

## 9. RISK FACTORS

**YOU SHOULD EVALUATE AND CONSIDER CAREFULLY THE FOLLOWING RISKS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE ALONG WITH OTHER MATTERS IN THIS PROSPECTUS BEFORE INVESTING IN OUR SHARES.**

### 9.1 RISKS RELATING TO OUR BUSINESS OPERATIONS

#### 9.1.1 We are dependent on certain major customers

We are dependent on the following major customers which had contributed more than 10% of our total revenue during the Financial Periods Under Review:-

	Audited								Years of relationship as at the LPD
	FYE 2020		FYE 2021		FYE 2022		FPE 2023		
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	
Intel group of companies	24,312	38.58	33,578	45.28	69,227	66.82	39,036	58.11	13
KellyOCG	10,588	16.80	12,200	16.45	14,548	14.04	10,655	15.86	7
<b>Sub-total</b>	<b>34,900</b>	<b>55.38</b>	<b>45,778</b>	<b>61.73</b>	<b>83,775</b>	<b>80.87</b>	<b>49,691</b>	<b>73.97</b>	
<b>Total revenue</b>	<b>63,020</b>	<b>100.00</b>	<b>74,164</b>	<b>100.00</b>	<b>103,598</b>	<b>100.00</b>	<b>67,180</b>	<b>100.00</b>	

Please refer to Section 7.17 of this Prospectus on the information relating to the abovementioned customers.

We expect our abovementioned major customers to continue contributing significantly to our Group's future revenue. During the Financial Periods Under Review, we have not experienced any material delay, suspension or termination of the purchase orders by them.

Our inability to secure purchase orders from the abovementioned customers as well as any early termination by these customers may adversely impact our Group's business and financial performance. As a result of our continued dependency on our major customers, we are exposed to the risks that we may fail to secure sufficient orders in the future, or encounter delays in payments from the abovementioned companies, which may adversely affect our Group's business operations and financial performance.

Although our Group has established business relationships with the Intel group of companies and KellyOCG for several years and believes that it has built up good rapport, there can be no assurance that these companies would continue to be the Group's major customers, or that the failure to maintain this business relationships or reduction in orders from the major customers would not affect the Group's operating results.

Our ability to continue to secure purchase orders from major customers are based on several factors including, among others, our ability to provide solutions and services that meets the respective customer's specifications and requirements, competitive pricing of our solutions, timely delivery as well as continuing customer satisfaction with our solutions and services. Nevertheless, any delays, premature termination of confirmed orders, or decrease in the value of purchase orders or the loss of any of these major customers would adversely affect our future business operations and financial performance.

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**9. RISK FACTORS** *(cont'd)*

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**9.1.2 We are dependent on our Executive Directors and key senior management**

Our achievements and success are largely attributable to the continued efforts and abilities of our Executive Directors, namely, Koh Dim Kuan and Lee Chee Hoo, who are directly responsible for the vision, strategic direction, leadership, business planning and development as well as management of our Group's business operations. They are assisted by our key senior management, who possess the relevant knowledge and experience in their respective fields of work to ensure the smooth operations of our business. With extensive knowledge and insights of the industry, they together with our key senior management have played a critical role in our Group's success as well as in formulating and implementing our business strategies to drive the future growth of our Group.

The loss of any of our Executive Directors and/or key senior management, and our subsequent inability to recruit suitable replacement personnel in a timely manner, may adversely affect our business operations and financial performance as well as our continuing ability to compete effectively in the industry.

**9.1.3 We are dependent on our ability to hire and retain skilled personnel**

The nature of our business is such that we are dependent on the ability to hire and retain skilled personnel, such as engineers, developers, technicians and manufacturing specialists. Since our Group is operating in a rapidly emerging technology industry, the management and operation of our core business segments entail the employment of employees with the required expertise, technical skills and engineering capabilities in order to remain competitive in the industry.

Further, due to the vicinity of our primary business operations in Penang, being one of the technology hubs in Malaysia, we face competition to seek highly competent employees and are exposed to the risk of our skilled employees pursuing better career opportunities in Penang or elsewhere.

Having a team of experienced employees is crucial in implementing our Group's business strategies while sustaining and improving our technical capabilities. Any loss of services from any of our skilled workforce, without any prompt and proper replacement may cause disruptions to our business operations, which may, in turn, adversely impact our Group's business and financial performance. Our experienced employees' continuous service would allow us to maintain the quality of our solutions and services. As such, our capacity to hire and retain our skilled workforce is vital to achieving our Group's continuous success and growth.

