

5. RISK FACTORS

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

5.1 Risks relating to our business operations

5.1.1 Our manufacturing operations are exposed to the risks associated with input materials, including supply disruption and fluctuations in prices of certain input materials such as copper and gold-based materials, and electronic components

Our manufacturing operations are exposed to input material risks, as we rely on specialised and precious metal-based materials and electronic components for our production. These input materials are essential to ensure the structural integrity, electrical performance and reliability of our final products.

The associated risks include supply disruptions as we commonly source certain specialised and gold-based materials from a limited number of suppliers. They include specialised chemicals, polyimide-based laminates, gold-based chemical compounds, copper foils, and dielectric materials. In addition, we also source electronic components from customer-approved suppliers. In the event of any disruption in the supply of these input materials, it could lead to a delay in production and order fulfilment. For the Financial Years Under Review, we have not experienced any material supply disruptions of input materials that would materially affect our operations.

Furthermore, certain specialised input materials, including copper-based materials (such as polyimide laminates and copper foils) and gold-based chemical compounds, contain precious metals. Therefore, gold and copper prices are subject to global price fluctuations driven by factors such as global economic conditions, geopolitical events, and supply and demand dynamics. Prolonged increases in these metal prices could lead to higher production costs, which may affect our profitability if we cannot fully pass them on to customers. Alternatively, if we were to pass on the increased cost in full to our customers, we risk losing market competitiveness to competitors who do not pass on the increased cost in full.

Conversely, if metal prices decline rapidly, we may need to adjust our selling prices accordingly. This could result in using materials procured at higher costs to fulfil orders at reduced selling prices, which may in turn lead to inventory holding losses. In addition, a decline in selling prices may necessitate a write-down of our inventory to reflect its current net realisable value.

For the Financial Years Under Review, the movement of our average purchase price of precious metal-based materials is as follows:-

	FYE 2023	FYE 2024	FYE 2025
Copper-based materials			
Purchases (RM'000)	24,569	30,088	25,244
Purchase volume ('000 metres)	1,709	4,045	2,725
<i>Average purchase price RM/metre</i>	14	7	9
Gold-based materials			
Purchases (RM'000)	19,791	23,523	24,720
Purchase volume (bottles)	826	834	714
<i>Average purchase price RM/bottle</i>	23,961	28,205	34,621

5. RISK FACTORS (CONT'D)

5.1.2 Our financial performance may be affected by unfavourable foreign exchange rate fluctuations arising from our export sales and import of input materials

For the Financial Years Under Review, our revenue was derived from operations in Malaysia and the PRC, and transactions were conducted in the local currencies of our operating countries and in foreign currencies. In addition, our procurement of input materials was transacted in the local currencies of our operating countries and in foreign currencies, which may expose us to foreign currency risk. We are exposed to foreign exchange fluctuations, mainly the USD and RMB.

For the Financial Years Under Review, our revenue and purchases transacted in RM and foreign currencies are as follows:-

	FYE 2023		FYE 2024		FYE 2025	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Revenue	313,708	100.00	340,425	100.00	367,658	100.00
Foreign currencies:						
<i>USD</i>	184,761	58.90	209,456	61.53	219,552	59.72
<i>RMB</i>	83,225	26.53	73,787	21.67	83,880	22.81
RM	45,722	14.57	57,182	16.80	64,226	17.47
Purchases	148,811	100.00	160,751	100.00	164,101	100.00
Foreign currencies:						
<i>USD</i>	85,375	57.37	92,664	57.64	100,747	61.39
<i>RMB</i>	39,564	26.59	42,164	26.23	42,614	25.97
<i>Others</i> ⁽¹⁾	1,522	1.02	3,824	2.38	1,199	0.73
RM	22,350	15.02	22,099	13.75	19,541	11.91

Note:-

(1) *Other foreign currencies transacted include Euro, SGD and JPY for the Financial Years Under Review, and NTD for FYE 2023.*

As such, we are exposed to foreign currency risk, and any unfavourable exchange rate fluctuations may affect our business operations and financial performance through transactions denominated in foreign currencies. The details of our foreign exchange gains and losses are as follows:-

	FYE 2023	FYE 2024	FYE 2025
	(RM'000)	(RM'000)	(RM'000)
Net realised gains on foreign exchange	7,712	2,665	2,182
Net unrealised (losses)/gains on foreign exchange	(2,020)	(1,614)	956
Net gains	5,692	1,051	3,138

In addition, we are also exposed to foreign currency risk from the translation of foreign currency-denominated assets and liabilities into RM for financial reporting purposes. The exchange differences arising from the translation of our foreign subsidiaries are recognised in other comprehensive income and accumulated within the exchange fluctuation reserve under total equity. For the Financial Years Under Review, we recognised negative currency translation differences of RM2.4 million, RM0.2 million and RM24.7 million, primarily attributable to the appreciation of RM.

