

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF Mi EQUIPMENT HOLDINGS BERHAD (“Mi EQUIPMENT HOLDINGS” OR THE “COMPANY”) DATED 28 MAY 2018 (“ELECTRONIC PROSPECTUS”)

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice).

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) website at www.bursamalaysia.com (“**Website**”).

Availability and Location of Paper/Printed Prospectus

Any applicant who is in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request for a paper/printed copy of the Prospectus directly from the Company, Affin Hwang Investment Bank Berhad (“**Affin Hwang IB**”) or Malaysian Issuing House Sdn. Bhd. Alternatively, the applicant may obtain a copy of the Prospectus, subject to availability, from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

Jurisdiction Disclaimer

The distribution of the Electronic Prospectus and the sale of the initial public offering (“**IPO**”) shares are subject to Malaysian law. Bursa Securities, Affin Hwang IB, the Promoter, the Selling Shareholder and the Company named in the Electronic Prospectus take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the IPO shares outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any IPO shares, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from **10:00 a.m. (Malaysian time) on 28 May 2018** and will close at **5:00 p.m. (Malaysian time) on 7 June 2018**.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users’ access to the website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.

P R O S P E C T U S



Mi EQUIPMENT HOLDINGS BERHAD

(Company No. 1235827-D)

(Incorporated in Malaysia under the Companies Act 2016)

INITIAL PUBLIC OFFERING ("IPO") IN CONJUNCTION WITH THE LISTING OF Mi EQUIPMENT HOLDINGS BERHAD ("Mi EQUIPMENT HOLDINGS") ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:

- (I) PUBLIC ISSUE OF 134,428,000 NEW ORDINARY SHARES IN Mi EQUIPMENT HOLDINGS ("SHARES") ("ISSUE SHARES") IN THE FOLLOWING MANNER:
- 25,000,000 ISSUE SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
 - 17,500,000 ISSUE SHARES AVAILABLE FOR APPLICATION BY THE ELIGIBLE PERSONS (AS DEFINED HEREIN);
 - 60,449,000 ISSUE SHARES BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED INVESTORS;
 - 31,479,000 ISSUE SHARES BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY ("MITI"); AND
- (II) OFFER FOR SALE OF 18,521,000 EXISTING SHARES ("OFFER SHARES") BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MITI,

AT AN IPO PRICE OF RM1.42 PER ISSUE SHARE/OFFER SHARE, PAYABLE IN FULL UPON APPLICATION.

PRINCIPAL ADVISER, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT



AFFIN HWANG INVESTMENT BANK BERHAD (14389-U)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER SIX (6) MONTHS FROM THE DATE OF THIS PROSPECTUS.

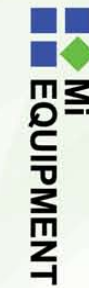
THE SECURITIES COMMISSION MALAYSIA ("SC") HAS APPROVED THE ISSUE, OFFER OR INVITATION FOR THE OFFERING UNDER SECTION 214(1) OF THE CAPITAL MARKETS SERVICES ACT 2007.

THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC. THE APPROVAL, AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 48.



Mi EQUIPMENT HOLDINGS BERHAD
(Company No. 1235827-D)
(Incorporated in Malaysia under the Companies Act 2016)

P R O S P E C T U S



Mi EQUIPMENT HOLDINGS BERHAD

(Company No. 1235827-D)

(Incorporated in Malaysia under the Companies Act 2016)

Plot 13, Bayan Lepas Technoplex, MK 12, Industrial Zone Phase 4,
11900 Bayan Lepas, Pulau Pinang, Malaysia.

Tel : (60)4-6301288 | Fax : (60)4-6301283 | Email : enquiry@mi-eq.com

www.mi-eq.com

Mechanized Inspiration Through Knowledge & Experience

THIS PROSPECTUS IS DATED 28 MAY 2018

IMPORTANT NOTICE**RESPONSIBILITY STATEMENTS**

Our Directors, Promoter and the Selling Shareholder (as defined herein) have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that, there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Affin Hwang Investment Bank Berhad ("**Affin Hwang IB**"), being the Principal Adviser, Sole Underwriter and Sole Placement Agent in relation to our initial public offering ("**IPO**"), acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

STATEMENTS OF DISCLAIMER

The Securities Commission Malaysia ("**SC**") has approved our IPO and this Prospectus has been registered by the SC. The approval and registration of this Prospectus should not be taken to indicate that the SC recommends our IPO or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of our ordinary shares ("**Shares**") being offered for investment.

The SC is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND YOUR INVESTMENT IN OUR SHARES. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS, OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Our Company had on 27 March 2018 obtained the approval from Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for our Shares ("**Listing**"). Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

This Prospectus, together with the application forms, has also been lodged with the Companies Commission of Malaysia, who takes no responsibility for its contents.

OTHER STATEMENTS

You should note that you may seek recourse under Sections 248, 249 and 357 of the Capital Markets and Services Act 2007 ("**CMSA**") for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to the Company.

Our Shares listed on Bursa Securities are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

IMPORTANT NOTICE (cont'd)

You should note that any agreement by the Sole Underwriter named in this Prospectus to underwrite our Shares is not to be taken as an indication of the merits of our Shares being offered.

This Prospectus has been prepared in the context of an IPO under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

This Prospectus is published solely in connection with our IPO. Our Shares being offered in the IPO are offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, the Promoter, Selling Shareholder, Principal Adviser, Sole Underwriter and Sole Placement Agent have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, the Promoter, Selling Shareholder, Principal Adviser, Sole Underwriter and Sole Placement Agent, or any of their respective directors or any other persons involved in our IPO.

The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. This Prospectus will not be distributed outside Malaysia. Our Company, the Promoter, Selling Shareholder, Principal Adviser, Sole Underwriter and Sole Placement Agent named in this Prospectus have not authorised and take no responsibility for the distribution of this Prospectus outside of Malaysia. No action has been taken to permit a public offering of our Shares in any jurisdiction other than Malaysia based on this Prospectus. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase any IPO Shares in any jurisdiction or in any circumstance in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of our Shares offered under our IPO in certain jurisdictions may be restricted by law. Prospective investors who may be in possession of this Prospectus are required to inform themselves and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO as stated in this Prospectus and the Application Form and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected. We will further assume that you had accepted our IPO in Malaysia and will be subject to the laws of Malaysia in connection therewith.

However, we reserve the right in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It shall be your sole responsibility to consult your legal and/or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither we nor our Principal Adviser nor any other advisers in relation to our IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

IMPORTANT NOTICE (cont'd)**ELECTRONIC PROSPECTUS/INTERNET SHARE APPLICATION**

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com.

The internet is not a fully secured medium. Your Internet Share Application (as defined herein) may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in any doubt about the validity or integrity of an Electronic Prospectus, you should immediately request from us or the Issuing House, a paper/printed copy of this Prospectus. If there are any discrepancies arising between the contents of the Electronic Prospectus and the paper/printed copy of this Prospectus for any reason whatsoever, the contents of the paper/printed copy of this Prospectus, which are identical to the copy of the Prospectus registered with the SC shall prevail.

In relation to any reference in this Prospectus to third party internet sites ("**Third Party Internet Sites**"), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

- (i) we do not endorse and are not affiliated in any way to the Third Party Internet Sites. Accordingly, we are not responsible for any availability of or the content or any data, files or other material provided on the Third Party Internet Sites. You bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any terms of any of your agreements with the Third Party Internet Sites. We are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, files or other material provided by such parties; and
- (iii) any data, information, file or other material downloaded from the Third Party Internet Sites is done at your discretion and risk. We are not responsible, liable or under obligations for any damage to your computer system or loss of data resulting from the downloading of any such data, information, file or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institution, you are advised that:

- (i) the Internet Participating Financial Institution is only liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the content of the Electronic Prospectus on the web server of the Internet Participating Financial Institution which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institution is not responsible for the integrity of the contents of the Electronic Prospectus which has been obtained from the web server of the Internet Participating Financial Institution and subsequently communicated or disseminated in any manner to you or other parties;
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the internet is not a fully secured medium; and

IMPORTANT NOTICE *(cont'd)*

- (iii) the Internet Participating Financial Institution is not liable (whether in tort or contract or otherwise) for any loss, damage or costs, that you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computers, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institution, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

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INDICATIVE TIMETABLE

An indicative timetable for our IPO is set out below:

Event	Date
Issuance of Prospectus/Opening of applications for our Issue Shares	10.00 a.m. 28 May 2018
Closing of applications for our Issue Shares	5.00 p.m. 7 June 2018
Balloting of applications for our Issue Shares	11 June 2018
Allotment of our Issue Shares/transfer of Offer Shares to successful applicants	18 June 2018
Listing	20 June 2018

In the event there are any changes to the timetable, we will advertise the notice of changes in a widely circulated Bahasa Malaysia and English daily newspaper within Malaysia. Following this, we will extend the dates for the balloting of the applications, allotment of our Issue Shares/transfer of Offer Shares and Listing accordingly.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to “our Company” or “Mi Equipment Holdings” in this Prospectus are to Mi Equipment Holdings Berhad. All references to “our Group” or “Mi Equipment Holdings Group” in this Prospectus are to our Company and our subsidiaries, taken as a whole. All references to “we”, “us”, “our” and “ourselves” are to our Company and our subsidiaries, save where the context otherwise requires. Statements as to our beliefs, expectations, estimates and opinions are those of our Company.

In this Prospectus, reference to the “Government” is to the Government of Malaysia, references to “Ringgit”, “Malaysian Ringgit”, “RM” and “sen” are to the lawful currency of Malaysia. Any discrepancies in the tables between the amounts listed and the totals in this Prospectus are due to rounding. Certain acronyms, technical terms and other abbreviations used are defined in “Definitions” and “Glossary of Technical Terms” section appearing after this section. Words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. References to persons shall include companies and corporations.

Any reference to any provisions of the statutes, rules and regulations, enactments or rules of stock exchange shall (where the context admits), be construed as reference to provisions of such statutes, rules and regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendment or re-enactment to statutes, rules and regulations, enactments or rules of stock exchange for the time being in force.

All reference to dates and times are references to dates and times in Malaysia unless otherwise stated.

References to “LPD” in this Prospectus are to 26 April 2018, which is the latest practicable date for certain information to be obtained and disclosed in this Prospectus prior to its registration with the SC.

This Prospectus includes statistical data provided by us and various third parties and cites third party projections regarding growth and performance of the market and industry in which we operate or are exposed to. This data is taken or derived from information published by industry sources and from our internal data. In each case, the source is stated in this Prospectus. Where there is no source stated, it can be assumed that the information originates from us or is extracted from the IMR Report prepared by Smith Zander International Sdn Bhd as included in Section 8 of this Prospectus. In addition, certain information in this Prospectus is extracted or derived from the IMR Report prepared by Smith Zander International Sdn Bhd, an Independent Market Researcher, whom we have appointed to provide an independent market and industry review for inclusion in this Prospectus. In compiling their data for the review, the Independent Market Researcher had relied on industry sources, published materials, their own private databases and direct contacts within the industry. We believe that the information on the industry as contained in this Prospectus and other statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the market and industry in which we operate. However, we, the Directors, the Promoter, Selling Shareholder, Principal Adviser, Sole Underwriter and Sole Placement Agent have not independently verified these data.

None of our Directors, Promoter, Selling Shareholder, Principal Adviser, Sole Underwriter and Sole Placement Agent make any representation as to the correctness, accuracy or completeness of such data and accordingly, you should not place undue reliance on the statistical data cited in this Prospectus. Further, third party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. No assurances can be given that the estimated figures will be achieved, and you should not place undue reliance on the third party projections cited in this Prospectus.

The information on our website or any website, directly or indirectly, linked to our website does not form part of this Prospectus and you should not rely on it. If there is any discrepancy between the contents of such website relating to our Group and this Prospectus, the information contained in this Prospectus shall prevail.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to future events and do not guarantee future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast”, “project” or similar expressions and include all statements that are not historical facts.

Forward-looking statements include, without limitation, statements relating to:

- (i) our future overall business development and operations plans;
- (ii) our future earnings, cash flow and liquidity;
- (iii) potential growth opportunities;
- (iv) our business strategies, trends and competitive position; and
- (v) the general industry environment, including the demand and supply of our products.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors, including, without limitations:

- (i) the competitive environment in the industry which we operate;
- (ii) the activities and financial position of our customers and suppliers;
- (iii) delay in supply of raw materials and shortages in labour or problems with the execution of our expansion plans;
- (iv) the continued availability of capital and financing; and
- (v) the general economics, business, political and investment environment in Malaysia and globally.

Additional factors that could cause actual results, performance or achievements to differ materially include, but not limited to those discussed in Section 5 on “Risk Factors” and Section 12.3.2 on “Significant factors affecting our financial position and results of operations”. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD.

Save as required under Section 238(1) of the CMA and Paragraph 1.02 of the Prospectus Guidelines (Supplementary and Replacement Prospectus), we expressly disclaim any obligation or undertaking to release publicly any updates or revision to any forward-looking statement contained in this Prospectus to reflect any changes in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

(The rest of this page has been intentionally left blank)

DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

Acquisitions	:	Collectively, the Mi Equipment Malaysia Acquisition and Mi International Acquisition
Act	:	Companies Act 2016
ADA	:	Authorised Depository Agent, a person appointed by Bursa Depository under the Rules
Admission	:	Admission of our Shares to the Official List of the Main Market of Bursa Securities
Affin Hwang IB or Principal Adviser	:	Affin Hwang Investment Bank Berhad (14389-U)
Application Form(s)	:	Application form(s) for the application of the Issue Shares accompanying this Prospectus
ATM	:	Automated teller machine
Board	:	The Board of Directors of our Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CAGR	:	Compounded annual growth rate
CEO	:	Chief executive officer
CDS	:	Central Depository System
CDS Account(s)	:	An account established with Bursa Depository by a Depositor for the recording of securities and for dealings in such securities by the Depositor
CF/CCC	:	Certificate of fitness for occupation/certificate of completion and compliance
China/PRC	:	The People's Republic of China
CMSA	:	Capital Markets and Services Act 2007
Constitution	:	The constitution of our Company
Depositor	:	A holder of a CDS Account
Director(s)	:	Member(s) of our Board
DPE	:	DPE Integration (M) Sdn Bhd (768293-K)
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to CD-ROMs (compact disc read-only memory)

DEFINITIONS (cont'd)

Electronic Share Application	:	Application for our Issue Shares made available to the Malaysian Public under the Public Issue through a Participating Financial Institution's ATM
Eligible Persons	:	Collectively, (i) the eligible Directors; (ii) the eligible employees; and (iii) the eligible business associates who have contributed to the success of our Group, who have been allocated with the Issue Shares in the manner as set out in Section 4.1.1(ii) of this Prospectus
Equity Guidelines	:	The Equity Guidelines issued by the SC on 8 May 2009 which was revised on 19 January 2017
EPS	:	Earnings per Share
Executive Directors	:	Collectively our Company's executive directors, namely Oh Kuang Eng, Koay Huck Khim and Ong Tee Ni
Financial Years Under Review	:	FYE 2015, FYE 2016 and FYE 2017
FYE	:	Financial year ended/ending 31 December
GP	:	Gross profit
GST	:	Goods and Services Tax Malaysia
IMR Report	:	Independent Market Research Report dated 2 May 2018 prepared by Smith Zander International Sdn Bhd, as set out in Section 8 of this Prospectus
Internet Participating Financial Institution(s)	:	The participating financial institution(s) for the Internet Share Application, which is set out in Section 15.6 of this Prospectus
Internet Share Application	:	Application for our Issue Shares through an Internet Participating Financial Institution
IPO	:	Initial public offering comprising the Public Issue and Offer for Sale, collectively
IPO Price	:	The issue/offer price of RM1.42 per IPO Share pursuant to IPO
IPO Shares	:	Collectively, the Issue Shares and the Offer Shares
Issue Shares	:	134,428,000 new Shares to be issued by our Company pursuant to the Public Issue
Issuing House	:	Malaysian Issuing House Sdn Bhd (258345-X)
Key Senior Management	:	Key senior management personnel of our Group, namely Oh Kuang Eng, Koay Huck Khim, Ong Tee Ni, Wong Ming Nee, Tung Chun Kang, Chan Tirng Kaai and Evelyn Ng Zhen Zhing
Land Administrator	:	Director office of land and mines Penang (Pejabat Tanah dan Galian Pulau Pinang)

DEFINITIONS (cont'd)

Listing	:	Admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of Mi Equipment Holdings of RM252,733,337 comprising 500,000,000 Shares on the Main Market
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LMW	:	Licensed Manufacturing Warehouse
LPD	:	26 April 2018, being the latest practicable date for certain information to be obtained and disclosed in this Prospectus prior to the registration of this Prospectus with the SC
Main Market	:	Main Market of Bursa Securities
Malaysian Public	:	Malaysian citizens, companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	:	A day on which Bursa Securities is open for trading in securities
MFRS	:	Malaysian Financial Reporting Standards
Mi Equipment Holdings or Company	:	Mi Equipment Holdings Berhad (1235827-D)
Mi Equipment Holdings Group or Group	:	Collectively, Mi Equipment Holdings and its subsidiaries
Mi Equipment Holdings Share(s) or Share(s)	:	Ordinary share(s) in our Company
Mi Equipment Malaysia Acquisition	:	Acquisition by Mi Equipment Holdings Sdn Bhd of the entire issued share capital of Mi Equipment Malaysia comprising 2,000,000 shares from Oh Kuang Eng, Ong Tee Ni, Tung Chun Kang, Evelyn Ng Zhen Zhing, Teh Ban Chuan, Chan Tirng Kaai, and Chan Kok Seng, for an aggregate purchase consideration of RM63,455,445, which was satisfied via the issuance of 352,530,250 new Shares at an issue price of RM0.18 per Share. The acquisition of Mi Equipment Malaysia by Mi Equipment Holdings Sdn Bhd was completed on 6 July 2017
Mi Equipment Malaysia SSA	:	Share sale agreement dated 6 July 2017 entered into between Mi Equipment Holdings Sdn Bhd, Oh Kuang Eng, Ong Tee Ni, Tung Chun Kang, Evelyn Ng Zhen Zhing, Teh Ban Chuan, Chan Tirng Kaai, and Chan Kok Seng pursuant to Mi Equipment Malaysia Acquisition
Mi International Acquisition	:	Acquisition by Mi Equipment Holdings Sdn Bhd of the entire issued share capital of Mi International comprising 100,000 shares from Oh Kuang Eng, for a purchase consideration of SGD757,113 (equivalent to RM2,347,506 ¹) which was satisfied via the issuance of 13,041,700 new Shares at an issue price of RM0.18 per Share. The acquisition of Mi International by Mi Equipment Holdings Sdn Bhd was completed on 2 August 2017
Mi International Group	:	Collectively, Mi International and its subsidiaries

¹ Based on the exchange rate of SGD1.00: RM3.1006 as at 30 December 2016 as extracted from Bank Negara Malaysia's website.

DEFINITIONS (cont'd)

Mi International SSA	:	Share sale agreement dated 2 August 2017 entered into between Mi Equipment Holdings Sdn Bhd and Oh Kuang Eng pursuant to Mi International Acquisition
MITI	:	Ministry of International Trade and Industry of Malaysia
NA	:	Net assets
Offer for Sale	:	Offer for sale of 18,521,000 Offer Shares by the Selling Shareholder by way of private placement to identified Bumiputera investors approved by the MITI at the IPO Price
Offer Shares	:	18,521,000 existing Shares to be offered pursuant to the Offer for Sale
Official List	:	A list specifying all securities listed on Bursa Securities
Participating Financial Institution(s)	:	The participating financial institution(s) for Electronic Share Application, which are set out in Section 15.5(ii) of this Prospectus
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PDC	:	Penang Development Corporation
PE Multiple	:	Price-to-earnings multiple
Pink Form Allocations	:	The allocation of 17,500,000 Issue Shares to Eligible Persons
Promoter	:	Oh Kuang Eng
Prospectus	:	This prospectus dated 28 May 2018 in relation to the IPO
Public Issue	:	Public issue of 134,428,000 Issue Shares at our IPO Price subject to the terms and conditions of this Prospectus
R&D	:	Research and development
Rules	:	The Rules of Bursa Depository
SC	:	Securities Commission Malaysia
Selling Shareholder	:	Oh Kuang Eng, being the party undertaking the Offer for Sale
Share Registrar	:	Securities Services (Holdings) Sdn Bhd (36869-T)
SICDA	:	Securities Industry (Central Depositories) Act 1991
Sole Placement Agent	:	Affin Hwang IB
Sole Underwriter	:	Affin Hwang IB
sq ft	:	Square feet
Taiwan	:	Taiwan (Republic of China)

DEFINITIONS *(cont'd)*

Underwriting Agreement	:	The underwriting agreement dated 8 May 2018 entered into between our Company and our Sole Underwriter pursuant to our IPO
USA	:	United States of America
WFOE	:	Wholly foreign-owned enterprise under the laws of PRC

CURRENCIES

NT\$:	New Taiwan Dollar, the lawful currency of Taiwan
RM and sen	:	Ringgit Malaysia and sen respectively, the lawful currency of Malaysia
RMB	:	Chinese Yuan, the lawful currency of PRC
SGD/S\$:	Singapore Dollar, the lawful currency of Singapore
USD	:	United States Dollar, the lawful currency of the USA

OUR SUBSIDIARIES

Mi Equipment Malaysia	:	Mi Equipment (M) Sdn Bhd (1005839-H)
Mi Equipment Sales & Services	:	Mi Equipment Sales & Services Sdn Bhd (formerly known as MiE Sales & Services Sdn Bhd) (1116255-D)
Mi Equipment Suzhou	:	Suzhou Mi Equipment Co Ltd (913205940602196967)
Mi Equipment Taiwan	:	Mi Equipment (Taiwan) Co Ltd (formerly known as IPE Tech Co Ltd) (53475027)
Mi Equipment USA	:	Mi Equipment USA Inc (formerly known as MiE Technology USA Inc) (C3790255)
Mi International	:	Mi International Pte Ltd (formerly known as MiE Technology Pte Ltd) (201228192H)
Mi Precision	:	Mi Precision Sdn Bhd (1240947-A)

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GLOSSARY OF TECHNICAL TERMS

Technical terms used in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

Actuator linear motor	:	A mechanical device for moving or controlling an object that creates motion in a straight line
Auto alignment	:	A method of automatically aligning semiconductor IC to a pre-determined position
Auto pick force calibration	:	A system of automatic adjustment to the force of picking up the semiconductor IC
Back grinding	:	A process of grinding the wafer to reduce bulk of the excess wafer thickness, then polishing the wafer to grind the wafer to the exact required thickness
Ball grid array or BGA	:	An IC package with the solder balls arranged in a regular array on the underside of the package
Bare die	:	An unpackaged IC that has been sawn out from the wafer
Bearings	:	A part that is used to facilitate rotational or linear movement and reduces friction between moving parts
Bonder	:	A machine that binds two semiconductor devices together
Bump/flip chips	:	A semiconductor that is attached to the printed circuit board by inverting so that the solder balls can be directly attached to the printed circuit board
Computer aided design or CAD	:	A software that uses computer systems in aiding creation, modification analysis or optimisation of a design
Carrier tape	:	A tape with individual pockets that hold individual components, and a cover tape that seals the tape to retain the components in the pockets
Carrier tape track	:	A path to facilitate and guide the movement of the carrier tape
Chip	:	A flat plate of semiconductor material, usually silicon, that contains integrated circuits
Chip size	:	The size of the flat plate of semiconductor material containing the integrated circuit
Chip scale package or CSP	:	An IC package that is of chip size
Collet	:	A part used for picking a die up from a wafer, either by surface contact or by an ejector pin pushing the die up from the surface of the adhesive film, and the die will be held by vacuum during the transfer process to the next station
CNC	:	Computer numerical control
De-taper modules	:	A tape handling system used to remove the tape of a sealed carrier tape

GLOSSARY OF TECHNICAL TERMS (*cont'd*)

Die	:	A block of semiconductor material on a wafer where electrical components are mounted on to form a circuitry to carry out specific functions
Die sorter machine	:	A machine used to separate dies to different bins according to their qualities or characteristics
Die surface automated optical inspection	:	An inspection involving scanning the surface of a die using a camera to check for missing components or quality defects
Direct drive rotary motor	:	A motor that transmits mechanical power in the form of torque and speed directly without the need for any power transmission elements such as gears, belts, pulleys or chains
Dual in-line packaging or DIP	:	An IC package with two rows of electrical connecting pins
Electronic manufacturing service or EMS providers	:	Companies that manufacture, assemble, package and/or test final electronic products
Engineering plastics	:	A set of plastic materials that are used in applications requiring higher performance in areas of heat resistance, chemical resistance, impact, thermal resistance or mechanical strength
Fab-less	:	Companies that are involved in the design and sale of integrated circuits, with the manufacturing being outsourced to foundries
Fab-lite	:	Companies that have integrated circuits manufacturing facility but outsources some parts of the manufacturing process
Fan out wafer level package or FOWLP	:	An enhancement of the standard wafer-level packaging that involves sawing the die on the wafer, then positioning it on a carrier substrate which is then moulded, followed by forming a redistribution layer on top of it, allowing circuit traces to be routed for connection outside the die. This technology facilitates semiconductor devices requiring high integration level and greater number of external contacts
Form factor	:	The physical size and shape of a device
Foundries	:	Companies that manufacture IC
Functional electrical tests	:	A series of tests conducted on a semiconductor that includes voltage, electrical signals and temperature tests to measure their functional and electrical characteristics
Infrared or IR inspection	:	An inspection using infrared to detect defects that cannot be detected through electrical or functional tests, on and beneath the surface of a semiconductor
Input-output cards or IO cards	:	A card containing command inputs to execute desired output actions
Integrated device manufacturer or IDM	:	Companies that design, manufacture and sell integrated circuit products
Integrated circuit(s) or IC(s)	:	A set of semiconductor devices on a single in-plate (i.e. chip) of semiconductor material, which is usually silicon

GLOSSARY OF TECHNICAL TERMS (cont'd)

Jedec tray	:	A container with uniformly stacked pockets to protect the integrated circuits in the process of shipping and during component assembly stages, and are stacked together to form standard packaging configurations
Laser marking system	:	A system for marking on materials with a laser beam
Leadframe	:	A thin layer of metal in a semiconductor that acts as a conductor when the semiconductor is mounted on the printed circuit board. It also facilitates heat dissipation
Light emitting diode die or LED die	:	A die that emits visible light when an electric current passes through it
Light intensity controllers	:	A tool used to control the intensity of the lighting according to pre-set requirements
Linear pick and place	:	A pick and place system that moves objects along a linear path
Moulding	:	A manufacturing process where liquid or a pliable material is shaped using a rigid frame called a mould
Non-flip	:	A process of not inverting the semiconductor
Open short test	:	A test performed on the IC by checking the connectivity, i.e. continuity of two terminals
Optical inspection	:	A vision inspection to detect damages such as cracks or chipping on the surface of the die
Outsourced semiconductor assembly and test companies or OSAT(s)	:	Companies that specialise in assembly, testing and packaging services for the semiconductor industry
Package	:	A medium encapsulating semiconductor electronic components
Packaging	:	A process of encapsulating the IC chips with plastic moulding compound or ceramic case to protect it from the external environment
Pick and place	:	A process of holding components to transfer from feeding machine to the destination, using a vacuum based system
Pickup collets	:	A tool used to pick up, hold and transfer and place a die
Pin grid array or PGA	:	An IC package with the electrical connecting pins arranged in a regular array on the underside of the package
Post sawn final test application	:	A test conducted after the dice are sawn from the wafer into individual die
Precision steel	:	A type of high-quality steel that is used to make products with fine precision
Printed circuit board or PCB	:	A printed circuit board mechanically supports and electrically connects electronic components using conductive tracks, pads and other features etched from copper sheets laminated onto a non-conductive substrate

GLOSSARY OF TECHNICAL TERMS (*cont'd*)

QFN pick and place	:	A pick and place equipment used for quad flat no-lead packages
Reel to reel	:	A die sorting process involving pick up from reel, sorted to reel
Rotary concept	:	A concept of turning around on an axis as a wheel
Rubber tips	:	A replaceable rubber part at the end of the tool that is used to pick-up, hold, transfer and place a die
Semiconductor	:	A device made from material which has the electrical conductivity between that of a conductor (such as copper) and an insulator (such as glass). Semiconductors are technology enablers for products such as memory chips, computers, mobile phones, home and personal appliances, as well as medical equipment
Semiconductor device(s)	:	A device made from semiconductor material. Examples of semiconductor devices are diodes and transistors. A few to many semiconductor devices interconnected on a single plate forms an IC
Surface mount technology or SMT	:	A method for producing electronic circuits, where components are mounted or soldered onto the surface of a PCB
Solder ball	:	A part of an IC package which conducts electrical signals between the IC and the PCB on which the IC is placed
Substrate carrier	:	A part where the IC packages are attached to for safe handling of the delicate semiconductor electronic components
Tape-and-reel	:	A process involving the picking of die or semiconductor components from a wafer and placing it onto a plastic carrier tape which would then be wound on a rigid plastic reel
Test sockets	:	A part that is used to connect the semiconductor being tested to the tester, and for testing reliability and electrical characteristics
Tool steel	:	A variety of carbon and alloy steels that are suited to be made into tools
Units per hour or UPH	:	A measure of production performance that is derived by dividing the number of units produced by the number of hours
Universal movable prism type side wall inspection	:	A type of inspection of the die using the reflection from the adjustable mirrors in a prism shape
Wafer	:	A thin slice of semiconductor material, such as silicon, used in the fabrication of IC
Wafer level chip scale packaging or WLCSP	:	An advanced packaging technology of an IC at the wafer level, resulting in a device being close to the size of the die
Wafer to reel	:	A die sorting process involving pick up from wafer, sorted to reel
Wafer to wafer	:	A die sorting process involving pick up from wafer, sorted to wafer
Waffle pack	:	A plastic tray with pockets that match the size of a die

GLOSSARY OF TECHNICAL TERMS *(cont'd)*

- Wire bonding : A method of forming interconnections between an IC or another semiconductor device and its packaging during the final phase of semiconductor device fabrication, in which tiny blocks of semiconductor materials are encased (or encapsulated) in supporting cases that prevent physical damage and corrosion
- WLCSP sorting machine : A machine used to separate die that is packaged at wafer level, according to their qualities or characteristics

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name/designation	Address	Nationality
Foo Hee Chaik <i>(Independent Non-Executive Chairman)</i>	28 Surrey Road, #04-01 The Lincoln Residences Singapore 307762	Singaporean
Oh Kuang Eng <i>(Executive Director/Group CEO)</i>	25, Jalan Pantai Jerjak 8 Sungai Nibong 11900 Bayan Lepas Pulau Pinang	Malaysian
Koay Huck Khim <i>(Executive Director)</i>	12, Solok Tembaga 1 11600 Pulau Pinang	Malaysian
Ong Tee Ni <i>(Executive Director)</i>	Tkt 7-12B Jalan Kelisa Emas 7 Pangsapuri Kelisa Residensi 13700 Perai, Pulau Pinang	Malaysian
Lee Boon Leng <i>(Independent Non-Executive Director)</i>	10 Prinsep Link #10-21 Singapore 187948	Singaporean
Tan Boon Hoe <i>(Independent Non-Executive Director)</i>	6, Persiaran Halia 2 10470 Georgetown Pulau Pinang	Malaysian

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1. CORPORATE DIRECTORY (cont'd)**AUDIT COMMITTEE**

Name	Designation	Directorship
Tan Boon Hoe	Chairman	Independent Non-Executive Director
Lee Boon Leng	Member	Independent Non-Executive Director
Foo Hee Chaik	Member	Independent Non-Executive Chairman

NOMINATION COMMITTEE

Name	Designation	Directorship
Lee Boon Leng	Chairman	Independent Non-Executive Director
Tan Boon Hoe	Member	Independent Non-Executive Director
Foo Hee Chaik	Member	Independent Non-Executive Chairman

REMUNERATION COMMITTEE

Name	Designation	Directorship
Foo Hee Chaik	Chairman	Independent Non-Executive Chairman
Lee Boon Leng	Member	Independent Non-Executive Director
Tan Boon Hoe	Member	Independent Non-Executive Director

COMPANY SECRETARY : Ch'ng Lay Hoon
Suite 12-A, Level 12, Menara Northam
No. 55 Jalan Sultan Ahmad Shah
10050 Georgetown, Pulau Pinang
Professional qualification.: Associate member of the
Malaysian Institute of Chartered Secretaries and
Administrators ("**MAICSA**")
(MAICSA Membership No. : 0818580)

Telephone No. : (604) 228 0511
Facsimile No. : (604) 228 0518

REGISTERED OFFICE : Suite 12-A, Level 12, Menara Northam
No. 55 Jalan Sultan Ahmad Shah
10050 Georgetown, Pulau Pinang

Telephone No. : (604) 228 0511
Facsimile No. : (604) 228 0518
E-mail : general@enetcorpsb.com

1. CORPORATE DIRECTORY (cont'd)

- HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS** : Plot 13, Bayan Lepas Technoplex, MK 12
Industrial Zone Phase 4
11900 Bayan Lepas, Pulau Pinang
- Telephone No. : (604) 630 1288
Facsimile No. : (604) 630 1283
Website : www.mi-eq.com
E-mail : enquiry@mi-eq.com
- PRINCIPAL BANKER** : Hong Leong Bank Berhad
15-G-1, Bayan Point
Medan Kampung Relau
11900 Bayan Baru, Pulau Pinang
- Telephone No. : (604) 332 5650
Facsimile No. : (604) 324 0928
- AUDITORS AND REPORTING ACCOUNTANTS** : BDO (AF0206)
Chartered Accountants
51-21-F, Menara BHL
Jalan Sultan Ahmad Shah
10050 Pulau Pinang
Partner-in-charge: Koay Theam Hock
Professional Qualification: Member of the Malaysian Institute of Accountants ("MIA") (MIA Membership No.: 6420)
- Telephone No. : (604) 227 6888
Facsimile No. : (604) 229 8118
- PRINCIPAL ADVISER, SOLE UNDERWRITER, SOLE PLACEMENT AGENT** : Affin Hwang Investment Bank Berhad
27th Floor, Menara Boustead
69 Jalan Raja Chulan
50200 Kuala Lumpur
- Telephone No. : (603) 2142 3700
Facsimile No. : (603) 2141 7701
- SOLICITORS FOR OUR IPO** : Wong Beh & Toh
1st Floor, Nos. 173 & 174
Jalan Kelab Cinta Sayang
Taman Ria Jaya
08000 Sungai Petani, Kedah
- Telephone No. : (604) 442 9081
Facsimile No. : (604) 442 9084

1. CORPORATE DIRECTORY (cont'd)

SHARE REGISTRAR	:	Securities Services (Holdings) Sdn Bhd Level 7, Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur Telephone No. : (603) 2084 9000 Facsimile No. : (603) 2094 9940
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Telephone No. : (603) 7841 8289 Facsimile No. : (603) 7841 8150
INDEPENDENT MARKET RESEARCHER	:	Smith Zander International Sdn Bhd Suite 23-3, Level 23, Office Suite Menara 1MK 1 Jalan Kiara, Mont' Kiara 50480 Kuala Lumpur Name of signing partner: Dennis Tan Tze Wen <i>(Please refer to Section 8 of this Prospectus for the profile of the firm and signing partner)</i> Telephone No. : (603) 6211 2121
LISTING SOUGHT	:	Main Market of Bursa Securities

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2. INTRODUCTION

This Prospectus is dated 28 May 2018.

We have obtained approval from the SC vide its letter dated 6 March 2018 in respect of our IPO and our Listing. The approval of the SC and the registration of this Prospectus shall not be taken to indicate that the SC recommends our IPO or assumes responsibility for the correctness of any statement made or opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of our Shares being offered for investment. The SC is not liable for any non-disclosure on our part in this Prospectus. The SC also takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss that you may suffer as a result of your reliance upon the whole or any part of the contents of this Prospectus.

We have registered this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms, with the Companies Commission of Malaysia, and neither the SC nor the Companies Commission of Malaysia takes any responsibility for its contents.

YOU ARE ADVISED TO MAKE YOUR OWN INDEPENDENT ASSESSMENT OF OUR COMPANY AND SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND YOUR INVESTMENT IN OUR COMPANY.