In the event we are unable to hire and/or retain the skilled workforce with the required expertise and capabilities, it may adversely impact our operations and affect our capacity to secure new orders/contracts, which may negatively impact our ability to maintain and/or improve our financial performance.

Further, the hiring or retention of skilled personnel may be subject to factors such as remuneration packages and continuous training and development programmes. Should there be any significant increase in the remuneration packages due to whatever reasons including market competition and government policies, it may have a negative impact on our margins and thus affecting our financial performance.

Although we have not previously experienced any major disruptions to our business operations due to a shortage of skilled personnel, there is no assurance that we will be able to recruit and retain skilled personnel necessary for our future success.

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## **9. RISK FACTORS** *(cont'd)*

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### **9.1.4 We do not have long-term contracts and we are dependent on our ability to secure new purchase orders**

Our orders are primarily secured via individual purchase orders issued by our customers on a project-to-project basis. As such, our financial performance depends on our ability to secure new purchase orders and/or contracts on a consistent basis to sustain our order book. If we are unable to do so, our order book may decline and this would adversely affect our sustainability and future business performance.

Thus, there is no assurance that there will be continuity from one project to the next project as our orders are primarily dependent on individual capital expenditure, expansion requirements of our customers as well as the demand for their products. Further, the absence of a long term contractual arrangements may result in the fluctuation of our Group's sales and overall business performance.

Notwithstanding the absence of long-term contracts with our customers, our Group has an established track record in providing quality products and services, which has earned the recognition of various local and foreign customers of the Group.

However, any failure on our part to meet the operational and technical requirements of our customers, may subsequently impact our business relationship with our customers, and adversely affect our business, financial conditions and results of operations.

### **9.1.5 We may be affected from termination of secured orders**

Notwithstanding of the purchase orders secured from our customers, our business is exposed to the risk of termination of the purchase orders. This may be attributable to numerous causes such as a shift in technology or market conditions.

We have an order book of RM38.39 million based on total amount of purchase orders secured, which has not been recognised in our revenue as at the LPD. Notwithstanding this, our business is still exposed to the risk of termination of orders by customers, which would adversely affect our financial performance.

Further, we may be required to negotiate a termination fee based on the work we have performed to date should any termination by the customers occur as we may have consumed substantial amount of time and resources to execute the work orders. However, although negotiation for a termination fee is possible, the termination fee is subject to mutual agreement between both parties. There is no assurance that we would be able to attain any compensation from our customers for the work that we have performed to date.

During the Financial Periods Under Review and up to the LPD, we have not had any major termination of secured orders by our customers.

### **9.1.6 We may be unable to effectively implement our business plans and strategies**

Our business strategies are aimed at growing and expanding all our core business segments. It is vital that our Group remains competitive to enhance our market presence. As part of our business plans and strategies, we aim to strengthen our R&D activities, set up new Delivery Centres, and expand our reach internationally by setting up a sales office in Singapore. Please refer to Section 7.19 of this Prospectus for further details of our business plans and strategies.

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**9. RISK FACTORS** *(cont'd)*

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Our business growth is reliant upon our ability to realise our business plans and strategies. We may not be able to promptly carry out our business strategies according to business and financial expectations, which may in turn, affect our future business and financial performance. The execution of our business plans and strategies is subject to production cost, additional capital expenditures and limitation in human capital. Further, elements beyond our control such as changes in the global and local economic, political, and market conditions, may adversely affect our future plan.

**9.1.7 We are subject to project risks**

In view of the complexity of the projects we undertake, we are subject to changes in the specifications required under these projects. As such, our Group is subject to, amongst others, the following risks:-

- (a) Delay and/or cancellation of projects due to unforeseen circumstances such as unexpected changes in project requirements or timeline that are beyond our control. Any delay in customers' expansion projects will accordingly affect the implementation of digitalised solutions and automated equipment as well as rolling out of engineering support services and product engineering services. This would affect the recognition of revenues from the relevant projects, which would consequently impact our Group's financial performance;
- (b) Project cost overruns due to unanticipated difficulties encountered during the project implementation stage or changes in project requirements. We may be unable to accurately estimate the costs required to deliver our solutions and services and there can be no assurance that the actual time taken and costs incurred for each project would not exceed our estimation. These project cost overruns could impact our Group's profitability which would impact our Group's financial performance.

