

## 5. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that we and to a large extent, our business and operations are subject to the regulatory, industry and business risks. Our operations are also subject to a number of factors, many of which are outside our control. Before making an investment decision, you should carefully consider, along with other matters in this Prospectus, the risks and investment considerations set out below.

### 5.1 RISKS RELATING TO OUR BUSINESS

#### 5.1.1 We are dependent on our Chief Executive Officer and Chief Technology Officer as well as other members of our Key Senior Management for our business continuity and the loss of service from any one of them will adversely affect our financial performance

Our business is highly dependent on our Chief Executive Officer, Dato' Fong Swee Kiang, and our Chief Technology Officer, Teh Chee Hak. Dato' Fong Swee Kiang is primarily responsible for the overall strategy and development of our Company, while Teh Chee Hak oversees the technology and technical research and development of our products and services.

Dato' Fong Swee Kiang brings with him over 35 years of experience in the semiconductor industry. He has held senior positions at the Intel group of companies, Altera Corporation (M) Sdn Bhd ("**Altera Malaysia**") (an Intel Corporation related company following its acquisition of Altera Corporation in 2015), and Avago Technologies (Malaysia) Sdn Bhd (a Broadcom Inc. related company). Teh Chee Hak has over 20 years of experience in the semiconductor industry. He has held various senior technical and engineering roles at Intel Microelectronics (M) Sdn Bhd ("**Intel Microelectronics**") and Altera Malaysia.

Our Chief Executive Officer and Chief Technology Officer are supported by other members of our Key Senior Management, including Chong Lai Hock (Chief Operating Officer), Chin Eng Fook (Chief Information Officer), Lim Soon Chieh (Senior Engineering Director for Interface IP) and Galvin Wong (Finance Director).

For further details on the profiles of our Chief Executive Officer, Chief Technology Officer and other members of our Key Senior Management, see Section 9 of this Prospectus.

The loss of service from one or more of our Chief Executive Officer, Chief Technology Officer, or other members of our Key Senior Management without any suitable and timely replacement may adversely affect our business operations and financial performance.

#### 5.1.2 We are dependent on advanced process technologies and production support provided by foundries as well as certain third-party design tool providers for our business operations

We are dependent on access to advanced process technologies, namely PDKs provided by foundries, which are crucial for our silicon IP design and development. In addition, we are also dependent on the production support from foundries for the manufacturing and delivery of our prototypes and custom ASIC products. Any significant disruptions in accessing the process technologies and production support could impede our design and development, and product delivery activities, which may potentially affect our business operations and financial performance.

## 5. RISK FACTORS (Cont'd)

Additionally, we are dependent on the EDA Tools and Verification IP Suppliers as the software tools and products are essential to our IC design process. These EDA tools and Verification IP are highly specialised and there are only a limited number of viable alternative suppliers which can fulfil our Group's requirements. Since 2020, we have been utilising a comprehensive suite of core EDA tools purchased from Synopsys, either directly or through ICE (which is the sole distributor in Malaysia for Synopsys). These tools, categorised as standard EDA tools, are essential for key aspects of IC design, such as logic, circuit and physical design. In our view, there is one viable alternative provider, namely Cadence which offers a comparable suite of EDA tools that supports the entire IC design flow and can fulfil our Group's requirements. As at the LPD, we have access to a comprehensive suite of EDA tools from Synopsys and Cadence. We also utilise specialised EDA tools from Siemens for IC verification and design for manufacturability optimisation.

To address specialised design needs, we use tools from Ansys for IC package design, which include signal integrity, power delivery and reliability simulations. These tools are critical for optimising the performance and durability of IC packages, and there is only a limited number of alternative suppliers for these specialised tools which can fulfil our Group's requirements. In July 2025, Ansys became part of the Synopsys group of companies.

We also source Verification IP from Synopsys (through ICE) and Siemens, for which there is only a limited number of alternative suppliers which can fulfil our Group's requirements. Verification IP ensures compliance with industry standards and supports interoperability across a wide range of applications.

Compatibility between semiconductor foundry processes and EDA tools often determines the choice of tools. As such, our Group's reliance on the EDA Tools and Verification IP Suppliers is driven by technical compatibility and business needs. This reliance evolves dynamically with changing design requirements and advancements in foundry technologies. By leveraging a balanced mix of core and specialised EDA tools, we aim to maintain operational flexibility and our competitive edge in the IC design industry.