We have received the approval of Bursa Securities vide its letter dated 27 March 2018 for our Admission and our Listing. Our Shares will be admitted to the Official List and official quotation will commence upon receipt of confirmation from Bursa Depository that all the IPO Shares have been credited into the respective CDS accounts of the successful applicants and the notices of allotment have been despatched to all successful applicants. Our Admission shall not be taken as an indication of the merits of our Company, our Shares or our IPO.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as a "prescribed security". Consequently, our Shares offered in our IPO will be deposited directly with Bursa Depository. Any dealing in our Shares will be carried out in accordance with the SICDA and the Rules. We will not issue any share certificates to the successful applicants.

If our IPO Shares are not allotted/transferred pursuant to the IPO, monies paid in respect of any application for our IPO Shares will be returned to the applicants (without interest or any share of revenue or benefit arising therefrom) and in accordance with the provision of Section 243(2) of the CMSA. If such monies are not returned within 14 days after our Company becomes liable to repay it, then in addition to the liability of our Company, the officers of our Company shall be jointly and severally liable to return such monies with interest at the rate of 10% a year or at such other rate as may be prescribed by the SC from the expiration of that period.

The completion of the IPO is subject to the public spread requirements under the Listing Requirements. Pursuant to the Listing Requirements, our Company is required to comply with public spread requirements as determined by Bursa Securities. The public spread requirements stipulate that our Company is required to have a minimum of 25% of our Shares for which Listing is sought to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon completion of our IPO. At the time of Listing, our Company is expected to achieve this. If the above requirement is not met, our Company may not be permitted to proceed with the Listing. In such event, monies paid in respect of all applications will be returned in full (without interest or any share of revenue or benefit arising therefrom) and if such monies are not returned in full within 14 days after our Company becomes liable to do so, the provision of Section 243(2) of the CMSA shall apply accordingly.

2. INTRODUCTION *(cont'd)*

Each application method for our Issue Shares is described below:

(i) Application Form

You should state your CDS Account number in the space provided in the Application Form. If you do not presently have a CDS Account, you must open a CDS Account with an ADA before making an application for our Issue Shares.

(ii) Electronic Share Application

This can only be done by providing your CDS Account number to a Participating Financial Institution by way of keying in your CDS Account number if the instructions on the ATM screen at which your application is made require you to do so.

(iii) Internet Share Application

This method is only applicable to an applicant who has a CDS Account opened with an Internet Participating Financial Institution. Your CDS Account number will automatically appear in the electronic IPO online Application Form.

A corporation or institution cannot apply for our Issue Shares by way of Electronic Share Application or Internet Share Application.

IF YOU ARE IN ANY DOUBT ABOUT THIS PROSPECTUS OR CONSIDERING YOUR INVESTMENT, OR IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR ANY OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

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3. PROSPECTUS SUMMARY

THIS PROSPECTUS SUMMARY ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE WHOLE PROSPECTUS PRIOR TO DECIDING ON WHETHER TO INVEST IN OUR SHARES.

3.1 PRINCIPAL DETAILS OF OUR IPO

3.1.1 Public Issue

Our Public Issue of 134,428,000 Issue Shares at the IPO Price of RM1.42 will be made available for application in the following manner:

- (i) 25,000,000 Issue Shares by the Malaysian Public via balloting;
- (ii) 17,500,000 Issue Shares (being Pink Form Allocations) to our Eligible Directors, employees and business associates who have contributed to the success of our Group;
- (iii) 60,449,000 Issue Shares by way of private placement to identified investors; and
- (iv) 31,479,000 Issue Shares by way of private placement to identified Bumiputera investors approved by the MITI.

3.1.2 Offer for Sale

18,521,000 Offer Shares by way of private placement to identified Bumiputera investors approved by the MITI at the IPO Price of RM1.42.

3.1.3 Moratorium on our Shares

In accordance with the Equity Guidelines and our Promoter's letter of undertaking to the SC prior to the Listing, he will not be allowed, and has undertaken not to sell, transfer or assign his entire aggregate shareholdings of 340,000,394 Shares, which represents approximately 68.00% of our enlarged number of issued Shares as at the date of our Listing, for a period of six (6) months from the date of our Listing.

Please refer to Sections 4.1 and 10.2 of this Prospectus for further details on our IPO and moratorium on our Shares.

3.2 HISTORY AND BUSINESS

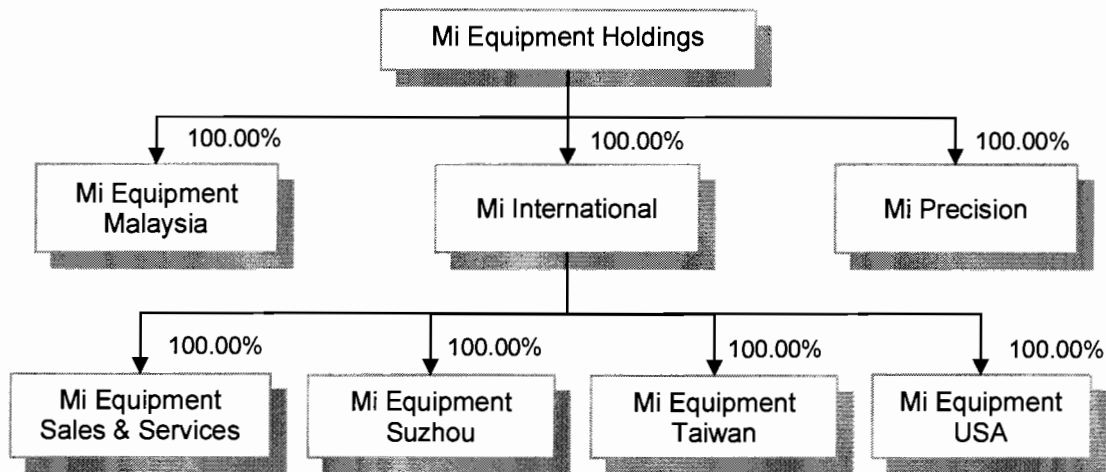
Our Company was incorporated in Malaysia under the Act on 19 June 2017 as a private limited company under the name of Mi Equipment Holdings Sdn Bhd. Our Company was incorporated for the purpose of being an investment holding company and listing vehicle for our Group pursuant to our Listing.

On 6 July 2017 and 2 August 2017, we entered into the Mi Equipment Malaysia SSA and Mi International SSA to acquire 100% equity interest in Mi Equipment Malaysia and Mi International respectively. The Mi Equipment Malaysia Acquisition and Mi International Acquisition were completed on 6 July 2017 and 2 August 2017 respectively. Consequentially, Mi Equipment Malaysia and Mi International became wholly-owned subsidiaries of Mi Equipment Holdings.

3. PROSPECTUS SUMMARY *(cont'd)*

Subsequently, on 23 August 2017, our Company was converted into a public limited company and since then, assumed our current name, Mi Equipment Holdings Berhad. Our Company's principal activity is investment holding, whilst our Group is principally involved in the design, development, manufacture and sale of WLCSP sorting machines with inspection and testing capabilities for the semiconductor industry. We are also involved in the provision of maintenance services and technical support for these machines, as well as the sale of related spare parts and components. Our machines are developed in-house with the capability and expertise of our development engineering team. The experience and technical expertise of our team has enabled our Group to develop products that meet the requirements of both our local and international customers.

As at the LPD, the corporate structure of Mi Equipment Holdings is depicted as follows:



Our principal markets are Malaysia, Southeast Asia (Singapore, Philippines and Thailand), Northeast Asia (Taiwan, China and South Korea) and North Atlantic (USA, Mexico and Germany). In FYE 2015 to FYE 2017, we exported our machines and related spare parts and components to a total of nine (9) countries globally.

Please refer to Sections 6 and 7 of this Prospectus for further details on our history, group structure and business.

3.3 COMPETITIVE STRENGTHS

Our competitive strengths include the following:

- (i) **We have leveraged on our engineering and technical expertise through our continuous R&D efforts to develop products to meet the evolving demands of the semiconductor industry**

We recognised the opportunities for WLCSP sorting machines in the semiconductor industry resulting from the increasing demand for thinner, lighter and higher performance of semiconductor ICs for the mobile device market. With that, we have leveraged on our years of engineering and technical expertise to develop our own in-house brand of WLCSP sorting machines, namely the Mi and Li series. Further, we have adapted our products and technologies to suit the evolving nature of the semiconductor and electronics industry which emphasises on high accuracy, quality and speed.

3. PROSPECTUS SUMMARY *(cont'd)*

(ii) We have the ability to secure and retain global customers

Our customers are IDMs and OSATs. In the past three (3) FYE 2015 to FYE 2017, we have secured customers in Malaysia, Singapore, Philippines, Thailand, Taiwan, China, South Korea, USA, Mexico and Germany.

We have a strong presence among the OSATs. For example, Inari Amertron Berhad group of companies, Advanced Semiconductor Engineering Inc group of companies and Global A&T Electronics Ltd group of companies, have been our customers since the commencement of our business through repeat orders. Our Group also has a strong presence among the IDMs from USA, with their production facilities in China, Mexico and USA. Certain of these IDMs have been our customers since the commencement of our business through repeat orders. Please refer to Section 7.13 of this Prospectus for further details on our major customers.

(iii) We are able to offer efficient and reliable sales and technical support to our customers via our international sales and service support network

We are committed to provide efficient and reliable sales and technical support to our customers via our Mi International Group.

Our sales and technical support service teams provide on-site technical support for ad-hoc problems, as well as replacement of spare parts and components. Our sales and technical support services teams are also responsible for the installation of new machines at our customers' premises. Having dedicated technical teams and offices in Malaysia, Singapore, Taiwan, China and USA allow us to be in close proximity to our customers, thus enabling us to respond to requests for on-site technical support in a timely manner.

(iv) We are well-positioned to capitalise on the growth in the global semiconductor industry

According to the IMR Report, the global semiconductor industry, measured in terms of global semiconductor sales, is forecast to grow to USD505.64 billion (RM2.17 trillion) in 2022 from USD412.22 billion (RM1.77 trillion) in 2017 registering a CAGR of 4.17% during this period. As an industry player supporting the global electronics and semiconductor industry, our Group is well-positioned to capitalise and leverage on the growth in the industry, including capturing future growth opportunities the industry may offer.

(v) We have an experienced and technically strong Key Senior Management team

Since the commencement of our business, we have been led by an experienced and technically strong Key Senior Management team. Collectively, our Key Senior Management personnel have exposure across a broad spectrum of business activities, including engineering, operations, sales and marketing and finance. More importantly, most of our Key Senior Management personnel are technically experienced as they are qualified and professionally-trained engineers, and have hands-on input in R&D and product development.

Please refer to Section 7.7 of this Prospectus for further details on our competitive strengths.

3. PROSPECTUS SUMMARY *(cont'd)*

3.4 FUTURE PLANS AND STRATEGIES

Our future plans and strategies include the following:

(i) **We plan to introduce new assembly and packaging machines into our product line-up**

In order to broaden our product portfolio, we intend to introduce assembly and packaging machines with new applications besides our flagship WLCSP sorting machines. Our R&D team has commenced conceptualising a new product platform, bearing the name Ai5000. The development of new assembly and packaging machines will broaden our product portfolio. This will be crucial to the future growth of our Group, as we aim to increase our competitiveness in the industry by growing our market presence and our market share.

(ii) **We intend to relocate our existing operations to the Bayan Lepas Factory (as defined in Section 4.4.1 of this Prospectus) to increase our production capacity**

Our current rented factory in Bayan Lepas, Penang, has a total floor space of 40,020 sq ft, with a normal production capacity of eight (8) machines per month. To facilitate our Group's expansion, we have purchased a property in Bayan Lepas, Penang, on which we will construct the Bayan Lepas Factory that will house our manufacturing and R&D activities, as well as our corporate office.

Upon completion of construction, the Bayan Lepas Factory will have a total floor space of approximately 200,000 sq ft with an expected total production floor space of 90,000 sq ft. We are planning to increase our production capacity to produce up to 45 machines per month following its expected completion in first quarter of 2019.

(iii) **We intend to grow our new business division in the manufacturing of precision fabricated parts to complement and support our existing business**

As part of our Group's future plans, our Group had on 31 July 2017 incorporated Mi Precision to venture into the manufacturing of precision fabricated parts as another avenue for our business expansion. This new business division is set to produce precision steel, aluminium or engineering plastic components and parts for the manufacturing of automated machinery in the semiconductor industry, including our own machines.

Mi Precision expects to commence its fabrication activities in second quarter of 2018. It has rented a factory cum office in Bayan Lepas and is in the process of preparing the commencement of its fabrication activities in the said rented factory, such as the hiring of new employees and renovation of the said rented factory. The said rented factory will be a temporary factory cum office pending the completion of the Bayan Lepas Factory. Further, the Batu Kawan Factory (as defined in Section 4.4.2 of this Prospectus) may also house Mi Precision's operations in the event the demand for precision fabricated parts exceeds the production capacity available in the Bayan Lepas Factory.

3. PROSPECTUS SUMMARY (cont'd)

(iv) We plan to set up the Batu Kawan Factory to cater for future increase in our production capacity

As part of our Group's overall expansion plan, we intend to further expand our production capacity in 2020 by building the Batu Kawan Factory. The Batu Kawan Factory will have a floor space of approximately 250,000 sq ft with an expected total production floor space of 140,000 sq ft and is expected to have a capacity to produce up to 45 machines per month. The machines produced here are expected to be of a larger size. We expect to commence construction of the Batu Kawan Factory by third quarter of 2019 and to complete by third quarter of 2020. The Batu Kawan Factory is expected to commence operations by fourth quarter of 2020 after obtaining the relevant regulatory approvals and licences.

As part of our long term future plans beyond the year 2020, the Batu Kawan Factory is intended to further expand our Group's business to cater for large sales orders received (sales orders exceeding 40 machines per month) by our existing and/or new customers during the Peak Period Months (as defined in Section 4.4.1(i)(1) of this Prospectus) and to serve as a back-up production plant for the purpose of our business continuity plan. Further, the Batu Kawan Factory will allow our Group to cater for customers that have urgent orders as well as to demonstrate to our customers that we have sufficient production capacity to support and to meet their requirements.

Please refer to Section 7.12 of this Prospectus for further details on our future plans and strategies.

3.5 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and Key Senior Management are as follows:

Name	Designation
Directors	
Foo Hee Chaik	Independent Non-Executive Chairman
Oh Kuang Eng	Executive Director/Group CEO
Koay Huck Khim	Executive Director/Director, Quality Assurance
Ong Tee Ni	Executive Director/General Manager
Lee Boon Leng	Independent Non-Executive Director
Tan Boon Hoe	Independent Non-Executive Director
Key Senior Management	
Oh Kuang Eng	Executive Director/Group CEO
Koay Huck Khim	Executive Director/Director, Quality Assurance
Ong Tee Ni	Executive Director/General Manager
Wong Ming Nee	Director, Finance and Administration

3. PROSPECTUS SUMMARY (cont'd)

Name	Designation
Tung Chun Kang	Senior Product Manager, Product Development Engineering
Chan Ting Kaai	Senior Product Manager, Product Development Engineering
Evelyn Ng Zhen Zhing	Senior Manager, Quality System and Intellectual Property

Please refer to Section 9 of this Prospectus for further details on our Directors and Key Senior Management.

3.6 PROMOTER AND SUBSTANTIAL SHAREHOLDER

The table below sets forth the shareholdings of our Promoter and substantial shareholder in our Company and the changes since its incorporation as well as before and after our IPO:

Name	Nationality	As at 19 June 2017 (date of incorporation)				Before the IPO/As at the LPD			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	(i)%	No. of Shares	%	No. of Shares	(ii)%	No. of Shares	%
Oh Kuang Eng	Malaysian	49	98.0	-	-	358,521,394	98.07	-	-

Name	After the IPO			
	Direct		Indirect	
	No. of Shares	(iii)%	No. of Shares	%
Oh Kuang Eng	340,000,394	68.0	-	-

Notes:

- (i) Based on our number of issued Shares of 50 Shares.
- (ii) Based on our number of issued Shares of 365,572,000 Shares after the Acquisitions.
- (iii) Based on our enlarged number of issued Shares of 500,000,000 Shares after the IPO.

Please refer to Section 9.2 of this Prospectus for further details on our Promoter and substantial shareholder.

3.7 RISK FACTORS

Before investing in our Shares, you should pay particular attention that our Group and to a large extent, our activities, are governed by the legal, regulatory and business environment in Malaysia and other foreign jurisdictions that we have presence in currently and in the future. Our business is subject to a number of factors, many of which are outside our control.

3. PROSPECTUS SUMMARY (cont'd)

The following are the key risks affecting our business, operations and industry that we are currently facing or that may develop in the future:

(i) **We face changes and uncertainties in the electronics industry**

The semiconductor industry is driven by the growth and changes of the electronics industry. The market for electronic products is inextricably linked to the continuing evolution in technology and evolving industry standards. As such, it is imperative that our Group keeps abreast with the latest technology and responds to the market trends and development through the adoption, customisation and integration of new technology in a timely and cost effective manner.

We stand the risk of our existing customers switching to other competitors if we are unable to keep up with the change in technology and market demand. This may adversely affect the operational and financial performance of our business. However, there is no assurance that such risks can be mitigated in the future as it is dependent on our Group's ability to retain and develop the relevant expertise and capability to keep up with any new technology requirements.

(ii) **We are exposed to risks from fluctuations in foreign exchange rate and changes in foreign exchange administrative rules**

Our Group is subject to foreign exchange rate fluctuations through revenue earned that is mainly denominated in USD. For the FYE 2015, FYE 2016 and FYE 2017 approximately 99.78%, 99.76%, 99.99% of our Group's revenue was denominated in USD respectively.

Further, we had on 18 August 2017 accepted USD fixed term loan facilities of a total of approximately USD8.98 million, which consists of USD fixed term loan 1 and USD fixed term loan 2 of approximately USD3.18 million and approximately USD5.80 million respectively. However, on 18 January 2018, our USD fixed term loan 1 amount was revised to approximately USD3.07 million pursuant to the bank's finalised valuation on the Bayan Lepas Factory land subsequent to our acceptance of the term loan facilities on 18 August 2017. As a result, our total USD fixed term loan facilities has been revised to approximately USD8.87 million from approximately USD8.98 million. On 9 February 2018, we had drawn down our USD fixed term loan 1 for an amount of approximately USD2.16 million to partly replenish our internally generated funds used to finance the purchase of the Bayan Lepas Factory land (including the building which was subsequently demolished). As at the LPD, we have not drawn down our USD fixed term loan 2. As at the LPD, we have total outstanding bank borrowings of approximately USD2.06 million. Based on the aforementioned, our Group is subject to foreign exchange rate fluctuations through our USD bank borrowings. Please refer to Section 12.4.3 of this Prospectus for further details on our borrowings.

As such, fluctuations in foreign exchange rates between RM and USD will have an impact on our reported income and USD fixed term loan facilities as they are required to be stated in RM in our financial statements. Please refer to Section 12.3.2(iii) of this Prospectus for our foreign exchange rate gain/loss recognised by our Group for FYE 2015, FYE 2016 and FYE 2017. Save for foreign currency translation risks as mentioned above, there is no other foreign currency risk incurred by our Group.

3. PROSPECTUS SUMMARY (cont'd)

- (iii) **We may not be able to receive sufficient orders to maximise our production capacity every month and in turn generate enough revenue to outweigh our higher overhead cost in respect of our production facilities expansion in the Bayan Lepas Factory and Batu Kawan Factory**

As described in Sections 4.4.1 and 4.4.2 of this Prospectus, we intend to utilise RM65.00 million and RM75.00 million from the Public Issue proceeds for the construction of the Bayan Lepas Factory and Batu Kawan Factory respectively. Upon the commencement of our operations in both the Bayan Lepas Factory and Batu Kawan Factory, our overall production capacity will increase from our normal production capacity of up to eight (8) machines per month to up to 90 machines per month.

We wish to highlight that the Bayan Lepas Factory and Batu Kawan Factory's capacity to each produce up to 45 machines per month during the Peak Period Months does not indicate that our Group expects to consistently produce a total of 90 machines every month as we may not receive sufficient orders to maximise our production capacity every month. There is no assurance that we will be able to receive sufficient orders to maximise our production capacity and there will be months where we will not be operating at our maximum capacity.

In addition, our expansion plans involve a number of cost-related risks, including but not limited to, higher capital expenditures and overall higher overhead costs to be incurred in respect of expansion of our production facilities in Bayan Lepas and Batu Kawan.

- (iv) **We are subject to risks resulting from consolidation of businesses within the semiconductor industry**

The global semiconductor industry is concentrated, with a relatively small number of large IDMs and OSATs dominating the global market place. This market concentration could become even more acute in the future if further industry consolidation takes place, as IDMs and OSATs may acquire or merge to gain increased economies of scale.

Any consolidation in the semiconductor industry may impact the business processes of the affected companies, and as a result, affect our position as a supplier to these customers. As our Group's ability to increase sales will depend mainly upon our ability to obtain or increase orders from these customers, we face additional risks of losing sales opportunities should business conditions change in the event of industry consolidation.

- (v) **We may be adversely affected by machine defects, as it may lead to adverse industry reputation or negative perception towards our machines or our Group in general**

We provide our customers with a warranty period of three (3) years for electronic components, precision parts and mechanical components, and we also provide on-site technical support for ad-hoc problems, if required. We are thus obligated to ensure that our machines are functioning as per design plans and customer requirements before they are delivered to our customers. Failure to do so could result in losses from repair costs, and may damage our industry reputation as a reliable and trusted manufacturer.

3. PROSPECTUS SUMMARY *(cont'd)*

An adverse reputation or negative perception regarding the quality of our machines, or our Group in general, could also result in substantially lower demand for our machines. A significant machine defect which may impact the production of quality electronics and semiconductor products could result in a loss of customer confidence in our products and this would materially impact demand, which in turn could have an adverse effect on our financial position, results of operations and prospects.

Please refer to Section 5 of this Prospectus for the full list and details of risk factors which should be carefully considered before investing in our Shares.

3.8 FINANCIAL HIGHLIGHT

The key financial highlight of our historical audited combined statements of profit or loss and other comprehensive income for FYEs 2015 and 2016 as well as consolidated statement of profit or loss and other comprehensive income for FYE 2017 is as follows:

	← Audited →		
	FYE 2015 RM'000	FYE 2016 RM'000	FYE 2017 RM'000
Revenue	105,144	57,090	173,322
Cost of sales	(64,284)	(29,910)	(79,988)
GP	40,860	27,180	93,334
PBT	35,288	16,357	60,781
Profit for the financial years, attributable to owners of the parent	40,907	16,077	59,304
GP margin (%) ⁽ⁱ⁾	38.86	47.61	53.85
PBT margin (%) ⁽ⁱⁱ⁾	33.56	28.65	35.07
PAT margin (%) ⁽ⁱⁱⁱ⁾	38.91	28.16	34.22

Notes:

- (i) GP margin is computed based on the GP over revenue.*
- (ii) PBT margin is computed based on the PBT over revenue.*
- (iii) PAT margin is computed based on the PAT over revenue.*

Please refer to Section 12 of this Prospectus for further details on our financial information.

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3. PROSPECTUS SUMMARY (cont'd)

3.9 UTILISATION OF PROCEEDS

We expect to use the gross proceeds from the Public Issue amounting to approximately RM190.89 million in the following manner:

Details of utilisation	RM'000	%	Estimated utilisation timeframe upon Listing
Construction of new factory cum office in Bayan Lepas, Penang*	65,000	34.06	Within 12 months
Construction of new factory cum office in Batu Kawan, Penang*	75,000	39.29	Within 30 months
R&D*	6,000	3.14	Within 24 months
Working capital	36,788	19.27	Within 36 months
Estimated listing expenses	8,100	4.24	Within 1 month
Total	190,888	100.00	

Note:

* In accordance with International Standard on Assurance Engagement 3420 Assurance Engagements to Report on Compilation of the Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board, and adopted by the Malaysian Institute of Accountants, the Reporting Accountants' Report on Compilation of the Pro Forma Financial Information in Section 12.8 of this Prospectus ("**Report**") has included part of the proceeds for the construction of new factory cum office in Bayan Lepas, Penang and the proceeds for the construction of new factory cum office in Batu Kawan, Penang and R&D under working capital for the presentation of pro forma information purposes, as the Company has yet to enter into any contractual agreements for these portion of the proceeds as at the date of the Report.

There is no minimum subscription in terms of the level of proceeds to be raised by us under our IPO.

The Offer for Sale will raise gross proceeds of approximately RM26.30 million, of which will accrue entirely to the Selling Shareholder. The Selling Shareholder will bear all the expenses relating to the Offer for Sale.

Please refer to Section 4.4 of this Prospectus for further details on the utilisation of proceeds arising from the Public Issue.

3.10 DIVIDEND POLICY

As we are a holding company, our Company's income and ability to pay dividends are dependent upon the dividends received from our subsidiaries, being Mi Equipment Malaysia and Mi International Group. The payment of dividends by our subsidiaries is dependent upon their distributable profits, financial performance and cash flow requirements for operations and capital expenditure as well as other factors.

It is the intention of our Board to recommend and distribute a dividend of at least 20% of our annual audited PAT attributable to the shareholders of our Company. Any dividend declared will be subject to recommendation of our Board and any final dividends declared will be subject to the approval of our shareholders at our annual general meeting. Please refer to Section 5.2.6 on the risk that our dividend payment is not guaranteed.

3. PROSPECTUS SUMMARY *(cont'd)*

Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Company, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Company.

Please refer to Section 12.7 of this Prospectus for further details on our dividend policy.

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4. DETAILS OF OUR IPO

4.1 PARTICULARS OF OUR IPO

The Public Issue of 134,428,000 Issue Shares and Offer for Sale of 18,521,000 Offer Shares are issued/offered at the IPO Price payable in full on Applications subject to the terms and conditions set out in this Prospectus and, upon acceptance, will be allocated in the manner set out below:

4.1.1 Public Issue

Our Public Issue of 134,428,000 Issue Shares, representing approximately 26.89% of our enlarged number of issued Shares at the IPO Price, is subject to the terms and conditions of this Prospectus and shall be allocated in the following manner:

(i) Malaysian Public

25,000,000 Issue Shares, representing approximately 5.00% of our enlarged number of issued Shares, will be made available for application by the Malaysian Public by way of balloting, of which 50.00% will be set aside for Bumiputera investors.

(ii) Eligible Directors, Employees and Business Associates who have contributed to the Success of our Group

17,500,000 Issue Shares (being Pink Form Allocations), representing approximately 3.50% of our enlarged number of issued Shares, will be reserved for application by the Eligible Persons as follows:

	Number of Eligible Persons	Aggregate number of Pink Form Allocations
Eligible Directors of our Group	5	1,500,000
Eligible employees and business associates	170	16,000,000
Total	175	17,500,000

The criteria of allocation to our eligible employees who have contributed to the success of our Group (as approved by our Board) are based on, amongst others, the following factors:

- (a) the eligible employee must be a full time and confirmed employee of our Group and on our Group's payroll; and
- (b) the number of Issue Shares allocated to the eligible employees is based on their seniority, job grade, length of service, past performance and contributions made to our Group including any other factors considered relevant to our Board.

The criteria for allocation to our Group's eligible business associates are those who have contributed to the success of our Group, such as our suppliers and customers. Their allocation is based on, amongst others, their current and past contributions and support to our Group and as approved by our Board.

4. DETAILS OF OUR IPO (cont'd)

The allocation to our eligible Directors is based on, amongst others, their respective roles, responsibilities and contributions to our Group. The allocation of Issue Shares reserved to our eligible Directors are as follows:

Directors		Aggregate number of Pink Form Allocations
Directors	Designation	
Koay Huck Khim	Executive Director	300,000
Ong Tee Ni	Executive Director	300,000
Foo Hee Chaik	Independent Non-Executive Chairman	300,000
Lee Boon Leng	Independent Non-Executive Director	300,000
Tan Boon Hoe	Independent Non-Executive Director	300,000
Total		1,500,000

(iii) Private placement

91,928,000 Issue Shares, representing approximately 18.39% of our enlarged number of issued Shares, will be made available by way of private placement in the following manner:

(a) Private placement to identified investors

60,449,000 Issue Shares, representing approximately 12.09% of our enlarged number of issued Shares, will be made available for application by way of private placement to identified investors.

(b) Private placement to identified Bumiputera investors approved by the MITI

31,479,000 Issue Shares, representing approximately 6.30% of our enlarged number of issued Shares, will be made available for application by way of private placement to identified Bumiputera investors approved by the MITI.

4.1.2 Offer for Sale

The Selling Shareholder will offer 18,521,000 Offer Shares, representing 3.70% of our enlarged number of issued Shares at the IPO Price, by way of private placement to identified Bumiputera investors approved by the MITI, and is subject to the terms and conditions as set out in Section 4.1.5(v) of this Prospectus.

Details of the Selling Shareholder are as follows:

Name and address	Material relationship with our Group	Shareholdings after the Acquisitions and as at the LPD		Offer Shares offered		Shareholdings immediately after the IPO	
		No. of Shares	(i)%	No. of Shares	(ii)%	No. of Shares	(ii)%
Oh Kuang Eng 25, Jalan Pantai Jerjak 8, Sungai Nibong, 11900 Bayan Lepas, Pulau Pinang	Promoter, Director, substantial shareholder and Key Senior Management	358,521,394	98.07	18,521,000	3.70	340,000,394	68.00

4. DETAILS OF OUR IPO (cont'd)

Notes:

- (i) Based on our number of issued Shares of 365,572,000 Shares after the Acquisitions and as at the LPD.
- (ii) Based on our enlarged number of issued Shares of 500,000,000 Shares after the IPO.

Based on the IPO Price, the Offer for Sale will raise gross proceeds of approximately RM26.30 million assuming full subscription of the Offer Shares, of which will accrue entirely to the Selling Shareholder and not the Company. The Selling Shareholder will bear all the expenses relating to the Offer for Sale. The Offer Shares are not underwritten by the Sole Underwriter.

4.1.3 IPO

The shareholding structure of our Group after the Acquisitions and as at the LPD as well as after the IPO are set out below:

	I Shareholdings after the Acquisitions and as at the LPD		II Shareholdings after I and IPO	
	No. of Shares	(i)%	No. of Shares	(ii)%
Oh Kuang Eng	358,521,394	98.07	340,000,394	68.00
Ong Tee Ni	1,480,628	0.41	1,780,628	0.36
Tung Chun Kang	1,366,055	0.37	1,366,055	0.27
Evelyn Ng Zhen Zhing	1,330,802	0.36	1,330,802	0.27
Teh Ban Chuan	1,057,591	0.29	1,057,591	0.21
Chan Tirng Kaai	987,085	0.27	987,085	0.20
Chan Kok Seng	828,445	0.23	828,445	0.17
Malaysian public (via balloting)				
- Bumiputera	-	-	12,500,000	2.50
- Non-Bumiputera	-	-	12,500,000	2.50
Eligible Persons			(iii)17,200,000	3.43
Private placement				
- Identified investors	-	-	60,449,000	12.09
- Bumiputera investors approved by the MITI	-	-	50,000,000	10.00
Total	365,572,000	100.00	500,000,000	100.00

4. DETAILS OF OUR IPO (cont'd)

Notes:

- (i) Based on our number of issued Shares of 365,572,000 Shares after the Acquisitions and as at the LPD.
- (ii) Based on our enlarged number of issued Shares of 500,000,000 Shares after the IPO.
- (iii) Excluding 300,000 Issue Shares allocated to Ong Tee Ni under the Pink Form Allocations.

4.1.4 Underwriting and allocation of the IPO Shares

A summary of our IPO Shares allocated/transferred under the IPO is indicated in the table below.

	Issue Shares		Offer Shares		Total IPO Shares	
	No. of Shares ('000)	(i)%	No. of Shares ('000)	(i)%	No. of Shares ('000)	(i)%
Malaysian Public (via balloting)						
- Bumiputera	12,500	2.50	-	-	12,500	2.50
- Non-Bumiputera	12,500	2.50	-	-	12,500	2.50
Eligible Persons	17,500	3.50	-	-	17,500	3.50
Private placement						
- Identified investors	60,449	12.09	-	-	60,449	12.09
- Bumiputera investors approved by the MITI	31,479	6.30	18,521	3.70	50,000	10.00
Total	134,428	26.89	18,521	3.70	152,949	30.59

Note:

- (i) Based on our enlarged number of issued Shares of 500,000,000 Shares after the IPO.

The 25,000,000 Issue Shares made available for application by the Malaysian Public as set out in Section 4.1.1(i) of this Prospectus and the 17,500,000 Issue Shares reserved for application by Eligible Persons as set out in Section 4.1.1(ii) of this Prospectus are fully underwritten.

The 91,928,000 Issue Shares to be offered by way of private placement to identified investors and identified Bumiputera investors approved by the MITI as set out in Section 4.1.1(iii) of this Prospectus as well as the 18,521,000 Offer Shares to be offered by way of private placement to identified Bumiputera investors approved by the MITI as set out in Section 4.1.2 of this Prospectus will be subject to the clawback and reallocation provisions as set out in Section 4.1.5 of this Prospectus. The 91,928,000 Issue Shares and 18,521,000 Offer Shares will not be underwritten as irrevocable undertakings from the identified investors and identified Bumiputera investors approved by the MITI to take up the Issue Shares and Offer Shares made available for application under the private placement have been/will be received by our Sole Placement Agent.

We and the Selling Shareholder will be requested, on a several basis, to give various representations, warranties and undertakings, and to indemnify the Sole Placement Agent against certain liabilities in connection with the IPO.

4. DETAILS OF OUR IPO (cont'd)

Our IPO is subject to the public spread requirements as stipulated under the Listing Requirements.

The number of IPO Shares will not increase via any over-allotment or “greenshoe” option.

4.1.5 Clawback and reallocation

Our IPO shall be subject to the following clawback and reallocation provisions:

(i) if the Issue Shares allocated to the Malaysian Public are not fully subscribed, the Issue Shares will be made available for subscription by the Eligible Persons and if undersubscribed, such Issue Shares will be made available for subscription by identified investors under the private placement. In the event of undersubscription by identified investors, such Issue Shares will be subscribed by our Sole Underwriter based on the terms of the Underwriting Agreement;

(ii) if the Issue Shares allocated to the Eligible Persons are not fully subscribed, the Issue Shares will be re-allocated to other Eligible Persons who have applied for excess Issue Shares (if any) (“**Excess Shares**”) in addition to their pre-determined allocation and will be allocated on a pro-rata basis to Eligible Persons based on the number of Excess Shares applied. Our Board reserves the right to allocate to the Eligible Persons who have applied for excess on top of their pre-determined allocation at the discretion of our Board in such manner as it deems fit and expedient in the best interest of our Company. Our Board also reserves the right to accept any Excess Shares application, in full or in part, without assigning any reason;

In the event of undersubscription by the other Eligible Persons (after re-allocation of Excess Shares to other Eligible Persons), such Issue Shares will be made available for subscription by the Malaysian Public and thereafter to the identified investors under the private placement. Thereafter, any remaining Issue Shares will be subscribed by our Sole Underwriter based on the terms of the Underwriting Agreement;

(iii) if the Issue Shares allocated to identified investors under the private placement are not fully subscribed and subject to oversubscription by the Malaysian Public, the remaining portion will be clawed back and be re-allocated to the Malaysian Public and if still undersubscribed, such Issue Shares will be made available for subscription by the Eligible Persons;

(iv) if the Issue Shares allocated to identified Bumiputera investors approved by the MITI are not fully subscribed and subject to oversubscription by the Malaysian Public or oversubscription by identified investors under the private placement, the remaining portion will be clawed back and re-allocated to the Malaysian Public and/or offered to identified investors under the private placement and if still undersubscribed, such Issue Shares will be made available for subscription by the Eligible Persons; and

(v) if the Offer Shares allocated to identified Bumiputera investors approved by the MITI are not fully subscribed and subject to oversubscription by the Malaysian Public or oversubscription by identified investors under the private placement, the remaining portion will be clawed back and re-allocated to the Malaysian Public and/or offered to identified investors under the private placement and if still undersubscribed, such Issue Shares will be made available for subscription by the Eligible Persons. Should the Offer Shares be thereafter still undersubscribed, the Selling Shareholder will retain the Offer Shares.