5. RISK FACTORS (CONT'D)

As at the LPD, we maintain bank accounts mainly in RM, RMB, and USD, allowing us to use collections to settle payments in the same currency where possible. We have some natural hedging against the USD and RMB, as we generate revenue and make purchases in these currencies. This helps reduce our exposure to foreign exchange fluctuations to some extent. In addition, as at the LPD, we have entered into forward foreign currency contracts used to hedge against foreign currency movements for USD. However, we cannot guarantee that adverse fluctuations in USD and RMB against the RM will not materially impact our financial performance.

5.1.3 Our Group does not have long-term purchase orders with customers, and our IC substrate manufacturing segment is subject to customer concentration risk

Sales of our FPCs and IC substrates are conducted based on confirmed purchase orders, and we do not maintain confirmed purchase orders with a contract period of more than 1 year. In this respect, our revenue is typically non-recurring after order fulfilment or customer delivery. As such, our business and financial performance depend on our ability to secure new orders from existing and new customers consistently. Although we may have contracts/supply agreements with customers or rolling forecasts ranging from 3 to 12 months, these contracts/supply agreements do not obligate them to place orders, and they are under no obligation to purchase from us.

As we have an established FPC segment spanning 33 years, our customer base for FPC is diversified, whereas our IC substrate segment is newer, with a manufacturing track record of 13 years and relies on a major customer, namely Customer A Group, who contributed more than 10.00% to our Group revenue over the Financial Years Under Review. Within our IC substrate manufacturing segment, Customer A Group contributed 80.30% (RM43.1 million), 80.15% (RM53.9 million), and 75.24% (RM55.2 million) of our IC substrate revenue.

In the absence of long-term contracts and given the concentration risk within our IC substrate manufacturing segment, there is no assurance that our customers will continue to place orders with us. If we lose one or more major customers and are unable to quickly replace them with new customers offering comparable or better commercial and financial terms, our financial performance and results of operations could be materially adversely affected.

5.1.4 Our business and financial performance are dependent on our ability to keep abreast of technological advancements and the requirements of significant funds for capital investment to stay technologically relevant

Our FPC and IC substrate manufacturing businesses are technology-driven and subject to technological advancements in materials, processes, equipment, and design capabilities. Our business and financial performance depend on our ability to stay abreast of, and adapt to, evolving industry standards and technologies, and to meet the growing demands of our customers. Some of these technological advancements include higher-density interconnects, finer lines and air spaces, improved thermal performance, and enhanced reliability. If we fail to anticipate or respond effectively to technological changes, it may result in product obsolescence, reduced competitiveness, lower customer demand, or pricing pressure.

Furthermore, we will need to continually invest in technologies and R&D, which requires substantial capital expenditure and skilled resources to upgrade or introduce new manufacturing process technology and capabilities. There is no assurance that these investments will deliver expected returns or align with market adoption timelines, which could affect our operating results and financial performance.

5. RISK FACTORS (CONT'D)

5.1.5 We may not be able to effectively execute some of our business strategies and plans

Our business strategies and plans are focused on leveraging our core strengths and capitalising on our expertise in FPC and IC substrate development and manufacturing. These business strategies and plans include expanding and upgrading our facilities in Malaysia and the PRC to support our growth, and venturing into new business areas by expanding vertically from IC substrates to advanced semiconductor packaging in Malaysia. Further details on our strategies and plans are set out in **Section 7.28** of this Prospectus.

However, there is no assurance that we will be successful in executing our business strategies and plans, nor that we have anticipated all potential business and operational risks. Some factors could impact the timing and effectiveness of our strategies, including the ability to secure adequate funding, limitations in retaining and attracting skilled human resources, particularly technical personnel, regulatory changes and other unforeseen delays. Any delays or failures in implementing our strategies effectively and promptly may adversely affect our future business growth, financial prospects and returns on our investments.

As part of our expansion efforts, we plan to increase our R&D investment to establish an R&D production facility dedicated to advanced semiconductor packaging as part of our vertical expansion. In addition, we also plan to undertake R&D to adopt new advanced process technologies focused on fine-line manufacturing processes.