Furthermore, we also work with a foundry partner for our production of custom ASICs. There can be no assurance that we can continue to maintain our business relationship with the foundry partner. Any disruption in production of prototypes and products from the foundry partner could negatively affect our future operations and financial performance, as it takes time to find alternative solution providers.

During the Financial Years Under Review and up to the LPD, there have been no breaches of our dealings with these advanced process technology, production support or design software tools providers. Nevertheless, there can be no assurance that we would be able to continue to access these advanced process technologies, support production, or software tools and IPs for our business operations.

### 5.1.3 Our business operations are dependent on skilled technical resources for our design and development operations

We rely on skilled technical resources with expertise across various engineering disciplines, including electrical and electronics engineering, computer engineering, software engineering and related fields. This expertise is crucial for tasks such as IC design and verification, using EDA tools, applying process technology, hardware architecture and software development.

A shortage of skilled technical personnel could lead to project delays, potentially harming our customer relationships, exposing us to penalties, contract cancellations and adversely affecting our market reputation. In addition, a shortage of skilled technical personnel could also hinder our ability to expand and grow our business.

## 5. RISK FACTORS (Cont'd)

As at the LPD, we have a total of 318 technical personnel including engineers led by our Chief Technology Officer, Teh Chee Hak. These technical personnel are essential in our design and development operations, as well as providing engineering support to our customers.

In addition to our technical personnel, we also engage third-party design services companies with expertise in circuit design and custom layout to handle non-core design tasks based on our specifications. This arrangement allows us to manage our peak workloads effectively. For the Financial Years Under Review, our outsourcing of IC and printed circuit board design and assembly services were RM1.2 million, RM0.5 million, and RM2.3 million for the FYEs 31 March 2023, 31 March 2024 and 31 March 2025 respectively.

Any shortage of skilled technical manpower, either in terms of in-house personnel or third-party design houses, or difficulties in retaining or recruiting new technical personnel, will adversely impact our business operations and financial performance.

### 5.1.4 Our business and financial performance are dependent on our ability to keep abreast of technological advancements

Our business and financial performance depend on our ability to stay current with technological advancements and meet the growing demand of our customers. This was demonstrated in our revenue growth during the Financial Years Under Review, where our revenue increased from RM57.2 million for the FYE 31 March 2023 to RM119.5 million for the FYE 31 March 2025, reflecting a CAGR of 44.6%. This growth was driven by the increase in revenue from our standard silicon IP including memory interface IP and Network-on-Chip IP, as well as sales of our new custom ASIC products.

However, there is a risk that demand for our products and services, including our silicon IP, may decline if we do not keep pace with the development and adoption of new technologies and innovations. This includes, among other advancements, next-generation IP specifications and process nodes (e.g., 3nm or 2nm) to enhance processing performance and efficiency.

While we continue to invest in R&D and evaluate advancements in semiconductors to adopt relevant technological changes that can enhance our services and operations, there can be no assurance that our efforts would be as successful or timely as those of our competitors. Failure to promptly adopt suitable technological changes and innovations could adversely affect our business and financial performance.

### 5.1.5 Our business and financial performance are dependent on our ability to secure new contracts or orders continuously

Our revenue from silicon IPs and custom ASICs is primarily based on lump-sum contracts with multiple customers. Revenue generated from the contracts is based on outright sales for the right-of-use of our IP designs for silicon IPs, design and development work performed for custom ASICs, or based on confirmed purchase orders for the sales of custom ASIC products. In this respect, our revenue is typically non-recurring after completion and handover or delivery to customers. As such, our business and financial performance depend on our ability to continuously secure new contracts or orders from existing or new customers to replenish our order book. As at the LPD, we have a total unbilled order book of approximately RM37.4 million. While we continue to submit proposals and quotations to secure new contracts and orders from various customers, there can be no assurance that we will be successful in our efforts.

## 5. RISK FACTORS *(Cont'd)*

### 5.1.6 Our growth prospects may be limited if we are unable to effectively execute some of our strategies and future plans

Our strategies and future plans are focused on leveraging our core strengths and capitalising on our expertise in silicon IP and custom ASIC design and development. These strategies include expanding our silicon IP portfolio and field of applications, as well as developing new compute and AI silicon products, as well as 2.5D/3D and other silicon products, enhancing our capabilities in physical product design and development, and progressively increasing our operational facilities and resources to support business growth. For more details on our strategies and future plans, see Section 7.5 of this Prospectus.