4. DETAILS OF OUR IPO (cont'd)

4.1.6 Share capital

	No. of Shares ('000)	RM'000
Existing issued share capital as at the LPD	365,572	65,803
New Shares to be issued under the Public Issue	134,428	190,888
Less: Estimated listing expenses directly attributable to the Public Issue	N/A	⁽ⁱ⁾ (3,958)
Enlarged issued share capital upon Listing and utilisaton of proceeds	500,000	252,733
Existing Shares to be offered under the Offer for Sale	18,521	26,300
IPO Price per IPO Share (RM)		1.42
Market capitalisation upon Listing (based on IPO Price and enlarged number of issued Shares)		710,000
Pro forma NA based on the pro forma consolidated statement of financial position as at 31 December 2017		
• Pro forma NA upon Listing and after utilisation of proceeds		⁽ⁱ⁾ 310,569
• Pro forma NA per Share upon Listing and after utilisation of proceeds		⁽ⁱⁱ⁾ 0.62

Notes:

- (i) Computed after taking into account the Public Issue and after deducting estimated listing expenses of RM8,100,000, of which RM3,957,424 will be debited against share capital of our Company and the remaining expenses of RM4,142,576 will be expensed off to the statement of profit or loss and other comprehensive income. As at 31 December 2017, RM3,026,448 of listing expenses have already been expensed off to the statement of profit or loss and other comprehensive income of our Group.
- (ii) Computed based the pro forma NA upon Listing and after utilisation of proceeds and our enlarged number of issued Shares of 500,000,000 Shares after the IPO.

The Offer for Sale would not have any effect on our issued share capital as the Offer Shares are already in existence prior to our IPO.

4.1.7 Classes of shares and ranking

As at the date of this Prospectus and upon completion of our IPO, we have only one (1) class of shares in our Company, namely ordinary shares.

Our Issue Shares upon allotment and issuance will rank equally in all respects with our existing Shares including voting rights, and will be entitled to all dividends, rights and distributions that may be declared, paid or made after the date of allotment of the Issue Shares.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the number of the Shares held by them, be entitled to share in the profits paid out by us as dividends or other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution, after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

4. DETAILS OF OUR IPO (cont'd)

Each shareholder shall be entitled to be present and to vote at our general meeting in person or by proxy or by attorney or by duly authorised representative. Each shareholder shall be entitled to appoint more than one proxy to attend and vote at our general meeting provided the shareholder specifies the proportion of their shareholdings to be represented by each proxy. At any general meeting convened by our Company, a resolution put to the vote of the meeting shall be decided by poll. On a poll, every such person present shall have one vote for every one Share he holds.

4.1.8 Minimum subscription level

There is no minimum subscription in terms of the level of proceeds to be raised by us under our IPO. However, in order to comply with the public spread requirements of the Listing Requirements or as approved by Bursa Securities, the minimum subscription level will be the number of Shares required to be held by public shareholders.

Pursuant to the Listing Requirements, at least 25% of our enlarged number of issued Shares must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the time of our Admission. Prior to our Admission, we will ensure that the public shareholding spread requirement is met through the balloting process and the private placement exercise to ensure that a minimum 1,000 public shareholders holding not less than 100 Shares each is in place and at least 25% of our enlarged number of issued Shares are held by public shareholders.

If the public spread requirement is not met, our Company may not be permitted to proceed with the Listing. In such event, monies paid in respect of all applications will be returned in full (without interest or any share of revenue or benefits arising therefrom) and if such monies are not returned in full within 14 days after our Company becomes liable to do so, the provision of Section 243(2) of the CMSA shall apply accordingly.

4.1.9 Listing on Bursa Securities

Bursa Securities had on 27 March 2018, approved the admission of our Company to the Official List and the listing of and quotation for our entire enlarged issued share capital of RM252,733,337 comprising 500,000,000 Shares on the Main Market.

4.2 BASIS OF ARRIVING AT THE IPO PRICE

4.2.1 IPO Price

Our Directors, Promoter, Selling Shareholder, Principal Adviser and Sole Underwriter have determined and agreed to the IPO Price of RM1.42 per IPO Share, based on the following factors:

- (i) our Group's EPS of approximately 11.86 sen based on our consolidated PAT of approximately RM59.30 million for FYE 2017 and our enlarged number of issued Shares of 500,000,000 Shares which translate into a PE Multiple of approximately 11.97 times for FYE 2017;
- (ii) our pro forma NA per Share of RM0.62 as at 31 December 2017 based on our enlarged number of issued Shares of 500,000,000 Shares after the IPO and subsequent to the utilisation of proceeds from our Public Issue;
- (iii) our competitive strengths as set out in Section 7.7 of this Prospectus; and

4. DETAILS OF OUR IPO (cont'd)

- (iv) our future plans and strategies to grow our business as set out in Section 7.12 of this Prospectus.

Prospective investors should note that the market price of our Shares upon Listing is subject to the vagaries of market forces and other uncertainties which may affect the market price of our Shares. Prospective investors should form their own views on the valuation of our IPO Shares and reasonableness of the bases used before deciding to invest in our IPO Shares. You are also reminded to consider carefully the risk factors as set out in Section 5 of this Prospectus.

4.2.2 Market capitalisation upon listing

Based on the IPO Price and our enlarged number of issued Shares of 500,000,000 Shares after the IPO, the total market capitalisation of our Company upon Listing shall be RM710.00 million.

4.3 DILUTION

Dilution is the amount by which the price paid by investors for our IPO Shares exceeds our pro forma NA per Share after our IPO. Our pro forma NA per Share as at 31 December 2017 before our IPO is RM0.34, based on our Group's existing number of issued Shares of 365,572,000 Shares prior to our Listing.

After taking into account our enlarged number of issued Shares from the issuance of the 134,428,000 Issue Shares and after adjusting for the intended utilisation of the proceeds from our IPO, our pro forma NA per Share as at 31 December 2017 would be RM0.62. This represents an immediate increase in NA per Share of RM0.28 to our existing shareholders and an immediate dilution in NA per Share of RM0.80 (or 56.34%) from the IPO Price to our new investors.

The table below illustrates such dilution on a per Share basis:

	RM
IPO Price	1.42
Pro forma NA per Share as at 31 December 2017 before the Public Issue and the intended utilisation of proceeds	0.34
Pro forma NA per Share as at 31 December 2017 after Public Issue and the intended utilisation of proceeds	0.62
Increase in pro forma NA per Share to existing shareholders	0.28
Dilution in pro forma NA per Share to new investors	0.80
Dilution in pro forma NA per Share to new investors as a percentage of the IPO Price	56.34%

4. DETAILS OF OUR IPO (cont'd)

Save as disclosed below, there has been no acquisition of any of our Shares by our Directors, Promoter, substantial shareholder or Key Senior Management or persons connected with them, or any transaction entered into by them which grant them the right to acquire any of our Shares from the date of our incorporation to the date of this Prospectus:

	No. of Shares held after the Acquisitions and before the IPO	*No. of Shares from the IPO	Total consideration RM	Effective cost per Share RM
<u>Promoter/substantial shareholder/Director/Key Senior Management</u>				
Oh Kuang Eng	⁽ⁱ⁾ 358,521,394	-	64,533,891	0.18
<u>Director/Key Senior Management</u>				
Koay Huck Khim	-	300,000	426,000	1.42
Ong Tee Ni	⁽ⁱⁱ⁾ 1,480,628	300,000	692,514	0.39
Foo Hee Chaik	-	300,000	426,000	1.42
Lee Boon Leng	-	300,000	426,000	1.42
Tan Boon Hoe	-	300,000	426,000	1.42
<u>Key Senior Management</u>				
Tung Chun Kang	⁽ⁱⁱⁱ⁾ 1,366,055	-	245,890	0.18
Evelyn Ng Zhen Zhing	⁽ⁱⁱⁱ⁾ 1,330,802	-	239,544	0.18
Chan Ting Kaai	⁽ⁱⁱⁱ⁾ 987,085	-	177,675	0.18
Wong Ming Nee	-	300,000	426,000	1.42
<u>Person connected with the Key Senior Management</u>				
Chan Kok Seng ^(iv)	⁽ⁱⁱⁱ⁾ 828,445	-	149,120	0.18
<u>Public Investors</u>				
Public Issue	-	[^] 134,428,000	190,887,760	1.42
Offer for Sale	-	18,521,000	26,299,820	1.42

Notes:

- * Assuming all Pink Form Allocations are fully subscribed.
- [^] Before deducting the Pink Forms Allocations.
- (i) Issued pursuant to the incorporation of Mi Equipment Holdings and the Acquisitions.
- (ii) Issued pursuant to the incorporation of Mi Equipment Holdings and the Mi Equipment Malaysia Acquisition.
- (iii) Issued pursuant to the Mi Equipment Malaysia Acquisition.
- (iv) Being the spouse of Evelyn Ng Zhen Zhing.

4. DETAILS OF OUR IPO (cont'd)

4.4 UTILISATION OF PROCEEDS

Based on the IPO Price, the gross proceeds of approximately RM190.89 million will be raised from our Public Issue.

The gross proceeds of approximately RM190.89 million are expected to be utilised in the following manner:

Details of utilisation	RM'000	%	Estimated utilisation timeframe upon Listing
Construction of new factory cum office in Bayan Lepas, Penang*	65,000	34.06	Within 12 months
Construction of new factory cum office in Batu Kawan, Penang*	75,000	39.29	Within 30 months
R&D*	6,000	3.14	Within 24 months
Working capital	36,788	19.27	Within 36 months
Estimated listing expenses	8,100	4.24	Within 1 month
Total	190,888	100.00	

Note:

* In accordance with International Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board, and adopted by the Malaysian Institute of Accountants, the Reporting Accountants' Report on Compilation of the Pro Forma Financial Information in Section 12.8 of this Prospectus ("**Report**") has included part of the proceeds for the construction of new factory cum office in Bayan Lepas, Penang and the proceeds for the construction of new factory cum office in Batu Kawan, Penang and R&D under working capital for the presentation of pro forma information purposes, as the Company has yet to enter into any contractual agreements for these portion of the proceeds as at the date of the Report.

As set out above, the proposed utilisation of the gross proceeds from our Public Issue will mainly be utilised for the construction of new factory cum office facilities in Bayan Lepas and Batu Kawan. Due to the space constraints in the current rented factory, our Group had declined several enquiries for machine orders received from our existing and potential customers. Further, in assessing the potential demand for our machines, we constantly engage with our existing and/or potential customers to understand their demand for our machine series as well as their views on the semiconductor industry demand moving forward. Based on such business and demand indications from our existing and/or potential customers, our Board is able to gauge the future demand of our machines and conduct production planning with reference to, amongst others, the expected size of the deliverables, the estimated time required to assemble the deliverables (which in turn varies subject to the specification and configuration of our machines). Accordingly, we are of the view that the proposed staggered increase in production capacity as described below would allow us to grow in line with our future plans.

4. DETAILS OF OUR IPO (cont'd)

Further details on the proposed utilisation of the gross proceeds from our Public Issue are as follows:

4.4.1 Construction of new factory cum office in Bayan Lepas, Penang ("Bayan Lepas Factory")

RM65.00 million (or 34.06%) from the Public Issue proceeds is planned to be utilised as follows:

No.	Details	RM'000
1.	Construction costs of the Bayan Lepas Factory	
	i. Building and infrastructure works	27,000
	ii. Mechanical, electrical and fire fighting works	16,000
	iii. Interior design works including furniture and fittings	6,000
	iv. Miscellaneous expenses and contingencies ^(a)	5,000
	v. Authority fees	1,000
		<u>(b)55,000</u>
2.	Purchase of equipment	
	i. 3 units of computer numerical control milling machine	2,500
	ii. Security system	2,100
	iii. 3 units of computer numerical control rotary grinding machine	1,900
	iv. Fittings (air-conditioning and ventilation system and pump facilities)	1,500
	v. 3 units of quality assurance equipment (high power scope)	1,000
	vi. 3 units of quality assurance equipment (digital scope)	600
	vii. Sports and recreation equipment	400
		<u>10,000</u>
	Total	*65,000

Notes:

* *The breakdown of the funds to be utilised for construction of the Bayan Lepas Factory and purchase of equipment may vary depending on the actual construction cost and equipment requirement of our Company closer to completion of the Bayan Lepas Factory.*

(a) *Miscellaneous expenses and contingencies costs include construction contingency costs to cater for fluctuations in construction material costs, overtime costs and/or costs due to changes in, amongst others, architectural design for lighting and landscaping, and GST.*

(b) *The estimated construction costs of the Bayan Lepas Factory were based on a quotation requested from an architecture firm.*

(i) Construction of the Bayan Lepas Factory

The estimated total construction cost of the new Bayan Lepas Factory is approximately RM55.00 million which shall be funded vide proceeds from our Public Issue. The Bayan Lepas Factory will be constructed on an approximately 87,855 sq ft (approximately 2.02 acres) plot of industrial land that was purchased by Mi Equipment Malaysia from Shorubber (Malaysia) Sdn Bhd, an unrelated party to Mi Equipment Holdings Group, our Promoter, shareholders or Directors of our Group, for a cash consideration of RM17.50 million vide a sale and purchase agreement entered into on 11 July 2017 ("**Bayan Lepas SPA**"). The Bayan Lepas SPA had become unconditional and was completed on 6 October 2017. The purchase consideration of the Bayan

4. DETAILS OF OUR IPO (cont'd)

Lepas Factory land (including the building on the said land) was fully settled via internally generated funds. Subsequently, on 9 February 2018, we had drawn down the USD fixed term loan 1 for an amount of approximately USD2.16 million to partly replenish our internally generated funds used to finance the purchase of the Bayan Lepas Factory land. Further, we also have our USD fixed term loan 2 which we will only draw down in the event the allocated proceeds from our Public Issue are insufficient to cover for the cost of construction of the Bayan Lepas Factory of RM55.00 million (excluding purchase of equipment of RM10.00 million). As at the LPD, we have not drawn down our USD fixed term loan 2. Please refer to Section 12.4.3 of this Prospectus for further details on our borrowings.

The construction of the Bayan Lepas Factory had commenced on 26 February 2018 and is expected to complete in first quarter of 2019. As at the LPD, the Company had incurred a total of approximately RM3.79 million for the construction of the Bayan Lepas Factory which will be funded vide internally generated funds pending the IPO proceeds.

Save for the following permits/approvals required to be obtained from the relevant authorities for the construction of the Bayan Lepas Factory, there are no other permits/approvals required to be obtained:

- (a) Permit to demolish the building on the Bayan Lepas Factory land ("**Demolition Permit**") to be obtained from Majlis Bandaraya Pulau Pinang ("**MBPP**"). The application for the Demolition Permit was submitted to MBPP on 26 October 2017 and approval was obtained on 10 November 2017. The demolition of the building on the Bayan Lepas Factory land was completed on 7 December 2017. As a result of the said demolition, the carrying amount of the building on the Bayan Lepas Factory land of RM5.60 million was written-off by our Group in FYE 2017;
- (b) Building plan approval to be obtained from MBPP ("**Building Plan**"). The application for the Building Plan was submitted to MBPP on 21 November 2017 and approval was obtained on 16 January 2018;
- (c) Permit to commence construction work to be obtained from MBPP ("**Construction Permit**"). The application for the Construction Permit was submitted to MBPP on 21 February 2018 and approval was obtained on 22 February 2018.

There is a condition on the land title of the Bayan Lepas Factory requiring the land owner to ensure that 30.00% of the employees at all levels of the management of the business purpose for which the land was alienated shall comprise Bumiputera employees ("**Bumiputera Employment Condition**"). However, we had on 18 December 2017 sought consensus that the Bumiputera Employment Condition is no longer in practice for the Bayan Lepas Factory land and PDC had vide its letter dated 20 December 2017 ("**PDC Letter**") replied that it no longer imposes the Bumiputera Employment Condition in the new leases issued at Taman Perindustrian Bayan Lepas and all other industrial areas owned by PDC, as detailed in Section 5.1.20 of this Prospectus. Notwithstanding the aforementioned, an application to the Land Administrator to rescind the Bumiputera Employment Condition ("**Application**") had been submitted on 21 March 2018. As such, with the PDC Letter and the Application, the Bumiputera Employment Condition on the Bayan Lepas Factory land is expected to be resolved.

4. DETAILS OF OUR IPO (cont'd)

Currently, our Group is operating from a factory which we have been renting since 2013. The construction of the Bayan Lepas Factory is part of our Group's future plan to relocate our operations to our own factory as well as to increase our production capacity to cater for our increasing sales orders. Our current rented factory in Bayan Lepas, Penang is a two (2) storey factory building with a total floor space of 40,020 sq ft. The total production floor space of our current rented factory is 17,000 sq ft and has a normal production capacity of eight (8) machines per month. However, our production capacity can produce up to 12 machines per month with additional employees and extended production hours. Please refer to Section 7.16 of the Prospectus for further information on our production capacity and output for the Financial Years Under Review.

The construction of the Bayan Lepas Factory is required after considering the following:

(1) To replace our existing Bayan Lepas rented factory which has limited production floor space

Due to the cyclical monthly demands of the semiconductor industry, our Group does not normally receive orders evenly throughout the year and these orders may be concentrated over several months. There were certain months in which our orders had exceeded our current production capacity, leading to our current rented factory becoming an operational bottleneck with increased working hours and a cramped working environment for our development engineering team as well as our subcontracted assembly and wiring technicians. This is only a temporary means to increase our production capacity and it is our Group's intention to cease such practices once the new Bayan Lepas Factory becomes operational.

In view of the aforementioned, the construction of the Bayan Lepas Factory is crucial in relieving our development engineering team as well as our subcontracted assembly and wiring technicians from extending their working hours and to allow for a more comfortable working environment.

The new Bayan Lepas Factory will be a five (5) storey factory building with a total floor space of 200,000 sq ft. The total production floor space of the new Bayan Lepas Factory is expected to be 90,000 sq ft and is expected to have a capacity to produce up to 45 machines per month. The new Bayan Lepas Factory is expected to complete in first quarter of 2019 and to commence operations in second quarter of 2019 after obtaining the relevant regulatory approvals and licences. The relevant regulatory approvals and licences required include the manufacturing licence, warehouse licence and manufacturing warehouse licence and business operating licence.

4. DETAILS OF OUR IPO (cont'd)

For avoidance of doubt, the new Bayan Lepas Factory's capacity of up to 45 machines per month will allow our Group to cater for any peak order requirements received from our existing and/or new customers in any particular month ("**Peak Period Months**"). We wish to highlight that the Bayan Lepas Factory's capacity to produce up to 45 machines per month does not indicate that our Group expects to consistently produce 45 machines every month as we may not receive sufficient orders to maximise our production capacity every month.

As the semiconductor industry has cyclical monthly demands, our Group may periodically have to cater for the Peak Period Months. Further, during the Peak Period Months, customers may also request for a shorter delivery period. In order for our Group to service the requirements of our customers and in turn capture the orders during the Peak Period Months, it is imperative that our Group has the capacity to be able to produce the machines required by our customers during these Peak Period Months. As such, the construction of the Bayan Lepas Factory is crucial to allow us to conduct better production planning on a larger production floor space to cater for higher sales orders during these Peak Period Months so that our business will not be constrained by our current limited production floor space.

(2) To cater for existing Mi series and four (4) additional machine series

Currently, our Group manufactures mainly Mi series machines and a few units of Li and Vi series machines. Our Group has also manufactured a few units of Si and Ai series prototype machines for the purpose of qualification by potential customers and/or existing customers. Please refer to Section 7.2(i) of this Prospectus for further details of our machines.

The Bayan Lepas Factory which is expected to complete in first quarter of 2019 and to commence operations in second quarter of 2019 will provide us with additional floor space for our Group to manufacture our additional machine series range and cater for better production planning and control for different machine series. Our Group is expecting to manufacture four (4) additional machine series (to complement our Mi series), namely the Si series, Li series, Ai series and Vi series machines. In addition, the larger floor space in the new Bayan Lepas Factory, will also enable our Group to further increase our workforce to support our future growth.

Our Mi series machines utilise, on average, a floor space of 2,000 sq ft per machine per month. For FYE 2017, more than half of our machines manufactured were Mi30 machines with add-on modules which require a floor space area in excess of 2,000 sq ft per machine per month. Moving forward, the demand for our Mi30 machines is expected to increase and therefore, a larger factory floor space is crucial to ensure that orders for our Mi series machines are manufactured and delivered in a timely manner to our customers.

4. DETAILS OF OUR IPO (cont'd)

In addition to our Mi30 machines, the Bayan Lepas Factory is also expected to manufacture the Si series, Li series, Ai series and Vi series machines whereby Si series and Li series require a larger factory floor space as compared to the Mi30 series machines. The Si series, Li series and Ai series machines utilise floor space of approximately 3,000 sq ft, 3,000 sq ft and 2,000 sq ft respectively as compared to an average of 2,000 sq ft of factory floor space required to manufacture each Mi series machine per month, whereas Vi series machines utilise floor space of approximately 1,000 sq ft. As such, the construction of the Bayan Lepas Factory will enable our Group to have sufficient factory floor space to manufacture these four (4) additional machine series.

As disclosed in Section 7.16 of this Prospectus, our Group's production capacity utilisation rate exceeded 100.00% due to (i) the high level of sales recorded in FYE 2015, for which the machines sold were mainly the Mi series; and (ii) the manufacture of demonstration units that were placed with our potential customers and/or existing customers for demonstration, testing and verification purpose. Based on the aforementioned, in order for our Group to expand to include four (4) additional machine series (to complement our Mi series), namely the Si series, Li series, Ai series and Vi series machines, our Group would require production capacity of more than our normal production capacity of eight (8) machines per month to cater for the said additional machine series.

(3) To house Mi Precision's operations

Further, as part of our Group's future plans, our Group had on 31 July 2017 incorporated Mi Precision to undertake the manufacture of precision fabricated parts to complement and support our existing business. Mi Precision expects to commence its fabrication activities in second quarter of 2018. It has rented a factory cum office in Bayan Lepas and is in the process of preparing the commencement of its fabrication activities in the said rented factory, such as the hiring of new employees and renovation of the said rented factory. The said factory is rented from an unrelated party to Mi Equipment Holdings Group, our Promoter, shareholders or Directors of our Group. The tenancy of the said rented factory is for a period of one (1) year from 1 March 2018 to 28 February 2019 and will be a temporary factory cum office for Mi Precision pending the completion of the Bayan Lepas Factory which is expected to complete in first quarter of 2019. In the event the Bayan Lepas Factory cannot be completed by 28 February 2019, we shall extend the tenancy period of Mi Precision's rented factory up to the completion of the Bayan Lepas Factory. Pursuant to the tenancy agreement dated 21 February 2018, Mi Precision is allowed to extend its tenancy period subject to providing three (3) months notice prior to the expiry of the said tenancy. However, there is a risk that we may be required to vacate the said rented factory in the event the tenancy period is not extended. As our Group's revenue is mainly contributed by sales of our machines, such disruptions in Mi Precision's production activities are not expected to have a material impact on our financial performance.

4. DETAILS OF OUR IPO (cont'd)

The fabrication of precision parts will consist of the production of precision steel, aluminium or engineering plastic components and parts for the manufacturing of automated machinery in the semiconductor industry, including our machines. The estimated cost for setting up our precision fabricated parts division will be approximately RM5.00 million, comprising RM4.40 million for equipment such as computer numerical control machines which will be funded via proceeds from our Public Issue and the balance RM0.60 million for set up costs will be funded through internally generated funds.

The setting up of the precision fabrication division will also allow our Group to optimise our machine manufacturing flow in terms of improving our machine build cycle time as well as reducing fabrication works outsourced by our Group. The precision fabrication division will also allow our Group to generate a new source of revenue by producing fabricated precision parts for sale to semiconductor equipment manufacturers.

Notwithstanding that global semiconductor equipment sales recorded an increase from approximately USD36.53 billion in 2015 to approximately USD41.23 billion in 2016 as disclosed in Section 8 of this Prospectus, our Group registered lower sales for FYE 2016. This was due to our customers' production plans and their level of capital investment coupled with more demonstration units placed with our potential customers and/or existing customers in year 2015 and 2016 for demonstration, testing and verification purposes. It should be noted that our Group's sales registered for FYE 2016 may not be fully reflective and in line with the global semiconductor equipment sales trend as WLCSP sorting machines only form part of the global semiconductor equipment sector.

Notwithstanding that our Group's sales decreased in FYE 2016, our revenue for FYE 2017 increased by approximately RM116.23 million or 203.59% from approximately RM57.09 million for FYE 2016 to approximately RM173.32 million for FYE 2017, due to favourable responses for our demonstration units that were placed at our potential and/or existing customers' premises and those demonstration units were successfully qualified and converted into sales orders. Moving forward, our Group is committed to continuously invest in R&D to develop more new machine series to meet the evolving demands of the semiconductor industry so as to enhance our competitive edge in the WLCSP sorting machine industry as well as to expand our customer base by penetrating into new markets and securing new customers.

Our Group anticipates continued growth opportunities due to the growing use of WLCSP in mobile devices, driven by mobile communications, which has radically transformed the global electronics and communications industry. Please refer to Section 8 of this Prospectus for the prospects of the global semiconductor industry, global semiconductor equipment industry and global WLCSP sorting machine industry in which our Group operates in.

As at the LPD, our order book stood at approximately RM38.40 million, which mainly consist of Mi series machines and this is expected to be delivered by third quarter of 2018. However, our order book may change at any particular point in time as a result of additions, deferrals or reschedulings due to customers' request that may in turn be due to the changes in demand in the semiconductor and the electronics industry.

4. DETAILS OF OUR IPO (cont'd)

(ii) Purchase of equipment

In conjunction with the construction of the new Bayan Lepas Factory, our Group plans to allocate an aggregate of RM10.00 million to purchase equipment (including RM4.40 million allocated to purchase equipment such as computer numerical control machines for the manufacturing of precision fabricated parts). With the new Bayan Lepas Factory, our Group plans to upgrade and purchase equipment with advanced features in order to keep abreast with customers' requirements and in turn enhance our competitiveness by producing products with higher specification.

Please refer to Section 7.12 of this Prospectus on our future plans and strategies and Sections 5.1.3 and 5.1.17 of this Prospectus on related risks in relation to the expansion of our production facility in Bayan Lepas.

We believe that the expansion of our production capacity and the purchase of new equipment will in turn allow our Group to enhance and improve our machines to meet evolving demands of the semiconductor industry. This in turn will continue to enhance our Group earnings and will facilitate our other growth strategies, namely to strengthen our local and global footprint, as well as to further expand our products to new geographical markets, such as new additional cities in China, South Korea, and Europe.

Any excess funds not utilised for this purpose will be utilised to meet the working capital requirements of our Group. However, in the event the allocated proceeds are insufficient for the construction of the Bayan Lepas Factory, any shortfall will be funded through internally generated funds, working capital and/or bank borrowings/financing.

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4. DETAILS OF OUR IPO (cont'd)

4.4.2 Construction of new factory cum office in Batu Kawan, Penang (“Batu Kawan Factory”)

RM75.00 million (or 39.29%) from our Public Issue proceeds is planned to be utilised for the construction of the Batu Kawan Factory as follows:

Details	RM'000
Construction costs of the Batu Kawan Factory	
i. Building and infrastructure works	44,000
ii. Mechanical, electrical and firefighting works	22,000
iii. Miscellaneous expenses and contingencies ^(a)	5,900
iv. Landscaping	2,100
v. Authority fees	1,000
Total	(b)75,000

Notes:

- (a) *Miscellaneous expenses include consultant's fees for the architect, mechanical, electrical, civil and structural engineers. The contingencies costs include construction contingency costs to cater for fluctuations in construction material costs, overtime costs and/or costs due to changes in, amongst others, architectural design for lighting and landscaping, and GST.*
- (b) *The breakdown of the funds to be utilised for construction of the Batu Kawan Factory will depend on the finalisation of the layout plan of the Batu Kawan Factory, which is expected to be finalised by second quarter of 2019. The construction of the Batu Kawan Factory is also expected to commence by third quarter of 2019 upon approval of the Building Plan. The estimated construction costs of the Batu Kawan Factory were based on a preliminary quotation requested from a civil and structural construction company for the purpose of providing a reasonable construction cost for the Batu Kawan Factory. Although the design of the layout of Batu Kawan Factory has yet to commence preparation, the quotation was derived based on the intended floor space and purpose of each factory/office block.*

The estimated total construction cost of the new Batu Kawan Factory is approximately RM75.00 million which shall be funded vide proceeds from our Public Issue. The Batu Kawan Factory will be constructed on an approximately 265,890 sq ft (approximately 6.10 acres) plot of industrial land that was purchased by Mi Equipment Malaysia from PDC for a cash consideration of approximately RM10.64 million vide a sale and purchase agreement entered into on 5 October 2016 (“**Batu Kawan SPA**”). Mi Equipment Malaysia had fully settled the purchase consideration on 21 June 2017 and had subsequently on 21 March 2018 received a letter from PDC informing that the title for the said land has been issued and the title is currently pending transfer from PDC to the beneficial owner, Mi Equipment Malaysia. The transfer of title is unconditional save for payment of stamp duty and registration fee to be borne by Mi Equipment Malaysia. The expected timing for the land title to be transferred from PDC to Mi Equipment Malaysia is by second quarter of 2018.

Save for the following approvals required to be obtained from the relevant authorities for the construction of the Batu Kawan Factory, there are no other approvals required to be obtained:

- (i) Building Plan approval to be obtained from MBPP. The application for the Building Plan is estimated to be submitted by second quarter of 2019; and

4. DETAILS OF OUR IPO (cont'd)

- (ii) Construction Permit to be obtained from MBPP. The application for the Construction Permit is expected to be submitted upon obtaining the Building Plan approval. However, we may apply for the early commencement of construction work from MBPP prior to obtaining the Building Plan approval.

The land of the Batu Kawan Factory is not subject to any Bumiputera Employment Condition (as defined in Section 4.4.1(i) of this Prospectus).

The Batu Kawan Factory is expected to consist of three (3) blocks of single storey factory building and one (1) block of double storey office building, which is expected to have a total floor space of 250,000 sq ft comprising areas for manufacturing, R&D, clean room, offices, auditorium and staff recreation facilities. The total production floor space of the Batu Kawan Factory is expected to be 140,000 sq ft and is expected to have a capacity to produce up to 45 machines per month. We expect to commence construction of the Batu Kawan Factory by third quarter of 2019 and to complete by third quarter of 2020.

As at the LPD, save for the preliminary quotation requested from the civil and structural construction company, we have yet to commence the preparation of the design for the layout of the Batu Kawan Factory. We expect to appoint the architect, civil and structure engineers as well as the quantity surveyor for the design of the layout of the Batu Kawan Factory and submit the relevant building plans to the authorities by second quarter of 2019.

The construction of the Batu Kawan Factory is required after considering the following:

(1) To cater for large sales orders

The new Batu Kawan Factory is expected to complete in third quarter of 2020 and to commence operations by fourth quarter of 2020 after obtaining the relevant regulatory approvals and licences as disclosed in Section 4.4.1(i)(1) of this Prospectus.

As disclosed in Section 4.4.1(i) of this Prospectus, the Bayan Lepas Factory is a replacement for our existing Bayan Lepas rented factory and is intended to be sufficient to serve our existing and/or new customers on their expected peak order requirements during the Peak Period Months and to provide workspace relief to our development engineering team as well as our subcontracted assembly and wiring technicians. As part of our long term future plans beyond the year 2020, the Batu Kawan Factory is intended to further expand our Group's business to cater for large sales orders received (sales orders exceeding 40 machines per month) by our existing and/or new customers during these Peak Period Months and to serve as a back-up production plant for the purpose of our business continuity plan. Further, the Batu Kawan Factory will allow our Group to cater for customers that have urgent orders as well as to demonstrate to our customers that we have sufficient production capacity to support and to meet their requirements.

4. DETAILS OF OUR IPO (cont'd)

For avoidance of doubt, the overall total production capacity of up to 90 machines per month with the expected commencement of the new Batu Kawan Factory operations by fourth quarter of 2020 (including the Bayan Lepas Factory's production capacity of up to 45 machines per month with expected commencement in second quarter of 2019) will allow our Group to cater for large orders received from our existing and/or new customers during the Peak Period Months. We wish to highlight that the Batu Kawan Factory's capacity to produce up to 45 machines per month does not indicate that our Group expects to consistently produce 45 machines every month as we may not receive sufficient orders to maximise our production capacity every month.

Further, the Batu Kawan Factory will also provide additional floor space to manufacture the Mi series, Si series, Li series, Ai series and Vi series machines, in the event machine orders from our existing and/or new customers for these machines exceed the production capacity available in the Bayan Lepas Factory.

(2) To cater for new and enhanced machine series

Upon the expected commencement of our operations in the Batu Kawan Factory by fourth quarter of 2020, our Group is expecting to expand and launch new machine series (to complement the existing machine series, namely the Mi series, Si series, Li series, Ai series and Vi series machines) and enhanced machine series (namely the enhanced Mi series and enhanced Si series machines).

(3) To meet qualification criteria from potential customers

As our Group expands its machine series and customer base, it is crucial that our Group has two (2) manufacturing locations as part of our business continuity plan, as most customers consider separate manufacturing locations as an important factor before qualifying us as a vendor, as this provides them an assurance that in the occurrence of a force majeure event, there is another production plant available to cater for any of their urgent orders.

Another important factor that the potential customers may consider before they qualify us as a vendor is the size of the production floor space and workplace environment. The expansion of our production capacity will also enable us to be in a stronger position to tap into larger potential customers previously not accessible by us, such as leading multinational IDMs from USA and Europe. This is to ensure that their vendors have sufficient production capacity to meet their orders without any delay as well as having a better working environment for their employees. As such, it is important that we construct the Batu Kawan Factory so that we are able to qualify and be considered as their key vendor for WLCSP sorting machines.

4. DETAILS OF OUR IPO (cont'd)**(4) Industry outlook**

According to the IMR Report, the global semiconductor industry, measured in terms of global semiconductor sales, is forecast to grow to USD505.64 billion (RM2.17 trillion) in 2022 from USD412.22 billion (RM1.77 trillion) in 2017 registering a CAGR of 4.17% during this period. As semiconductors are technology enablers for mobile and wireless devices, the constant product advancements of these devices have created demand for more powerful semiconductors. In particular, WLCSP, which is currently the smallest size packaging that is equivalent to die size, is increasingly used for IC in mobile devices to increase efficiency in term of package cost and space. This is expected to result in a further increase in the demand for semiconductor equipment to support the manufacturing of mobile and wireless devices, thus further driving the growth of the WLCSP sorting machine industry. Further, according to the IMR Report, the global semiconductor equipment sales, is forecast to grow to USD75.16 billion (RM323.25 billion) in 2022 from USD56.63 billion (RM243.55 billion) in 2017, registering a CAGR of 5.82% during this period. Based on the aforementioned, our Group has recognised that there continues to be growth potential for the global semiconductor equipment industry, particularly WLCSP machines, and expects there to be opportunities for our Group to tap into a larger market share. As such, our Group is continuously working towards expanding our customer base in existing countries which our Group has market presence and also to new geographical markets such as new additional cities in China, South Korea and Europe.

Our customers are IDMs and OSATs which are involved in the manufacturing, testing, assembly and packaging of advanced wafer level packages which require sorting machines. These sorting machines are one of the major capital investment for IDMs and OSATs. The capital expenditure is allocated and decided through a careful budgeting process, which involves due consideration and planning. Advances in technology and increasing end-user products using WLCSP, have also changed the requirements of IDMs and OSATs, requiring them to purchase new and/or additional machines to be in line with the changes in the semiconductor industry. The constant advances in technology also leads to an increase in capital expenditure by the IDMs and OSATs to purchase new and/or additional machines, which may also lead to recurrent orders. The capital expenditure of IDMs and OSATs are also cyclical in nature where periods of heavy capital expenditure are usually followed by periods of reduced capital expenditure, which may have an impact on our financial performance. Due to our expanding base of customers, the capital expenditure cycles of different IDMs and OSATs may occur at different time periods. Our Group has recurring machine orders from five (5) of our customers throughout the Financial Years Under Review, which have contributed approximately 68.23%, 61.92% and 51.77% of our Group's total revenue for FYE 2015, FYE 2016 and FYE 2017 respectively.

