notwithstanding the above, we are still dependent on skilled workers to program and operate the machineries to meet the specifications and requirements of each customer. In addition, the skilled workers are required to oversee the transfer process of intermediary products from one machine to another for the next step in the fabrication process.

As at the LPD, our Group has 46 foreign workers (representing approximately 24.08% of our total workforce), comprising 9 from Myanmar and 37 from Nepal. Apart from 2 foreign workers from Nepal who are security guards, the rest of the foreign workers are responsible in the production operations and such foreign workers account for approximately 30.34% of our production workforce. The total number of employee in the production operations is 145. As such, our Group, to a certain extent, is dependent on foreign workers for our production operations. Please refer to Section 6.17 of this Prospectus for more information on our foreign workers.

Effective from 1 January 2021, it is mandatory for employers to advertise job openings on MYFutureJobs before opening the job vacancy to foreigners. MYFutureJobs is a national online job portal which allows the Ministry of Human Resources to match local workers with job vacancies to ensure that local workers are given priority for employment opportunities. The cost associated to hiring local workers may be higher compared to hiring foreign workers. This may result in an increase in our production cost and reduction in our profit margins if we are unable to pass on the additional cost to our customers.

In addition to the above, any increase in levy of foreign workers, suspensions and quota restrictions for the hiring of foreign workers may cause difficulties in employing sufficient labour for our manufacturing process. Any unfavourable changes in the policies on foreign workers and delays in foreign worker registrations may have a material and adverse effect on our operations and financial performance.

8.1.6 Absence of long-term contracts with our customers

Our Group's sales are secured based on confirmed purchase orders placed by our customers on an as-needed basis as we do not have any long-term contracts with our customers. The absence of long-term contracts with our customers is due to the nature of the industry that our customers operate in, which is subject to technological changes, market trends and rapid improvements in industry standards that would result in frequent changes in product design and specifications. Instead, our major customers would provide us with a forecast of their intended purchase volume on a rolling 3 to 6 months period. Nonetheless, our actual sales would still be based on purchase orders from our customers from time to time which may vary from the forecasted volume.

The absence of long-term contracts may pose a risk as our customers are not obliged to purchase products from us. As such, they may reduce the order quantity and / or could totally cease to purchase from us at any point of time. The loss of any customer or reduction in any sale order or quantity from any customers, particularly our major customers, if not replaced with new customers or with additional orders from other existing customers in a timely manner, may result in a loss of revenue and adversely affect our financial condition and results of operation.

Over the years, despite the absence of long-term contracts with our customers, we have managed to increase our purchase orders from our customer by providing customised solutions and building strong relationships with them. Further, we aim to ensure customer satisfaction by meeting their product specifications and requirements, strengthening relationships with existing customers and establishing relationships with new customers to grow our customer base. Nonetheless, there can be no assurance that our customers will continue to purchase our products or that we will be able to meet their specification and requirements.

8.1.7 We are subject to the risk of product liability

Our Group is exposed to the risk of product liability claims of up to 1 year for defects on our automated equipment and the performance of our automated equipment. The liability period begins upon our delivery of our products.

In the event of the occurrence of any defect as mentioned above, we will be required to repair or replace the products which may adversely impact our relationship with our customers, future business opportunities, as well as industry reputation which in turn may adversely affect our business operations and financial performance.

While our Group sets in place measures at every stage of manufacturing and assembly to prevent any defects in products and performance, there can be no assurance that our automated equipment products will not have any defects or malfunction that may lead to the disruptions of our customer's business activities.

For the Financial Years Under Review and up to the LPD, our Group has not experienced any material warranty claims for our automated equipment products. Nevertheless, there is no assurance that we would not experience any product liability claims in the future.

8.1.8 Fluctuation in raw material prices

Amongst the raw materials used in our sheet metal fabrication and CNC machining activities are aluminium, steel, fabricated metal parts and components (which are predominantly made out of aluminium and steel). The aforementioned raw materials contributed a total of approximately 77.08%, 82.84% and 76.43% of our raw material purchases for the FYE 2018, FYE 2019 and FYE 2020, respectively. The price of aluminium, steel and fabricated metal parts and components are affected by factors including but not limited to supply and demand conditions.

The prices of both aluminium and steel fluctuate according to, amongst others, government regulations, global market supply and demand conditions and prevailing energy costs. Any unfavourable changes in conditions of the above factors may result in an increase in aluminium and / or steel prices thus resulting in an increase in manufacturing cost. As such, in the event that we are unable to pass on such cost increase to our customers, our Group would be required to bear the increase in cost which will adversely affect our financial performance.