Advanced semiconductor packaging requires integrating complex processes such as multi-die assembly, fine-pitch interconnects, high-precision bonding, thermal management, and higher reliability standards, which differ from those in our existing IC substrate operations. In addition, the adoption of new advanced process technologies focused on fine-line manufacturing process, including modified semi-additive process (mSAP) techniques, involves establishing high-precision process capabilities that enable ultra-fine line widths and spacing, high interconnection density and enhanced electrical performance.

Furthermore, substantial upfront capital investment, extended development cycles, R&D investments, and skilled resources are required to establish new capabilities, qualify processes, and meet customer specifications, with no assurance of timely customer adoption or commercial acceptance and scalability. Additionally, the semiconductor and electronics industries are competitive and subject to technological evolution and shifting customer technology roadmaps. In the event of slower than anticipated market adoption, customer demand not materialising, or broader acceptance of competing technologies, our investments may not generate the expected returns, which could affect the results of our operations and financial performance in the future.

5.1.6 Our business operations are exposed to risks associated with dependency on skilled technical resources

Our FPC and IC substrate operations depend on skilled and experienced technical workforce across various engineering disciplines, including E&E, semiconductor, manufacturing, equipment, and quality engineering. These specialised competencies are essential to ensure stable production, efficient yields, consistent product quality, and the ability to support the development and scale-up of advanced and high-density electronic products.

The semiconductor and electronics manufacturing industry faces strong competition in attracting and retaining skilled technical personnel. In the event of any shortage or high employee turnover, knowledge gaps and operational disruptions may affect production efficiency, yield performance, quality and delivery schedules, leading to higher scrap rates and operating costs, or delays in customer qualification and new product introduction.

If we are unable to retain or replace key technical resources promptly, it could adversely affect our operations and financial performance. As at the LPD, we have a total of 240 technical personnel comprising 143 for our Malaysia Operations and 97 for our PRC Operations.

5. RISK FACTORS (CONT'D)

Furthermore, business and facilities expansions, such as new product introductions, capacity expansion, increased process automation, and system upgrades, require skilled technical expertise to optimise processes. Limited access to skilled resources may delay new product introductions, process upgrades, and capacity ramp-up, which in turn could affect our results of operations and financial performance.

For the Financial Years Under Review and up to the LPD, we have not experienced any material shortage of skilled technical personnel that would materially affect our operations.

5.1.7 Our business operations are subject to operational risks such as machinery breakdown, utility supply disruptions, shortage of labour, and other operational incidents that may cause interruptions to our business

Our business operations are subject to operational risks, including but not limited to the following:-

- Our FPC and IC substrate operations rely on the reliable performance of complex and capital-intensive machinery and equipment across multiple production stages. In the event of any unplanned equipment breakdowns or malfunctions, whether arising from mechanical failure, electrical faults, software or control system errors, power interruptions, or human operational error, which could result in production downtime, yield losses, and delays in order fulfilment. Given the tightly integrated nature of the manufacturing process, disruptions at a single critical stage may impact overall production output. Furthermore, certain specialised equipment and spare parts may involve extended repair lead times that may lead to prolonged downtime that reduces manufacturing capacity, or require unplanned capital expenditure or higher maintenance and repair costs, which could adversely affect our operating results and financial performance.
- Our manufacturing of FPC and IC substrates require continuous and reliable supply of utilities. In this respect, our manufacturing operations are dependent on stable and continuous supply of electricity and water. Disruptions to the utility supply may result in unplanned production shutdown such as unplanned tool shutdowns causing scrappage of work-in-process panels and reels, process instability affecting quality (such as line width control, via process integrity, and plating thickness) and reducing yields as it affects throughput, or damage precision equipment (such as damage of laser drills or exposure tools due to sudden stops or voltage fluctuation). Our manufacturing operations also involve water-intensive processes for chemical processing, rinsing, and cleaning steps. As such, any water supply disruptions will lead to immediate line stoppage and chemical contamination risks, and increased defect rates (such as delamination and adhesion failure). Furthermore, our IC substrate manufacturing requires tight control of temperature, humidity, and airborne particles for fine-line imaging and lamination processes. In the event of utility supply disruptions that lead to environmental excursions that may affect the production yields, such as line width variations and dimensional instability due to humidity or temperature fluctuations, or increased particle contamination, or warping and adhesion failures during lamination and curing, or lead to extended downtime to restore cleanroom conditions. Any prolonged utility disruptions may adversely affect our business operations and financial performance.
- Our business operations are dependent on labour for our day-to-day manufacturing operations on our production floor. As at the LPD, we have a total of 508 and 299 workers for our manufacturing operations in Malaysia and the PRC, respectively. In this regard, we face the risk of labour shortages in our manufacturing operations. We may experience occasional worker shortages due to factors such as changes in government policies and regulations governing the supply of foreign labour in Malaysia, including freezes on hiring and increases in minimum wages. If a labour supply shortage in our manufacturing operations prevents us from maintaining a stable workforce by promptly replacing or hiring new staff, it could adversely affect our business operations and financial performance.