Please refer to Section 7.12 of this Prospectus on our future plans and strategies and Sections 5.1.3 and 5.1.17 of this Prospectus on related risks in relation to the expansion of our production facility in Batu Kawan.

Any excess funds not utilised for this purpose will be utilised to meet the working capital requirements of our Group. However, in the event the allocated proceeds are insufficient for the construction of the Batu Kawan Factory, any shortfall will be funded through internally generated funds, working capital and/or bank borrowings/financing.

4. DETAILS OF OUR IPO (cont'd)

4.4.3 R&D

RM6.00 million (or 3.14%) from the Public Issue proceeds is planned to be utilised to finance our R&D to focus on future new assembly and packaging machines with new applications which our Group targets to launch over a two (2) year period starting from third quarter of 2018.

The detailed breakdown of the proceeds earmarked for R&D is set out below:

Details	Amount *RM'000
Prototype machines for Si series enhancement	2,000
Prototype machines for Ai series	1,500
Prototype machines for Mi series enhancement	1,500
Prototype machines for Li series enhancement	1,000
Total	6,000

Note:

* *The proceeds allocated to each prototype machine are allocated based on the different specifications and complexity of each machine. As the Si series enhancement machines would have the most features such as inspection and testing capabilities amongst our Group's other machine series, it has been allocated with the highest amount of R&D budget, followed by our Ai series and Mi series enhancement machines which has middle range cost structure to build the prototype machines. Lastly, Li series enhancement machines for wafer to wafer process which has the lowest cost structure to build the prototype machines.*

We believe our R&D efforts in developing the new machine series through the building of physical prototype machines are crucial for our future growth as we continue to strive to develop new machines with updated functions and features that will help in our long-term expansion and provide earnings sustainability. Further, our R&D is in line with our Group's future plans and strategies to introduce new assembly and packaging machines into our product line-up as described in Section 7.12(i) of this Prospectus.

Any excess funds not utilised for this purpose will be utilised to meet the working capital requirements of our Group. However, in the event the allocated proceeds are insufficient for the R&D, any shortfall will be funded through internally generated funds, working capital and/or bank borrowings/financing.

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4. DETAILS OF OUR IPO (cont'd)

4.4.4 Working capital

RM36.79 million (or 19.27%) from the Public Issue proceeds is planned to be utilised to finance our Group's day-to-day operational needs as we expect our operational expenses to increase in tandem with the expected growth in our scale of operations.

Details of the additional working capital are as follows:

Details	Amount RM'000
Expansion of workforce ⁽ⁱ⁾	6,788
Purchase of raw material ⁽ⁱⁱ⁾	30,000
Total	36,788

Notes:

- (i) *In line with our Group's expansion plans as set out in Section 7.12 of this Prospectus, our Group expects to utilise approximately RM6.79 million for payment of staff salaries to additional staff to be recruited. Such amount is expected to be utilised for a period of 36 months and the payments of additional staff salaries will subsequently be funded through internally generated funds.*

The details and number of additional staff to be recruited are as follows:

Expansion of workforce	*No. of staff
<i>Local and foreign technical staff to undertake functions, such as, amongst others, new process research and machine development and provision of internal training and advisory support to our Group</i>	<i>5 (local) 2 (foreign)</i>

Note:

- * *The actual number of staff to be employed by our Group is dependent on the vacancies available at any point in time.*
- (ii) *In line with our Group's expected expansion and business growth to improve the delivery lead time, our Group expects to utilise more raw materials to build ready machines to capture more business. The raw materials are, amongst other, high speed precision motors, cameras and lenses and maintenance free grade sliders and bearings as well as precision fabrication parts for both aluminium and steel tools.*

This additional working capital will enhance our cash flow position and will enable us to conduct our operations and expansion without being overly dependent on external sources of funding.

4. DETAILS OF OUR IPO (cont'd)

4.4.5 Estimated listing expenses

RM8.10 million (or 4.24%) from the Public Issue proceeds is planned to be utilised for our listing expenses, details of which are as follows:

	Amount RM'000
Professional fees	2,600
Fees to authorities	542
Estimated underwriting, placement and brokerage fees	3,886
Printing and advertising	350
Miscellaneous expenses and contingencies ⁽ⁱ⁾	722
Total	8,100

Note:

- (i) *This includes any other incidental charges or related expenses in connection with our IPO, such as fees to be paid to translator, public or investor relation consultants, related GST and funds reserved for contingency purposes.*

If the actual listing expenses are higher than anticipated, the deficit will be funded from proceeds allocated for working capital and vice versa.

Our Company will not receive any proceeds from the Offer for Sale. The gross proceeds from the Offer for Sale of approximately RM26.30 million will accrue entirely to the Selling Shareholder of the Offer Shares.

The Selling Shareholder will be bearing his own placement fee in respect of our IPO, which is estimated to be approximately RM0.49 million.

Pending the eventual utilisation of the Public Issue proceeds for the above intended purposes, the funds will be placed in short term deposits with licensed financial institutions or short term money market instruments.

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4. DETAILS OF OUR IPO (cont'd)

4.5 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS

The financial impact and benefits from the utilisation of the Public Issue proceeds include the following:

4.5.1 Enhancement of working capital

The proceeds from our IPO is expected to enhance our working capital position. We intend to utilise approximately RM36.79 million from the Public Issue proceeds for our working capital requirements, which includes the payment of staff salaries for the expansion of our workforce and the purchase of raw materials. Our cash and bank balances will increase to approximately RM243.52 million after the Listing based on our pro forma consolidated statement of financial position of our Group as at 31 December 2017. This will allow us to internally fund our daily operational activities.

4.5.2 Increase production capacity and improved production efficiency

Part of our proceeds is intended to be allocated towards the construction of our new Bayan Lepas Factory and new Batu Kawan Factory. The Bayan Lepas Factory which will allow for the expansion of our normal production capacity of eight (8) machines per month to up to 45 machines per month, whilst the Batu Kawan Factory is expected to increase our production capacity by additional 45 machines per month. This will translate to an increase in our overall production capacity to 90 machines per month. Once our new factories are completed, we expect our increased production capacity to contribute positively towards our revenue and profits by being able to undertake additional orders from existing and new customers.

4.5.3 Reduce dependency on our suppliers to minimise potential disruptions to our production

Currently, our Group sources all our raw materials from third party suppliers. Our plan to manufacture precision fabricated parts is intended to reduce our dependency on suppliers to minimise potential disruptions to our production. This will complement and add value to our Group's current machine manufacturing business. We may also supply precision fabricated parts to other customers in the semiconductor industry which in turn may enhance our Group's revenue stream.

4.6 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

4.6.1 Brokerage fee

We will pay brokerage in respect of our Issue Shares under the Public Issue, at a rate of 1.0% on the IPO Price in respect of all successful applications which bear the stamp of either Affin Hwang IB, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

4.6.2 Underwriting commission

Affin Hwang IB, as our Sole Underwriter has agreed to underwrite up to 42,500,000 Issue Shares made available for application by the Malaysian Public and the Eligible Persons. As stipulated in the Underwriting Agreement, we will pay the Sole Underwriter an underwriting commission of 1.85% of the total value of the underwritten Shares at the IPO Price.

4. DETAILS OF OUR IPO (cont'd)

4.6.3 Placement fee

Our Sole Placement Agent has agreed to place out 91,928,000 Issue Shares to be offered to identified investors and identified Bumiputera investors approved by the MITI as set out in Section 4.1.1(iii) of this Prospectus as well as 18,521,000 Offer Shares to identified Bumiputera investors approved by the MITI as set out in Section 4.1.2 of this Prospectus. We will pay the Sole Placement Agent a placement fee at the rate of up to 1.85% of the IPO Price multiplied by the number of Issue Shares/Offer Shares placed out by the Sole Placement Agent.

The placement fee incurred by the Selling Shareholder will be paid by the Selling Shareholder to the Sole Placement Agent vide proceeds raised from the Offer for Sale.

4.7 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with the Sole Underwriter and the Sole Underwriter has agreed to underwrite 42,500,000 Issue Shares under the Public Issue, subject to clawback and reallocation provisions set out in Section 4.1.5 of this Prospectus and upon the terms and subject to the conditions of the Underwriting Agreement.

The following salient terms are extracted from the Underwriting Agreement. The capitalised terms and numbering references used in this section shall have the meaning and numbering references as prescribed thereto in the Underwriting Agreement:

6. Conditions

6.1 Details

The obligation of the Sole Underwriter to underwrite the Underwritten Shares under this Agreement is conditional on the performance by the Company of its obligations under this Agreement and conditional on the following:

6.1.1 The Sole Underwriter receiving certificate in the form or substantially in the form contained in Schedule 2 (Certificate by Company) of this Agreement, one dated the date of registration of the Prospectus and the other dated the Closing Date, both of which are to be signed by the Director of the Company (on behalf of the Board) stating that, to the best of his knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 11 (Representations, Warranties and Undertakings) of this Agreement and being provided with the reports or confirmation and being satisfied at the date of registration of the Prospectus and Closing Date respectively that:

6.1.1.1 there is no occurrence of any material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial, business, operations or otherwise) of the Company or the Group from that set out in the Prospectus which has or will have a Material Adverse Effect in the context of the IPO; or

6.1.1.2 there is no occurrence of any event or the discovery of any facts or circumstances which would render any representations, warranties or undertakings in Clause 11 (Representations Warranties and Undertakings) untrue or inaccurate or result in a breach of this Agreement by the Company; or

6.1.1.3 there is no material breach of and/or failure to perform any of the Undertakings as stated in Clause 11 of this Agreement by the Company.

4. DETAILS OF OUR IPO (cont'd)

- 6.1.2 This Agreement being signed by the relevant authorised signatories to this Agreement and stamped within the statutory time frame;
- 6.1.3 The issue of the Prospectus not later than two (2) month from the Agreement Date or such later date as the Sole Underwriter and the Company may from time to time agree in writing;
- 6.1.4 The registration of the Prospectus and such other documents as may be required in accordance with the CMSA in relation to the IPO with the SC and its lodgement with the ROC by the Issue Date and such other documents as may be required in accordance with the CMSA;
- 6.1.5 All necessary approvals including the approvals referred to in Clause 2.2 (Approvals) remaining in full force and effect and that all conditions to the approvals (except for any which can only be complied with after the IPO has been completed) have been complied with to the satisfaction of the Sole Underwriter and such approvals have not been withdrawn;
- 6.1.6 The approval of Bursa Securities for the Listing being obtained on terms acceptable to the Sole Underwriter and the approvals of the Bursa Securities remaining in full force and effect and that all conditions (except for any which can only be complied with after the IPO has been completed) have been complied with to the satisfaction of the Sole Underwriter and such approval has not been withdrawn;
- 6.1.7 The Sole Underwriter being satisfied that the Company will, following completion of the IPO, be admitted to the Official List and its enlarged issued share capital listed and quoted on the Main Market no later than three (3) months from the Agreement Date unless mutually agreed to in writing by the parties;
- 6.1.8 The execution of the Placement Agreement/Mandate and the Placement Agreement/Mandate not having been terminated or rescinded pursuant to the provisions thereof (whereby for the avoidance of doubt, the execution of the Placement Agreement/Mandate by the sole placement agent shall be at the sole discretion of the sole placement agent);
- 6.1.9 The Sole Underwriter receiving a copy duly certified by a director or secretary of the Company to be a true and accurate copy and in full force and effect, of a resolution of the Directors:
 - 6.1.9.1 approving the Prospectus (including a confirmation that the Directors, collectively and individually, accept full responsibility for the accuracy of all information stated in the Prospectus), this Agreement and the transactions contemplated by it;
 - 6.1.9.2 authorising the issuance of the Prospectus and confirming that the Board of Directors of the Company have seen and approved the Prospectus and that they individually and collectively accept full responsibility for the accuracy of all information statement in the Prospectus;
 - 6.1.9.3 authorising a person to sign and deliver this Agreement on behalf of the Company;
 - 6.1.9.4 approving the IPO, including the issue of the Issue Shares by the Company and the sale of the Offer Shares by the Selling Shareholder; and

4. DETAILS OF OUR IPO (cont'd)

6.1.9.5 approving of the Listing.

6.1.10 The IPO and offering and subscription of the IPO Shares in accordance with this Agreement not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia and all consents, approvals, authorisations or other orders required by the Company under such laws for or in connection with the IPO and/or the Listing have been obtained and are in force up to the Closing Date;

6.1.11 The Sole Underwriter being satisfied that the Company has complied with and that the IPO is in compliance with CMSA, the policies, guidelines and requirements of the relevant authorities (including Bursa Securities and SC) and all revisions, amendments and/or supplements to it;

6.1.12 There being no occurrence of any *Specified Event;

"Specified Event" means an event which occurs after the Agreement Date and on or prior to the Closing Date which if it had occurred before the Agreement Date would have rendered any of the representations, warranties and undertakings in Clause 11 (Representations, Warranties and Undertakings) untrue or inaccurate.

6.1.13 There not having occurred on or prior to the Closing Date any breach of and/or failure to perform any of the undertakings by the Company contained in this Agreement;

6.1.14 There not being any investigation, directions or actions by any judicial, governmental or regulatory authority in relation to the Listing or in connection with the Group which is still subsisting or unresolved to the satisfaction of the Sole Underwriter.

6.1.15 there having been, as at Closing Date, no registration or lodgement of any amendment, supplement, or replacement to the Prospectus with the SC or the ROC without the prior written approval of the Sole Underwriter: and

6.1.16 the Sole Underwriter being satisfied with the arrangements of the Company to pay the expenses referred to in Clause 10 (Fees and Commission).

14. Termination

14.1 Notwithstanding anything contained in this Agreement, the Sole Underwriter may by notice in writing to the Company, terminate this Agreement and withdraw its Underwriting Commitment upon the occurrence of any of the following:

14.1.1 there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 11 (Representations, Warranties and Undertakings) or which is contained in any certificate, statement or notice under or in connection with this Agreement; or

14.1.2 there is failure on the part of the Company to perform any of its obligations contained in this Agreement; or

14.1.3 there is withholding of information by the Company from the Sole Underwriter which is required to be disclosed pursuant to this Agreement which, in the opinion of the Sole Underwriter, would have or can reasonably be expected to have, a Material Adverse Effect on the business or operations of the Group,

4. DETAILS OF OUR IPO (cont'd)

the success of the IPO, or the distribution or sale of the Shares issued or offered under the IPO; or

- 14.1.4 there shall have occurred, or happened any material and adverse change in the business or financial condition of the Group;
- 14.1.5 the Closing Date of the application of the IPO Shares does not occur within three (3) months from the Agreement Date or within one (1) month of the issuance of the Prospectus, subject to the extension of Closing Date which is approved by the Sole Underwriter;
- 14.1.6 the Listing does not take place within three (3) months from the Agreement date, unless mutually agreed in writing by the parties;
- 14.1.7 the Placement Agreement/Mandate is terminated or rescinded in accordance with its terms;
- 14.1.8 if the SC or any other relevant regulatory authority issues an order pursuant to Malaysian laws such as to make it, in the reasonable opinion of the Sole Underwriter, after having consulted the Company, impractical to market the IPO or to enforce contracts to issue, allot and/or transfer the IPO Shares; or
- 14.1.9 the occurrence of any *force majeure* event including, but not limited to the following:
- 14.1.9.1 any material adverse change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or currency exchange rates or the occurrence of any combination of any of the foregoing which would prejudice the IPO; or
- 14.1.9.2 any new law or change in law, regulation, directive, policy or ruling in any jurisdiction, interpretation or application by the court/authorities which has/likely to have Material Adverse Effect on the Group; or
- 14.1.9.3 any event or series of events beyond the reasonable control of the Sole Underwriter including (without limitation) acts of government, acts of God (including, without limitation, the occurrence of a tsunami and/or earthquakes), acts of terrorism, strikes, national disorder, declaration of a state of emergency, lock-outs, fire, explosion, flooding, landslide, civil commotion, sabotage, acts of war, diseases or accidents which has or is likely to have the effect of making any material part of this Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the IPO or pursuant to the underwriting of the Underwritten Shares; or
- 14.1.9.4 any imposition of moratorium, suspension or material restriction on trading of securities on Bursa Securities due to exceptional financial circumstances or otherwise; or
- 14.1.9.5 any material adverse change in financial conditions as stated in Clause 14.1.9.1 above to include stock market conditions and

4. DETAILS OF OUR IPO *(cont'd)*

interest rates. For this purpose, a material adverse change in the stock market condition shall mean the Kuala Lumpur Composite Index of Bursa Securities has dropped 10% between its index level on the Agreement Date and the Closing Date (both dates inclusive); or

14.1.9.6 any government requisition or occurrence of any other nature which materially and adversely affect or will materially or adversely affect the business and/or financial position of the Group.

14.1.10 in the event that the Listing is withdrawn or not procured or procured but subject to conditions not acceptable to the Sole Underwriter;

which, in the reasonable opinion of the Sole Underwriter, would have or can reasonably be expected to have, a Material Adverse Effect on, and/or materially prejudice the business or the operations of the Group, the success of the IPO, or the listing of the Company on the Main Market or market conditions generally or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

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5. RISK FACTORS

Before investing in our Shares, you should pay particular attention that our Group and to a large extent, our activities, are governed by the legal, regulatory and business environment in Malaysia and other foreign jurisdictions that we have presence in currently and in the future. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters set forth in this Prospectus, the risks and investment considerations below.

5.1 RISKS AFFECTING OUR BUSINESS, OPERATIONS AND INDUSTRY

5.1.1 We face changes and uncertainties in the electronics industry

The semiconductor industry is driven by the growth and changes of the electronics industry. The market for electronic products is inextricably linked to the continuing evolution in technology and evolving industry standards. In addition, consumers demand more sophisticated technology, user-friendliness as well as comprehensive functionality of products to meet their needs and expectations.

As such, it is imperative that our Group keeps abreast with the latest technology and responds to the market trends and development through the adoption, customisation and integration of new technology in a timely and cost effective manner. We stand the risk of our existing customers switching to other competitors if we are unable to keep up with the change in technology and market demand. This may adversely affect the operational and financial performance of our business.

Whilst the cyclical nature of the semiconductor industry as well as the ever changing electronics industry affect all sorting machines providers across the board, we believe that such risks may be mitigated as we are supported by a capable and experienced Key Senior Management team that is familiar with this competitive environment. However, there is no assurance that such risks can be mitigated in the future as it is dependent on our Group's ability to retain and develop the relevant expertise and capability to keep up with any new technology requirements.

5.1.2 We are exposed to risks from fluctuations in foreign exchange rate and changes in foreign exchange administrative rules

Our Group is subject to foreign exchange rate fluctuations through revenue earned that is mainly denominated in USD. For the FYE 2015, FYE 2016 and FYE 2017 approximately 99.78%, 99.76%, 99.99% of our Group's revenue was denominated in USD respectively.

Further, we had on 18 August 2017 accepted USD fixed term loan facilities of a total of approximately USD8.98 million, which consists of USD fixed term loan 1 and USD fixed term loan 2 of approximately USD3.18 million and approximately USD5.80 million respectively. However, on 18 January 2018, our USD fixed term loan 1 amount was revised to approximately USD3.07 million pursuant to the bank's finalised valuation on the Bayan Lepas Factory land subsequent to our acceptance of the term loan facilities on 18 August 2017. As a result, our total USD fixed term loan facilities has been revised to approximately USD8.87 million from approximately USD8.98 million. On 9 February 2018, we had drawn down our USD fixed term loan 1 for an amount of approximately USD2.16 million to partly replenish our internally generated funds used to finance the purchase of the Bayan Lepas Factory land (including the building which was subsequently demolished). As at the LPD, we have not drawn down our USD fixed term loan 2. As at the LPD, we have total outstanding bank borrowings of approximately USD2.06 million. Based on the aforementioned, our Group is subject to foreign exchange rate fluctuations through our USD bank borrowings. Please refer to Section 12.4.3 of this Prospectus for further details on our borrowings.

5. RISK FACTORS (cont'd)

As such, fluctuations in foreign exchange rates between RM and USD will have an impact on our reported income and USD fixed term loan facilities as they are required to be stated in RM in our financial statements. Please refer to Section 12.3.2(iii) of this Prospectus for our foreign exchange rate gain/loss recognised by our Group for FYE 2015, FYE 2016 and FYE 2017. Save for foreign currency translation risks as mentioned above, there is no other foreign currency risk incurred by our Group.

Our Group has observed and complied with Bank Negara Malaysia's Supplementary Notice on Foreign Exchange Administration Rules "Measures to Promote Development of Malaysia's Financial Market" whereby 75% of foreign currency proceeds from export of goods are converted to RM. However, there can be no assurance that any other foreign exchange administrative rule imposed or varied by the any relevant authority from time to time will not materially affect the business and/or financial performance of our Group.

5.1.3 **We may not be able to receive sufficient orders to maximise our production capacity every month and in turn generate enough revenue to outweigh our higher overhead cost in respect of our production facilities expansion in the Bayan Lepas Factory and Batu Kawan Factory**

As described in Sections 4.4.1 and 4.4.2 of this Prospectus, we intend to utilise RM65.00 million and RM75.00 million from the Public Issue proceeds for the construction of the Bayan Lepas Factory and Batu Kawan Factory respectively. Upon the commencement of our operations in both the Bayan Lepas Factory and Batu Kawan Factory, our overall production capacity will increase from our normal production capacity of up to eight (8) machines per month to up to 90 machines per month.

The increase in production capacity is expected to be utilised based on our assessment of the expected demand after discussions with our existing and/or new customers in respect of our existing, expanded and/or enhanced machine series.

We wish to highlight that the Bayan Lepas Factory and Batu Kawan Factory's capacity to each produce up to 45 machines per month during the Peak Period Months does not indicate that our Group expects to consistently produce a total of 90 machines every month as we may not receive sufficient orders to maximise our production capacity every month. There is no assurance that we will be able to receive sufficient orders to maximise our production capacity and there will be months where we will not be operating at our maximum capacity.

In addition, our expansion plans involve a number of cost-related risks, including but not limited to, higher capital expenditures and overall higher overhead costs to be incurred in respect of expansion of our production facilities in Bayan Lepas and Batu Kawan. Following the completion of the Bayan Lepas Factory and Batu Kawan Factory, our Group's overall overhead cost will consequentially increase as a result of our expanded floor space, such as higher depreciation charges and higher staff costs. Other expansion costs include R&D costs, marketing and promotional expenses, as well as other working capital requirements.

Our customers are IDMs and OSATs which are involved in the manufacturing, testing, assembly and packaging of advanced wafer level packages which require sorting machines. These sorting machines are one of the major capital investment for IDMs and OSATs. Therefore, their capital expenditure is allocated and decided through a careful budgeting process, which involves due consideration and planning. As a result, the size of the orders received from our customers will depend on their respective production plans and their level of capital investment. In the event there is a decrease in sales orders from our customers in the future, our overall higher overhead costs to be incurred in respect of expansion of our production facilities in Bayan Lepas and Batu Kawan may outweigh the increase in revenue. In such an event, our financial

5. RISK FACTORS (cont'd)

performance may be adversely affected. Please refer to Section 5.1.17 of this Prospectus on other cost-related risks in relation to the expansion of our production facility in Bayan Lepas and Batu Kawan.

The size of the orders received from our customers are beyond our control and we are unable to predict our customers' production plans and level of investments with certainty. There can be no assurance that any adverse economic, political, regulatory developments or changes in latest trends and technology in the industry which may lead to changes in our customers' production plans and level of investments and will materially affect the business and financial performance of our Group. Notwithstanding the aforementioned, our Group is committed to continuously expand our customer base by penetrating into new markets and securing new customers to minimise any material adverse impact on our Group's revenue and consequentially our financial performance.

5.1.4 We are subject to risks resulting from consolidation of businesses within the semiconductor industry

The global semiconductor industry is concentrated, with a relatively small number of large IDMs and OSATs dominating the global market place. This market concentration could become even more acute in the future if further industry consolidation takes place, as IDMs and OSATs may acquire or merge to gain increased economies of scale.

Any consolidation in the semiconductor industry may impact the business processes of the affected companies, and as a result, affect our position as a supplier to these customers. As our Group's ability to increase sales will depend mainly upon our ability to obtain or increase orders from these customers, we face additional risks of losing sales opportunities should business conditions change in the event of industry consolidation.

5.1.5 We may be adversely affected by machine defects, as it may lead to adverse industry reputation or negative perception towards our machines or our Group in general

We provide our customers with a warranty period of three (3) years for electronic components, precision parts and mechanical components, and we also provide on-site technical support for ad-hoc problems, if required. Our warranty also includes replacement of defective parts and components free of charge within the warranty period. We are thus obligated to ensure that our machines are functioning as per design plans and customer requirements before they are delivered to our customers. Failure to do so could result in losses from repair costs, and may damage our industry reputation as a reliable and trusted manufacturer.

An adverse reputation or negative perception regarding the quality of our machines, or our Group in general, could also result in substantially lower demand for our machines. A significant machine defect which may impact the production of quality electronics and semiconductor products could result in a loss of customer confidence in our products and this would materially impact demand, which in turn could have an adverse effect on our financial position, results of operations and prospects.

5. RISK FACTORS (cont'd)

Nevertheless, we are familiar with the need for, and consistently adhere to, stringent quality control procedures for our manufacturing processes. We also conduct machine buy-off whereby our development engineering team will set the equipment to run our customer's products with a representative from our customer present to observe the buy-off. Our machines will only be delivered to our customers after we run and meet all our customers' requirements.

At the end of each reporting period, we will recognise a provision for warranty replacement cost for expected warranty claims based on the level of repairs and returns required in the past. To date, we have not had any of our machines recalled from the market, and instances of machine defects have been limited to less than 5% of our sales volume in a year. For FYE 2015, FYE 2016, FYE 2017 and as at the LPD, our warranty cost incurred is RM0.24 million, RM0.09 million, RM0.47 million and RM0.19 million respectively. Based on the aforementioned, provision for warranty replacement cost and the warranty cost incurred for the Financial Years Under Review and as at the LPD for the machines defect is not expected to have a material effect on the financial performance of our Group.

5.1.6 We are dependent on our customers' production plans and level of investments

Our customers in the semiconductor industry are IDMs and OSATs which are involved in the manufacturing, testing, assembly and packaging of advanced wafer level packages which require sorting machines. In the Financial Years Under Review, the size of the orders received from our customers varied, depending on their respective production plans and requirements, which were in turn driven by their level of investments for the purchase of new machines.

During periods of low demand and overcapacity, IDMs and OSATs do not perform at their full capacity, requiring them to reduce capital expenditure, thereby impacting the demand for semiconductor equipment which in turn may have a material adverse impact on our Group's sales. If we are unable to secure a broader customer base to minimise any material adverse impact on our Group's sales during periods of low demand and overcapacity faced by our customers, our business performance may decline.

Conversely, when demand is high, IDMs and OSATs may increase their capacity and this will result in an increase in demand for semiconductor equipment. The failure of our Group to adjust in a timely manner to such increase in demand could result in our Group losing existing customers or losing the opportunity to secure new customers. Thus, if we are unable to increase our production capacity in a timely manner to meet periods of increased demand, we may suffer from the loss of opportunities to further expand our sales and profitability.

The production plans and level of investments of our customers are affected by the cyclical nature of the semiconductor industry. We cannot predict our customers' production plans and level of investments with certainty, and hence we cannot assure that we can react positively and timely to these market developments.

5. RISK FACTORS (cont'd)

5.1.7 We are dependent on our Promoter, Directors and Key Senior Management for the continued success of our Group

Our success is largely attributed to our Promoter, Executive Director and Group CEO, Oh Kuang Eng, who is directly responsible for the strategic direction, leadership, business planning and development, and management of our Group's business operations with the support of our Directors and Key Senior Management team.

Further, our Group is operating in a fast-changing technology industry and the management and operation of the business require the employment of highly skilled employees. We believe that our success so far depends to a large extent on the ability and technical knowledge of our Key Senior Management including our Promoter. Having a team of experienced management personnel is critical in guiding and implementing our Group's strategies and to ensure our Group maintains and improves our technical capabilities.

Our Board recognises the importance of attracting and retaining our employees and have in place, amongst others, suitable compensation package and continuous training and development programmes for all employees in key functions of our Group's operations. In addition, our Group has set aside 4,000,000 Shares under the Pink Form Allocations to reward our employees for their continued efforts and contribution to our Group's success.

The loss of our Promoter and/or any of our experienced management personnel, without suitable and timely replacements could have a material adverse impact on our Group's competitiveness, business and operations. There is no assurance that there will be no loss of any of our Key Senior Management, including our Promoter, or that our management succession plans will be successful in identifying their successors.

5.1.8 We are subject to risk of disruptions to our production plant and business operations and we may not have adequate insurance coverage

Our production activities are dependent on the continued operations of our production plant. Any disruptions to our production activities, such as fire, power failure, accidents or other risks may have an adverse impact on our business operations.

We are aware of the adverse consequences arising from inadequate insurance coverage which could disrupt our business operations. As such, as part of our effort in limiting the aforementioned risks, we maintain insurance to cover, amongst others, fire damage on our stocks and our moveable and immovable properties, burglary on our properties and for accidents covering bodily injury or property damage incurred on the premise. We ensure the continuity of our insurance by renewing all the insurance policies annually and reviewing the adequacy of our existing insurance coverage for all our assets on yearly basis. We believe our current insurance coverage undertaken is adequate for our business and level of operations.

Over the Financial Years under Review and as at the LPD, we have not encountered major disruptions to our production plant that have a material adverse effect on our Group's operations or financial performance. However, there can be no assurance that any major disruption to our production plant will not severely disrupt our production and operations.

Nonetheless, there can be no assurance that the insurance coverage would be adequate for the replacement cost of our assets as well as its related consequential costs. Furthermore, there are also risks such as natural disasters, riots, general strikes, acts of terrorism and any other risks that cannot reasonably be insured against, which may adversely affect our operations.

5. RISK FACTORS (cont'd)

If any such risks are uninsured, not covered under our insurance policy, or where the insurance protection is not sufficient to cover such risk, we may have to bear such losses, damages or liabilities and consequently our business and financial condition may suffer a material adverse impact.

5.1.9 We are affected by an occurrence of force majeure events such as adverse weather and/or natural disasters

Our business operations may be affected by the occurrence of adverse weather and/or natural disasters which may lead to our production facility being incapable of normal production capacity and our employees being unable to conduct their work as usual. Any occurrence of force majeure events as mentioned may prohibit us from performing our operations and as a result, we may not be able to meet the specific timeline as agreed with our customers. This may lead to delay in completion of our machine orders and machine delivery to our customers and accordingly it may lead to an adverse impact on our reputation which in turn may have an adverse impact on our business and financial performance.

In the event that we have to halt our operations during adverse weather conditions and/or natural disasters, we are still required to incur operating expenses such as labour costs. Our Group's operations and financial position may be affected should such events occur for a prolonged period of time. As such, there is no assurance that we will be able to record profits and have sufficient funds for our operations to recover from the damages caused by such events.

As at the LPD, we have not experienced any occurrence of force majeure events that have adversely affected our business operations and/or financial performance in the past. Notwithstanding the above, there is no assurance that we will not encounter such events and our business operations and/or financial performance will not be adversely affected should such events occur in the future.

5.1.10 We do not have long-term contractual agreements with our customers

Our Group has not historically entered into and presently does not have any long-term contracts with our customers. The lack of long-term contracts with our customers is in line with the dynamics of the sorting machines within the semiconductor industry, which is subject to rapid technological changes, and thus frequent product specification changes. Therefore, the contracts with our customers are generally short-term in nature whereby our customers will purchase our products by way of purchase orders on a project-to-project basis and on an as-needed basis.

We have established an average of more than three (3) years of close business relationship with our major customers. We will continuously seek to maintain and strengthen these business relationships and establish strong relationships with new customers to ensure our Group's business continuity and growth. However, there is no assurance that we will not lose any of our major customers. The loss of major customers or the inability to secure new purchases from new customers may impact our Group's operating results.

5. RISK FACTORS *(cont'd)*

5.1.11 We are exposed to infringement of intellectual property rights

(i) Of third parties

Our Group may unintentionally infringe intellectual property rights of third parties and may be sued for such infringements. As at the LPD, we are not the subject of any intellectual property claims. However, any future litigation regarding patents or other intellectual property infringements could be detrimental to our business operations and reputation, in addition to the cost and time that may be incurred in defending such law suits.

If our Group loses a claim, we may be prevented from selling our products which have infringed intellectual property rights, be requested to pay royalty fees or licensing fees, as well as compensate the owner of the intellectual property rights against any damages and/or losses suffered.

We have engaged a patent agent in providing advisory services and assisting us in filing the patents to minimise our product designs from infringing the patent rights of third parties. Details of our patent registration and filings are as set out in Section 7.22 of this Prospectus. However, there is no assurance that our patent applications will always be successful.

(ii) By third parties

Proprietary software and intellectual property rights are important to our Group and we rely on a combination of trade secrets, non-disclosure and other contractual agreements to protect our intellectual proprietary rights. As our Group's success is dependent on our intellectual property rights, any infringement, unauthorised third party copying, use or exploitation may have a material and adverse impact on our Group's business, operating results and financial condition.

As at the LPD, we have been assigned with some registered patents with the Intellectual Property Corporation of Malaysia, further details are set out in Section 7.22 of this Prospectus. The registration of such patents will provide us with the protection such that third parties are prevented from using the same for commercial purpose. As the owner of the registered patents, we may commence legal proceedings against third parties for any unauthorised use, copy or exploitation of our intellectual property rights.

Our sorting machines may be less affected by the widespread risk of unauthorised use, copy or exploitation as our sorting machines with sorting and testing capabilities require a high level of domain knowledge as well as requisite expertise before it can be applied or replicated for commercial exploitation.

To limit the risk of unauthorised use, copy or exploitation of our products, we have submitted applications to the relevant governing bodies to register several of our patents. However, there can be no assurance that the steps taken by our Group to protect our intellectual property rights will fully prevent the risks of infringement.

5. RISK FACTORS (cont'd)

5.1.12 We are subject to credit risks based on the credit periods granted to our customers

We grant our customers credit periods of between 30 to 90 days and extending up to 180 days for certain customers. As such we are exposed to credit risks arising from our Group's trade receivables which may arise from events and circumstances beyond our Group's control. If our customers delay or default on payment, we will have to make allowance for impairment on uncollectible trade receivables or may be required to write-off uncollectible trade receivables as bad debts, which may adversely affect our financial performance.

Our Group has not experienced any instances of significant bad debts during the Financial Years Under Review. Further, we monitor the outstanding balance and collection of our trade receivables.

5.1.13 We are subject to risks relating to the economics, political, legal, regulatory or social environment in the markets in which we operate

Our business is subject to risks associated with conducting business internationally as we sell our products overseas and purchase some raw materials from foreign suppliers. We are therefore susceptible to changes in economic, political, legal, regulatory or social conditions as well as operational risks in the countries where we are operating or having business dealings with.

As we continue to expand our business overseas, our financial condition and results of operations could be affected by variety of factors, amongst others:

- (i) additional taxation requirements or additional licences, permits or requirements imposed on foreign-owned corporations that may increase the costs of our subsidiaries' operation in overseas or interrupt our overseas operations;
- (ii) changes in foreign trade laws and investment laws that may affect our subsidiaries' operation in overseas or interrupt our overseas operations;
- (iii) changes in import and/or export duties and/or trade tariffs imposed;
- (iv) political and economic instability, including global and regional macroeconomic disruptions, natural calamities, epidemics or other such risks; and
- (v) risks with respect to social and political crises resulting from terrorism and war.

The above factors will also have a direct impact on the demand for our machines. Further, the demand for products that use our machines will be affected by the factors above and hence the demand for our machines will also indirectly be affected.

Many of the above changes are beyond our control. Whilst we practise prudent financial management and efficient operating procedures, there can be no assurance that any adverse economic, political and/or regulatory developments will not materially affect the business and financial performance of our Group.

5. RISK FACTORS *(cont'd)*

5.1.14 We face competition from other industry players

Notwithstanding our competitive strengths, we continue to face competition from existing and prospective competitors which may be capable of offering similar products. Additionally, consolidation of market players within the industry may heighten competition.