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

As part of technology development efforts, we continue to invest in R&D to enhance or develop new products that meet market needs such as lower power consumption, optimising performance to manage latency and reducing die size. These enhanced and new products are planned to be introduced in a timely and cost-effective manner for use in the market. In addition, the development costs are incurred through the involvement of technical resources and the use of software tools. If we fail to accurately anticipate technological changes, introduce enhanced or new products in a timely and cost-effective manner, or if our products do not meet market demand, we risk losing our competitiveness. This could negatively impact our operations and financial performance.

### 5.1.7 We may not be able to replicate the rapid expansion within a short operational timeline

Our Group commenced operations in 2020 and has since experienced significant growth in both our business activities and financial performance. Despite our brief history, our Group has made notable progress in designing and developing our silicon IPs and custom ASICs, accelerating customer acquisition since our Company's business commencement in 2020. We may not be able to replicate such rapid expansion within a short operational timeline. We have approximately 5 years of operational experience, which is a relatively brief history in managing common business challenges such as securing new customers and recruiting or retaining skilled technical resources.

Moving forward, our Group may encounter difficulties in executing our strategies and future plans, such as expanding our silicon IP portfolio and field of applications, as well as developing compute and AI silicon products, as well as 2.5D/3D and other silicon products, enhancing our capabilities in physical product design and development, and progressively increasing our operational facilities and resources to support business growth. For more details on our strategies and future plans, see Section 7.5 of this Prospectus.

Although our growth plan builds on our existing products, services and customer relationships to drive expansion, in the relatively short time since our establishment, we may not be able to execute our strategy effectively. This includes maintaining the technical edge in our products and services, securing new customers, strengthening relationships with existing ones, broadening market reach, and recruiting and retaining our skilled technical resources when necessary. Failure to manage our growing operations and expenses could hinder our ability to achieve the desired growth and profitability.

## 5. RISK FACTORS (Cont'd)

Additionally, the success of our rapid expansion is closely tied to securing sufficient capital, primarily from operational cash flow. We anticipate our cash reserves and IPO proceeds will support our on-going business operations, strategies and plans. However, additional funding may be required over time to keep up with evolving technologies, pursue industry innovations or acquire complementary businesses, products or technologies, including among others, debt financing. Such debt could increase costs and impose restrictive covenants, limiting our operational flexibility and our ability to raise additional capital.

Any failure or delay in implementing our strategies resulting from these challenges could hinder our ability to meet market demand and innovate technologically, which could impact our near-term and future business growth and financial performance.

### 5.1.8 We may not be able to sustain the growth rate of our financial performance in the future

Our revenue increased from RM57.2 million for the FYE 31 March 2023 to RM119.5 million for the FYE 31 March 2025, reflecting a CAGR of 44.6%. Similarly, our profitability improved significantly, with our gross profit increasing from RM33.8 million for the FYE 31 March 2023 to RM50.4 million for the FYE 31 March 2025, representing a CAGR of 22.2%. In addition, our GP margin declined from 59.1% for the FYE 31 March 2023 to 46.8% for the FYE 31 March 2024 and further declined to 42.2% for the FYE 31 March 2025. The decline in GP margin for the FYE 31 March 2024 was mainly attributed to the increase in technical staff costs. The decline in GP margin for the FYE 31 March 2025 was mainly attributed to higher depreciation, as well as the purchase of semiconductor materials and manufacturing services for our custom ASIC segment. The development of compute and AI silicon products typically requires substantial upfront investment costs during the design and development phase, before the revenue generation following production. As a result, we are exposed to a high initial outlay that can strain our cash flow and impact our profitability before any revenue is generated. Furthermore, any delays in development, unforeseen technical challenges, or shifts in market conditions could extend the time to commercialise the products. In the event of a project cancellation, we may not be able to recover our development costs or generate revenue, which could negatively affect our financial results in the short to medium term.

In addition, we have been enjoying tax incentives for the Financial Years Under Review. Our effective tax rate was 2.5% and 2.9% for the FYEs 31 March 2024 and 31 March 2025 respectively, attributed to the approved tax exemption in Malaysia, which has expired on 9 September 2025. On 9 June 2025, we submitted an application to MIDA for a tax exemption incentive under promoted activities for our IC design. If we fail to obtain the relevant tax incentives, the profitability of our Malaysian operations may be affected.