8.1.9 Our business and operations are exposed to sudden disruption caused by the outbreak of disease such as the COVID-19 virus and the imposition of the MCO

Our business and operations may be subject to sudden disruptions caused by outbreaks of disease in Malaysia and other countries of our customers and suppliers. Disease outbreak may result in government authorities undertaking stringent precautionary measures to prevent the spread of the diseases, including temporarily ceasing of business activities.

The World Health Organisation had on 11 March 2020 declared the COVID-19 virus as a worldwide pandemic. The Government had on 16 March 2020 announced several precautionary measures to be undertaken to curb the spread of COVID-19, which also included the enforcement of the MCO with effect from 18 March 2020. In view of the imposition of the MCO, our Subsidiaries' business operations were fully halted from 18 March 2020. Our Subsidiaries had subsequent thereto resumed operations as follows:

(a) STSB, on 4 April 2020, resumed its operations at a capacity of 50% of its total workforce, as per the SOPs set out in the approval letter to operate its business, dated 3 April 2020 issued by MITI. STSB also did not face any shortage of raw materials as it had purchased additional raw materials as buffer inventory prior to the enforcement of the MCO and its suppliers had also resumed operations by 4 April 2020. As such, it did not face any production backlog and was able to deliver its products based on the delivery schedules. STSB had resumed operations at full capacity on 4 May 2020 following the enforcement of CMCO.

(b) EEASB, on 18 April 2020, resumed its operations at a capacity of 50% of its total workforce, as per the SOPs set out in the approval letter to operate its business dated 17 April 2020, issued by MITI. However, its suppliers and sub-contractors were unable to operate during the MCO which disrupted the supply of parts and components from its suppliers, as well as sub-contractor services were halted. This has resulted in a delay in completion of our automated system solutions for our customers. Following the implementation of the CMCO, EEASB as well as its suppliers and sub-contractors resumed operations at full capacity. EEASB was subsequently able to commence, complete and deliver all delayed orders of automated systems solutions by the fourth quarter of 2020.

Hence, we did not experience any material adverse impact to our financial performance for the FYE 2020 as a result of the MCO, CMCO and RMCO. The imposition of the second MCO which came into effect on 13 January 2021 to 4 March 2021 did not have any material impact to our operations, supply of raw materials, parts and components as well as subcontracted services. In light of the increases in COVID-19 positive cases nationwide, the Government announced on 28 May 2021 that it would impose a FMCO effective from 1 June 2021, where all social and economic activities would not be allowed to operate, with exemptions provided to certain industries deemed as essential services. Like the initial MCO period in 2020, STSB and EEASB had received approval from the MITI to continue operating during the FMCO, albeit with a reduced capacity of 60% of total workforce. Our Group did not experience any material disruption to our operations, supply of raw materials, parts and components, as well as subcontracted services and expect to be able to meet all orders for the FYE 2021. As such, our Group does not expect any material impact on our financial performance for the FYE 2021 arising from the imposition of the second MCO. Nevertheless, in the event of the imposition of further MCO and / or tighter restrictions requiring mandatory closure of our operations and / or the operations of our suppliers and subcontractors, our business and operations may be adversely impacted and it may lead to delays in fulfilling our orders, which will consequently affect our financial performance.

In response to the COVID-19 situation, our Group has put in place precautionary measures and steps to ensure the safety of our employees and the continuity of our business operations. Some of the precautionary measures undertaken by the Group are temperature scanning of all employees and physical distancing of at least 1 meter from each other. Despite undertaking precautionary measures, there can be no assurance that our employees will not be infected by the COVID-19. In the event that all or a portion of our employees are infected by the COVID-19 and are required to be quarantined, our business operations may be affected due to temporary shortage of workers which may delay the delivery of orders. Any such delays would adversely impact our business operations as it may lead to delays in fulfilling orders, which will consequently affect our financial performance.

8.1.10 Disruptions to our business operations, manufacturing process, facilities and inadequate insurance coverage

Our business operations are dependent on our manufacturing facility running smoothly and efficiently. Our Group is dependent on a wide range of machinery and equipment such as cutting machines, milling machines, turning machines and polishing machines, amongst others for our production activities. Notwithstanding that we carry out regular service and maintenance on our machines and equipment, they may, on occasion, be out of service due to accidents, defects, unanticipated failures or damages sustained during our business operations.

Further, our daily operations are subject to risks outside our control such as outbreak of fire, flood, power failure, water supply disruption, burglary, shipment disruption, and other calamity. These unexpected events may cause interruptions in or prolonged suspension of all or any part of our manufacturing activities, which may in turn cause significant downtime or interruptions to our production activities and losses and / or damage to our products, manufacturing facilities, warehouse and office. Any interruptions to or suspension of our operations will affect our manufacturing schedules and timely delivery of our products, which may result in cancellation of purchase orders and may eventually impact our relationships with our customers. This could have an adverse impact on our business operations, financial performance and industry reputation of our Group.