Whilst we strive to remain competitive and keeping up with the pace of product and technological advances within the semiconductor industry via our continuous R&D efforts, there can be no assurance that any changes in the competitive environment would not have any material and adverse impact on our business and financial performance.

5.1.15 We are dependent on the availability of technical professionals

Our Group is dependent on the availability of technical professionals as we are involved in the design and development of wafer-level assembly and packaging machines which require specialised skills.

The availability of technical professionals in our Group will enable us to continuously develop new equipment based on newer technologies to keep up with the industry demands and rapid changes. The loss of any of our Group's technical professionals simultaneously or within a short span of time without any suitable and timely replacements, and our inability to attract or retain qualified and competent technical professionals, may adversely affect our ability to compete and grow in the industry we operate in.

Our Group is aware of such risks, and hence, shall take the necessary measures to retain our Group's technical professionals and recruit new technical professionals when required. Our Group has also made continuous efforts to groom existing qualified and competent personnel through training and professional development. Although we have not previously experienced any major disruptions to our operations due to shortage of technical professionals, no assurance can be given that we will be able to recruit, develop and retain adequate number of qualified technical professionals.

5.1.16 We are subject to risks arising from delays in product delivery, order cancellations and product complexities

Our Group is subject to the following risks:

- (i) customers may resort to cancellation, postponement or scaling down of future orders due to various reasons which include changes in customers' requirements and specifications, key decision maker, commercial viability of their products and the economic environment in which they operate. Such cancellations, postponements or scaling down of the volume of product orders may affect our profit margin and delay our recognition of revenues;
- (ii) the under-estimation of machine complexities may delay the commencement of the production which in turn delays the delivery of our machines to customers. Further, unanticipated changes in machine design and/or specifications nearing the commencement of production may cause us to incur higher costs;
- (iii) there may be disputes with our customers on the scope or quality of work carried out by us which may lead to unbudgeted additional costs at our end;

5. RISK FACTORS (cont'd)

- (iv) our production may be affected by disruptions in our supply chain due to amongst others, shortages in materials and interruptions caused by natural disasters; and
- (v) our production may be disrupted in the event the tenancy agreements of our current rented factory and Mi Precision's rented factory are not extended.

We have not encountered any delays and cancellations of product deliveries and orders, or any failure to extend our tenancy agreements as mentioned above that has materially and adversely affected our business and financial performance for the Financial Years Under Review. Our Key Senior Management works closely with our customers and suppliers to ensure that work requirements and quality expectations are met. We also have standard operating procedures in place for production management to ensure that our customers' requirements are fulfilled. Further, we will also monitor and ensure the terms and conditions of the tenancy agreements are complied with. Notwithstanding the above, there can be no assurance that we will not encounter the above risks.

5.1.17 We may not be able to effectively manage our growth or successfully implement our business plans and strategies

We plan to enhance our market presence through further expansion of our local and overseas businesses. In order to successfully implement our expansion plan, it is imperative that our Group remains competitive, and to do so, we are committed to continuously invest in R&D and expansion of our production facilities, as well as the enhancement of our sales and support activities to support our growing customer base. Please refer to Section 7.12 of this Prospectus for further details of our future plans and strategies.

Our expansion plans involve a number of cost-related risks, including but not limited to, higher capital expenditures and overall higher overhead costs to be incurred in respect of expansion of our production facilities in Bayan Lepas and Batu Kawan. Following the completion of the Bayan Lepas Factory and Batu Kawan Factory, our Group's overall overhead cost will consequentially increase as a result of our expanded floor space (such as higher depreciation charges and higher staff costs) and may outweigh the increase in revenue when there is a decrease in sales orders from our customers in the future. In such an event, our financial performance may be adversely affected. Other expansion costs include R&D costs, marketing and promotional expenses, as well as other working capital requirements.

Whilst our Executive Directors and Key Senior Management are experienced in this business and we have sufficient resources at our disposal to execute our business expansion plans, we are unable to guarantee that we will be successful in executing our business expansion plans, nor can we assure that we will be able to anticipate all the business and operational risks arising from our future business plans. Any failure to do so, including any failure or inefficiencies in managing our business growth, may lead to a material adverse effect on our business operations and financial performance.

5.1.18 We may fail to keep up with technological evolution and advancement

Our Group operates in a dynamic market where our products are prone to evolving industry standards and new machine introductions and enhancements. Our Group's future growth and success would significantly depend on continuing market acceptance of the portfolio of our machines and our ability to develop new machines to meet the needs of our customers.

Furthermore, we may also experience design, marketing and other operational difficulties that could delay, or prevent the development of our new machines and/or enhancements to our existing machines.

5. RISK FACTORS (cont'd)

Our ability to grow is also subject to the risk of future disruptive technologies that may unexpectedly displace the current technology. Such disruptive technologies could adversely affect the competitiveness of our Group if we are unable to respond to the new technology accordingly. We seek to limit these risks by actively engaging in R&D activities that focus on developing new machines as well as enhancing our proprietary solutions and process technology. We also maintain good business relationships with our customers and semiconductor industry players to keep abreast with the latest trends and technology in the industry.

In addition, prior to the commencement of any machine design and/or development, we will have extensive discussions on the technological requirements with our customers, which would aid us to consider any potential changes in the technology employed or to adjust the scope of machine design and/or development accordingly. Such close collaborations with our customers during the design stage for new machines is beneficial to our Group as it will give us greater awareness and understanding of the latest technological trends and developments.

However, there can be no assurance that we would be able to design and develop new machines and services in a timely and cost effective manner. Such circumstances may in turn adversely affect our business operations and financial performance.

5.1.19 We may not be able to maintain the pioneer status granted

Mi Equipment Malaysia is entitled to pioneer status incentives under the Promotion of Investments Act, 1986 (Amendment) for the design, development and manufacturing of vision inspection and taping equipment and related components for semiconductor and solar industries and the profit derived from these activities is exempted from tax for a total relief period of five (5) years from the manufacturing date, i.e. from 18 January 2014 to 17 January 2019 subject to further renewal of another five (5) years. The expiry, revocation or non-renewal of pioneer status will directly affect our financial performance as Mi Equipment Malaysia, being the main contributor in our Group's income, will be subject to the prevailing statutory tax rate of 24%.

5.1.20 We are exposed to the risk of non-compliance of a condition attached to the land title by the land owner

Mi Equipment Malaysia is renting a factory as stated in Section 7.18.2 of this Prospectus which is subject to the Bumiputera Employment Condition where the land title requires the land owner to ensure 30.00% of the employees at all levels of the management of the business purpose for which the land was alienated shall comprise Bumiputera employees. The Bumiputera Employment Condition is not fulfilled. Notwithstanding the aforementioned, the land owner had on 28 July 2017 written to PDC, being the sectorial regulator in the state of Penang on matters relating to the industrial leasehold lands at Taman Perindustrian Bayan Lepas, seeking consensus that the condition is no longer in practice. PDC had vide its letter dated 8 December 2017 replied that it no longer imposes the Bumiputera Employment Condition in the new leases issued at Taman Perindustrian Bayan Lepas and all other industrial areas owned by PDC.

Further, as part of the condition on the land title, the land is not permitted to be tenanted without the Land Administrator's consent. The land owner had on 29 June 2017 applied to the PDC to obtain the consent for the tenancy. On 7 August 2017, PDC had granted the said consent to the land owner. As part of the administrative procedures, after obtaining the consent from PDC, an application to the land office to obtain the Land Administrator's consent on the tenancy should be submitted as well. On 18 September 2017, the application to the land office was submitted by the land owner and consent from the Land Administrator was obtained on 9 March 2018.

5. RISK FACTORS (cont'd)

In the event of non-compliance of the aforesaid conditions, the Land Administrator may under Section 127 of the National Land Code ("**NLC**"), firstly serve a notice to the registered proprietor of the land ("**Land Owner**") to request the Land Owner to attend a hearing to show cause the reason that a fine should not be imposed in respect of such breach ("**First Hearing**"). If the land owner fails to show cause to the satisfaction of the Land Administrator, the Land Administrator may order the payment of a fine. If the breach continues after due enquiry by the Land Administrator, the Land Administrator may serve a notice that it intends to either request the Land Owner to remedy the breach under Section 128 of the NLC or to enforce forfeiture of the land under Section 129 of NLC upon expiry of a period of six (6) months from the date the notice was served ("**Notice Expiry**"). After the Notice Expiry, the Land Administrator may further serve a notice to request the Land Owner to remedy the breach within a period to be specified by the Land Administrator from the date the notice was served or the Land Administrator may serve a notice under Section 129 of NLC to the Land Owner to request the Land Owner to attend a hearing to show cause the reason that the land should not be forfeited, if the Land Administrator is of the opinion that taking action under Section 128 of NLC would not be appropriate or the Land Owner has failed to comply with any notice served on him under Section 128 of NLC requiring him to remedy the breach.

As at the LPD, we are not aware of any show cause notice for the First Hearing being served on the land owner. As a tenant, we will not be penalised by the authorities but the land owner may serve us three (3) months' notice or by three (3) months' rental payment in lieu requesting us to vacate the factory under the Tenancy Agreement dated 1 January 2017. We are planning to relocate our operations to the Bayan Lepas Factory in second quarter of 2019. However, there remains a risk that we are required to vacate our rented factory before completion of the Bayan Lepas Factory. If the Land Administrator serves a show cause notice for the First Hearing to the Land Owner while we are still renting the factory, we intend to work together with the Land Owner in explaining to the Land Administrator on the common industrial issue at Taman Perindustrian Bayan Lepas in complying with the Bumiputera Employment Condition and the Land Owner could also produce the PDC letter dated 8 December 2017 that it no longer imposes the Bumiputera Employment Condition in the new leases issued at Taman Perindustrian Bayan Lepas and all other industrial areas owned by PDC to support its case and to request the Land Administrator to grant the Land Owner an exemption in complying the Bumiputera Employment Condition.

Our new Bayan Lepas Factory will be built on the land with the Bumiputera Employment Condition and there is a high possibility that we will not be able to comply with the Bumiputera Employment Condition. We had on 18 December 2017 sought consensus that the condition is no longer in practice and PDC had vide its letter dated 20 December 2017 replied that it no longer imposes the Bumiputera Employment Condition in the new leases issued at Taman Perindustrian Bayan Lepas and all other industrial areas owned by PDC. Assuming we are not able to comply with the Bumiputera Employment Condition after our new Bayan Lepas Factory is in operations and the Land Administrator serves a show cause notice for First Hearing, we will attend the hearing and highlight to the Land Administrator on the common industrial employment issue at Taman Perindustrian Bayan Lepas in complying with the Bumiputera Employment Condition. Further, we will produce the PDC letter dated 20 December 2017 that it no longer imposes the Bumiputera Employment Condition in the new leases issued at Taman Perindustrian Bayan Lepas and all other industrial areas owned by PDC to support our case and to request the Land Administrator to grant us an exemption in complying the Bumiputera Employment Condition. Notwithstanding the aforementioned, an Application to the Land Administrator to rescind the Bumiputera Employment Condition had been submitted on 21 March 2018. As such, with the PDC Letter and the Application, the Bumiputera Employment Condition on the Bayan Lepas Factory land is expected to be resolved.

5. RISK FACTORS *(cont'd)*

We wish to highlight that the Batu Kawan Factory will be built on land that is without the Bumiputera Employment Condition.

5.2 RISKS RELATING TO INVESTMENT IN OUR SHARES

5.2.1 No prior market for our Shares and it is uncertain whether an active or sustainable market will ever develop

Prior to our IPO, there has been no prior public market for our Shares and because of that, there is no assurance that upon Listing, an active market for our Shares will develop, or if developed, that such a market can be sustained. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the Main Market upon our Listing. There is also no assurance that the market price of our Shares will not decline below the IPO Price.

5.2.2 Investors in our IPO will suffer immediate dilution in NA

Our pro forma NA per Share as at 31 December 2017 of RM0.62 after taking into account the Public Issue and after adjusting for the intended utilisation of the proceeds from our IPO, is lower than the IPO Price. This represents an immediate dilution in NA per Share of RM0.80 (or 56.34%) from the IPO Price to our new investors. The issuance of further Shares at prices higher than the then existing NA per Share would result in further dilution. Please refer to Section 4.3 of this Prospectus for further details.

5.2.3 Share price volatility of our Shares

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global stock exchanges and the flows of foreign funds. Sentiment is also induced by factors such as economic and political conditions and the growth potential of the various sectors of the economy. These factors constantly contribute to the volatility of trading volumes on Bursa Securities and this adds risks to the market price of our Shares. Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as our business activities have no direct correlation with the performance of securities listed on Bursa Securities.

It is expected that there will be about ten (10) Market Days after the close of the Public Issue before the trading of our Shares commences. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities market (both locally and foreign), 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 fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:

- (i) variations in our financial results and operations;
- (ii) success or failure of our Key Senior Management in implementing business and growth strategies;
- (iii) gain or loss of an important business relationship;

5. RISK FACTORS *(cont'd)*

- (iv) changes in securities analysts' recommendations, perceptions or estimates of our Group's financial performance;
- (v) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other related events or factors;
- (vi) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;
- (vii) additions or departures of our Key Senior Management;
- (viii) fluctuation in stock market prices and volume; or
- (ix) involvement in litigation.

There is no assurance that our Share price will not be subject to volatility due to market sentiments.

5.2.4 The interest of our Promoter who controls our Group may not be aligned with the interest of our shareholders

Our Promoter will hold at least 68.00% of our enlarged number of issued Shares upon Listing. As a result, he will be able to, in the foreseeable future, effectively control the business direction and management of our Group including the election of Directors, the timing and payment of dividends as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and by relevant guidelines or regulations.

The appointment of Independent Non-Executive Directors and our Audit Committee will serve as an effective mechanism to promote good corporate governance to ensure future transactions of our Group, including related party transactions, if any, are entered into at arms' length basis. Our Audit Committee will in that sense represents the interest of the minority shareholders and general public at large.

However, there can be no assurance that the interests of our Promoter will be aligned with those of our other shareholders.

5.2.5 Failure or delay in our Listing

Below is a non-exhaustive list of possible occurrences or events which could cause a delay or termination of our Listing:

- (i) our Sole Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;
- (ii) identified investors fail to subscribe for the portions of IPO Shares allocated to them;
- (iii) we are unable to meet the public shareholding spread requirement of the Listing Requirements of having at least 25% of our enlarged number of issued Shares for which listing is sought to be held by a minimum of 1,000 public shareholders holding not less than 100 Shares each, at the point of our Listing;
- (iv) the revocation of approvals from relevant authorities prior to our Listing or Admission for whatever reason other than the reasons specified in paragraph (v) below;

5. RISK FACTORS *(cont'd)*

- (v) if the SC issues a stop order pursuant to Section 245 of the CMSA prior to our Listing or if permission is not granted by Bursa Securities for our Listing before the expiration of six (6) weeks from the date of issue of this Prospectus or such longer period as may be specified by the SC pursuant to Section 243 of the CMSA; or
- (vi) the occurrence of any event or circumstance beyond the control of our Group.

If any events in paragraphs (i), (ii), (iii), (iv) or (vi) above occur, investors will not receive any of our IPO Shares and we will return in full (without interest or any share of revenue or benefit arising therefrom) all monies paid in respect of any application for our IPO Shares in compliance with Section 243(2) of the CMSA. However, if our IPO Shares have been issued and allotted to investors, we can only repay the monies paid in respect of our IPO Shares by a cancellation of our IPO Shares pursuant to a capital reduction exercise in accordance with Sections 116 or 117 of the Act. 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; or (ii) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the directors. In the event the approval of the High Court of Malaya is not obtained or the directors are unable to provide the solvency statement as required under the Act, there can be no assurance that such monies can be returned within a short period of time or if at all.

Should the event in paragraph (v) above occur, the issue of our IPO Shares shall be considered void and the investors will not receive any IPO Shares. In such event, and pursuant to Sections 243(2) and 245(7) of the CMSA, as the case may be, we shall be liable to forthwith repay, without interest, all monies received from our IPO Shares and if such monies are not repaid within 14 days after we become liable to pay or within 14 days of the stop order, we will be liable to repay the monies together with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

5.2.6 **We are a holding company and, as a result, are dependent on the flow of dividends from our subsidiaries to meet our obligations and provide funds for payment of dividends on our Shares**

Our Company is a holding company and we conduct substantially all of our operations through our subsidiaries. Accordingly, an important source of our income, and subsequently an important factor in our ability to pay dividends on our Shares, is the amount of dividends and other distributions that our Company receives from our subsidiaries. The ability of our subsidiaries to pay dividends or make other distributions to our Company in the future will depend upon their operating results, earnings, capital requirements, general financial condition and the governmental laws, decrees, regulations or relevant legislations in other countries relating to the repatriation of capital or the remittance of profit by or to our Group. In addition, changes in accounting standards may also affect the ability of our subsidiaries, and consequently, our ability to pay dividends.

Dividend payments are not guaranteed and our Board may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. 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 and the value of any investment in our Shares may be reduced.

6. DETAILS OF OUR GROUP

6.1 INCORPORATION AND HISTORY OF OUR GROUP

6.1.1 Overview of our Group

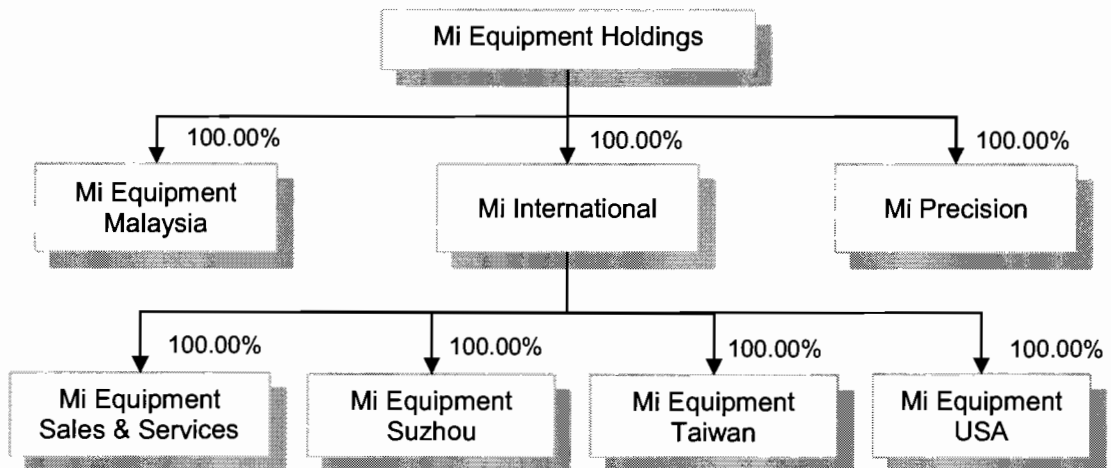
Our Company was incorporated in Malaysia under the Act on 19 June 2017 as a private limited company under the name of Mi Equipment Holdings Sdn Bhd. Our Company was incorporated for the purpose of being an investment holding company and listing vehicle for our Group pursuant to our Listing.

On 6 July 2017 and 2 August 2017, we entered into the Mi Equipment Malaysia SSA and Mi International SSA to acquire 100% equity interest in Mi Equipment Malaysia and Mi International respectively. The Mi Equipment Malaysia Acquisition and Mi International Acquisition were completed on 6 July 2017 and 2 August 2017 respectively. Consequentially, Mi Equipment Malaysia and Mi International became wholly-owned subsidiaries of Mi Equipment Holdings.

Subsequently, on 23 August 2017, our Company was converted into a public limited company and since then, assumed our current name, Mi Equipment Holdings Berhad.

Our Company's principal activity is investment holding, whilst our Group is principally involved in the design, development, manufacture and sale of WLCSP sorting machines with inspection and testing capabilities for the semiconductor industry. We are also involved in the provision of maintenance services and technical support for these machines, as well as the sale of related spare parts and components. Our machines are developed in-house with the capability and expertise of our development engineering team. The experience and technical expertise of our team has enabled our Group to develop products that meet the requirements of both our local and international customers.

As at the LPD, the current corporate structure of Mi Equipment Holdings is depicted as follows:



Please refer to Section 6.3 of this Prospectus for details on our subsidiaries.

6. DETAILS OF OUR GROUP *(cont'd)*

6.1.2 Background and history

History of our business

Our Group's history can be traced back to 4 April 2007 when our Executive Director and Group CEO, Oh Kuang Eng co-founded DPE with Sim Ah Yoong who is his friend and former colleague from Hewlett-Packard (M) Sdn Bhd (now known as Agilent Technologies (M) Sdn Bhd). DPE was principally involved in the development, manufacture and sale of several types of assembly and packaging equipment, such as bare die, LED die and QFN pick and place equipment. In 2008, DPE successfully produced and launched its K6 model for 8" wafer to carrier tape pick and place machine with rotary concept. DPE secured its first local customer, Inari Technology Sdn Bhd in 2009, followed by its first foreign customer, Avago Technologies US Inc in 2010. Subsequently, DPE launched several models of K series pick and place machines, namely K5 for non-flip bare die pick and place, K8 for QFN pick and place and ESCA series (save for ESCA35 which was subsequently developed in Mi Equipment Malaysia) for reel to reel rework application.

On 10 June 2011, Oh Kuang Eng founded IPE Tech Co Ltd (now known as Mi Equipment Taiwan). Mi Equipment Taiwan was involved in the provision of maintenance services and technical support for DPE's machines for its customers in Taiwan.

In early 2012, the management of DPE recognised the increasing market potential for WLCSP assembly and packaging equipment, and decided to change the company's direction to focus on WLCSP sorting machines by establishing a global presence, especially in major semiconductor countries, such as USA, China, Singapore and Taiwan, where many of the target customers, comprising IDMs and OSATs are located.

In line with this new direction, on 16 November 2012, Oh Kuang Eng incorporated MiE Technology Pte Ltd (now known as Mi International) by setting up our headquarters for global sales and service support in Singapore. Subsequently, on 22 January 2013, Oh Kuang Eng incorporated Mi Equipment Suzhou. Mi International and Mi Equipment Suzhou were set up to support the sale and marketing of our machines and provision of maintenance services and technical support as well as the sale of related spare parts and components in Singapore and China respectively.

On 14 June 2013, Oh Kuang Eng subscribed for 30,000 ordinary shares, representing 30% equity interest in Mi Equipment Malaysia and became its Director. Mi Equipment Malaysia commenced business in December 2013 and is principally involved in the design, development, manufacture and sale of WLCSP sorting machines with inspection and testing capabilities for the semiconductor industry. Over the period between 2013 to 2014, Oh Kuang Eng gradually transitioned DPE's business activities, assets and several technical personnel to Mi Equipment Malaysia. He assumed the role of CEO in Mi Equipment Malaysia after delivering the last machine order in DPE in March 2014. Subsequently, DPE ceased operations in June 2014 and does not form part of our Mi Equipment Holdings Group. DPE is currently dormant. As at the LPD, DPE had submitted an application to the Companies Commission of Malaysia for striking off the company.

Mi Equipment Malaysia became the headquarters for machine manufacturing as well as a hub for our global R&D engineering and continued to develop new machines with the engineering expertise and technology know-how from DPE.

6. DETAILS OF OUR GROUP *(cont'd)*

Subsequently, we further expanded our global presence in the following countries:

- **Taiwan**

On 17 February 2014, Mi Equipment Taiwan was acquired by Mi Equipment Malaysia from Oh Kuang Eng. On 28 March 2016, it was subsequently acquired by Mi International from Mi Equipment Malaysia and became a wholly-owned subsidiary of Mi International.

Mi Equipment Taiwan supports the sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components in Taiwan and Japan. However, as at the LPD, our Group has customers in Taiwan who are supported by Mi Equipment Taiwan.

- **Malaysia**

Mi Equipment Sales & Services was incorporated on 4 November 2014 for the purpose of moving the sales and service support functions in Malaysia from Mi Equipment Malaysia to Mi Equipment Sales & Services. This was part of the effort to separate the sales and services function from the manufacturing function. Subsequently on 5 December 2014, it became a wholly-owned subsidiary of Mi International.

Mi Equipment Sales & Services is based in Penang and currently supports the sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components in Malaysia and Thailand.

- **USA**

Mi Equipment USA was incorporated on 4 June 2015 as a wholly-owned subsidiary of Mi International.

Mi Equipment USA supports the sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components in North Atlantic region. However, as at the LPD, our Group has customers in USA, Mexico and Germany who are supported by Mi Equipment USA.

- **China**

Mi Equipment Suzhou was acquired by Mi International from Oh Kuang Eng on 22 October 2015 and became a wholly-owned subsidiary of Mi International.

Mi Equipment Suzhou supports the sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components in China and South Korea.

On 9 March 2015, Mi Equipment Malaysia was granted pioneer status by MITI for the “design, development and manufacturing of vision inspection and taping equipment and related components for semiconductor and solar industries” effective from 18 January 2014. Under the pioneer status granted by MITI, the profit derived from these activities is exempted from tax for a total relief period of five (5) years from the manufacturing date, i.e. from 18 January 2014 to 17 January 2019 subject to further renewal of another five (5) years.

6. DETAILS OF OUR GROUP (cont'd)

On 31 July 2017, Mi Precision was incorporated and is to be involved in the manufacture and sales of precision fabrication parts. As part of our Group's future plans, Mi Precision was set-up to complement and support our Group's existing business. The fabrication of precision parts will consist of the production of precision steel, aluminium or engineering plastic components and parts for the manufacture of automated machinery in the semiconductor industry, including our machines. Mi Precision expects to commence its fabrication activities in second quarter of 2018. It has rented a factory cum office in Bayan Lepas and is in the process of preparing the commencement of its fabrication activities in the said rented factory, such as the hiring of new employees and renovation of the said rented factory. The said factory is rented from an unrelated party to Mi Equipment Holdings Group, our Promoter, shareholders or Directors of our Group. The tenancy of the said rented factory is for a period of one (1) year from 1 March 2018 to 28 February 2019 and will be a temporary factory cum office for Mi Precision pending the completion of the Bayan Lepas Factory which is expected to complete in first quarter of 2019. In the event the Bayan Lepas Factory cannot be completed by 28 February 2019, we shall extend the tenancy period of Mi Precision's rented factory up to the completion of the Bayan Lepas Factory. Pursuant to the tenancy agreement dated 21 February 2018, Mi Precision is allowed to extend its tenancy period subject to providing three (3) months notice prior to the expiry of the said tenancy. However, there is a risk that we may be required to vacate the said rented factory in the event the tenancy period is not extended. As our Group's revenue is mainly contributed by sales of our machines, such disruptions in Mi Precision's production activities are not expected to have a material impact on our financial performance.

Shareholdings changes

The ownership of DPE has gone through several changes since its incorporation. The details of the material changes in shareholdings are set out as follows:

Date	Event
4 April 2007	<ul style="list-style-type: none"> Incorporation of DPE. Oh Kuang Eng and Sim Ah Yoong were allotted one (1) new ordinary share in DPE ("DPE Shares") each.
30 June 2007	<ul style="list-style-type: none"> Increase in total issued and paid up share capital to 100,000 DPE Shares by the allotment of 99,998 new DPE Shares. <ul style="list-style-type: none"> Oh Kuang Eng was allotted 39,999 DPE Shares. Sim Ah Yoong was allotted 59,999 DPE Shares. As a result, Oh Kuang Eng and Sim Ah Yoong each held 40.00% and 60.00% equity interest in the company respectively.
12 February 2009	<ul style="list-style-type: none"> Oh Kuang Eng sold 10,000 DPE Shares to Sim Ah Yoong. As a result, Oh Kuang Eng and Sim Ah Yoong each held 30.00% and 70.00% equity interest in the company respectively.
13 August 2009	<ul style="list-style-type: none"> Increase in total issued and paid up share capital to 250,000 DPE Shares by the allotment of 150,000 new DPE Shares. <ul style="list-style-type: none"> Oh Kuang Eng was allotted 45,000 DPE Shares. Sim Ah Yoong was allotted 105,000 DPE Shares. Further to the above, Oh Kuang Eng and Sim Ah Yoong continued to respectively hold 30.00% and 70.00% equity interest in the company respectively
23 October 2009	<ul style="list-style-type: none"> Increase in total issued and paid up share capital to 2,000,000 DPE Shares by the allotment of 1,750,000 new DPE Shares. <ul style="list-style-type: none"> Oh Kuang Eng was allotted 525,000 DPE Shares. Sim Ah Yoong was allotted 1,225,000 DPE Shares. Further to the above, Oh Kuang Eng and Sim Ah Yoong continued to respectively hold 30.00% and 70.00% equity interest in the company respectively.

6. DETAILS OF OUR GROUP (cont'd)

Date	Event
26 May 2016	<ul style="list-style-type: none"> Reduction in total issued and paid up share capital to 2 DPE Shares by the cancellation of 1,999,998 DPE Shares. <ul style="list-style-type: none"> 599,999 DPE Shares held by Oh Kuang Eng was cancelled. 1,399,999 DPE Shares held by Sim Ah Yoong was cancelled. As a result, Oh Kuang Eng and Sim Ah Yoong each held one (1) DPE share representing 50.00% equity interest each in the company.
19 January 2018	<ul style="list-style-type: none"> DPE submitted an application to the Companies Commission of Malaysia for striking off the company.

The ownership of Mi Equipment Taiwan has gone through several changes since its incorporation, as follows:

Date	Event
10 June 2011	<ul style="list-style-type: none"> Incorporation of Mi Equipment Taiwan. Oh Kuang Eng contributed NT\$500,000 ordinary shares in Mi Equipment Taiwan. Oh Kuang Eng held 100% equity interest in Mi Equipment Taiwan.
17 February 2014	<ul style="list-style-type: none"> Mi Equipment Malaysia acquired the entire interest in Mi Equipment Taiwan from Oh Kuang Eng. As a result, Mi Equipment Malaysia held 100% equity interest in Mi Equipment Taiwan.
25 June 2014	<ul style="list-style-type: none"> Mi Equipment Malaysia contributed additional paid-up capital of NT\$1,500,000. As a result, Mi Equipment Malaysia has contributed total paid-up capital of NT\$2,000,000 in Mi Equipment Taiwan
28 March 2016	<ul style="list-style-type: none"> Mi International acquired the entire equity interest from Mi Equipment Malaysia. As a result, Mi International held 100% equity interest in Mi Equipment Taiwan.

The ownership of Mi Equipment Malaysia has gone through several changes since its incorporation. The details of the material changes in shareholdings are set out as follows:

Date	Event
13 June 2012	<ul style="list-style-type: none"> Incorporation of Mi Equipment Malaysia. Choong Shin Thang and Soon Chee Chye were allotted one (1) new ordinary share in Mi Equipment Malaysia ("Mi Equipment Malaysia Shares") each. Choong Shin Thang and Soon Chee Chye are both friends of Oh Kuang Eng. Choong Shin Thang and Soon Chee Chye each held 50.00% equity interest in the company.
14 June 2013	<ul style="list-style-type: none"> Increase in total issued and paid up share capital to 100,000 Mi Equipment Malaysia Shares by the allotment of 99,998 new Mi Equipment Malaysia Shares. <ul style="list-style-type: none"> Choong Shin Thang and Soon Chee Chye were allotted 4,999 Mi Equipment Malaysia Shares each. Oh Kuang Eng was allotted 30,000 Mi Equipment Malaysia Shares. Sim Ah Yoong was allotted 60,000 Mi Equipment Malaysia Shares.

6. DETAILS OF OUR GROUP (cont'd)

Date	Event
	<ul style="list-style-type: none"> As a result, Choong Shin Thang and Soon Chee Chye each held 5.00% equity interest, while Oh Kuang Eng held 30.00% equity interest and Sim Ah Yoong held 60.00% equity interest in the company.
10 February 2014	<ul style="list-style-type: none"> Increase in total issued and paid up share capital to 2,000,000 Mi Equipment Malaysia Shares by the allotment of 1,900,000 new Mi Equipment Malaysia Shares. <ul style="list-style-type: none"> Oh Kuang Eng was allotted 760,000 Mi Equipment Malaysia Shares. Sim Ah Yoong was allotted 1,140,000 Mi Equipment Malaysia Shares. As a result, Choong Shin Thang and Soon Chee Chye each held 0.25% equity interest, while Oh Kuang Eng held 39.50% equity interest and Sim Ah Yoong held 60.00% equity interest in the company.
6 November 2015	<ul style="list-style-type: none"> Oh Kuang Eng acquired a total of 10,000 Mi Equipment Malaysia Shares each, representing 0.50% equity interest in the company from Choong Shin Thang and Soon Chee Chye. As a result, Oh Kuang Eng held 40.00% equity interest and Sim Ah Yoong held 60.00% equity interest in the company.
26 February 2016	<ul style="list-style-type: none"> Oh Kuang Eng acquired 1,160,000 Mi Equipment Malaysia Shares from Sim Ah Yoong and Ong Tee Ni acquired 40,000 Mi Equipment Malaysia Shares from Sim Ah Yoong. As a result, Oh Kuang Eng held 98.00% equity interest and Ong Tee Ni held 2.00% equity interest in the company.
30 June 2017	<ul style="list-style-type: none"> Employees of Mi Equipment Malaysia, namely Evelyn Ng Zhen Zhing, Teh Ban Chuan, Chan Tirng Kaai and Chan Kok Seng, acquired a total of 1.58% equity interest in Mi Equipment Malaysia from Ong Tee Ni. As a result, Oh Kuang Eng still held 98.00% equity interest and the remaining 2.00% equity interest held by the said employees and Ong Tee Ni.
6 July 2017	<ul style="list-style-type: none"> Mi Equipment Malaysia Acquisition As a result, Mi Equipment Malaysia became a wholly-owned subsidiary of our Company.

The ownership of Mi International has gone through several changes since its incorporation, as follows:

Date	Event
16 November 2012	<ul style="list-style-type: none"> Incorporation of Mi International. Oh Kuang Eng was allotted 100 new ordinary shares in Mi International ("Mi International Shares"). Oh Kuang Eng held 100% equity interest in Mi International.

6. DETAILS OF OUR GROUP (cont'd)

Date	Event
18 June 2013	<ul style="list-style-type: none"> Increase in total issued and paid up share capital to 20,000 Mi International Shares by the allotment of 19,900 new Mi International Shares to Oh Kuang Eng.
23 October 2013	<ul style="list-style-type: none"> Increase in total issued and paid-up share capital to 100,000 Mi International Shares by the allotment of 80,000 new Mi International Shares to Oh Kuang Eng.
2 August 2017	<ul style="list-style-type: none"> Mi International Acquisition As a result, Mi International became a wholly-owned subsidiary of our Company.

The ownership of Mi Equipment Suzhou has gone through several changes since its incorporation, as follows:

Date	Event
22 January 2013	<ul style="list-style-type: none"> Incorporation of Mi Equipment Suzhou. Oh Kuang Eng committed to contribute USD60,000 registered capital and was granted a grace period of three (3) months from the date of incorporation under Mi Equipment Suzhou's Articles of Association to make the payment of the registered capital. This is permitted under PRC Company Law and rules of WFOE under the laws of the PRC. Oh Kuang Eng was deemed to hold 100% <i>de facto</i> equity interest in Mi Equipment Suzhou pending the payment of the registered capital during the grace period.
15 March 2013	<ul style="list-style-type: none"> Registered capital of USD59,990 was paid.
19 March 2013	<ul style="list-style-type: none"> The balance registered capital of USD10 was paid. Oh Kuang Eng held 100% equity interest in Mi Equipment Suzhou.
22 October 2015	<ul style="list-style-type: none"> Mi International acquired the entire equity interest from Oh Kuang Eng. As a result, Mi International held 100% equity interest in Mi Equipment Suzhou.

The ownership of Mi Equipment Sales & Services has gone through several changes since its incorporation, as follows:

Date	Event
4 November 2014	<ul style="list-style-type: none"> Incorporation of Mi Equipment Sales & Services. Ong Tee Ni and Saw Ai Nee were allotted one (1) ordinary share in Mi Equipment Sales & Services ("Mi Equipment Sales & Services Shares") each. Saw Ai Nee is an employee of Mi Equipment Sales & Services. Ong Tee Ni and Saw Ai Nee each held 50.00% equity interest in the company.