On 4 September 2025, SkyeChip Da Nang has also submitted an application to the Department of Science and Technology of Da Nang City seeking official recognition as an enterprise operating in the semiconductor sector. In accordance with Article 14 of Resolution No. 136/2024/QH15 of the National Assembly of the Socialist Republic of Vietnam, enterprises operating in the fields of semiconductors, artificial intelligence and related sectors, such as information and communication technology, science and technology, and innovation, within Da Nang City are entitled to, among others, a 5-year corporate income tax exemption. On 30 September 2025, we have obtained confirmation from the Department of Science and Technology of Da Nang City that SkyeChip Da Nang is an enterprise operating in the semiconductor sector.

There can be no assurance that we will achieve similar growth rates in our financial performance in the future. There are various internal and external factors which could impact our performance including a drop in demand for our products and services, product mixes, competitors' pricing, adverse economic and social conditions, changes in regulatory policies and trade practices as well as tax rates, increase in competition, interruptions to our business operations, and potential delays or failures in executing our strategies and future plans.

## 5. RISK FACTORS (Cont'd)

### 5.1.9 We face risks from customer concentration where our inability to secure new customers may negatively impact our business operations and financial performance

We face customer concentration risks where a large portion of our total revenue during the respective Financial Years Under Review is derived from a small group of customers. Notwithstanding, our customer base has increased from 4 customers for the FYE 31 March 2023 to 14 customers for the FYE 31 March 2025.

For the Financial Years Under Review, customers with revenue contribution of more than 10% of our revenue in any of the Financial Years Under Review, collectively accounted for 89.6% (2 customers), 81.7% (4 customers) and 60.5% (3 customers) of our revenue for the FYEs 31 March 2023, 31 March 2024 and 31 March 2025 respectively, as follows:

	FYE 31 March					
	2023		2024		2025	
	RM'000	%	RM'000	%	RM'000	%
Customer A <sup>(1)</sup>	33,236	58.1	18,897	24.5	4,513	3.8
Customer B <sup>(2)</sup>	18,004	31.5	19,136	24.8	12,066	10.1
Customer D <sup>(3)</sup>	-	-	15,611	20.3	32,229	27.0
Customer E <sup>(4)</sup>	-	-	9,315	12.1	6,456	5.4
Customer G <sup>(5)</sup>	-	-	-	-	27,931	23.4
<b>Sub-total</b>	<b>51,240</b>	<b>89.6</b>	<b>62,959</b>	<b>81.7</b>	<b>83,195</b>	<b>69.7</b>
<b>Total revenue</b>	<b>57,159</b>	<b>100.0</b>	<b>77,063</b>	<b>100.0</b>	<b>119,503</b>	<b>100.0</b>

#### Notes:

- (1) Our business relationship with Customer A started in 2020 with the design and development of custom silicon IP.
- (2) We started dealing with Customer B on the design and development of standard coherent Network-on-Chip IP for its multi-processor semiconductors in 2022.
- (3) We started dealing with Customer D in 2023 for our memory interface IP and Network-on-Chip IP, as well as a joint development partner for IoT ASIC.
- (4) We started dealing with Customer E in 2023 for our custom silicon IP.
- (5) We started dealing with Customer G in 2024 for our custom ASIC.

There can be no assurance that we will retain our customers or secure new ones to sustain or increase our current sales. In the event we fail to maintain or grow our customer base, this could negatively impact our business operations and financial performance. Furthermore, we may face challenges in promptly replacing lost customers, and even if we do acquire new ones, there can be no assurance that we will achieve comparable or higher sales and profit margins.

## 5. RISK FACTORS *(Cont'd)*

### 5.1.10 **Our business is subject to data and confidentiality risks arising from security breaches and unauthorised disclosures which may lead to the loss of our intellectual property and/or termination of our contracts or legal proceedings against us**

The design and development of our silicon IP and silicon products involves handling confidential data and designs, which are securely transmitted, received and stored before delivery to our customers. According to our contracts, we are required to keep such information strictly confidential and secure. Despite implementing various security measures, we face the risks of sabotage, theft, destruction and loss of data, information or systems. We are also vulnerable to internal threats, such as unauthorised access by employees or independent contractors who have access to this sensitive information.