We have not experienced major interruptions in our operations due to any past incidents of unanticipated machinery and equipment failures sustained during our operations or catastrophic damages as a result of fires or flood. However, there can be no assurance that such incidence will not happen in the future, or occurrence of which may result in interruptions to our operations and adversely affect our business operations and financial performance.

We have purchased insurance policies to insure against, amongst others, fire damage on our stocks, our moveable and immovable properties, burglary on our properties as well as for accidents covering bodily injury or property damage incurred on the premises. We ensure the continuity of our insurance coverage by reviewing and renewing all our insurance policies annually to ensure the adequacy of our existing insurance coverage for all our assets.

As at the LPD, we maintain various insurance policies covering amongst others, risks against fire, loss of goods, damage to property, plant, machinery and equipment. As at the LPD, the total sum insured amounted to approximately RM74.83 million.

However, the insurance coverages are subject to exclusion and limitations of liability in both amount and insured events. Our insurance may not be adequate to cover all losses or liabilities suffered in our operations. For instance, we are insured against losses resulting from fires but not floods, storms or any other events.

In addition, there is the risk that we may not be able to maintain or obtain insurance of the type and amount desired in the future. Hence, our business and financial performance may be adversely affected in the event that our insurance coverage is inadequate to fully cover all losses or liabilities incurred.

8.1.11 We may incur additional capital expenditure in the future and may require additional financing

As disclosed in Section 6.25.2(a) of this Prospectus, as part of our business expansion plans, we are currently constructing Manufacturing Plant 3 with an estimated construction cost of approximately RM[●] million. As at the LPD, we have secured RM30.00 million of bank borrowings for the construction. For the remaining estimated construction cost of RM[●] million, we intend to allocate RM[●] million of our gross proceeds from the Public Issue whilst the remaining balance of RM5.00 million will be funded via internal generated funds.

In addition to the construction of the new manufacturing facility, our Group is expected to incur additional capital expenditure, which includes the purchase of new machinery and equipment for the current and new manufacturing facilities as part of our expansionary plans. In this regard, we have allocated a portion of our proceeds raised from the Public Issue to part finance the purchase of new machinery and equipment for the new manufacturing facility. Upon full utilisation of such allocated proceeds, we may require additional funds to finance the purchase of the new machinery and equipment for the new manufacturing facility, as well as for our current manufacturing facilities.

As such, in the event that we are unable to generate sufficient cash flows from operations or have the capital resources to meet our future capital expenditure, we may need to raise funds either in the form of debt or additional equity financing. There can be no assurance that we will be able to obtain additional bank borrowings at favorable rates. Further, additional bank borrowings, if obtained, will increase our exposure to interest rate fluctuations.

As at the LPD, our total bank borrowings amounted to approximately RM34.11 million. Any future increase in bank borrowings and / or interest rates will increase our borrowings costs, as well as reduce our profitability. Higher interest expenses may also adversely affect our ability to service our debt repayment obligations and limit our ability to obtain additional bank borrowings.

8.1.12 Investment and integration risk in respect of the Acquisition of EEASB

The Acquisition of EEASB was undertaken as part of our Group's expansion plan to provide additional services which complements our engineering supporting services. Through our Subsidiaries, the Group has complete control over the entire production and assembly process, from designing to fabrication and assembly of a complete automated equipment. As a result of having complete control over entire production and assembly process, our Group expects to obtain better profit margins due to lower cost of production and administrative expenses.

Although the Acquisition of EEASB is expected to contribute positively to the future earnings of our Group, there is no assurance that EEASB will be successfully integrated into the Group. There is also no assurance that the Acquisition of EEASB will not have a material adverse effect on the enlarged Group and quality of services and products currently offered.

8.1.13 We may not be able to successfully execute our future plans

We plan to increase our market presence in the semiconductor, E&E and Solar PV industry by capitalising on our competitive advantages and key strengths. Please refer to Section 6.1.4 of this Prospectus for further information on our competitive advantages and key strengths.

The future growth of our Group and successful implementation of our future business plans are dependent on, amongst others, the timely completion of Manufacturing Plant 3, our manufacturing capabilities, marketing efforts and sufficient human resources. There is no assurance that we will be able to successfully implement our future plans. Failure to execute our future plans may adversely affect our future growth, as well as financial performance.

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 We are dependent on our customer's end user market

Our business is dependent on the end-user markets of our customers. Factors that may affect the performance of the end user markets are, amongst others, changes in foreign worker policies, changes in political leadership, higher tariffs imposed on our customers' products, economic stability and a rising interest rate environment that can hurt consumer sentiment, leading to dampened demand for our customers' products. If demand for the products of our customers' decrease, the production activities of our customers are likely to decrease, leading to lower demand for our products and services. Accordingly, a decline in performance from our customers' end user markets may adversely affect our business operations and financial performance.