6. DETAILS OF OUR GROUP (cont'd)

Date	Event
5 December 2014	<ul style="list-style-type: none"> Mi International acquired one Mi Equipment Sales & Services Share each from Ong Tee Ni and Saw Ai Nee. As a result, Mi International held 100% equity interest in Mi Equipment Sales & Services.
22 February 2016	<ul style="list-style-type: none"> Increase in total issued and paid up share capital to 200,000 Mi Equipment Sales & Services Shares by the allotment of 199,998 new Mi Equipment Sales & Services Shares to Mi International.

The ownership of Mi Equipment USA is as follows:

Date	Event
4 June 2015	<ul style="list-style-type: none"> Incorporation of Mi Equipment USA. Mi International was allotted 1,000 shares of common stock in Mi Equipment USA ("Mi Equipment USA Shares"). Mi International held 100% equity interest in Mi Equipment USA.

The ownership of Mi Precision is as follows:

Date	Event
31 July 2017	<ul style="list-style-type: none"> Incorporation of Mi Precision. Our Company was allotted two (2) new ordinary shares in Mi Precision ("Mi Precision Shares"). Mi Precision is a wholly-owned subsidiary of our Company.
10 January 2018	<ul style="list-style-type: none"> Our Company was further allotted 999,998 new ordinary shares in Mi Precision.

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6. DETAILS OF OUR GROUP *(cont'd)*

6.2 SHARE CAPITAL

As at the LPD, our issued share capital is RM65,803,001 comprising 365,572,000 Shares.

Details of the changes in our issued share capital for the past three (3) years preceding the LPD are as follows:

Date of allotment	Number of Shares allotted	Consideration	Cumulative Issued Share Capital RM
19 June 2017	50	Cash	50
6 July 2017	352,530,250	⁽ⁱ⁾ Other than cash	63,455,495
2 August 2017	13,041,700	⁽ⁱⁱ⁾ Other than cash	65,803,001

Notes:

(i) Pursuant to Mi Equipment Malaysia Acquisition.

(ii) Pursuant to Mi International Acquisition.

None of our Shares were issued at a discount, on special terms or based on installment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of our Shares.

6.3 DETAILS OF OUR SUBSIDIARIES AND ASSOCIATES

The details of our subsidiaries as at the LPD are as follows:

Name and Registration No.	Date and country of incorporation	Principal place of business	Issued share capital/ registered capital	Our Company's effective interest (%)	Principal activities
Mi Equipment Malaysia (1005839-H)	13 June 2012 Malaysia	Malaysia	RM2,000,000	100	Design, development, manufacture and sale of WLCSP sorting machines with inspection and testing capabilities for the semiconductor industry
Mi International (201228192H)	16 November 2012 Singapore	Singapore	S\$100,000	100	Overseeing all our international sales, sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components

6. DETAILS OF OUR GROUP (cont'd)

Name and Registration No.	Date and country of incorporation	Principal place of business	Issued share capital/ registered capital	Our Company's effective interest (%)	Principal activities
Mi Precision (1240947-A)	31 July 2017 Malaysia	Malaysia	RM1,000,000	100	Manufacture and sales of precision fabrication parts. Currently the company has not commenced operations
<u>Subsidiary companies of Mi International</u>					
Mi Equipment Sales & Services (1116255-D)	4 November 2014 Malaysia	Malaysia	RM200,000	100	Sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components
Mi Equipment Suzhou (913205940602196967)	22 January 2013 China	China	USD60,000	100	Sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components
Mi Equipment Taiwan (53475027)	10 June 2011 Taiwan	Taiwan	NT\$2,000,000	100	Sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components
Mi Equipment USA (C3790255)	4 June 2015 USA	USA	USD1,000	100	Sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components

As at the LPD, we do not have any associate company.

6. DETAILS OF OUR GROUP *(cont'd)***6.3.1 Information on Mi Equipment Malaysia****(i) History and business**

Mi Equipment Malaysia was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 13 June 2012 under its present name. It has commenced business since December 2013 and is principally involved in the design, development, manufacture and sale of WLCSP sorting machines with inspection and testing capabilities for the semiconductor industry.

(ii) Share capital

As at the LPD, Mi Equipment Malaysia's issued share capital is RM2,000,000 comprising 2,000,000 ordinary shares.

There has been no change in the issued share capital of Mi Equipment Malaysia for the past three (3) years preceding the LPD.

None of Mi Equipment Malaysia's ordinary shares were issued at a discount, on special terms or based on installment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of Mi Equipment Malaysia's ordinary shares.

(iii) Shareholder

Mi Equipment Malaysia is our wholly-owned subsidiary.

(iv) Subsidiary and associates

Mi Equipment Malaysia does not have any subsidiary or associate company.

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6. DETAILS OF OUR GROUP *(cont'd)*

6.3.2 Information on Mi International

(i) History and business

Mi International was incorporated in Singapore under the Companies Act (Chapter 50) of Singapore as a private company limited by shares on 16 November 2012 under the former name MiE Technology Pte Ltd and assumed its present name with effect from 28 February 2017. It commenced business in January 2013. Mi International is currently overseeing all our international sales, sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components in other countries that are not supported by its subsidiaries. However, as at the LPD, our Group has customers in Singapore and Philippines who are supported by Mi International. Mi International also provides support to all its subsidiaries. Moving forward, customers from new countries that our Group currently does not support (save for Malaysia, Singapore, Philippines, Thailand, Taiwan, China, South Korea, USA, Mexico and Germany) shall be covered by the nearest subsidiary where our Group has a presence or as allocated by Mi International.

(ii) Share capital

As at the LPD, Mi International's issued and paid-up share capital is S\$100,000 comprising 100,000 ordinary shares.

There has been no change in the issued and paid-up share capital of Mi International for the past three (3) years preceding the LPD.

None of Mi International's ordinary shares were issued on special terms or based on installment payment terms. The concept of issue of shares at a discount is not applicable in Singapore. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of Mi International's ordinary shares.

(iii) Shareholder

Mi International is our wholly-owned subsidiary.

(iv) Subsidiary and associates

Mi International has the following subsidiaries:

- Mi Equipment Sales & Services;
- Mi Equipment Suzhou;
- Mi Equipment Taiwan; and
- Mi Equipment USA.

Mi International does not have any associate company.

6. DETAILS OF OUR GROUP *(cont'd)*

6.3.3 Information on Mi Precision

(i) History and business

Mi Precision was incorporated in Malaysia under the Act as a private limited company on 31 July 2017 under its present name. Mi Precision expects to commence its fabrication activities in second quarter of 2018. It is in the process of preparing the commencement of its fabrication activities in its rented factory cum office in Bayan Lepas, such as the hiring of new employees and renovation of the said rented factory, while pending completion of the Bayan Lepas Factory. Its intended business activities are manufacture and sales of precision fabrication parts.

(ii) Share capital

As at the LPD, Mi Precision's issued share capital is RM1,000,000 comprising 1,000,000 ordinary shares.

Details of the change in Mi Precision's issued share capital for the past three (3) years preceding the LPD are as follows:

Date of Allotment	No. of Ordinary Shares	Consideration	Cumulative Issued Share Capital RM
31 July 2017	2	Cash	2
10 January 2018	999,998	Cash	1,000,000

None of Mi Precision's ordinary shares were issued at a discount, on special terms or based on installment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of Mi Precision's ordinary shares.

(iii) Shareholder

Mi Precision is our wholly-owned subsidiary.

(iv) Subsidiary and associates

Mi Precision does not have any subsidiary or associate company.

6.3.4 Information on Mi Equipment Sales & Services

(i) History and business

Mi Equipment Sales & Services was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 4 November 2014 under the former name MiE Sales & Services Sdn Bhd and assumed its present name with effect from 12 December 2017. It has commenced business since January 2015 and currently supports the sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components in Malaysia and Thailand.

6. DETAILS OF OUR GROUP *(cont'd)*

(ii) Share capital

As at the LPD, Mi Equipment Sales & Services' issued share capital is RM200,000 with 200,000 ordinary shares.

Details of the change in Mi Equipment Sales & Services' issued share capital for the past three (3) years preceding the LPD are as follows:

Date of Allotment	No. of Ordinary Shares	Consideration	Cumulative Issued Share Capital RM
4 November 2014	2	Cash	2
22 February 2016	199,998	Cash	200,000

None of Mi Equipment Sales & Services' ordinary shares were issued at a discount, on special terms or based on installment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of Mi Equipment Sales & Services' ordinary shares.

(iii) Shareholder

Mi Equipment Sales & Services is a wholly-owned subsidiary of Mi International.

(iv) Subsidiary and associates

Mi Equipment Sales & Services does not have any subsidiary or associate company.

6.3.5 Information on Mi Equipment Suzhou

(i) History and business

Mi Equipment Suzhou was established in PRC under PRC Law of WFOE as a wholly foreign-owned limited liability company on 22 January 2013 under the present name. It has commenced business since June 2013 and supports the sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components in China and South Korea.

(ii) Registered Capital

As at the LPD, Mi Equipment Suzhou's total approved investment is USD80,000 and its registered and contributed capital is USD60,000.

There has been no change in the registered and contributed capital for the past three (3) years preceding the LPD.

6. DETAILS OF OUR GROUP *(cont'd)*

As at the LPD, Mi Equipment Suzhou does not have any capital issued at a discount, on special terms or based on installment payment terms and does not have any outstanding warrants, options, convertible securities or uncalled capital.

(iii) Shareholder

Mi Equipment Suzhou is a wholly-owned subsidiary of Mi International.

(iv) Subsidiary and associates

Mi Equipment Suzhou does not have any subsidiary or associate company.

6.3.6 Information on Mi Equipment Taiwan**(i) History and business**

Mi Equipment Taiwan was incorporated in Taiwan under the laws of Taiwan as a limited company on 10 June 2011 under the former name of IPE Tech Co Ltd and assumes its present name with effect from 23 February 2013. It has commenced business since September 2011 and supports the sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components in Taiwan and Japan. However, as at the LPD, our Group has customers in Taiwan who are supported by Mi Equipment Taiwan.

(ii) Paid-up Capital

As at the LPD, Mi Equipment Taiwan's total paid-up capital is NT\$2,000,000.

There has been no change in the Mi Equipment Taiwan's total paid-up capital for the past three (3) years preceding the LPD.

As at the LPD, Mi Equipment Taiwan does not have any capital issued at a discount, on special terms or based on installment payment terms and does not have any outstanding warrants, options, convertible securities or uncalled capital.

(iii) Shareholder

Mi Equipment Taiwan is a wholly-owned subsidiary of Mi International.

(iv) Subsidiary and associates

Mi Equipment Taiwan does not have any subsidiary or associate company.

6. DETAILS OF OUR GROUP *(cont'd)*

6.3.7 Information on Mi Equipment USA**(i) History and business**

Mi Equipment USA was incorporated in USA under the laws of California as private corporation on 4 June 2015 under the former name MiE Technology USA Inc and assumed its present name with effect from 6 December 2017. It has commenced business since June 2015 and supports the sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components in North Atlantic region. However, as at the LPD, our Group has customers in USA, Mexico and Germany who are supported by Mi Equipment USA.

(ii) Share Capital

As at the LPD, Mi Equipment USA has an authorised capital of 10,000,000 shares with 1,000 paid-up shares of common stock at USD1.00 per share.

There has been no change in the paid-up capital of Mi Equipment USA in the past three (3) years preceding the LPD.

None of Mi Equipment USA's common stocks were issued at a discount, on special terms or based on installment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of Mi Equipment USA's common stock.

(iii) Shareholder

Mi Equipment USA is a wholly-owned subsidiary of Mi International.

(iv) Subsidiary and associates

Mi Equipment USA does not have any subsidiary or associate company.

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6. DETAILS OF OUR GROUP *(cont'd)*

6.4 MATERIAL CAPITAL EXPENDITURE AND DIVESTITURES

Save as disclosed below, our Group did not incur any material capital expenditure and divestitures (including interest in other corporations) for the past three (3) financial years up to the LPD:

	Transaction value (at cost)			
	FYE 2015	FYE 2016	FYE 2017	1 January 2018 up to the LPD
Capital expenditure	RM'000	RM'000	RM'000	RM'000
Leasehold land and building ⁽ⁱ⁾	-	-	28,933	-
Total	-	-	28,933	-

Note:

- (i) Comprised of payment for the purchase of the Batu Kawan Factory land and Bayan Lepas Factory land (including the building which was subsequently demolished) of approximately RM10.63 million and approximately RM18.30 million respectively. Please refer to Sections 14.5(i) and (iii) of this Prospectus for further details on the Batu Kawan Factory land and Bayan Lepas Factory land purchase.

The capital expenditure incurred by our Group are based on cost incurred and funded vide our internally generated funds.

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7. BUSINESS OVERVIEW

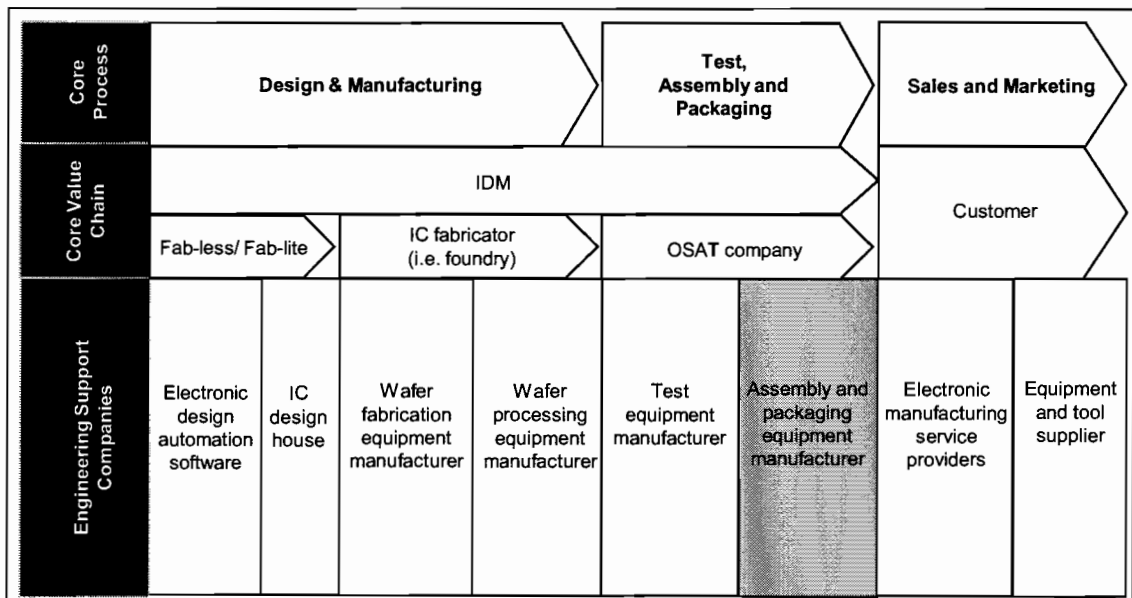
7.1 PRINCIPAL ACTIVITIES OF OUR GROUP

We are principally involved in the design, development, manufacture and sale of WLCSP sorting machines with inspection and testing capabilities for the semiconductor industry. We are also involved in the provision of maintenance services and technical support for these machines, as well as the sale of related spare parts and components. Our machines are developed in-house with the capability and expertise of our development engineering team. The experience and technical expertise of our team has enabled our Group to develop products that meet the requirements of both our local and international customers.

WLCSP involves packaging an integrated circuit at wafer level, resulting in the semiconductor package being close to the size of the die. The die is modified to add environmental protection layers and solder balls that are then used as the direct connection to the package carrier or substrate, allowing semiconductor packages to be integrated in the design using the smallest possible form factor. The traditional process of packaging integrated circuits includes sawing the die from the silicon wafer, attaching it onto a leadframe or substrate carrier, and then overmolding to form the final package. In WLCSP, the bare die is processed to have solder balls attached directly to the printed circuit board, removing the need for external casing and wiring, which enables it to be space saving. This is vital as the demand for smaller mobile devices rises. *(Source: IMR Report)*

Our customers in the semiconductor industry are IDMs and OSATs which are involved in the manufacturing, testing, assembly and packaging of advanced wafer level packages which require sorting machines. In the past three (3) FYE 2015 to FYE 2017, we have customers in Malaysia, Singapore, Thailand, Philippines, Taiwan, China, South Korea, Germany, Mexico and USA.

Our Group is involved in the test, assembly and packaging segment of the semiconductor industry value chain as shown below:



Notes:

- (i) Industry segment in which our Group is principally involved.
- (ii) Companies involved in the above value chain may have overlapping principal activities and thus, may have multiple roles in the semiconductor value chain.

Source: IMR Report

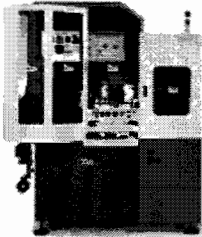
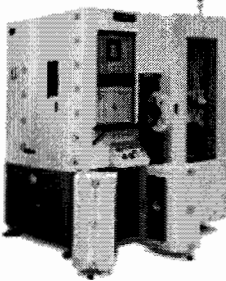
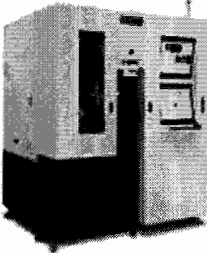
7. BUSINESS OVERVIEW (Cont'd)

7.2 OUR PRODUCTS AND SERVICES

(i) Machines

Over the years, we have leveraged on our engineering and technical expertise to develop our own in-house brand of WLCSP sorting machines. Our key product is the Mi series WLCSP sorting machines. Mi series is used for die sorting from wafer to carrier tape for bare die, bump/flip chips and WLCSP. Die will be picked from sawn wafer for inspection on cracks and defects before they are taped and reeled or placed on jedec tray and waffle pack. This has been our flagship series since the commencement of our business.

The description of our Mi series models are as follows:

No.	Key Products	Description
Mi series		
1.	<p>Mi15</p> 	<p>Mi15 is a cost-effective platform designed for wafer to reel process in WLCSP.</p> <p>Below are the key features of Mi15:</p> <ul style="list-style-type: none"> • Provides throughput, or output, up to 15,000 UPH • Handles 8" wafer or below • Ability to handle die size of 0.5 × 0.5 mm or larger
2.	<p>Mi20</p> 	<p>Mi20 is a full specification platform designed for wafer to reel process in WLCSP.</p> <p>Below are the key features of Mi20:</p> <ul style="list-style-type: none"> • Provides throughput up to 20,000 UPH • Handles 12" wafer or below • Ability to handle die size of 0.3 × 0.3 mm or larger
3.	<p>Mi30</p> 	<p>Mi30 is our latest model in the Mi series which provides the fastest UPH count. Artificial intelligence features such as auto pick force calibration and auto alignment were integrated into the Mi30.</p> <p>Below are the key features of Mi30:</p> <ul style="list-style-type: none"> • Provides throughput up to 30,000 UPH • Handles 12" wafer or below • Ability to handle die size of 0.2×0.2 mm or larger

Note:

We also have a customised version of the Mi series, namely Mi18, which was designed to have multiple output formats such as gel pack, waffle pack and jedec tray. However, the Mi18 is not a key product for our Group.

Besides our Mi series, we have also developed the Li series, Si series and Vi series to expand our product portfolio.

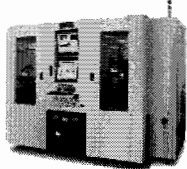
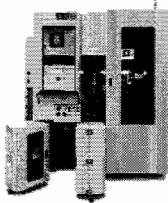
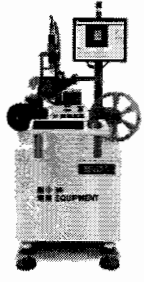
7. BUSINESS OVERVIEW (Cont'd)

The Li series is a fan out wafer level package and/or bare die sorting machine, with non-flip wafer to wafer process.

The Si series is a WLCSP testing machine that we have developed to allow us to diversify our machine applications to serve the test segment of the semiconductor value chain.

The Vi series is an infrared inspection system that is designed for inspecting internal structures and defects on wafer-level packaging. Its infrared inspection enables the detection of metal layer delamination, chips and cracks. The internal structures refer to the structures inside the IC at the wafer level. The Vi series is able to use its infrared inspection system to scan through the inside of the ICs to detect if there are any defects.

The Li series, Si series and Vi series descriptions are as follows:

No.	Key Products	Description
Li series		
1.	<p>Li10</p> 	<p>Li10 is used for wafer to wafer sorting application with a linear pick and place mechanism. Li10 will be widely used in the FOWLP process.</p> <p>Below are the key features of Li10:</p> <ul style="list-style-type: none"> • Provides throughput up to 10,000 UPH • Handles 12" wafer or below • Ability to handle die size of 2.0 × 2.0 mm or larger
Si series		
1.	<p>Si10</p> 	<p>Si10 is used for WLCSP post sawn final test application integrated with side wall and die surface automated optical inspection before they are taped and reeled or placed on jedec tray and waffle pack. This machine will filter any defective die caused by sawing as the die goes through the final test process.</p> <p>Below are the key features of Si10:</p> <ul style="list-style-type: none"> • Provides throughput up to 10,000 UPH • Handles 12" wafer or below • Ability to handle die size of 2.0 × 2.0 mm or larger
Vi series		
1.	<p>Vi20</p> 	<p>Vi20 is an infrared inspection system that is designed for inspecting internal structures and defects on wafer-level packaging. It provides infrared inspection solutions to detect metal layer delamination, chips and cracks.</p> <p>Below are the key features of Vi20:</p> <ul style="list-style-type: none"> • Provides throughput up to 20,000 UPH • Ability to handle die size of 0.4 × 0.2 mm or larger

Note:

We have a customised version of the Li series, namely Li5, which was designed to have multiple output formats such as gel pack, waffle pack and jedec tray. However, the Li5 is not a key product for our Group.

7. BUSINESS OVERVIEW (Cont'd)

In addition to our Mi series, Li series, Si series and Vi series of machines, we also sold ESCA35 machines which was subsequently developed by Mi Equipment Malaysia in FYE 2014 and FYE 2015. However, we have discontinued our ESCA35 machines and did not record any sales of ESCA35 machines in FYE 2016 and up to the LPD.

(ii) Spare parts and components

We sell the following spare parts and components of our machines to our customers:

- Consumables and wear and tear parts such as collets and rubber tips;
- Conversion kits such as angle correction plate, ejector needle and test site stopper;
- New modules such as carrier tape track, pickup collets and de-taper modules for rework purposes; and
- Electronic components, precision parts and mechanical components such as bearings and input-output cards. During our warranty period, these parts and components that are damaged or defective will be replaced at no cost to the customer (including labour cost).

(iii) Maintenance services and technical support

We provide maintenance services and technical support to our customers as and when our customers request and it is also provided at no cost under the three (3) years warranty period. To the best of our ability and based on available resources, we will place at least one (1) engineer on-site at our customers' premises to provide full time support in the initial three (3) months upon installation of our machines at no cost to our customer.

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7. BUSINESS OVERVIEW (cont'd)

- (viii) *Li5 is a customised version of Li10 and thus has the same development timeline as Li10.*
- (ix) *The development of our Vi20 prototype machine took place in Q1 2018 and the qualification of the machine was completed within the same quarter. Our Vi series was developed to meet market demand for a machine that can detect defects in the internal structure of ICs at the wafer level by utilising infrared sensors. Due to the market demand, we focused our resources by assigning more of our existing engineers to develop the said machine and utilised our proprietary technology to accelerate the machine development process and also qualification period with our customers. As such, our Group was able to develop and qualify the Vi series within a shorter turnaround time of three (3) months.*

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7. BUSINESS OVERVIEW (cont'd)

7.4 BUSINESS MODEL

Mi Equipment Malaysia was established as the headquarters for machine manufacturing and a hub for our global R&D engineering.

We design and develop our machines during the R&D stage, whereby we identify the machines required based on market trends. Upon successful development of a particular machine series, we promote the machines to our customers. We manufacture machines based on customer orders and for the purpose of inventory. We maintain inventory of machines at all times in order to cater for urgent customer orders based on past sales trend.

Mi International was established as our headquarters for global sales and service support. Mi International is the holding company for our subsidiaries, namely Mi Equipment Taiwan, Mi Equipment Sales & Services, Mi Equipment Suzhou and Mi Equipment USA, which were established to support the sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components globally.

All of our Group's invoicing is generated mainly from Mi Equipment Malaysia. Mi International earns a service provider fee for the sales and support services rendered to Mi Equipment Malaysia's customers.

We also appoint external sales agents as local representative in selected countries to further support our sales and/or service support activities, particularly in countries where there may be language and/or cultural barriers. As at the LPD, we have engaged two sales agents, namely CMT Co Ltd ("**CMTC**") and GCL Technologies Co Ltd ("**GCLT**").

CMTC was established in South Korea in 2014 and is a sales agent for its clients in various industries which include, amongst others, the semiconductor industry. GCLT which was established in Hong Kong in 2002 and is a sales agent for semiconductor equipment manufacturers in China. Both CMTC and GCLT are unrelated parties to Mi Equipment Holdings Group, our Promoter, shareholders or Directors of our Group.

Mi International had on 1 July 2016 entered into the business consulting agreement with CMTC ("**Business Consulting Agreement**") for a period of one (1) year until 30 June 2017, with an automatic extension of one (1) year upon expiry, subject to the terms and conditions of the Business Consulting Agreement. Upon expiry, the Business Consulting Agreement was automatically extended for another one (1) year from 1 July 2017 until 30 June 2018. CMTC is responsible for generating new sales for electronic and semiconductor companies in South Korea.

Further, Mi International had on 1 March 2017 entered into the agent agreement with GCLT ("**Agent Agreement**") for a period of one (1) year until 28 February 2018, with an automatic extension of one (1) year upon expiry from 1 March 2018 to 28 February 2019, subject to the terms and conditions of the Agent Agreement. GCLT is responsible for generating new sales from certain IDMs and OSATs located in China.

Save for the aforementioned, there are no other similar business relationships in other countries. Moving forward, our Group will continue to engage external sales agents to expand into new geographical markets, particularly in countries where there may be language and/or cultural barriers.

Upon receipt of a purchase order from a customer, we deliver standard specification machines or we may customise the machines based on our customer's requirements before we produce and deliver the machine to our customer's premises.

7. BUSINESS OVERVIEW (cont'd)

We provide our customers with a warranty period of three (3) years, where we replace damaged and/or defective parts and components (such as electronic components, precision parts and mechanical components) free of charge and also provide technical support services at no cost for ad-hoc problems if required. Consumables and wear and tear parts are not included under the warranty.

Upon the expiry of the warranty period, we sell replacement spare parts and components to our customers as well as charge service fee for technical support services.

Please refer to Section 7.8.1 of this Prospectus for further details of our operational processes.

7.5 PRINCIPAL BUSINESS SEGMENTS AND MARKETS

The breakdown of our revenue by our principal business segment for the Financial Years Under Review is as follows:

Principal business segment	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM'000	%	RM'000	%	RM'000	%
Sale of products						
Machines	96,793	92.06	46,113	80.77	164,134	94.70
Spare parts and components	6,432	6.12	7,638	13.38	8,362	4.82
	103,225	98.18	53,751	94.15	172,496	99.52
Technical support services	276	0.26	837	1.47	104	0.06
Lease income⁽ⁱ⁾	1,643	1.56	2,502	4.38	722	0.42
Total	105,144	100.00	57,090	100.00	173,322	100.00

Note:

(i) Comprises income from the lease of machines

Our principal markets are Malaysia, Southeast Asia (Singapore, Philippines and Thailand), Northeast Asia (Taiwan, China and South Korea) and North Atlantic (USA, Mexico and Germany). In FYE 2015 to FYE 2017, we exported our machines and related spare parts and components to a total of nine (9) countries globally.

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7. BUSINESS OVERVIEW (cont'd)

The breakdown of our sales revenue by our principal geographical location for the Financial Years Under Review is as follows:

Principal geographical location	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM'000	%	RM'000	%	RM'000	%
Local						
Malaysia	40,440	38.46	8,511	14.91	29,033	16.75
Overseas						
Southeast Asia ⁽ⁱ⁾	23,128	22.00	8,487	14.87	15,200	8.77
Northeast Asia ⁽ⁱⁱ⁾	20,084	19.10	28,793	50.43	110,412	63.70
North Atlantic ⁽ⁱⁱⁱ⁾	21,492	20.44	11,299	19.79	18,677	10.78
	64,704	61.54	48,579	85.09	144,289	83.25
Total	105,144	100.00	57,090	100.00	173,322	100.00

Notes:

- (i) Comprises sales from Singapore, Philippines and Thailand.
- (ii) Comprises sales from Taiwan, China and South Korea.
- (iii) Comprises sales from USA, Mexico and Germany.

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7. BUSINESS OVERVIEW (cont'd)

7.6 KEY ACHIEVEMENTS, MILESTONES AND AWARDS

(i) Key Achievements and Milestones

The table below sets out our Group's key achievements and milestones:

Year	Events
2012	<ul style="list-style-type: none"> • Incorporation of Mi Equipment Malaysia • As part of the company's direction to focus on WLCSP sorting machines by establishing a global presence, MiE Technology Pte Ltd (now known as Mi International) was incorporated, with the intention to set up a headquarters for global sales and service support in Singapore
2013	<ul style="list-style-type: none"> • Mi Equipment Malaysia commenced business to undertake the design, development, manufacture and sale of WLCSP sorting machines with inspection and testing capabilities • Expansion of sales and service support network in China through the incorporation of Mi Equipment Suzhou • Mi Equipment Malaysia launched its first Mi series machine, namely Mi15
2014	<ul style="list-style-type: none"> • Mi Equipment Malaysia secured its first local customer, Inari Technology Sdn Bhd • Mi Equipment Malaysia secured its first foreign customer, United Test and Assembly Center Ltd, Singapore • Mi Equipment Sales & Services was incorporated to serve Malaysia and expand sales and service support network to Thailand • Expansion of sales and service support network in Taiwan and Japan through acquisition of Mi Equipment Taiwan • Mi Equipment Malaysia launched its second Mi series machine, namely Mi20
2015	<ul style="list-style-type: none"> • Mi Equipment Malaysia was granted pioneer status by MITI effective from 18 January 2014 • Expansion of sales and service support network in North Atlantic region through the incorporation of Mi Equipment USA
2016	<ul style="list-style-type: none"> • Mi Equipment Malaysia launched another new Mi series machine, namely Mi30 and its first Li series machine, namely Li10
2017	<ul style="list-style-type: none"> • Mi Precision was incorporated which intends to involve in the manufacture and sales of precision fabrication parts
2018	<ul style="list-style-type: none"> • Mi Equipment Malaysia launched its first Vi series machine, namely Vi20

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7. BUSINESS OVERVIEW (cont'd)

(ii) Awards and Recognitions

As a testimony to the quality of our services and technological capabilities, we have received the following awards from our customers as listed below:

Year	Award and Recognitions	Awarding party
2017	Supplier Partnership Award In appreciation of our valued partnership and support	Unisem (M) Berhad
2017	ASECL Family Award In recognition of the outstanding support for ASECL Family in 2016	Advanced Semiconductor Engineering Inc (Chung-Li) ("ASECL")
2018	Outstanding Supplier Award In recognition of the outstanding supplier for Advanced Semiconductor Engineering Inc group of companies in 2017	Advanced Semiconductor Engineering Inc group of companies

7.7 COMPETITIVE STRENGTHS

(i) We have leveraged on our engineering and technical expertise through our continuous R&D efforts to develop products to meet the evolving demands of the semiconductor industry

We recognised the opportunities for WLCSP sorting machines in the semiconductor industry resulting from the increasing demand for thinner, lighter and higher performance of semiconductor ICs for the mobile device market. With that, we have leveraged on our years of engineering and technical expertise to develop our own in-house brand of WLCSP sorting machines, namely the Mi and Li series. Our Mi series machines utilise rotary pick and place technologies to deliver higher machine speed and the flexibility to integrate various processes such as side wall inspection, IR inspection, open short test, and laser marking system that are able to integrate into the WLCSP sorting machines.

Given that our machines, particularly our range of Mi series, have received favourable market feedback based on the sales of our Mi series which amounted to approximately RM298.69 million over the last three (3) FYEs, this has fuelled our confidence to further invest time and resources towards expanding and enhancing our range of machines and potentially developing and introducing new features for our machines in the future.

Further, we have adapted our products and technologies to suit the evolving nature of the semiconductor and electronics industry which emphasises on high accuracy, quality and speed.

For instance, our Mi series started with the ability to just handle 8" input wafer with throughput of up to 10,000 UPH. Over the years of R&D, our Mi series can now handle 12" input wafer and provide throughput of up to 30,000 UPH at 0.2x0.2mm or larger die size. Our Mi series also has features such as infrared vision inspection, side wall inspection, IR inspection, open short test, and laser marking system. Our success in securing customers across several countries is largely driven by the capability and expertise of our development engineering team which in turn has enabled our Group to develop all our products in-house that meet the requirements of both our local and international customers.

7. BUSINESS OVERVIEW (cont'd)

Our Group's emphasis on continuous R&D will continue to drive our technology development initiatives in the future. Our R&D activities have enabled us to develop all of our products in-house and have served as the foundation for our growth and success in new product development. In the last three financial years, we incurred RM3.19 million on equipment, materials and consumables for R&D.

As at the LPD, we have a total of 51 development engineers, which accounted for 26.70% of our total employees in Mi Equipment Holdings Group. Our development engineers are involved in R&D as detailed in Section 7.11 of this Prospectus. In total, we have 127 technical staff, which accounted for 66.49% of our total employees as at the LPD.

The growing use of WLCSP in mobile devices will present growth opportunities for our Group, as we have the expertise in WLCSP technology. We believe our Group will be well-positioned to capture these opportunities, which will provide us with long term and sustainable growth.

(ii) **We have the ability to secure and retain global customers**

Our customers are IDMs and OSATs. In the past three (3) FYE 2015 to FYE 2017, we have secured customers in Malaysia, Singapore, Philippines, Thailand, Taiwan, China, South Korea, USA, Mexico and Germany. From FYE 2015 to FYE 2017, our revenue from international markets has grown from approximately 61.54% to 83.25% of our total revenue.

We have a strong presence among the OSATs. For example, Inari Amertron Berhad group of companies, Advanced Semiconductor Engineering Inc group of companies and Global A&T Electronics Ltd group of companies, have been our customers since the commencement of our business through repeat orders. Our Group also has a strong presence among the IDMs from USA, with their production facilities in China, Mexico and USA. Certain of these IDMs have been our customers since the commencement of our business through repeat orders. Please refer to Section 7.13 of this Prospectus for further details on our major customers.

As a supplier to IDMs and OSATs, we have to comply to their product and quality control requirements. Furthermore, our sales and technical support service teams are in close proximity to our customers and provide on-site installation and technical support, as well as replacement of spare parts and components. This is a testament of our standing as a global industry player with proven credentials.

Our success in securing and retaining our global customers is a testament of our product quality, customer service and proven industry track record.

(iii) **We are able to offer efficient and reliable sales and technical support to our customers via our international sales and service support network**

We are committed to provide efficient and reliable sales and technical support to our customers via our Mi International Group. Our business model is premised upon our Mi International Group being a dedicated sales and service support arm to our customers globally.

7. BUSINESS OVERVIEW (cont'd)

Mi International is our sales and technical support service headquarters located in Singapore. It is currently overseeing all our international sales, sale and marketing of our machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components in other countries that are not supported by its subsidiaries. However, as at the LPD, our Group has customers in Singapore and Philippines who are supported by Mi International. Mi International also provides support to all its subsidiaries. Moving forward, customers from new countries that our Group currently does not support (save for Malaysia, Singapore, Philippines, Thailand, Taiwan, China, South Korea, USA, Mexico and Germany) shall be covered by the nearest subsidiary where our Group has a presence or as allocated by Mi International.

Our sales and technical support service teams provide on-site technical support for ad-hoc problems, as well as replacement of spare parts and components. Our sales and technical support services teams are also responsible for the installation of new machines at our customers' premises.

Having dedicated technical teams and offices in these countries allows us to be in close proximity to our customers, thus enabling us to respond to requests for on-site technical support in a timely manner. This has accorded us with our industry reputation as a trusted and reliable machine and technical support service provider amongst our customers.

(iv) We are well-positioned to capitalise on the growth in the global semiconductor industry

According to the IMR Report, the global semiconductor industry, measured in terms of global semiconductor sales, is forecast to grow to USD505.64 billion (RM2.17 trillion) in 2022 from USD412.22 billion (RM1.77 trillion) in 2017 registering a CAGR of 4.17% during this period.