In addition, we own the proprietary rights to all the silicon IP and proprietary software that we have developed. We adopt security measures to protect our proprietary information including the IC designs for our silicon IPs and ASICs as well as the source code of our design database files and application software that we developed. There can be no assurance that the security measures that we put in place will be sufficient. In this respect, we are exposed to the risk of security breaches resulting in data theft and unauthorised disclosure that may negatively impact our reputation, business and financial performance.

In 2023, we obtained an injunction against a former employee, who was restrained from using, disclosing, providing, or otherwise misusing our Company's confidential information, technology, and trade secrets, including sharing them with any third parties such as prospective employers or competitors, which has been resolved as at the LPD.

As at the LPD, there is no on-going dispute on security breaches and unauthorised disclosures, and our business has not been negatively impacted by any security breaches relating to our silicon IP, custom ASIC and proprietary software.

Although we have not experienced any contract terminations, legal proceedings or penalties related to data security since the start of our business, our security measures may not be adequate. We might be exposed to security breaches, either intentional or unintentional, by both internal and external parties. We may not be able to foresee or prevent all potential security breaches, system damage or errors by employees, which could adversely affect our reputation, business operations and financial performance, or subject us to lawsuits.

### 5.1.11 **Our business and financial performance may be affected in the event of any delivery delays, termination or suspension of contracts**

Our arrangements with customers are based on fixed contract values and agreed-upon milestones specified in the contracts. While we closely monitor and manage the progress of the development and adhere to the schedule in the contract, there is a risk that we may not complete our IC designs on time. The timely completion of our designs is dependent on external factors including among others, unanticipated delays during planning and development or a shortage of skilled technical personnel. In addition, our scope of work includes verification and testing, which may require corrections or adjustments based on internal technical reviews and customer evaluations which could potentially cause further delays.

In the event of any delays in the timing of our deliverables, we may face penalties, or our contracts may be terminated if we fail to provide a viable solution that meets the customer's acceptance criteria. In the event of any delays that are caused by the customer, we may negotiate for variation orders to cover additional costs incurred due to the delay. However, there can be no assurance that we will consistently complete IC designs on time and within budget in the future. The inability to meet these requirements could adversely affect our business operations and financial performance.

## 5. RISK FACTORS *(Cont'd)*

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We are also at risk of early contract termination or suspension due to factors such as changes in our customers' business strategies, requirements, financial conditions or market conditions affecting them, as well as our failure to meet contractual obligations. In the event we experience any early termination of our contracts, the loss of revenue arising from such termination may impact our financial performance in future. There can be no assurance that our customers will not terminate or suspend our contracts in view of the abovementioned factors which may be beyond our control. In 2024, we had three mutual terminations of silicon IP contracts by our customers following our customers' decision to cancel their projects. Subsequent to such events, we have fully collected the negotiated fees for our partial deliverables.

Other than as disclosed above, we have not experienced any contract value deductions, terminations or claims and penalties from customers due to delays in our product deliverables for the Financial Years Under Review and up to the LPD.

### 5.1.12 We are subjected to cost increase, reputational and legal risks arising from design errors

We specialise in silicon IPs and custom ASICs, where silicon IPs are integrated into our customers' IC products, and custom ASICs are incorporated into electronic systems. Our design and development processes are complex, often involving the creation of detailed logic and circuit designs, as well as the integration of a vast number of semiconductor components, such as transistors. These designs are subjected to rigorous verification and testing before tapeout. However, any part of our design and development process may be vulnerable to design errors.

Design errors could impact the performance of our customers' IC products, potentially resulting in financial losses for our customers. If these errors were traced back to us, working relationships with our customers may be negatively affected, our market reputation could suffer and we may face the risk of legal action.

For the Financial Years Under Review and up to the LPD, we have not experienced any claims from customers arising from design errors.

### 5.1.13 Our financial performance may be subject to unfavourable foreign exchange rates arising from our export sales and procurements that are transacted in foreign currencies

We are exposed to fluctuations in foreign currencies, primarily USD, RMB and VND, due to our export sales of silicon IP and products, and provision of services. In addition, our procurement of software tools, semiconductor materials and manufacturing services, product sales support to promote silicon IP licensing, as well as outsourcing of IC and printed circuit board design and assembly services are mostly transacted in USD, which further exposes us to currency risk. Consequently, any unfavourable changes in exchange rates between RM and USD, RMB or VND could adversely affect our financial performance.