8.2.2 Keeping up with technological advancements

The semiconductor and E&E industry undergo rapid technological development, evolving industry standards, as well as new product introduction and enhancements. As our Group mainly serve customers in the semiconductor and E&E industry, we constantly keep up with the latest technology innovations and advancements in order to address the increasing sophisticated needs of our customers.

For the FYE 2018, FYE 2019 and FYE 2020, our Group had spent approximately RM1.53 million, RM13.71 million and RM3.78 million respectively on new machineries. Moving forward, our Group may require additional funds to purchase new machineries, as well as invest in D&D to maintain our competitive advantage and product quality. In the event that our Group is unable to generate sufficient cash flow or obtain financing at a favorable rate, we may seek to raise funds through equity financing to purchase new machineries.

Notwithstanding the above, there can be no assurance that our Group will successfully improve and adapt to the latest advancements in our operating industries in a timely and effective manner. Any inability to improve and adapt in a timely and effective manner may cause our Group's business to be adversely affected.

8.2.3 Changes in economic, political, legal and regulatory environment

Any changes in the political, economic and regulatory conditions in Malaysia and in the export markets, particularly the USA and Singapore, where our customers operate in, could materially affect our financial performance and business prospects. Changes in the political, economic and regulatory conditions could arise from, amongst others, changes in political leadership, risks of war or civil unrest, changes in import tariffs and related duties, foreign worker levy, deterioration of international bilateral relationship and regulatory structures.

While we practice prudent financial management and efficient operating procedure, there is no assurance that any adverse political, economic, and regulatory development will not materially affect the financial performance of our Group.

8.2.4 Competition within the ESI

According to the IMR Report, the ESI in Malaysia is highly competitive with around 2,000 market players. We generally compete with our competitors on a variety of factors, such as reputation, delivery times, service range and quality, customer services and relationships with suppliers and customers.

There is no assurance that we will be able to compete effectively with our existing competitors and new market entrants. Some of our competitors may have longer operating history than us or possess greater manufacturing capabilities, technical knowledge and financial resources. Increased competition may result in lower demand for our services, lower profit margins and / or loss of market share. If we fail to compete effectively, adapt quickly to changing market trends and conditions, and maintain or grow our market share, our business operations and financial performance may be adversely affected.

8.3 RISKS RELATING TO OUR SHARES

8.3.1 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 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 business strategies, as well as our 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 our Listing and the market price of our Shares will not decline below the IPO Price.

8.3.2 The trading price and volume of our Shares upon Listing may be volatile

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. Sentiment is also largely driven by internal factors such as 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 volumes witnessed on Bursa Securities, thus adding risks to the market price of our listed Shares.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:

(a) material variations in our financial results and operations;

(b) success or failure of our management in implementing future plans, and business and growth strategies;

(c) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(d) changes in conditions affecting the semiconductor, E&E and Solar PV industry, the prevailing global and local economic conditions or stock market sentiments or other events or factors;

(e) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities or other stock exchanges;

(f) additions or departures of key personnel;

(g) fluctuations in stock market prices and volumes; or

(h) involvement in claims, litigation, arbitration or other form of dispute resolution.

8.3.3 Our Promoter will continue to hold a majority of our Shares after the IPO

Upon Listing, our Promoter will hold approximately 68.85% of our enlarged issued share capital upon Listing. As a result, they will be able to effectively control the business direction and management of our Group. They may also be able to influence the outcome of certain 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.

8.3.4 There may be a potential delay to or failure of our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:

(a) the MITI approved Bumiputera investors fail to acquire the Shares allocated to them under the Public Issue;

(b) our Sole Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;

(c) the revocation of approvals from the relevant authorities for the Listing and / or admission to the official list for whatever reason; or

(d) we are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25.00% of our issued share capital 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 point of our Listing.

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

(a) 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 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% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(b) our Listing is aborted, investors will not receive any of our IPO Shares, 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:

(a) 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% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

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

    (i) the sanction of our shareholders by special resolution in a general meeting, 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

    (ii) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.

8.3.5 There is no assurance of payment of dividends

Our ability to pay dividends or make other distributions to our shareholders is not guaranteed. Our Company is an investment holding company and we conduct substantially all of our operations through our Subsidiaries. Our Company derives income mainly from dividends received from our subsidiaries. Hence, our ability to pay future dividends is largely dependent on the financial performance of our subsidiaries. Further, in view that our Group intends to embark on our future plans as disclosed in Section 6.25 of this Prospectus, our ability to pay dividends may be limited. In addition, our ability to pay dividends could also be affected by our requirement to conserve cash to address uncertainties regarding any political, social, economic and regulatory conditions, for instance the prolonged COVID-19 pandemic.

Please refer to Section 11.4 of this Prospectus for further information on our dividend policy.

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