5. RISK FACTORS (CONT'D)

- Our business operations are subject to laws and regulations relating to operational, environmental, and occupational health and safety matters. Our FPC and IC substrates manufacturing involve processes such as chemical treatment, electroplating, etching and the handling, storage and disposal of chemicals and other hazardous substances. Accordingly, our operations are subject to various laws, regulations, approvals and licensing requirements in Malaysia and the PRC relating to, among others, environmental protection, pollution control, waste management, chemical safety, fire safety and occupational health and safety. Any failure to comply with applicable laws, regulations or licence conditions may result in fines, penalties, suspension or revocation of licences, orders to suspend or restrict operations, remediation obligations and reputational damage. Although we have implemented policies and procedures to manage such risks, there can be no assurance that such measures will be sufficient to prevent all incidents. Any significant incident or non-compliance could materially and adversely affect our business operations and financial performance.

For the Financial Years Under Review and up to the LPD, our operations in Malaysia and the PRC have not experienced any major work stoppages due to disruptions in utility supply, machinery breakdown and a shortfall of workers. Nevertheless, there is no assurance that our operations may not encounter any disruptive events or circumstances highlighted above that may affect our business operations and financial performance.

5.1.8 We may not be able to maintain our eligibility for tax incentives

We have been eligible for tax incentives over the Financial Years Under Review which has resulted in our effective tax rate being 10.99%, 11.72% and 12.95%, which is lower than the statutory tax rate. This is attributed to the income tax exemptions from QISB, our subsidiary in Malaysia, which has been granted Pioneer Status from February 2020 to January 2030, reducing the overall tax charge. In addition, SHTEI, our subsidiary in the PRC, has been granted a High-Tech Enterprise Certificate up to December 2028, and the entity enjoys an income tax rate of 15.00%, lower than the Chinese Mainland statutory tax rate of 25.00%. In order to qualify for and maintain this status, SHTEI is required to satisfy the prescribed profit and patent-holding requirements.

There can be no assurance that such income tax exemptions will be maintained throughout the relevant period, as these tax incentives are subject to periodic review and may be revoked at any time should the requisite qualifying criteria no longer be satisfied, as such we may not be able to maintain similar levels of profitability in the future.

5.1.9 Our business operations are dependent on our Executive Directors and Key Senior Management

Our business operations are dependent on the experience, knowledge and skills of our Executive Directors, including Jeffrey Hwang (our Promoter, substantial shareholder, Managing Director and CEO), Brian Low (our Promoter, substantial shareholder, Executive Director and President of PRC Operations) and Key Senior Management for our operations. Jeffrey Hwang has approximately 16 years of experience in the semiconductor and electronics sectors and he is responsible for steering the overall strategic direction, technology development roadmap and business planning to drive the growth and expansion of our Group. Our business is also supported by Brian Low, who brings with him approximately 26 years of experience in the electronics sector, and he is primarily responsible for the overall management and business development of PRC Operations.

The loss of the services of any our Executive Directors or Key Senior Management, without suitable and timely replacements, may adversely affect our business operations and financial performance.

5. RISK FACTORS (CONT'D)

5.1.10 Our insurance coverage may not fully cover the losses and liabilities that may arise from our business operations

Our business faces risks relating to the adequacy of insurance coverage for legal liabilities arising from negative events. Insufficient insurance coverage could result in financial losses and operational disruptions. There are potential adverse events, including workplace safety, use of hazardous chemicals, operation of heavy machinery, delivery of products that must meet stringent quality and reliability requirements, customer data breaches due to unauthorised access or misuse, cybersecurity breaches, ransomware, product liability claims related to defective products, and confidentiality breaches caused by employee dishonesty and fraud. We maintain insurance coverage for our business operations, including among others, product liability, public liability, fire and burglary, all-risk and accident insurance.