The future growth in the global semiconductor industry is expected to be driven by mobile communications, which has radically transformed the global electronics and communications industry.

According to the IMR Report, as semiconductors are technology enablers for mobile and wireless devices, the constant product advancements of these devices have created demand for more powerful semiconductors. In particular, WLCSP, which is currently the smallest size packaging that is equivalent to die size, is increasingly used in mobile devices to increase efficiency in term of package cost and space. This is expected to result in a further increase in the demand for semiconductor equipment to support the manufacturing of mobile and wireless devices, thus further driving the growth of the WLCSP sorting machine industry. Further, according to the IMR Report, the global semiconductor equipment sales, is forecast to grow to USD75.16 billion (RM323.25 billion) in 2022 from USD56.63 billion (RM243.55 billion) in 2017, registering a CAGR of 5.82% during this period.

As an industry player supporting the global electronics and semiconductor industry, our Group is well-positioned to capitalise and leverage on the growth in the industry, including capturing future growth opportunities the industry may offer and enabling our Group to continue on our long-term growth and expansion.

7. BUSINESS OVERVIEW (cont'd)

(v) We have an experienced and technically strong Key Senior Management team

Since the commencement of our business, we have been led by an experienced and technically strong Key Senior Management team. Collectively, our Key Senior Management personnel have exposure across a broad spectrum of business activities, including engineering, operations, sales and marketing and finance. More importantly, most of our Key Senior Management personnel are technically experienced as they are qualified and professionally-trained engineers, and have hands-on input in R&D and product development.

Our Executive Director and Group CEO, Oh Kuang Eng, is a qualified engineer with over 20 years of experience in the semiconductor industry. Our Executive Director, Koay Huck Khim, who is also our Director of Quality Assurance of Mi Equipment Malaysia, has over 29 years of experience in the semiconductor industry. Our Executive Director, Ong Tee Ni, who is also our General Manager of Mi Precision, has over 11 years of experience in the semiconductor industry supply chain.

Our Executive Directors are supported by a strong Key Senior Management team, and the commitment and teamwork between them have provided impetus for the continuous growth of our Group. Our Key Senior Management team comprises:

Name	Designation	Years of relevant working experience
Oh Kuang Eng	Executive Director/Group CEO	20
Koay Huck Khim	Executive Director/Director, Quality Assurance	29
Ong Tee Ni	Executive Director/General Manager	11
Wong Ming Nee	Director, Finance and Administration	16
Tung Chun Kang	Senior Product Manager, Product Development Engineering	12
Chan Tirng Kaai	Senior Product Manager, Product Development Engineering	7
Evelyn Ng Zhen Zhing	Senior Manager, Quality System and Intellectual Property	9

Please refer to Sections 9.3.1 and 9.3.2 of this Prospectus for the profiles of the Key Senior Management team.

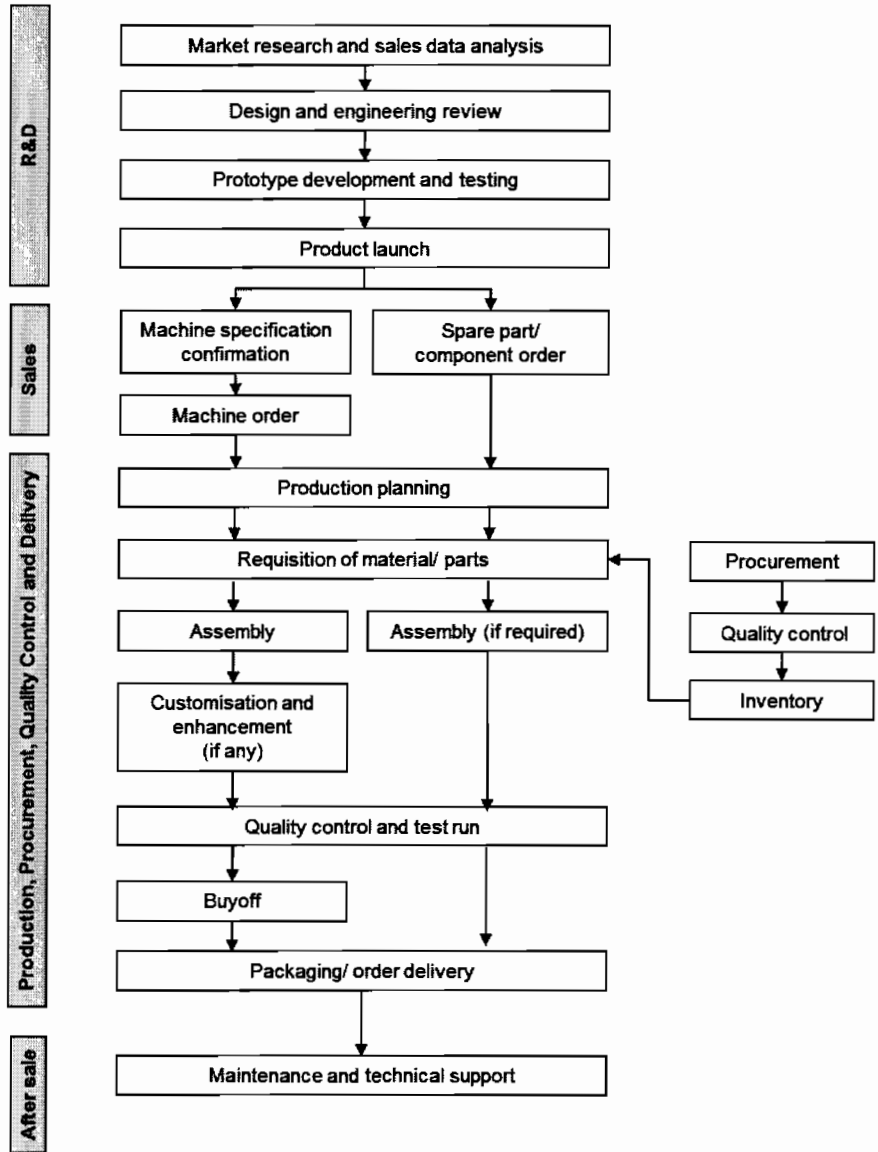
Throughout these years, we have built an established industry reputation through our management's experience, technical know-how and industry knowledge. Our track record in delivering projects prior to the target completion date and to provide reliable solutions, coupled with our consistent levels of dependable service, have been instrumental in attracting new customers, and have enabled us to maintain our business relationships with our existing customers. We believe that the strength and experience of our Key Senior Management team will enable us to continue to further grow our business and expand our market presence.

7. BUSINESS OVERVIEW (cont'd)

7.8 OPERATIONAL PROCESSES AND TECHNOLOGY USED

7.8.1 Operational processes

The typical process flow for our Group's core business activities is as depicted below:



(i) R&D

Based on market trends received through semiconductor industry publications and direct feedback through regular discussions with our customers and other semiconductor industry players, our development engineering team will review and develop the design and engineering specifications required to produce a proposal for a new product. This proposal will be reviewed by our Group CEO to assess the commercial and production viability.

7. BUSINESS OVERVIEW (cont'd)

Once the proposal is approved, our development engineering team will, in collaboration with the manufacturing and procurement teams, develop the prototype. The prototype will undergo a series of tests to ensure all the functions are functioning according to the design.

Prior to launching a new machine series to the market, the new machine will undergo a qualification stage. During this stage, our new machine series will be tested at selected customer's premises. This process allows us to gather feedback from our customers on the machine and evaluate if there is a need for any improvements on the machine.

Once the prototype is approved by our Group CEO, our sales and marketing team will prepare for the launching of the new product.

(ii) Sales

Upon the receipt of machine inquiry by potential customer, our sales team will direct the machine inquiry to our development engineering team to check if our machines can meet the required specification.

If the required specification is within the standard specification of our machines, a quotation will be provided to our customer. If any customisation is required, the customisation cost will be provided by our development engineering team to our sales team to propose the price of the machine to our customers.

Apart from our machines, we also sell the spare parts or components of our machines to our customers. Our customers may order certain components as replacement parts or conversion kits or new modules as an enhancement to existing machines previously purchased from us.

(iii) Production, Procurement, Quality Control and Delivery

A production plan is formalised prior to the commencement of production. As part of production planning, a work order is issued according to the details in the purchase order. The work order sets out the machine specifications, materials and parts required, production schedule and the resources required.

Our procurement team checks the availability of materials or parts required for the production in our inventory. If the materials or parts are available, the required materials or parts will be sent to the assembly line in accordance to the production schedule. If the materials or parts are not available, our procurement team will source the materials or parts from our list of appointed suppliers and subcontractors.

Our incoming material quality control team conducts quality checks on the critical materials or parts received from our suppliers and subcontractors before they are stored in our inventory or before they are sent to the assembly line. Materials or parts with incorrect specifications or with defects will be returned to our suppliers or subcontractors.

For machine orders, our manufacturing team oversees the manufacturing of our machines by our subcontracted assembly and wiring technicians, to ensure our machines are manufactured in accordance to the required specifications and within the production schedule. Any customisation and enhancement requests will firstly be reviewed and designed by our development engineering team, then our subcontracted assembly and wiring technicians will assemble the necessary based on the approved drawings prepared by our development engineering team.

7. BUSINESS OVERVIEW (cont'd)

For spare part or component orders, our subcontracted assembly and wiring technicians will assemble the parts or components, if required. If no assembly is required, the order will be handled by our procurement team to source for the items required from our suppliers.

We conduct quality control and inspection throughout the manufacturing process, including visual and electrical inspection of the test boards, electrical wiring and connections and mechanical parts and enclosures inspection, to ensure that there are no electrical and physical defects or faults.

Upon completion of quality control and inspection, we carry out final assembly and calibration of our machines. Upon completion of final assembly of the machine, our set-up and configuration team performs modules alignment, setup, fine tuning and test run with dummy materials. Our development engineering team will then conduct software integration, debug and testing, stress run and the test run of our machines or part of the machine to ensure every part of the machine is functioning according to the design.

Thereafter, we conduct machine buyoff. During machine buyoff, our development engineering team will set the machine to run the customer's product (i.e. the wafer-level package). A representative from our customer will be present to observe the buyoff to ensure that the buyoff is conducted according to the agreed buyoff programme. The buyoff programme will set out the items for qualification and the requirements and passing conditions. For example, the quantity to run for analysis, machine yield, defect rate, and machine speed, as determined by our customer. The buyoff procedure is completed once the machine is proven to operate according to the customer's acceptance test criteria.

Following the buyoff, a final machine cosmetic inspection and a photo capturing will be performed prior to packing and shipment to ensure our machine meets our customer's requirements and specifications. Software for the handler and vision system in our machine will be backed up. The average time to manufacture a machine upon receipt of a customer order ranges from 8 to 12 weeks depending on the specification and configuration of the machine.

Our machines will be packed and properly secured in boxes. Depending on our customers' requests, some of our customers will arrange for their own collection while the others would require us to facilitate in arranging for shipping of the machines, especially for our overseas customers.

After our machines are delivered to our customers, our service engineers will conduct the installation of our machines at our customers' premises.

Further to our production based on purchase orders from our customers, we manufacture additional machines to be kept as inventory at all times (an average of ten (10) units of machines) to cater for urgent customer orders. Our Group does not foresee any risk of inventory obsolescence due to technology evolution as our machines will be sold based on a first-in first-out basis. For the Financial Years Under Review, no inventory write-off for machines was made.

7. BUSINESS OVERVIEW *(cont'd)*

(iv) **After-sales support**

We provide on-site technical support to our customers to assist their internal machine buyoff requirements at their premises ("**Customer Buyoff**").

We also provide our customers with a warranty period of three (3) years whereby we provide maintenance service, including any on-site technical support for ad-hoc problems, if required. Our warranty also includes replacement of defective parts and components free of charge within the warranty period. After the warranty period, our customers will purchase spare parts from us in the event of defects.

7.8.2 **Technology used**

Our Group uses, and will continue to use, the following technologies for our business:

(i) **CAD software tool**

We use SolidWorks, a CAD software tool for three (3)-dimensional product design, engineering, and simulation.

(ii) **Visual Studio team services**

Visual Studio team services is an integrated platform used by our engineers in the R&D department for software development.

7.9 **TYPES, SOURCES AND AVAILABILITY OF MATERIALS**

Our purchases comprise materials and parts used for the manufacturing of our machines. The principal materials and parts we use are high speed and precision motors, cameras and lenses, maintenance free grade sliders and bearings and precision fabrication parts for both aluminium and steel tool.

The materials and supplies we use are generally widely available and sourced from local and foreign suppliers, including suppliers specified by our customers. Thus far, we have not experienced any material shortages in sourcing these materials for our operations. In addition, we have not experienced any major fluctuations in prices of our raw materials that have materially affected our financial position.

For the purchase of materials and supplies, we generally take into account suppliers' lead times to prevent potential major disruptions to our delivery time. We generally purchase materials and supplies per purchase order basis.

Additionally, we engage subcontractors for labour-intensive works such as machine wiring and module assembly. Notwithstanding the above, we hire our own technicians for our critical module assembly and wiring to keep the manufacturing know-how within the company.

We have developed policies and procedures that guide our selection of subcontractors and suppliers. All selected subcontractors and suppliers are evaluated in terms of financial performance, production capabilities, ability to deliver products that meet our quality requirements, and ability to deliver in a timely manner. We also carry out periodical audits and assessments on our current and potential suppliers and subcontractors.

7. BUSINESS OVERVIEW (cont'd)

We maintain long term relationships with most of our subcontractors and suppliers. We set out below the total number of suppliers and subcontracts including the average years of relationship with our Group for the Financial Years Under Review:

	Average years of relationship	FYE 2015	FYE 2016	FYE 2017
Supplier	3	259	269	329
Subcontractor	4	2	2	2
Total		261	271	331

7.10 MARKETING AND BUSINESS DEVELOPMENT ACTIVITIES

Our Group's overall sales and marketing activities are spearheaded by our Executive Director and Group CEO, Oh Kuang Eng. We actively engage in the following sales and marketing strategies:

(i) Industry Networking

Our active participation in networking activities held among the semiconductor industry players allows us to meet semiconductor players from different segments of the semiconductor industry value chain. It is a platform for us to form connections and develop rapport to grow our circle of influence within the semiconductor industry.

We discover new opportunities, expand our customer base and find new suppliers through participation in networking events and social gatherings (e.g. customer annual dinners and corporate sports events) held among the semiconductor industry players. These networking events and social gatherings are also a platform for us to increase the market awareness of our Group and our products, and to develop sales opportunities and contacts through referrals and introductions.

In addition to Malaysia, we have also established our networking in countries with major semiconductor industry players, such as in China, Taiwan, Singapore and USA. We believe it is essential for us to increase the market awareness of our brand and products to the major semiconductor industry players in these countries through networking activities, in order for us to expand our customer base and eventually increase our market share in the global markets.

Further, as the sales and marketing of our products require in-depth knowledge of our products, participation in networking activities provides us with the opportunity for face-to-face interactions and it is the most effective method as it allows us to deliver the required technical information and detailed explanations and descriptions accurately.

(ii) Trade Exhibitions and Events

To further enhance our profile and market awareness in the industry, we participate in local and international trade exhibitions and conferences organised by various industry-related organisations.

These sessions attract a wide range of audience from the semiconductor industry to discuss and exchange ideas and knowledge with audiences of trade exhibitions and conferences, to understand the latest product and technology developments relating to the semiconductor industry. Visitors and participants to these trade shows can be potential customers sourcing for alternative solutions for their existing WLCSP sorting machines, or those looking for new machines for their upcoming projects.

7. BUSINESS OVERVIEW (cont'd)

Through this platform, we can engage in targeted marketing programmes to highlight and reinforce the awareness of our Group and our engineering capabilities.

The major trade exhibitions and events that we have participated during FYE 2015 to 2017 and up to the LPD are as follows:

Year	Name of Exhibition/ Trade Show/Event	Organiser	Location
2015	Semicon Taiwan	Semiconductor Equipment and Material International ⁽ⁱ⁾	Taipei, Taiwan
2015	International Wafer-Level Packaging Conference	Surface Mount Technology Association ⁽ⁱⁱ⁾	San Jose, USA
2016	Semicon China	Semiconductor Equipment and Material International ⁽ⁱ⁾	Shanghai, China
2016	Semicon SEA	Semiconductor Equipment and Material International ⁽ⁱ⁾	Penang, Malaysia
2016	Semicon Taiwan	Semiconductor Equipment and Material International ⁽ⁱ⁾	Taipei, Taiwan
2017	Semicon SEA	Semiconductor Equipment and Material International ⁽ⁱ⁾	Penang, Malaysia
2017	Semicon West	Semiconductor Equipment and Material International ⁽ⁱ⁾	San Francisco, USA
2017	Semicon Taiwan	Semiconductor Equipment and Material International ⁽ⁱ⁾	Taipei, Taiwan

Notes:

- (i) *Semiconductor Equipment and Material International is a global industry association serving the manufacturing supply chain for the micro-electronics and nano-electronics industries, including semiconductors (Source: Company's website: <http://www.semi.org>).*
- (ii) *Surface Mount Technology Association is an international association of companies and individuals involved in all aspects of the electronic industry dedicated to the advancement of the electronic industry through member education and interaction. (Source: Company's website: <http://www.smta.org>)*

Such participation also allows us to remain up-to-date on relevant market trends and technical information, expand our business networking within the industry as well as provide significant opportunities to meet new customers. Additionally, participation in these trade shows and exhibitions greatly enhances our brand awareness as it enables us to showcase our products.

(iii) Corporate Website

Our corporate website, <http://www.mi-eg.com>, is another means of introducing and broadcasting information on our products to potential customers and provides immediate searchable information on our Group.

The current widespread use of the internet as a source of information enables us to cross geographical borders and facilitates access from any part of the world, enhancing our potential market reach and exposure.

7. BUSINESS OVERVIEW *(cont'd)*

7.11 RESEARCH AND DEVELOPMENT

Our R&D has been the cornerstone of our success to-date. We recognise the importance of R&D in ensuring us to remain competitive to sustain the continuous growth of our business. Our R&D policy focuses on the following:

- (i) continuous development of relevant technologies to meet evolving market needs, customer demands and emerging technologies to remain competitive and commercially relevant;
- (ii) create marketable and cost competitive WLCSP sorting machines; and
- (iii) build on strengths, competencies and domain knowledge of existing WLCSP sorting machines in developing future products.

We undertake these efforts to improve the accuracy, inspection quality and speed of our products as well to widen our manufacturing capabilities to allow us to offer a wider range of products to our customers.

Our R&D initiatives on the development of WLCSP sorting machines are led by our Group CEO, with the assistance of our development engineering team.

Resulting from our R&D efforts, we have successfully designed and developed the following machines:

Product	Description	Year commenced research	Completion year
Past R&D Achievements			
Mi15	WLCSP sorting machine	Fourth quarter of 2013	Fourth quarter of 2013
Mi20	WLCSP sorting machine	Fourth quarter of 2013	First quarter of 2014
Si10	WLCSP post sawn final test application machine	Fourth quarter of 2014	Third quarter of 2015
Li10	Linear FOWLP sorting machine	First quarter of 2016	Third quarter of 2016
Mi30	WLCSP sorting machine	Second quarter of 2016	Fourth quarter of 2016
Ai5000	Bonder machine	First quarter of 2017	Fourth quarter of 2017
Vi20	Infrared inspection system	First quarter of 2018	First quarter of 2018

There is no typical timeframe to develop a product as it depends on, among others, the type of product, the product feature and complexity as well as the technology available.

7. BUSINESS OVERVIEW (cont'd)

Our R&D expenditure includes expenditure on equipment, materials and consumables leading to the development of machine prototypes and machine testing. Our R&D expenses during the past three (3) FYE 2015 to FYE 2017, including expenses that have led to the development of our current products are set out below:

FYE	R&D expenditure on equipment, materials and consumables RM'000	R&D expenditure over our Group's total revenue %
2015	2,044	1.94
2016	631	1.11
2017	516	0.30

R&D expenses were charged out when incurred during FYE 2015 to FYE 2017. However, some of our R&D expenses of our products for FYE 2015 to FYE 2017 that were developed in collaboration with our customers and subsequently successfully commercialised were included in as part of cost of sales for the respective FYEs. We carry out our R&D activities internally with our development engineering team and also in collaboration with our customers on certain projects.

7.12 FUTURE PLANS AND STRATEGIES

(i) **We plan to introduce new assembly and packaging machines into our product line-up**

Over the years of R&D, our WLCSP sorting machines such as the Mi series currently provide throughput of up to 30,000 UPH with vision cameras to inspect all dimensions of the die. Our test machine, the Si series, is able to perform full functional electrical tests and total six sides optical inspection.

In order to broaden our product portfolio, we intend to introduce assembly and packaging machines with new applications besides our flagship WLCSP sorting machines.

Our R&D team has commenced conceptualising a new product platform, bearing the name Ai5000. The Ai5000 machine is used as a bonder for precision chips or optical components in the semiconductor industry.

The development of our Ai5000 prototype machine took place from first quarter of 2017 to fourth quarter of 2017 and is now under qualification stage at our existing customer premise. It is expected to be launched to the market by second quarter of 2018. The estimated R&D costs for this new product development initiative as well as product enhancement of our existing Mi series, Li series and Si series is approximately RM6.00 million, which we intend to finance entirely from the proceeds raised from our Public Issue. In the event the actual construction costs are higher than estimated, the deficit will be funded via our internally generated funds, working capital and/or bank borrowings/ financing.

The development of new assembly and packaging machines will broaden our product portfolio. This will be crucial to the future growth of our Group, as we aim to increase our competitiveness in the industry by growing our market presence and our market share. Our success in continuously developing machines with updated functions and features will help ensure our long-term expansion and provide earnings sustainability, and contribute towards further growth in our operations and financial performance.

7. BUSINESS OVERVIEW (cont'd)**(ii) We intend to relocate our existing operations to the Bayan Lepas Factory to increase our production capacity**

Our current rented factory in Bayan Lepas, Penang, has a total floor space of 40,020 sq ft, with a normal production capacity of eight (8) machines per month. However, our production capacity can produce up to 12 machines per month with additional employees and extended production hours. To facilitate our Group's expansion, we have purchased a property in Bayan Lepas, Penang, on which we will construct the Bayan Lepas Factory that will house our manufacturing and R&D activities, as well as our corporate office.

As at the LPD, we have obtained the relevant permits/approvals from the local city council to commence the construction of the Bayan Lepas Factory. The construction of the Bayan Lepas Factory had commenced on 26 February 2018. The construction is target to be completed by first quarter of 2019 and to commence operations in second quarter of 2019 after obtaining the relevant regulatory approvals and licences, upon which we will relocate our manufacturing, R&D activities and corporate office to the Bayan Lepas Factory. Upon completion of construction, the Bayan Lepas Factory will have a total floor space of approximately 200,000 sq ft with an expected total production floor space of 90,000 sq ft. We are planning to increase our production capacity to produce up to 45 machines per month following its expected completion in first quarter of 2019.

As the semiconductor industry has cyclical monthly demands, our Group may periodically have to cater for the Peak Period Months. Further, during the Peak Period Months, these customers may also request for a shorter delivery period. In order for our Group to service the requirements of our customers and in turn capture the orders during the Peak Period Months, it is imperative that our Group has the capacity to be able to produce the machines required by our customers during these Peak Period Months. As such, the construction of the Bayan Lepas Factory is crucial to allow us to conduct better production planning on a larger production floor space to cater for higher sales orders during these Peak Period Months so that our business will not be constrained by our current limited production floor space.

For avoidance of doubt, the new Bayan Lepas Factory's capacity of up to 45 machines per month will allow our Group to cater for any peak order requirements received from our existing and/or new customers during the Peak Period Months. We wish to highlight that the Bayan Lepas Factory's capacity to produce up to 45 machines per month does not indicate that our Group expects to consistently produce 45 machines every month as we may not receive sufficient orders to maximise our production capacity every month.

Currently, our Group manufactures mainly Mi series machines and a few units of Li series and Vi series machines. Our Group has also manufactured a few units of Si and Ai series prototype machines for the purpose of qualification by potential customers and/or existing customers. The Bayan Lepas Factory which is expected to complete in first quarter of 2019 and to commence operations in second quarter of 2019 after obtaining the relevant regulatory approvals and licences will provide us with additional floor space for our Group to manufacture our additional machine series range and cater for better production planning and control for different machine series. Our Group is expecting to manufacture four (4) additional machine series (to complement our Mi series), namely the Si series, Li series, Ai series and Vi series machines. In addition, the larger floor space in the new Bayan Lepas Factory, will also enable our Group to further increase our workforce to support our future growth. This will be an impetus to bring our Group to the next phase of growth.

7. BUSINESS OVERVIEW (cont'd)

Our Mi series machines utilise, on average, a floor space of 2,000 sq ft per machine per month. For FYE 2017, more than half of our machines manufactured were Mi30 machines with add-on modules which require a floor space area in excess of 2,000 sq ft per machine per month. Moving forward, the demand for our Mi30 machines is expected to increase and therefore, a larger factory floor space is crucial to ensure that orders for our Mi series machines are manufactured and delivered in a timely manner to our customers.

In addition to our Mi30 machines, the Bayan Lepas Factory is also expected to manufacture the Si series, Li series, Ai series and Vi series machines whereby Si series and Li series require a larger factory floor space as compared to the Mi30 series machines. The Si series, Li series and Ai series machines utilise floor space of approximately 3,000 sq ft, 3,000 sq ft and 2,000 sq ft respectively as compared to an average of 2,000 sq ft of factory floor space required to manufacture each Mi series machine per month, whereas Vi series machines utilise floor space of approximately 1,000 sq ft. As such, the construction of the Bayan Lepas Factory will enable our Group to have sufficient factory floor space to manufacture these four (4) additional machine series.

As disclosed in Section 7.16 of this Prospectus, our Group's production capacity utilisation rate exceeded 100.00% due to (i) the high level of sales recorded in FYE 2015, for which the machines sold were mainly the Mi series; and (ii) the manufacture of demonstration units that were placed with our potential customers and/or existing customers for demonstration, testing and verification purpose. Based on the aforementioned, in order for our Group to expand to include four (4) additional machine series (to complement our Mi series), namely Si series, Li series, Ai series and Vi series machines, our Group would require production capacity of more than our normal production capacity of eight (8) machines per month to cater for the said additional machine series.

Notwithstanding that global semiconductor equipment sales recorded an increase from approximately USD36.53 billion in 2015 to approximately USD41.23 billion in 2016 as disclosed in Section 8 of this Prospectus, our Group registered lower sales for FYE 2016. This was due to our customers' production plans and their level of capital investment coupled with more demonstration units placed with our potential customers and/or existing customers in year 2015 and 2016 for demonstration, testing and verification purposes. It should be noted that our Group's sales registered for FYE 2016 may not be fully reflective and in line with the global semiconductor equipment sales trend as WLCSP sorting machines only form part of the global semiconductor equipment sector.

Notwithstanding that our Group's sales decreased in FYE 2016, our revenue for FYE 2017 increased by approximately RM116.23 million or 203.59% from approximately RM57.09 million for FYE 2016 to approximately RM173.32 million for FYE 2017, due to favourable responses for our demonstration units that were placed at our potential and/or existing customers' premises and those demonstration units were successfully qualified and converted into sales orders. Moving forward, our Group is committed to continuously invest in R&D to develop more new machine series to meet the evolving demands of the semiconductor industry so as to enhance our competitive edge in the WLCSP sorting machine industry as well as to expand our customer base by penetrating into new markets and securing new customers.

7. BUSINESS OVERVIEW (cont'd)

Our Group anticipates continued growth opportunities due to the growing use of WLCSP in mobile devices, driven by mobile communications, which has radically transformed the global electronics and communications industry. Please refer to Section 8 of this Prospectus for the prospects of the global semiconductor industry, global semiconductor equipment industry and global WLCSP sorting machine industry in which our Group operates in.

The estimated cost of setting up the Bayan Lepas Factory is approximately RM65.00 million which will be funded via proceeds raised from our Public Issue, comprising RM55.00 million for the construction of the facility and RM10.00 million for the purchase of equipment (including RM4.40 million allocated to purchase equipment such as computer numerical control machines for the manufacturing of precision fabricated parts). However, in the event the allocated proceeds are insufficient for the construction of the Bayan Lepas Factory, any shortfall will be funded through internally generated funds, working capital and/or bank borrowings/financing.

(iii) **We intend to grow our new business division in the manufacturing of precision fabricated parts to complement and support our existing business**

As part of our Group's future plans, our Group had on 31 July 2017 incorporated Mi Precision to venture into the manufacturing of precision fabricated parts as another avenue for our business expansion. This new business division is set to produce precision steel, aluminium or engineering plastic components and parts for the manufacturing of automated machinery in the semiconductor industry, including our own machines.

We will leverage on the experience and capabilities of our Executive Director and Group CEO, Oh Kuang Eng, to lead this initiative. Oh Kuang Eng gained relevant experience in the precision parts industry during his tenure at Polytool Industry Sdn Bhd, a company principally involved in the manufacturing of precision moulds and parts. Among the key parts include precision motors and precision fabricated parts. Our Executive Director and General Manager of Mi Precision, Ong Tee Ni, who was previously the Senior Manager of the Manufacturing, Product Planning and Supply Chain Department is familiar with the features and functionalities of these various precision fabricated parts.

Having this division in our Group will enhance our supply chain and improve our machine build cycle time. Other than for internal consumption, this division will also supply precision fabricated parts to other international semiconductor equipment manufacturers.

The expansion of our production capacity and the manufacturing of precision fabricated parts will enhance our Group's earnings and overall financial performance. Mi Precision expects to commence its fabrication activities in second quarter of 2018. It has rented a factory cum office in Bayan Lepas and is in the process of preparing the commencement of its fabrication activities in the said rented factory, such as the hiring of new employees and renovation of the said rented factory. The said factory is rented from an unrelated party to Mi Equipment Holdings Group, our Promoter, shareholders or Directors of our Group. The tenancy of the said rented factory is for a period of one (1) year from 1 March 2018 to 28 February 2019 and will be a temporary factory cum office for Mi Precision pending the completion of the Bayan Lepas Factory which is expected to complete in first quarter of 2019. In the event the Bayan Lepas Factory cannot be completed by 28 February 2019, we shall extend the tenancy period of Mi Precision's rented factory up to the completion of the Bayan Lepas Factory. Pursuant to the tenancy agreement dated 21 February 2018, Mi Precision is allowed to extend its tenancy period subject to providing three (3) months notice prior to the expiry of the said tenancy. However, there is a risk that we may be required to vacate the said rented factory in the event the tenancy period is not extended. As our Group's revenue is mainly contributed by sales of our machines, such disruptions in Mi Precision's production activities are not expected to have a material impact on our financial performance.

7. BUSINESS OVERVIEW (cont'd)

Further, the Batu Kawan Factory may also house Mi Precision's operations in the event the demand for precision fabricated parts exceeds the production capacity available in the Bayan Lepas Factory.

The estimated cost for setting up our precision fabricated parts division will be approximately RM5.00 million, comprising RM4.40 million for equipment such as computer numerical control machines which will be funded via proceeds from our Public Issue, and the balance RM0.60 million for set up costs will be funded through internally generated funds.

(iv) We plan to set up the Batu Kawan Factory to cater for future increase in our production capacity

According to the IMR Report, the global semiconductor industry, measured in terms of global semiconductor sales, is forecast to grow to USD505.64 billion (RM2.17 trillion) in 2022 from USD412.22 billion (RM1.77 trillion) in 2017 registering a CAGR of 4.17% during this period.

As part of our Group's overall expansion plan, we intend to further expand our production capacity in 2020 by building the Batu Kawan Factory. The Batu Kawan Factory will comprise of three (3) blocks of single storey factory building and one (1) block of double storey office building to cater for our business growth. The Batu Kawan Factory will have a floor space of approximately 250,000 sq ft comprising areas for manufacturing, R&D, clean room, offices, auditorium and staff recreation facilities. The total production floor space of the Batu Kawan Factory is expected to be 140,000 sq ft and is expected to have a capacity to produce up to 45 machines per month. The machines produced here are expected to be of a larger size. We expect to commence construction of the Batu Kawan Factory by third quarter of 2019 and to complete by third quarter of 2020.

The utilisation of production capacity of our Group at our existing production plant is approximately 94.12% for FYE 2017. As described in Section 7.12(ii) of this Prospectus, the Bayan Lepas Factory is expected to have a capacity to produce up to 45 machines per month. Upon the commencement of our operations in the Batu Kawan Factory by fourth quarter of 2020, our production capacity will increase by an additional 45 machines per month, which will translate to an increase in our overall production capacity to 90 machines per month. With the increase in production capacity of up to 90 machines per month, our Group will be able to cater for large orders received by our existing and/or new customers during the Peak Period Months, which currently our Group is unable to cater for due to insufficient capacity available in our current rented factory.

As part of our long term future plans beyond the year 2020, the Batu Kawan Factory is intended to further expand our Group's business to cater for large sales orders received (sales orders exceeding 40 machines per month) by our existing and/or new customers during the Peak Period Months and to serve as a back-up production plant for the purpose of our business continuity plan. Further, the Batu Kawan Factory will allow our Group to cater for customers that have urgent orders as well as to demonstrate to our customers that we have sufficient production capacity to support and to meet their requirements.

For avoidance of doubt, the overall total production capacity of up to 90 machines per month with the expected commencement of the new Batu Kawan Factory operations by fourth quarter of 2020 (including the Bayan Lepas Factory's production capacity of up to 45 machines per month with expected commencement in second quarter of 2019) will allow our Group to cater for large orders received from our existing and/or new customers during the Peak Period Months. We wish to highlight that the Batu Kawan Factory's capacity to produce up to 45 machines per month does not indicate that our Group expects to consistently produce 45 machines every month as we may not receive sufficient orders to maximise our production capacity every month.

7. BUSINESS OVERVIEW *(cont'd)*

Further, the Batu Kawan Factory will also provide additional floor space to manufacture the Mi series, Si series, Li series, Ai series and Vi series machines, in the event machine orders from our existing and/or new customers for these machines exceed the production capacity available in the Bayan Lepas Factory.

Our customers are IDMs and OSATs which are involved in the manufacturing, testing, assembly and packaging of advanced wafer level packages which require sorting machines. These sorting machines are one of the major capital investment for IDMs and OSATs. The capital expenditure is allocated and decided through a careful budgeting process, which involves due consideration and planning. Advances in technology and increasing end-user products using WLCSP, have also changed the requirements of IDMs and OSATs, requiring them to purchase new and/or additional machines to be in line with the changes in the semiconductor industry. The constant advances in technology also leads to an increase in capital expenditure by the IDMs and OSATs to purchase new and/or additional machines, which may also lead to recurrent orders. The capital expenditure of IDMs and OSATs are also cyclical in nature where periods of heavy capital expenditure are usually followed by periods of reduced capital expenditure, which may have an impact on our financial performance. Due to our expanding base of customers, the capital expenditure cycles of different IDMs and OSATs may occur at different time periods. Our Group has recurring machine orders from five (5) of our customers throughout the Financial Years Under Review, which have contributed approximately 68.23%, 61.92% and 51.77% of our Group's total revenue for FYE 2015, FYE 2016 and FYE 2017 respectively.

Upon the expected commencement of our operations in the Batu Kawan Factory by fourth quarter of 2020, our Group is expecting to expand and launch new machine series (to complement the existing machine series, namely Mi series, Si series, Li series, Ai series and Vi series machines) and enhanced machine series (namely the enhanced Mi series, and enhanced Si series machines).

As our Group expands its machine series and customer base, it is crucial that our Group has two (2) manufacturing locations, as part of our business continuity plan as most customers consider separate manufacturing locations as an important factor before qualifying us as a vendor, as this provides them an assurance that in the occurrence of a force majeure event, there is another production plant available to cater for any of their urgent orders.

Another important factor that the potential customers may consider before they qualify us as a vendor is the size of the production floor space and workplace environment. The expansion of our production capacity will also enable us to be in a stronger position to tap into larger potential customers previously not accessible by us, such as leading multinational IDMs from USA and Europe. This is to ensure that their vendors have sufficient production capacity to meet their orders without any delay as well as having a better working environment for their employees. As such, it is important that we construct the Batu Kawan Factory so that we are able to qualify and be considered as their key vendor for WLCSP sorting machines.