**9.1.8 We may be affected by the changes in labour laws and regulations**

Our workforce consists of both permanent and contract-based employees. As at the LPD, our workforce comprised 1,526 employees (including 1,192 contract-based). All our employees are entitled to statutory employment benefits.

We are subject to various labour laws and regulations governing our relationships with our employees, including in relation to minimum wages, working hours, overtime, working conditions, hiring and terminating the contracts of contract-based employees and work permits. A change of law which requires us to treat and extend benefits to our employees may create potentially liability for us. We cannot assure you that we will be in compliance with current and future health and safety and labour laws and regulations at all times and any failure to comply with such laws and regulations could materially and adversely affect our business, future financial performance and results of operations.

Currently, our employees are not members of a labour union, but we can give you no assurance that they will not, in the future, join or form a labour union, or eventually wish to engage in collective bargaining. In the event of a labour dispute, protracted negotiations and strike action may impair our ability to carry on our day-to-day operations, which could materially and adversely affect our business, future financial performance and results of operations.

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**9. RISK FACTORS** *(cont'd)*

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**9.1.9 We may be vulnerable from inadequate protection of intellectual property rights**

Our Group may unknowingly infringe upon the intellectual property rights of third parties and may be held responsible for such infringements. Any future litigation regarding patents or other intellectual property infringements could be costly and time consuming and divert significant management and staff resources. If our Group loses a claim, we may suffer significant liabilities, litigation costs or be prevented from selling our solutions if they infringe upon the intellectual property of third parties.

Our Group's success will rely on the use of third-party proprietary technology as well as our own technological proficiency. As there is only limited protection offered from the present trademark, trade secret, patent and copyright, we are not able to guarantee that we can safeguard the proprietary rights against exploitation or illegal third party copying and use, which could have a material adverse effect on the Group's business and financial performance. However, the risk is comparatively low due to the nature and complexity of our digitalised solutions and automated equipment. The details of our trademark and patents are set out in Section 7.9 of this Prospectus. There is no assurance that we will be able to renew our trademark and patents on a timely basis.

**9.1.10 We are exposed to product warranty claims and quality-related risks**

We are exposed to the risk of liability claims and product warranty from our customers for claims of losses or damages suffered due to defective design, components/parts, warnings or instructions.

We commonly provide our customers with a warranty period of 12 months for our automated equipment and digitalised solutions and if necessary, on-site maintenance and technical support. Our warranty also includes the replacement or repair defective parts of the digitalised solutions and automated equipment. A significant number of defects would inflate project overheads and subsequently may adversely affect our Group's profitability.

Further, any defects in our solutions may result in negative customer feedback and perception of our Group. These may comprise adverse publicity, resulting in lower demand for our solutions. Further, our Group may incur supplementary costs to fix claims against us. Any substantial claims relating to our digitalised solutions and automated equipment could have an adverse impact on our business and financial performance. There is no assurance that we will not face such claims in the future.

**9.1.11 We may not be able to obtain, renew or maintain our major licences, permits and approvals**

We depend on certain licences, permits and approvals issued by various government authorities and regulatory agencies in Malaysia. Our major licences, permits and approvals are generally subject to a variety of conditions which are either stipulated within the licences, permits and approvals themselves or under the particular legislation and/or regulations governing the issuing authorities. Certain of these major licences, permits and approvals need to be renewed on a periodic basis or reassessed by the relevant regulatory authorities. Please refer to Section 7.10 of this Prospectus for details of our major licences and approvals including the applicable authorities, expiration dates and status of our compliance.

During the 12-month period prior to the date of this Prospectus, we have not faced any suspension, withdrawal or termination of relevant major our major licences, permits and approvals, financial penalties or cessation of our operations which have materially and adversely affected our business and results of operations. Further, we have not encountered any issues in renewing or obtaining any major our major licences, permits and approvals required to carry out our operations

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**9. RISK FACTORS** *(cont'd)*

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However, there can be no assurance that we will be able to renew such major our major licences, permits and approvals in future or that we will not be subject to suspension, withdrawal or termination of our major our major licences, permits and approvals despite our best efforts to maintain full compliance and any such failure to secure renewal or obtain major licences, permits and approvals would adversely affect our financial condition, results or operations and prospects.