There can be no assurance that such coverage will be sufficient to fully cover all legal liabilities, claims, damages, business interruption losses, or regulatory penalties arising from accidents, defects, environmental incidents or other adverse events. Losses or damages exceeding our insurance limits or occurring in areas where we are not adequately insured could adversely impact our financial condition. During the Financial Years Under Review and up to the LPD, we have not experienced any insurance claims related to the adverse events.

5.1.11 Our business operations are subject to risks of security breaches and failure to protect our proprietary and customers' information, malfunction of our ICT systems or unintended human errors

We are subject to risks relating to the potential exposure of our proprietary information, as well as the exclusive, trade secret, or confidential information of our customers, arising from security breaches, system vulnerabilities, employee negligence, errors, or misconduct. Any failure to adequately safeguard such information may result in legal claims, contractual disputes, regulatory scrutiny, financial liabilities, and reputational damage, as well as a loss of customer trust and confidence. Such incidents could materially and adversely affect our business relationships, reputation, results of operations, and financial performance.

Our operations rely on information and communications technology (ICT) systems, which are hosted either in the cloud or on-site, to connect our head office with our regional manufacturing plants and offices, and to support web and mobile platforms, sales order processing, and finance and accounting functions. Our ICT systems handle and store sensitive data, including proprietary, customer, and company information.

As a result, we are exposed to risks arising from security breaches, system malfunctions, service disruptions, unavailability of third-party network services, and willful or inadvertent damage to our ICT systems. In addition, security incidents, including but not limited to eavesdropping, cyber-attacks, malicious codes, ransomware, or other destructive or disruptive actions affecting our ICT systems, properties, or assets, such as software, hardware, communications, and data storage equipment, as well as our online platforms, could materially and adversely affect our business operations and financial performance.

During the Financial Years Under Review and up to the LPD, we have not experienced any security breaches and have not failed to protect our proprietary and customers' information, which may adversely affect our business and/or reputation. Nevertheless, there can be no assurance that there will not be any future security breaches that may adversely affect us.

5. RISK FACTORS (CONT'D)

5.1.12 Our IC substrate business utilises a third-party technology license

Our IC substrate manufacturing operations and product offerings depend partly on technology licenses and technical know-how transferred from a third-party technology licensor and transfer partner. For the Financial Years Under Review, revenue contribution from our IC substrate manufacturing accounted for 17.11%, 19.77%, and 19.94% of our total revenue for FYE 2023, FYE 2024, and FYE 2025, respectively. As at the LPD, we maintain a subsisting technology licence with a technology partner, pursuant to which we pay royalty fees for the licence to manufacture certain licensed products until 2033. For the Financial Years Under Review, the royalty fee that we paid accounted for less than 1.00% of our administrative and marketing expenses.

While we have, over time, incorporated our own proprietary know-how, process enhancements and product modifications into our IC substrate manufacturing processes, and are not materially dependent on the licensed technology, this technology license exposes us to the associated risks. Any termination or restriction in the technology license arising from contractual disputes, changes in the partner's strategic priorities, or external factors such as regulatory constraints or geopolitical developments could adversely affect our results of operations and financial performance.

5.1.13 Our business is exposed to country concentration risk associated with our key shipment destinations

For the Financial Years Under Review, our top 4 shipment destinations are concentrated in Malaysia, the Chinese Mainland, Japan, and the USA, which collectively represented 80.69%, 83.08%, and 87.32% of our total revenue for FYE 2023, FYE 2024, and FYE 2025, respectively. As such, we are exposed to country-specific risks associated with our 4 key shipment destinations. Any adverse developments, among others, include adverse economic conditions, changes in trade policies, tariffs, regulatory requirements, geopolitical uncertainties, foreign exchange fluctuations, or supply chain disruptions, as well as local industry demand conditions in these countries, which could impact our results of operations and financial performance.

5.1.14 Non-compliance with the relevant regulations relating to social insurance and housing provident fund may subject us to penalties

According to Chinese Mainland Social Insurance Law and Regulations on the Management of Housing Provident Fund, we are required to make contributions to social insurance and housing provident funds for our PRC employees. Non-compliance with these requirements may expose us to administrative penalties. During the Financial Years under Review, we did not make full contributions to the social insurance and housing provident funds for certain employees in accordance with the relevant Chinese Mainland laws and regulations. According to relevant Chinese Mainland laws and regulations, we may be required to make additional contributions to the social insurance fund and/or housing provident fund as well as late payment fines and penalties. Please refer to **Section 7.27(ii)** of this Prospectus for further information.