As part of our future plans and strategies, the Batu Kawan Factory is constructed to cater for the increase in our production capacity and future expansion in our customer base as well as to provide us with a back-up production plant that serves as part of our business continuity plan thus enabling us to grow our business and to ensure that our production disruptions are kept to a minimum.

7. BUSINESS OVERVIEW (cont'd)

The construction of the Batu Kawan Factory is expected to begin by third quarter of 2019 and targeted to be completed by third quarter of 2020 and commence operations by fourth quarter of 2020. This is in line with our Group's objective to be an industry player supporting the global electronics and semiconductor industry, by positioning ourselves to capitalise and leverage on further growth in the industry, including capturing future growth opportunities the industry may offer and enabling our Group to continue on our long-term growth and expansion.

The estimated total construction cost of our new Batu Kawan Factory will be approximately RM75.00 million, which we intend to finance entirely from the proceeds raised from our Public Issue. In the event the actual construction costs are higher than estimated, the deficit will be funded via our internally generated funds, working capital and/or bank borrowings/ financing.

7.13 MAJOR CUSTOMERS

Our customers mainly comprise both IDMs and OSATs in the semiconductor industry. Our top five (5) major customers by revenue for the Financial Years Under Review are as follows:

FYE 2015

Major customers	RM'000	% of revenue	Length of business relationship
Inari Amertron Berhad group of companies ⁽ⁱ⁾	29,472	28.03	Four (4) years
Global A&T Electronics Ltd group of companies ⁽ⁱⁱ⁾	17,034	16.20	Four (4) years
IDM C (USA) group of companies ^{(iii)(x)}	15,089	14.35	Four (4) years
Shunsin Technology (Zhong Shan) Limited ^(iv)	9,624	9.15	Four (4) years
Unisem (M) Berhad group of companies ^(v)	8,879	8.44	Four (4) years
Total	80,098	76.17	

FYE 2016

Major customers	RM'000	% of revenue	Length of business relationship
Advanced Semiconductor Engineering Inc group of companies ^(vi)	19,290	33.79	Four (4) years
IDM A (USA) group of companies ^{(vii)(x)}	8,373	14.67	Two (2) years
Unisem (M) Berhad group of companies ^(v)	7,023	12.30	Four (4) years
IDM B (USA) ^{(viii)(x)}	6,131	10.74	Four (4) years
Global A&T Electronics Ltd group of companies ⁽ⁱⁱ⁾	4,146	7.26	Four (4) years
Total	44,963	78.76	

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7. BUSINESS OVERVIEW (cont'd)

FYE 2017

Major customers	RM'000	% of revenue	Length of business relationship
Advanced Semiconductor Engineering Inc group of companies ^(vi)	39,443	22.76	Four (4) years
Inari Amertron Berhad group of companies ⁽ⁱ⁾	25,521	14.72	Four (4) years
Amkor Technology Inc group of companies ^(ix)	23,837	13.75	Three (3) years
IDM A (USA) group of companies ^{(vii)(x)}	15,594	9.00	Two (2) years
IDM C (USA) group of companies ^{(iii)(x)}	15,018	8.66	Four (4) years
Total	119,413	68.89	

Notes:

- (i) An OSAT provider to multinational and local electronics product manufacturers. Revenue contribution to our Group comprises sales to Inari Technology Sdn Bhd and Inari Semiconductor Labs Sdn Bhd.
- (ii) An OSAT provider of assembly and test services for semiconductor chips. Revenue contribution to our Group comprises sales to United Test and Assembly Center Ltd and UTAC Thai Limited.
- (iii) An IDM provider of wireless networking applications automotive, broadband, cellular infrastructure, industrial, medical, military, smartphone, tablet and wearable markets.
- (iv) An OSAT provider of electronic communication products and semiconductor packaging and testing service.
- (v) An OSAT provider of semiconductor assembly and test services. Revenue contribution to our Group comprises sales to Unisem (M) Berhad and Unisem Chengdu Co Ltd.
- (vi) An OSAT provider of package assembly and testing services, wafer sort testing and substrate design manufacturing services. Revenue contribution to our Group comprises sales to Advanced Semiconductor Engineering Inc (Kaohsiung), Advanced Semiconductor Engineering Inc (Chung-Li Branch), ASE Electronic (M) Sdn Bhd and ASE Singapore Pte Ltd.
- (vii) An IDM provider of radio frequency integrated circuits for mobile devices, complex infrastructure, global aerospace and defence application.
- (viii) An IDM fabless provider of radio frequency integrated circuits.
- (ix) An OSAT provider of semiconductor packaging and test services. Revenue contribution to our Group comprises sales to Amkor Technology Taiwan Ltd and Amkor Technology Korea Inc.
- (x) IDM A (USA), IDM B (USA) and IDM C (USA) are not part of the same group of companies.

The revenue contribution from the major customers were derived from the sale of machines which mainly comprised the WLCSP sorting machines, namely the Mi series.

In the Financial Years Under Review, the size of the orders received from our customers would generally vary, depending on their respective production requirements. When there is a release of a new electronic device or a new model of an existing electronic device, the production volume for these semiconductor players will increase to cater for the orders to produce these devices, and in turn large orders for machines may be made by these customers.

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7. BUSINESS OVERVIEW (cont'd)

As such, we do not have a dependency on any one of our major customers. Over the years, we have established a strong portfolio of local and foreign customers, as evidenced by the revenues of some of our major customers, as follows:

Customer name	FYE	Revenue (Local currency, in billion)	Revenue (USD billion)
Inari Amertron Berhad	30 June 2017	RM1.18	0.28 ⁽ⁱ⁾
Global A&T Electronics Ltd	31 December 2016	Not applicable	0.69
IDM C (USA)	29 September 2017	Not applicable	3.65
Shunsin Technology Holdings Limited (Holding company of Shunsin Technology (Zhong Shan) Limited)	31 December 2017	NT\$3.15	0.10 ⁽ⁱⁱ⁾
Unisem (M) Berhad	31 December 2017	RM1.47	0.34 ⁽ⁱⁱⁱ⁾
Advanced Semiconductor Engineering Inc	31 December 2017	NT\$290.44	9.55 ⁽ⁱⁱ⁾
IDM A (USA)	1 April 2017	Not applicable	3.03
Ultimate holding company of IDM B (USA)	31 March 2017	JPY1,135,52	10.14
Amkor Technology Inc	31 December 2017	Not applicable	4.19

(Source: Annual reports of the companies)

Notes:

- (i) Exchange rate from RM to USD was converted based on average daily exchange rates for the period 1 July 2016 to 30 June 2017, extracted from published information from Bank Negara Malaysia at RM 1 = USD 0.2332.
- (ii) Exchange rate from NT\$ to USD was converted based on average daily exchange rates for the period 1 January 2017 to 31 December 2017, extracted from published information from The Federal Reserve System, United States at USD 1 = NT\$30.4016.
- (iii) Exchange rate from RM to USD was converted based on average daily exchange rates for the period 1 January 2017 to 31 December 2017, extracted from published information from Bank Negara Malaysia at RM 1 = USD 0.2327.

We will continue to acquire new customers to maintain the long-term sustainability of our Group. Moreover, we have built strong, trusted and mutually beneficial relationships with our major customers, and this has provided our Group with a strong platform for future growth. Further, there are potential customers and an addressable market for our products that we have yet to explore, and as such we envisage that in the future, with active sales and marketing initiatives (i.e. industry networking as well as trade exhibitions and events), we will have a broader customer base and continue to not depend on any one major customer.

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7. BUSINESS OVERVIEW (cont'd)

7.14 MAJOR SUPPLIERS

Our top five (5) major suppliers by cost of sales for the Financial Years Under Review are as follows:

FYE 2015

Major suppliers	RM'000	% of purchases	Length of business relationship
Heidenhain Pacific Pte Ltd ⁽ⁱ⁾	5,122	9.44	Four (4) years
Vital Vision Technology Pte Ltd ⁽ⁱⁱ⁾	4,445	8.19	Four (4) years
Plant & Mill Supplies Pte Ltd ⁽ⁱⁱⁱ⁾	3,923	7.23	Three (3) years
Kian Ho Bearings (M) Sdn Bhd ^(iv)	3,869	7.13	Four (4) years
Wanjun Engineering Sdn Bhd ^(v)	3,210	5.92	Four (4) years
Total	20,569	37.91	

FYE 2016

Major suppliers	RM'000	% of purchases	Length of business relationship
Heidenhain Pacific Pte Ltd ⁽ⁱ⁾	3,018	10.74	Four (4) years
Vital Vision Technology Pte Ltd ⁽ⁱⁱ⁾	2,601	9.25	Four (4) years
Wanjun Engineering Sdn Bhd ^(v)	1,731	6.16	Four (4) years
Kian Ho Bearings (M) Sdn Bhd ^(iv)	1,470	5.23	Four (4) years
Plant & Mill Supplies Pte Ltd ⁽ⁱⁱⁱ⁾	1,340	4.77	Three (3) years
Total	10,160	36.15	

FYE 2017

Major suppliers	RM'000	% of purchases	Length of business relationship
Heidenhain Pacific Pte Ltd ⁽ⁱ⁾	9,018	11.46	Four (4) years
Wanjun Engineering Sdn Bhd ^(v)	4,878	6.20	Four (4) years
Kian Ho Bearings (M) Sdn Bhd ^(iv)	4,756	6.05	Four (4) years
Navitar Inc ^(vi)	4,237	5.39	Four (4) years
Vital Vision Technology Pte Ltd ⁽ⁱⁱ⁾	4,185	5.32	Four (4) years
Total	27,074	34.42	

Notes:

- (i) Heidenhain Pacific Pte Ltd, our supplier for the direct drive rotary motor and Z axis stand alone actuator linear motor, is the manufacturer of precision measurement and control equipments.
- (ii) Vital Vision Technology Pte Ltd, our supplier for USB dongle c/w OeV inspection bundle and mark inspection bundle and find, is a machine vision components supplier.
- (iii) Plant & Mill Supplies Pte Ltd, our supplier for server motor and motor controller, is a precision motion controls, mechanical drive components, precision heating, distributed control systems and precision force/torque measurement products supplier.
- (iv) Kian Ho Bearings (M) Sdn Bhd, our supplier for ball bearing, actuator, bushing, ball screw and monocarrier, is a stockist, distributor and retailer of bearings and seals.
- (v) Wanjun Engineering Sdn Bhd, our supplier for tape and reel, ejector, machine structure, frame transfer, flipper and common z axis, is a machining solutions provider.
- (vi) Navitar Inc, our supplier for lenses, is a designer, developer and manufacturer of imaging and projection optics.

7. BUSINESS OVERVIEW (cont'd)

The products that our major suppliers supplies to us are amongst others, motor, camera, tape and reel and actuator, which are supplied to us in accordance with our production forecast schedule which we provide to them. Our production forecast schedule is based on our expected customer orders and our expected production capacity. Our expected customer orders are based on the indicative orders provided by our various customers.

The materials and services required for the manufacturing of our machines are readily available from local and foreign suppliers. Hence, we are not dependent on our major supplier as we have alternate source of suppliers.

7.15 INTERRUPTIONS TO THE BUSINESS FOR THE PAST 12 MONTHS

We have not experienced any interruptions which have a significant effect on our business operations in the past 12 months.

7.16 PRODUCTION CAPACITY AND OUTPUT

Our Group is principally involved in the design, development, manufacture and sale of WLCSP sorting machines with inspection and testing capabilities for the semiconductor industry. We manufacture machines based on customer orders and for the purpose of inventory. During the Financial Years Under Review, our Group manufactures mainly Mi series machines and a few units of Li series machines. Our Group has also manufactured a few units of Si and Ai series prototype machines for the purpose of qualification by potential customers and/or existing customers. Each machine varies in size and is built manually by our manufacturing and development engineering team.

In FYE 2015 we had approximately 10,000 sq ft of production floor space. Due to the high number of machines produced, we discovered that the production floor space was insufficient to support our production needs. As such, we had to extend our production working hours from our normal eight (8)-hour shift to a twelve (12)-hour shift (consisting of eight (8) hours of normal production hours and four (4) hours of overtime) to meet our production needs.

In FYE 2016 and FYE 2017, we had an increased production floor space of approximately 17,000 sq ft as we expanded our factory floor space. With the floor space expansion, we reverted to our normal production hours of an eight (8)-hour shift. However, during the Peak Period Months, our development engineering team as well as our subcontracted assembly and wiring technicians had to extend their normal production working hours with four (4) hours of overtime and had to work in a cramped working environment as a temporary means to increase our production capacity.

Based on the production floor space and working hour parameters as stated above, our annual production capacity, annual actual output and utilisation rate of our machines for FYE 2015 to FYE 2017 are as depicted below:

	Total production floor space (sq ft)	Average floor space per machine per month (sq ft)	Annual production capacity (Number of machines)	Annual actual production (Number of machines)	*Utilisation rate (%)
FYE 2015	10,000	2,000	⁽ⁱ⁾ 90	101	112.22
FYE 2016	17,000	2,000	⁽ⁱⁱ⁾ 102	63	61.76
FYE 2017	17,000	2,000	⁽ⁱⁱⁱ⁾ 102	96	94.12

7. BUSINESS OVERVIEW (cont'd)

Notes:

- * *This represents a utilisation rate for each year and does not reflect the utilisation rate for each month. As the semiconductor industry has cyclical monthly demands, our Group may experience a higher or lower utilisation rate in each month depending on the orders received from our customers. During the Peak Period Months, the utilisation rate for each month may be much higher than the utilisation rate for each year.*
- (i) *Calculated based on an average production floor space utilisation of 2,000 sq ft per machine per month and a daily eight (8)-hour shift as well as an overtime of four (4) hours on a five (5) working day per week basis for the respective years.*
- (ii) *Calculated based on an average production floor space utilisation of 2,000 sq ft per machine per month and a daily eight (8)-hour shift on a five (5) working day per week basis for the year ended. Notwithstanding the aforementioned, for FYE 2017, more than half of our machines manufactured were Mi30 machines with add-on modules which require a floor space area in excess of 2,000 sq ft per machine per month. Further, with the full introduction of our Li series, Si series, Ai series and Vi series machines in 2018, we envisage that our factory production floor space will be insufficient leading to a capacity utilisation rate in excess of 100% and thus necessitating the construction of the Bayan Lepas Factory and Batu Kawan Factory which are expected to commence operations in second quarter of 2019 and fourth quarter of 2020 respectively.*

Based on the above, our utilisation rate for FYE 2015, FYE 2016 and FYE 2017 were 112.22%, 61.76% and 94.12% respectively and were mainly utilised to manufacture Mi series machines. Our utilisation rate exceeded 100% in FYE 2015 as we hired additional engineers and technicians, extended our production hours and our engineers and technician had to work in a cramped working environment to cater for the increase in sales orders.

We wish to highlight that due to the cyclical monthly demands of the semiconductor industry, our Group does not normally receive orders evenly throughout the year and these orders may be concentrated over several months. Further, during the Peak Period Months, these customers may also request for a shorter delivery period. As such, utilisation rate for these months may be much higher than the utilisation rate for each year.

In FYE 2016, our sales slowed due to reduced orders from our customers resulting in a lower utilisation rate. The reduced orders were due to our customers' production plans and their level of capital investment coupled with more demonstration units placed with our potential customers and/or existing customers in year 2015 and 2016 for demonstration, testing and verification purposes. Notwithstanding that our Group's sales decreased in FYE 2016, our revenue for FYE 2017 increased by approximately RM116.23 million or 203.59% from approximately RM57.09 million for FYE 2016 to approximately RM173.32 million for FYE 2017, due to favourable responses for our demonstration units that were placed at our potential and/or existing customers' premises and those demonstration units were successfully qualified and converted into sales orders.

As our Group anticipates continued growth opportunities due to the growing use of WLCSP in mobile devices, driven by mobile communications, we intend to utilise RM65.00 million and RM75.00 million to construct the Bayan Lepas Factory and Batu Kawan Factory to expand our operations and our production capacity to cater for future expected increase in demand of our machines. Further details on our production capacity expansion plans are set out in Sections 7.12(ii) and (iv) of this Prospectus.

7.17 SEASONALITY

Our business is subject to the cyclical nature of the global semiconductor and electronics industry, which is caused by variations in supply and demand for semiconductors and economic cycles. We do not experience any seasonality in our business.

7. BUSINESS OVERVIEW (cont'd)

7.18 MATERIAL PROPERTIES, MACHINERY AND EQUIPMENT

7.18.1 Material properties owned by our Group

As at the LPD, the details of the property owned by our Group are as follows:

No.	Location/Title No.	Description/ Existing Use	Tenure of Property/Date of Expiry of Lease	Encumbrances	Approximate land area/ Built-up area (Sq ft)	Group audited net book value as at FYE 2017 (RM'000)	Date of issuance of CF/CCC
1.	Plot 20, Bayan Lepas Technoplex with assessment address No. 20, Medan Bayan Lepas, Kawasan Perindustrian (Fasa 4), Bayan Lepas, 11900 Pulau Pinang/ PN 3286, Lot No. 14306 (formerly known as H.S.(D) 20173, P.T. 5119), Mukim 12, Daerah Barat Daya, Pulau Pinang	Two (2) blocks of one storey individual designed factory building with two storey office building which had been demolished to allow for the construction of the Bayan Lepas Factory ⁽ⁱ⁾ /vacant	Leasehold for 60 years and will expire on 30 January 2063	Private caveat under presentation no. 0799B2017012283 lodged by Hong Leong Bank Berhad on 26 December 2017. Charge under presentation no. 0799SC2018001994 in favour of Hong Leong Bank Berhad created on 26 January 2018. Charge under presentation no. 0799SC2018006021 in favour of Hong Leong Bank Berhad created on 9 March 2018.	87,855/Not Applicable	12,627	Not applicable ⁽ⁱ⁾
2.	PT5974, Mukim 13, Daerah Perai Selatan, Negeri Pulau Pinang held under HS(D) 50686 ⁽ⁱⁱ⁾	Vacant Land	Leasehold for 60 years and will expire on 26 February 2078	Nil	265,890/Not Applicable	10,532	Not applicable as it is a vacant land

7. BUSINESS OVERVIEW (cont'd)**Notes:**

- (i) Demolition Permit was obtained on 10 November 2017 and the demolition of the building on the Bayan Lepas Factory land was completed on 7 December 2017. As a result of the said demolition, the carrying amount of the building on the Bayan Lepas Factory land of RM5.60 million was written-off by our Group. The construction of the Bayan Lepas Factory had commenced on 26 February 2018 and is expected to complete in first quarter of 2019.
- (ii) Mi Equipment Malaysia had fully settled the purchase consideration on 21 June 2017 and had subsequently on 21 March 2018 received a letter from PDC informing that the title for the said land has been issued and the title is currently pending transfer from PDC to the beneficial owner, Mi Equipment Malaysia. The transfer of title is unconditional save for payment of stamp duty and registration fee to be borne by Mi Equipment Malaysia. The expected timing for the land title to be transferred from PDC to Mi Equipment Malaysia is by second quarter of 2018.

Our Board confirms that the above property:

- (i) does not breach any of the category land use conditions/permissible land use; and
- (ii) has complied with current statutory requirements, land rules or building regulations and environmental rules and regulations.

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7. BUSINESS OVERVIEW (cont'd)

7.18.2 Material Properties Rented By Our Group

As at the LPD, there are no material properties rented by our Group save as below:

No.	Location/Title No.	Tenant	Registered/Beneficial Owner	Description/Existing Use	Annual Rental	Encumbrances	Approximate land area/ Built-up area (Sq ft)	Period of Tenancy	Date of issuance of CF/CCC
1.	Plot 13, Bayan Lepas Technoplex, Phase 4, 11900 Penang/Lot 13580, Mukim 12, Daerah Barat Daya, Negeri Pulau Pinang held under PN3284	Mi Equipment Malaysia	SRM Integration (Malaysia) Sdn Bhd	Two (2) storey individual designed factory cum office building with a guard house /engineering and manufacturing headquarters and office	RM960,480	-	85,724/40,020	1 January 2017 till 31 December 2018	6 March 2002

Our Board confirms that the property disclosed in Section 7.18.2 of this Prospectus:

- (i) does not breach any of the category land use conditions/permissible land use save as stated in section 5.1.20 of this Prospectus;
- (ii) has complied with current statutory requirements, land rules or building regulations and environmental rules and regulations; and
- (iii) all the buildings for our manufacturing and business facilities have been issued with CF/CCC.

7. BUSINESS OVERVIEW (cont'd)

Our other rented sales offices and factory cum office are as follows:

Tenant	Country	Location Address	Description/Existing Use
Mi International	Singapore	6 Seranggon North Ave. 5, #03-11, Singapore 554910	Sales office
Mi Equipment USA	USA	5752, Oberlin Drive #218, San Diego, CA 92121	Sales office
Mi Equipment Taiwan	Taiwan	15F-6, No 295, Sec. 2, Guangfu Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.) 9F, No. 392, Yucheng Rd., Zuoying Dist., Kaohsiung City, 813, Taiwan (R.O.C.)	Sales offices
Mi Equipment Suzhou	China	Unit 05-06, 5F, Bldg. B, Xinsu Industrial Workshop, 5 Xinghan Street, Suzhou Industrial Park, Suzhou, Jiangsu Province, China	Sales office
Mi Equipment Sales & Services	Malaysia	B-8-2, Lorong Bayan Indah 3, Bay Avenue, 11900, Penang	Sales office
Mi Precision	Malaysia	No. 20, Jalan Sungai Tiram 7, 11900 Bayan Lepas, Pulau Pinang	Factory cum office

7.18.3 Material machinery and equipment

As at the LPD, there are no material machinery and equipment owned and used by us.

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7. BUSINESS OVERVIEW *(cont'd)*

7.19 QUALITY ASSURANCE AND QUALITY CONTROL PROCEDURES

We are committed to ensuring that our customers are satisfied with our product quality and that our products are delivered on a timely basis. Our quality assurance and quality control procedures are aligned with our manufacturing operations, from product development, incoming raw materials to outgoing finished products in order to ensure that our products consistently meet quality standards.

7.19.1 Quality objectives

Our quality objectives are as follows:

- (i) fulfilment of our customer expectations regarding product quality according to product specification and delivery efficiency;
- (ii) continuous improvement, commitment and efficiency throughout our organisation;
- (iii) reduction in internal process rejections; and
- (iv) training of employees.

7.19.2 Quality management system

We have adopted a stringent internal quality management assurance policy to ensure that the products we manufacture are of high quality and meet the specifications and requirements of our customers, as well as to our internal quality specifications.

Our quality control and inspection procedures are carried out throughout the production process. The inspections and test carried out are described below:

Quality control inspection	Description
After receiving of materials procured	<ul style="list-style-type: none"> • Our quality control team will check and measure the fabrication parts of the sample pieces to ensure that dimensions are accurate as per the drawing. Materials with incorrect dimensions or out of specification will be rejected and replaced by the vendor.
After machine assembly	<ul style="list-style-type: none"> • Our development engineering team will conduct the electrical wiring quality control procedure based on the electrical wiring checklist to ensure the usability of the wires.
During final inspection before shipment	<ul style="list-style-type: none"> • Our set-up and configuration team will perform the machine setup based on our internal qualification package standard and a machine performance report will be submitted before machine buyoff. • Our development engineering team will conduct a final machine buyoff by using our customer's product. A final machine performance report on customer's product will be submitted before shipment.

7. BUSINESS OVERVIEW (cont'd)

7.20 EMPLOYEES

7.20.1 Number of Employees

As at the LPD, our Group has a total workforce of 191 employees of whom all are permanent employees. Out of all the permanent employees, 44 are foreign workers.

A summary of our Group's total workforce according to job functions for the Financial Years Under Review and up to the LPD is as below:

	Total Number of Employees										
	FYE 2015		FYE 2016		FYE 2017		As at the LPD				
	Local	Foreigner	Total	Local	Foreigner	Total	Local	Foreigner	Total		
Executive director	2	-	2	3	-	3	3	0	3		
Managerial	11	2	13	12	4	16	26	6	32		
Executive non-technical ⁽¹⁾	6	3	9	9	4	13	14	4	18		
Technical	75	12	87	76	15	91	89	24	113		
Clerical and Admin	4	-	4	4	-	4	6	0	6		
Total	98	17	115	104	23	127	138	34	172	44	191

Note:

(1) Consist of administration, finance and human resource department employees.

7. BUSINESS OVERVIEW (cont'd)

The breakdown of our employees by geographical location for the Financial Years Under Review up to the LPD is as below:

	Total Number of Employees											
	FYE 2015			FYE 2016			FYE 2017			As at the LPD		
	Local	Foreigner	Total	Local	Foreigner	Total	Local	Foreigner	Total	Local	Foreigner	Total
Malaysia	90	-	90	98	1	99	131	1	132	142	1	143
Southeast Asia	8	3	11	6	4	10	6	3	9	3	8	11
Northeast Asia	-	14	14	-	17	17	1	29	30	2	34	36
North Atlantic	-	-	-	-	1	1	-	1	1	-	1	1
Total	98	17	115	104	23	127	138	34	172	147	44	191

Our Group's total workforce, based on the number of our permanent employees, has increased from 115 employees in FYE 2015 to 172 employees in FYE 2017 due to expansion in operations locally and overseas.

None of our employees belongs to any labour union. The relationship and cooperation between our management and our employees have always been good and this is expected to continue in the future. Our Group is in compliance with statutory minimum wage, Employees' Provident Fund and Social Security Organisation statutory contributions in relation to its employees. As at the LPD, there has been no industrial dispute pertaining to our employees.

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7. BUSINESS OVERVIEW *(cont'd)*

7.20.2 Management Succession Plan

The management of our Group recognises the importance of succession planning for business continuity, and maintaining the level of our competencies and competitiveness in the industry. In view thereof, our Group has taken the appropriate steps to ensure the implementation of succession planning in every department. We encourage senior management to groom the lower and middle management staff, who will be groomed to gradually assume higher responsibilities. In addition, the middle management are continually involved in various operations of the company, and actively participate in the discussions for decision-making to ensure better understanding of the operations and to equip themselves with the necessary knowledge and skills to succeed in senior management roles. This forms part of our employees' career development plan.

Our Board is involved in the process of reviewing the potential successor's readiness, and in identifying key competencies and requirements for managerial and key senior positions for succession planning. Appropriate job functions and candidate profiles are reviewed and matched for management positions, in line with our business goals, strategies and culture. As part of our Group's management succession plan, we have identified middle management personnel across our Group to facilitate skills transfer so as to ensure smooth running and continuity of the operations of our Group.

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7. BUSINESS OVERVIEW (cont'd)

7.21 APPROVALS, MAJOR LICENCES AND PERMITS OBTAINED

Details of the approvals, major licences and permits obtained by our Group for the operation of our business are set out below:

7.21.1 Mi Equipment Malaysia

No.	Approving authority/ issuer	Description of approval/licence/ permit	Licence/ Reference no.	Effective Date/Date of Expiry	Major conditions imposed	Status of compliance
1.	MITI	Manufacturing licence under the Industrial Co-Ordination Act, 1975 by the MITI to produce "Vision Inspection & Taping Equipment and Related Components for Semiconductor and Solar Industries".	A020043	19 March 2015/ Valid until and unless revoked	<p>(i) Factory to be based at Plot 13, Bayan Lepas Technoplex, MK 12, Industrial Zone Phase 4, 11900 Bayan Lepas, Pulau Pinang, subject to the approval of the relevant State Government and the Environmental Department.</p> <p>(ii) The company shall notify the MITI in the event of any sale of shares in the company.</p> <p>(iii) The company shall train Malaysian citizens to ensure that the transfer of technology and expertise are transmitted to all levels of employment.</p> <p>(iv) The company shall implement projects which are approved in accordance with the laws and rules enforced in Malaysia.</p>	Complied

7. BUSINESS OVERVIEW (cont'd)

No.	Approving authority/ issuer	Description of approval/licence/ permit	Licence/ Reference no.	Effective Date/Date of Expiry	Major conditions Imposed	Status of compliance
2.	Royal Malaysian Customs Department ("Customs")	Warehouse licence and manufacturing warehouse licence under Sections 65 and 65A of the Customs Act 1967 respectively for Vision Inspection & Taping Equipment and Module Assembly	P79/LMW/05 3/2017; P79/LMW/05 3(A)/2017	01 October 2017/ 30 September 2019	<p>(i) No taxable goods other than raw materials/components and machinery used directly in manufactured goods which have been approved by the Director of State Customs may be stored in the licensed manufacturing warehouse.</p> <p>(ii) A copy of every plan approved by the Director of State Customs shall be displayed at a prominent place in the premise after the premise has been licensed.</p> <p>(iii) Changes to the structure of building and equipment in the licensed premises are not permitted except with the written approval from the Director of State Customs.</p> <p>(iv) Finished goods manufactured in the licensed manufacturing warehouse are to be kept separate from raw materials/components or manufacturing waste.</p> <p>(v) 100% finished product (by value) are to be exported and none of the finished product can be sold in the local market as approved. Goods sold in domestic market are subject to any prevailing duties/taxes at time.</p>	Complied

7. BUSINESS OVERVIEW (cont'd)

No.	Approving authority/ issuer	Description of approval/licence/ permit	Licence/ Reference no.	Effective Date/Date of Expiry	Major conditions Imposed	Status of compliance
					(vi) Disposal of waste including manufacturing waste is subject to the written approval of the Director of State Customs. (vii) The licensee shall notify the customs officer who is in-charge of the factory in writing within 14 days when any of the following events happen: (a) there is a change in the board of directors of the company (b) the company has been wound up (c) an application for winding-up the company (d) appointment of receiver or liquidator has been made (e) the company is subjected to civil claims, bankruptcy, closure and other similar matters.	Complied Complied
3.	Majlis Bandaraya Pulau Pinang	Business operating licence for the manufacturing of electronic and electric products and for the advertisement board	2062100081 56	9 January 2018/ 31 December 2018 and shall be renewed annually	Nil	N/A

7. BUSINESS OVERVIEW (cont'd)

No.	Approving authority/ issuer	Description of approval/licence/ permit	Licence/ Reference no.	Effective Date/Date of Expiry	Major conditions imposed	Status of compliance
4.	MITI	Pioneer status for design, development and manufacturing of vision inspection & taping equipment and related components for semiconductor and solar industries	BIL 4707	18 January 2014/17 January 2019 and renewal of another 5 years term till 17 January 2024 is available.	<p>(i) The value added for the company's output should reach at least 46% as proposed</p> <p>(ii) The number of staff at management, technical and supervisory levels should reach at least 95% (with a reduction of 10% variance rate) of the total number of employment as proposed</p>	<p>Complied</p> <p>Complied</p>
5.	MITI	Approval in principle for manufacturing licence under the Industrial Co-Ordination Act, 1975 by the MITI to produce "Vision Inspection & Taping Equipments and Related Components for Semiconductor and Solar Industries" at Bayan Lepas Factory	120/29199/0 39504/00001 0ACI	7 March 2018/6 September 2018	<p>Mi Equipment is required to submit the following documents to MIDA by 6 September 2018 for processing the manufacturing licence, failing which, the approval in principle will be revoked:</p> <p>(i) Memorandum and Articles of Association (now known as Constitution)/ Corporate profile from CCM;</p> <p>(ii) No objection letter on the location of projects from the following local authority: Invest-in-Penang Berhad No. 1, Jalan Sultan Azlan Shah, PSDC Building, Bayan Lepas, 11900 Pulau Pinang</p>	To be complied before 6 September 2018

7. BUSINESS OVERVIEW (cont'd)

No.	Approving authority/ Issuer	Description of approval/licence/ permit	Licence/ Reference no.	Effective Date/Date of Expiry	Major conditions imposed	Status of compliance
6.	MITI	Approval in principle for manufacturing licence under the Industrial Co-Ordination Act, 1975 by the MITI to produce "die bonding systems and related components for semiconductor industry" at Plot 13, Bayan Lepas Technoplex, MK 12, Industrial Zone Phase 4, 11900 Bayan Lepas, Pulau Pinang	120/29199/0 39504/00001 OACI	7 March 2018/6 September 2018	<p>Mi Equipment is required to submit the following documents to MIDA by 6 September 2018 for processing the manufacturing licence, failing which, the approval in principle will be revoked:</p> <p>(i) Memorandum and Articles of Association (now known as Constitution)/ Corporate profile from CCM;</p> <p>(ii) No objection letter on the location of projects from the following local authority: Invest-In-Penang Berhad No. 1, Jalan Sultan Azlan Shah, PSDC Building, Bayan Lepas, 11900 Pulau Pinang</p>	To be complied before 6 September 2018
7.	MITI	Approval in principle for manufacturing licence under the Industrial Co-Ordination Act, 1975 by the MITI to produce "die bonding systems and related components for semiconductor industry" at Bayan Lepas Factory	120/29199/0 39504/00001 OACI	7 March 2018/6 September 2018	<p>Mi Equipment is required to submit the following documents to MIDA by 6 September 2018 for processing the manufacturing licence, failing which, the approval in principle will be revoked:</p> <p>(i) Memorandum and Articles of Association (now known as Constitution)/ Corporate profile from CCM;</p>	To be complied before 6 September 2018

7. BUSINESS OVERVIEW (cont'd)

No.	Approving authority/ issuer	Description of approval/licence/ permit	Licence/ Reference no.	Effective Date/Date of Expiry	Major conditions imposed	Status of compliance
					(ii) No objection letter on the location of projects from the following local authority: Invest-In-Penang Berhad No. 1, Jalan Sultan Azlan Shah, PSDC Building, Bayan Lepas, 11900 Pulau Pinang	

7.21.2 Mi International

No.	Approving authority/ issuer	Description of approval/licence/ permit	Licence/ Reference no.	Effective Date/Date of Expiry	Major conditions imposed	Status of compliance
1.	Ministry of Manpower	Approval on Factory Notification for the workplace located at 6 Serangoon North Avenue 5, #03-11 Singapore 555851 (a rented light industrial factory and office unit at 3 rd level of a 6 level tall commercial building with floor area of 5,112 sq ft by way of lease expiring on 30 September 2018)	Workplace number 201228192H 0001	10 December 2015/N/A	Nil	N/A
2.	Singapore Civil Defence Force	Fire Safety Certificate certifying the fire safety works in the proposed alterations and addition works at 6 Serangoon North Avenue 5, #03-11 Singapore 555851 have been satisfactorily completed in accordance with the requirements of the Fire Safety Act (Chapter 109A) of Singapore.	N/A	4 November 2015/N/A	Nil	N/A

7. BUSINESS OVERVIEW (cont'd)

7.21.3 Mi Equipment Suzhou

No.	Approving authority/ issuer	Description of approval/licence/ permit	Licence/ Reference no.	Effective Date/Date of Expiry	Major conditions imposed	Status of compliance
1.	Administration for Industry and Commerce, Suzhou Industrial Park, Jiangsu Province	Business Licence	9132059406 02196967	22 January 2013/20 January 2063	Publicity of annual report from January 1 to June 30 of every year	Complied
2.	The People's Government, Jiangsu Province	Certificate of Approval for Establishment of Enterprises with Foreign Investment in PRC	(2015)95057	14 January 2013/13 January 2063	Nil	N/A

7.21.4 Mi Equipment Taiwan

No.	Approving authority/ issuer	Description of approval/licence/ permit	Licence/ Reference no.	Effective Date/Date of Expiry	Major conditions imposed	Status of compliance
1.	Ministry of Economic Affairs	Corporate registration approving Mi Equipment Taiwan to engage in the business of (1) machinery installation construction; (2) international trade; and (3) other business items that are not prohibited or restricted by law, except those that are subject to special approval, in Taiwan.	00915213	10 June 2011/N/A	Nil	N/A

7. BUSINESS OVERVIEW (cont'd)

7.21.5 Mi Equipment USA

No.	Approving authority/ issuer	Description of approval/licence/ permit	Licence/ Reference no.	Effective Date/Date of Expiry	Major conditions imposed	Status of compliance
1.	City of San Diego	Business tax certificate	#B20160077 75	1 July 2017/30 June 2018	Nil	N/A
2.	California State Board of Equalization	Seller's Permit	102-768591	4 June 2015/ Valid until and unless revoked	Nil	N/A

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