**9.2 RISKS RELATING TO THE INDUSTRY WE OPERATE IN****9.2.1 We are subject to changes and uncertainties in the industries/sectors that we serve**

Majority of our solutions/services are provided to customers from the semiconductor and electronics industry. Therefore, the prospects of our business are dependent, to a certain extent, on the growth and performance of the industry, which in turn, are subject to global demand amongst others. If the demand for our solutions/services were to unexpectedly increase, we would require significant increase in operating capacities, resources and capabilities, including adequate fundings, manpower resources as well as materials, in order to fully capitalise on such opportunities. The failure to adjust to such unanticipated increase in the demand for our solutions/services could result in our Group losing existing customers or losing the opportunity to establish business relationships with potential customers. Such failures may adversely affect our Group's future financial results and market share.

We are also exposed to unfavourable domestic and global changes to our industry as well as our customers' industries such as shortage of semiconductors and related parts, decline in the demand for our customers' products, changes in consumer behaviour, global trade restrictions or interruptions, conflicts between countries, imposition of adverse government regulations and increase in tariffs. Such risks may affect our business and financial performance negatively.

In addition, the market for our solutions is characterised by rapidly changing technology as technology obsolescence is one of our business inherent risks. The Group's future growth and success will depend upon our ability to enhance existing solutions and introduce them on a timely and cost-effective basis, as well as to develop new ones to meet and capitalise on new technological developments and changes. The failure of our Group to design, develop and commercialise new and enhanced solutions could have a material adverse effect on our business, financial conditions and results of operations.

We seek to limit these risks through our continuous investment in R&D activities, active engagement with our customers and employment of strategic marketing activities in order to take cognisance of any possible fluctuations in these industries and to ensure that our solutions and services remain technologically relevant and meet customers' demands. Notwithstanding that, as we are operating in a fast-changing industry, there is no assurance that our Group would be able to respond favourably to any new technological advancements.

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## 9. RISK FACTORS *(cont'd)*

### 9.2.2 We face competition from other industry players

Notwithstanding our competitive advantages and key strengths, we continue to face competition from other existing and prospective local and international industry players which may be capable of offering similar services and solutions. The key areas of competition for our business comprise quality of services/solutions, pricing, proximity to customers, range of solutions and services provided, timely delivery and after-sales services. Industry players are continuously seeking ways to differentiate themselves, often by improving technical capabilities and providing wider range of offerings. Some of our competitors are more established and are capable of providing more services/solutions on a larger scale. As such, this may impact our revenue and profitability as we may be required to be more price competitive in order to secure purchase orders. Therefore, we are exposed to the risk that we may be unable to compete effectively against our existing or potential competitors, which will have adverse effects on our business operations and financial performance.

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

### 9.2.3 We are exposed to the legal, regulatory, political and economic risks

We are susceptible to legal, regulatory, political and economic conditions as well as operational risks in Malaysia or our export markets, as well as global supply chain changes arising from such risks. Our business may be subject to risks associated with conducting business internationally as we offer our solutions and services to customers and purchase parts and components from suppliers based overseas. Therefore, our financial condition and results or operations could be affected by variety of factors, including:-

- political and economic instability, including global and regional macroeconomic disruptions such as natural calamities, epidemics or other risks related to countries where we procure our components and parts or sell our solutions;
- unfavourable changes in government policies such as introduction of new regulations, including trade protection measures, sanctions, import or export restrictions and licencing regulations, duties, tariffs or subsidies; and
- risks with respect to social and political crises resulting from riots, terrorism, war or civil unrest as well as outbreak of pandemics, amongst others.

Recent tensions in Europe and the Middle-East have resulted in elevated geopolitical instability, trade restrictions, sanctions, disruptions to global supply chains, and a potential adverse impact on markets and a downturn in the regional and global economy. For example, the conflict in Europe is expected to lead to a shortage of microchips globally considering both Russia and Ukraine are key suppliers of raw materials used in microchip manufacturing. A prolonged war could affect the supply of microchips globally which would consequently have an adverse impact on the investments in new digitalised solutions and automated equipment as well as need for skilled workers for engineering support services and product engineering services. In the short term, the conflict could lead to less demand for our solutions and services. Any of such circumstances may adversely affect our business, financial conditions and results of operations.