Given that (i) we are not subject to any penalties and had not received any notice from the authorities ordering us to make contributions; (ii) pursuant to the relevant policies, local authorities generally shall not conduct centralised collection of historical arrears, and based on consultations with the relevant local authorities, it is confirmed that they typically do not retroactively require shortfall contributions unless specific complaints are filed; and (iii) no complaints raised by our employees with respect to the above as at the LPD, and under the premise that there are no significant changes to current Chinese Mainland policies and regulations or to the enforcement and supervision requirements of local governments, and assuming no employee complaints are filed, our Chinese Mainland Legal Adviser is of the view that the likelihood that we would be subject to administrative penalties due to our failure to provide full social insurance and housing provident fund contributions is remote.

5. RISK FACTORS (CONT'D)

However, as the Chinese Mainland laws and policies related to social insurance and housing provident funds may continue to evolve, we cannot assure that our PRC Operations employment policies and practices will be compliant with the relevant Chinese Mainland laws and regulations, and we may face labour disputes or government investigations which may result in penalties or other regulatory action being enforced against us. The Chinese Mainland government may strengthen its enforcement on social insurance and housing provident funds requirements, which may increase our operating expenses or staff costs. We cannot guarantee that the amount of social insurance and housing provident funds contributions required to be paid by our Group will not increase, nor that we will not be required make any additional payments to rectify the shortfall and/or subject to late payment fines or penalties, any of which may have a material and adverse effect on our business and results of operations.

5.1.15 Chinese Mainland laws and regulations restricting our use of foreign capital could affect the liquidity and ability of our Group to fund our PRC Operations

Under Chinese Mainland laws and regulations, we are permitted to utilise the Public Issue proceeds to fund our PRC Operations via loans or additional capital contributions, subject to the applicable Chinese Mainland government registrations, statutory limitations on amount, and approval requirements.

Any loans or capital contributions provided by us to our PRC subsidiaries, which are treated as a foreign-invested enterprise under Chinese Mainland laws, are subject to extensive Chinese Mainland laws, regulations and foreign exchange controls. Loans to our PRC subsidiaries may be subject to statutory limits, registration or filing requirements with the relevant Chinese Mainland authorities.

In addition, our PRC subsidiaries as a foreign invested enterprise, are subject to Chinese Mainland foreign exchange laws and regulations, including those issued by the Chinese Mainland State Administration of Foreign Exchange (“SAFE”). This may include restrictions on our PRC subsidiaries’ use of foreign currency capital which may be converted to RMB and utilised in accordance with our PRC subsidiaries actual operations and approved business scope as registered with the relevant local Chinese Mainland authorities. Certain uses of RMB converted foreign currency capital has restrictions, such as it cannot be used to provide loans to non-affiliated entities. All such conversions and capital uses are subject to registration and filing requirements as required by SAFE.

We cannot assure that we will be able to complete the required registrations, filings or obtain the necessary approvals in a timely manner, or at all, in connection with future loans or capital contributions to our PRC subsidiaries. Any failure to comply with applicable Chinese Mainland laws and regulations could restrict our ability to fund our PRC Operations, utilise our Public Issue proceeds, or provide financial support to our PRC Operations. This could materially and adversely affect our business, financial condition, liquidity and ability to fund and expand our PRC Operations.

5.2 Risks relating to our industry**5.2.1 Our business is exposed to restrictive trade practices in certain markets, particularly in the USA, which is one of our shipment destination markets**

Our business is exposed to restrictive trade practices and trade policy measures in certain markets, particularly the USA, one of our major shipment destination markets. Revenue from our shipments to the USA accounted for 9.31% (RM29.2 million), 8.87% (RM30.2 million) and 8.36% (RM30.7 million) of our total revenue for FYE 2023, FYE 2024 and FYE 2025, respectively.