Any other unfavourable changes in the political, economic, and regulatory settings in the countries where our Group operates and export our products to, could also adversely affect our financial performance, operational conditions and generally, the profitability of our Group. Our overall business would also be affected by any global or regional economic slump. In addition, this downturn may affect consumer confidence which may cause our customers to reduce their purchases and correspondingly affect the demand for our solutions and services.

**9. RISK FACTORS** *(cont'd)***9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES****9.3.1 No prior market for our Shares**

Prior to our IPO, there has been no prior market for our Shares. As such, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such market can be sustained. There is also no assurance that there will be liquid market for our Shares. Upon the Listing, our Share price may fluctuate based on a variety of factors such as demand and supply for our Shares, the expectations of our future financial performance as well as the general stock market conditions.

Investors of our IPO Shares should be aware of such risks before deciding to invest in our Shares as there is no certainty that our Shares will trade above the IPO Price upon our Listing.

**9.3.2 The trading price and volume of our shares following our IPO may be volatile**

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global 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 Shares. Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as the business activities of our Company have no direct correlation with the performance of securities listed on Bursa Securities.

It is expected that there will be about 8 Market Days after the closing date of our IPO before the commencement of trading of our Shares on Bursa Securities. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities market, our industry or us specifically during this period that would adversely affect the market price of our Shares when they begin trading.

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

- material deterioration in our financial performance and operations;
- failure of our management team in implementing business strategies;
- adverse changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- adverse changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- departures of our key senior management;
- decline in stock market prices and volumes; and
- involvement in any material litigation.

**9.3.3 There may be potential delay to or cancellation of our Listing**

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

- (a) our Company or Sole Underwriter fails to honour their respective obligations under the Underwriting Agreement;
- (b) the revocation of approvals from the relevant authorities and/or parties for our Listing and/or admission for whatever reason; and/or

## 9. RISK FACTORS *(cont'd)*

- (c) we are unable to meet the public shareholding spread requirements of the Listing Requirements, i.e. at least 25% of our enlarged number of Shares for which listing is sought to be held by a minimum of 200 public shareholders holding not less than 100 Shares each at the time of Listing.

In the event that we fail to fulfil any of the events above, we will return in full, without interest, monies paid in respect of all applications, in compliance with Section 243(2) of the CMSA.

Nevertheless, our Board will endeavour to ensure compliance of the various requirements for our successful listing on the ACE Market.

### 9.4 OTHER RISKS

#### 9.4.1 Uncertainty of dividend payments

Our Company is an investment holding company and we conduct all of our operations through our subsidiaries. Accordingly, our income will be derived mainly from dividends received from our subsidiaries. Hence, our ability to pay future dividends to our shareholders is dependent on, amongst others, the performance of our subsidiaries. The ability of our subsidiaries to pay dividends to us will depend upon their financial performance and availability of their distributable reserves, capital requirements for their operational needs and debt servicing commitment.

There can be no assurance that we would be able to pay future dividends on our Shares, as a result of the factors stated above. Furthermore, if we do not pay dividends or pay dividends at level lower than that anticipated by investors, the trading price of our Shares may be negatively affected and the value of any investment in our Shares might be reduced.

#### 9.4.2 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after the IPO

As disclosed in Section 5 of this Prospectus, our Promoters will collectively hold approximately 64.19% of our enlarged issued share capital upon Listing. As a result, they will be able to, in the foreseeable future, 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 as required by the relevant guidelines or regulations.

Nevertheless, our Company has appointed Ahmad Khairuddin Bin Abdul Rahim, Hanita binti Othman, Joyce Wong Ai May and Teresa Tan Siew Kuan as our Independent Directors and they will play an active role in our Board's deliberations to ensure future transactions involving related parties are entered into on an arms-length basis, so as to facilitate good corporate governance whilst promoting greater corporate transparency.

#### 9.4.3 We have conditionally adopted the LTIP effective from the Listing Date, which may lead to share-based expenses that may negatively impact our profitability

We conditionally adopted the LTIP effective from the Listing Date to recognise and reward the contribution of Eligible Persons for our growth and development and to provide them with incentives in order to retain them for our continual operation, development and long-term growth and to attract suitable personnel for our further development. We therefore expect to incur expenses based on the fair value of share-based compensation measured at the date of grant under the SGP, which will be recorded in our consolidated financial statements for the relevant future periods. Any significant share-based compensation expenses may result in a material and adverse impact on our results of operations.