5. RISK FACTORS (CONT'D)

Some of the developments of restrictive trade practices in the USA are associated with shipments to the USA from our operations in Malaysia and the PRC:-

- **Malaysia:** In April 2025, the USA government imposed a baseline tariff of 10.00% on most imported goods from Malaysia, with higher tariffs for countries with significant trade surpluses with the USA. In July 2025, the USA government announced that this baseline tariff would be replaced with a 25.00% tariff on all imported goods from Malaysia, effective 1 August 2025. Following subsequent negotiations, exports of goods from Malaysia to the USA are subject to a 19.00% tariff, with certain semiconductor products being exempted under the revised tariff framework effective from August 2025.
- **PRC:** Similarly, the USA has implemented a range of restrictive trade practices on imports from the PRC. Under the latest development, exports from Chinese Mainland to the USA, including PCBs and related electronics, remain subject to cumulative tariff measures. Depending on product types, effective duty rates may range from approximately 20.00% to over 50.00%. The effect of elevated tariff rates has affected the competitiveness and cost structures of electronic components PRC exports to the USA, which could lead to supply-chain adjustments that affect the sourcing decisions for customers in the USA.

In addition, on 20 February 2026, the USA announced a temporary 10.00% global tariff, effective 24 February 2026 for 150 days, with a subsequent proposal to increase the rate to 15.00%. The extent to which this temporary tariff will operate, considering existing country-specific tariff measures, remains unclear as of the date of this IMR Report. These tariffs may reduce the price competitiveness of manufacturers from Malaysia and the Chinese Mainland exporting to the USA.

(Source: IMR Report by Vital Factor)

Our products are primarily sold on an ex-factory basis, with customers responsible for import/export documentation, duties and shipping arrangements. Accordingly, when our products arrive in the USA, the importer is responsible for paying the import duties. Notwithstanding this arrangement, the USA tariffs may affect our customers' cost structures for their final products, potentially leading to supply chain adjustments or requests for pricing flexibility. To some extent, such developments may influence end-market demand and, in turn, indirectly affect demand for our products in the semiconductor and electronics industry.

Furthermore, these export controls, trade sanctions, and trade restrictions, including tariff rates and exemptions, are subject to changes, which in turn affect our operations within the semiconductor and electronics industry in Malaysia and the PRC.

5.2.2 We are subject to the demand and performance of end-user industries

Demand for FPC and IC substrates is closely correlated with the performance, growth cycles, and investment activities of end-user industries. Manufacturers of FPC and IC substrates supply a wide range of products to numerous industrial and consumer end-markets, including, among others, high-performance computing, artificial intelligence applications, data centres, IoT and communication applications within the semiconductor and electronics industries; consumer electronics such as smartphones, computers, tablets, and wearable devices; and industrial electronics, including robotics, automation, IoT devices, machinery and equipment, industrial communications, instrumentation, control systems, medical devices and avionics.

These end-user industries are characterised by rapid technological advancements, short product life cycles, shifts in customer preferences and cyclical fluctuations driven by macroeconomic conditions, inventory adjustments, and capital expenditure trends. Although our products are used across a diversified range of industries, including medical devices, communication devices, consumer electronics, semiconductors, industrial equipment and automotive electronics, any slowdown, downturn, or prolonged weakness in these end-user industries could result in reduced order volumes, delays or cancellations of customer projects and increased pricing pressure. Such developments could adversely affect demand for our FPC and IC substrates and, in turn, materially affect our business, results of operations and financial performance.

5. RISK FACTORS (CONT'D)

5.2.3 We operate in a technological industry subject to rapid changes and innovations

We operate within the semiconductor and electronics industries which are distinguished by rapid technological developments in the products we design and develop as well as the need to keep abreast of current technological advancements. The semiconductor and electronics industries progress swiftly with frequent new product introductions and enhancements, along with changes in industry standards and customer requirements.

There is a risk that we may not promptly adopt emerging technologies, which could reduce demand for our products and services, erode competitiveness, and lead to fewer purchase orders. Similarly, changes in technology may require us to invest in additional engineering resources and in new or improved technological tools and equipment. If we acquire the new technology, it may affect our financial condition and/or reduce the price competitiveness of our products and services, thereby limiting our ability to secure purchase orders or attract new customers. As such, our business faces risks from technological change or failure to keep pace with technological advancements, which may adversely affect our operations and financial performance.

5.2.4 We face domestic and global competition from FPC and IC substrate manufacturers

We have FPC manufacturing and assembly operations in Malaysia and the PRC, and IC substrate manufacturing operations in Malaysia. We face domestic and global competition from other manufacturers of FPC and IC substrates, and we may also face new entrants to the market as they establish themselves in the industry over time. We generally compete on a variety of factors, including product quality and reliability, access to technological advancements, price competitiveness, financial strength in terms of working capital, availability or willingness to invest in technology development and resources, customer service, prompt delivery, track record and market reputation.

Failure to remain competitive, quickly adapt to changing market conditions and technological trends, or effectively build on our strengths could adversely affect our prospects, business operations and financial performance.

5.2.5 We are subject to economic, social, political and regulatory considerations

Any adverse changes in the political, social, economic and regulatory conditions in Malaysia and the PRC may harm our business operations and financial performance. Among others, these changes may include the following:-

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

5. RISK FACTORS (CONT'D)

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.

5.3 Risks relating to investment in our Shares

5.3.1 There has been no prior market for our Shares, and it is uncertain whether an active, liquid market for our Shares will ever develop

Prior to our IPO, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active and liquid market for our Shares will develop, or if developed, that such market will be sustainable. There is no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the selling prices at which holders would be able to obtain for our Shares. There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the Main Market upon our Listing and that the market price of our Shares will not decline below the IPO Price.

Our Company was a wholly-owned subsidiary of SCB, a company previously listed on the Main Market and subsequently privatised and delisted from the Main Market of Bursa Securities in 2019. The price and liquidity of SCB's shares prior to its delisting are not indicative of the future price and liquidity of our Shares and should not be considered when making an investment decision in relation to our Shares.

Accordingly, there is no assurance that an active, liquid market for our Shares will develop, and investors may be unable to realise a return or recover their investment.

5.3.2 Delay in or cancellation of our Listing

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

- (i) the Joint Underwriters exercising their rights pursuant to the Underwriting Agreement to discharge themselves from their obligations under such agreement;
- (ii) our inability to meet the minimum public spread requirement pursuant of having at least [22.00]% of the total number of our Shares for which our Listing is sought being in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of our Listing as [●] by Bursa Securities; or
- (iii) the revocation of approvals from relevant authorities prior to our Listing or admission to the Official List for whatever reason.

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

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled, and our Company, the Selling Shareholder or such other person who received the monies shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which the Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (ii) our Listing is aborted, investors will not receive any of our IPO Shares and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

5. RISK FACTORS (CONT'D)

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

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, the Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by way of special resolution in a general meeting and supported by either:-
 - (a) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - (b) a solvency statement from our Directors.

5.3.3 Volatility of our Share price and trading volume

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

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

5.3.4 Our ability to pay dividends

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

It should be highlighted that as we are a holding company, our Company's income, and therefore our ability to pay dividends, is dependent upon the dividends and other distributions that we receive from our subsidiaries. In particular, any limitation on the ability of our PRC subsidiaries to distribute dividends may affect our ability to meet our dividend policy.

The Chinese Mainland laws and regulations permit our PRC subsidiaries to pay dividends to its shareholders only out of its accumulated profits, if any, determined in accordance with PRC accounting standards and regulations.

We are subject to the foreign exchange controls as disclosed in **Section 14.7.2** of this Prospectus. These controls include requirements to set aside reserve funds which are not distributable as cash dividends. In addition, if our PRC subsidiaries incur debt on its own behalf in the future, the instruments governing such indebtedness may restrict their ability to pay dividends or make other payments to us.

5. RISK FACTORS (CONT'D)

Further, pursuant to the Chinese Mainland Enterprise Income Tax Law, dividends declared by PRC subsidiaries to non-PRC resident enterprises are generally subject to a withholding tax at the rate of 10.00%, unless reduced or exempted under applicable tax treaties or arrangements between the PRC and the jurisdiction of the recipient.

Separately, our Malaysian subsidiaries have entered into facility agreements which contain negative and financial covenants and hence, the inability of our subsidiaries to comply with any of these covenants may affect our ability to pay dividends. Furthermore, if we were to obtain new borrowings after our Listing, we may be subject to additional covenants restricting our ability to pay dividends.

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

Please refer to **Section 12.6** of this Prospectus for further information on our dividend policy.

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

As disclosed in **Section 9.1** of this Prospectus, our Promoters will directly or indirectly collectively hold in aggregate 77.50% of our enlarged issued share capital upon Listing. As a result, our Promoters will collectively be able to, in the foreseeable future, effectively control the business direction and management of our Group including the election of our Directors, the timing and payment of dividends as well as having majority voting control over our Group and as such, will likely influence the outcome of matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations. There can be no assurance that the interests of our Promoters always will be aligned with those of our other shareholders.

5.4 Other risks

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

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

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

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