**5. RISK FACTORS (Cont'd)**

Our revenue transacted in RM and foreign currencies is as follows:

	FYE 31 March					
	2023		2024		2025	
	RM'000	%	RM'000	%	RM'000	%
Foreign countries	53,175	93.0	77,063	100.0	109,799	91.9
<i>USD</i>	51,612	90.3	72,353	93.9	105,132	88.0
<i>RMB</i>	1,563	2.7	4,710	6.1	4,667	3.9
Domestic (RM)	3,984	7.0	-	-	9,704	8.1
<b>Total revenue</b>	<b>57,159</b>	<b>100.0</b>	<b>77,063</b>	<b>100.0</b>	<b>119,503</b>	<b>100.0</b>

Our operational costs mainly for the procurement of software tools, semiconductor materials and manufacturing services, and product sales support to promote silicon IP licensing, as well as our outsourcing of IC and printed circuit board design and assembly services which are transacted in RM, USD and VND are as follows:

	FYE 31 March					
	2023		2024		2025	
	RM'000	%	RM'000	%	RM'000	%
USD	1,878	83.2	3,252	88.6	8,690	84.0
VND	-	-	-	-	1,352	13.0
RM	379	16.8	417	11.4	307	3.0
<b>Total operational costs</b>	<b>2,257</b>	<b>100.0</b>	<b>3,669</b>	<b>100.0</b>	<b>10,349</b>	<b>100.0</b>

We maintain bank accounts in foreign currencies, including USD, RMB, VND, and SGD to support our working capital needs. In addition, as our revenue and operational costs for the procurement of software tools, semiconductor materials and manufacturing services, and product sales support to promote silicon IP licensing, as well as outsourcing of IC and printed circuit board design and assembly services are primarily denominated in USD, payments to suppliers are made using the revenue received from customers. This provides a natural hedge against foreign exchange fluctuations and reduces our exposure to currency risk.

As at the LPD, we have foreign exchange hedging facilities that have yet to be utilised. The foreign exchange hedging facilities are used to manage the risk of losses caused by fluctuations in foreign currency exchange rates.

**5.1.14 We are subject to credit risk related to our customers**

We are subject to credit risk from customers to whom we have granted credit. During the Financial Years Under Review, the normal trade credit terms granted to our customers range from 7 days to 30 days. In deciding whether credit terms should be extended, our Group will take into consideration factors such as relationship with the customer, its payment history and creditworthiness. Our Group subjects new customers to credit verification procedures. In addition, receivables balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

For the Financial Years Under Review, our trade receivable turnover days were nil, 67 days and 81 days as at 31 March 2023, 31 March 2024 and 31 March 2025 respectively.

## 5. RISK FACTORS (Cont'd)

We have not encountered any impairment losses on trade receivables or bad debts during the Financial Years Under Review. However, there can be no assurance that they would not become significant in the future that would adversely affect our financial performance.

### 5.1.15 Our financial and operating performance may fluctuate due to external influences

Our financial and operating performance may fluctuate in the future due to a range of factors tied to our business, the semiconductor industry and the broader economic landscape. These external influences, including those outlined below and elsewhere in this Prospectus, may contribute to such fluctuations:

- Macroeconomic factors:
  - macroeconomic and geopolitical uncertainties, including trade disputes, tariffs, export restrictions, or regulatory changes in Malaysia or globally that disrupt the business environment;
  - broader economic trends affecting the semiconductor sector and demand for consumer electronics integrating our technologies;
  - legislative or tax policy shifts in Malaysia that may affect incentives for technology firms;
  - exchange rate volatility, particularly in the RM/USD and RM/RMB pairings, which can impact revenue, costs and profitability; and
  - changes in accounting standards, such as updated revenue recognition policies, that may affect our financial reporting.
- Operational factors:
  - our capacity to adapt operations to fluctuating demand for our products and services, which may lead to delays in the commercialisation of products incorporating our technology;
  - delays in finalising key licensing agreements that are critical to our revenue streams, where sales cycles for licensing can extend during festive periods due to holiday slowdowns, depending on the countries that we serve;
  - timing delays in recognising revenue from certain contracts, influenced by milestones in customised development work or accounting requirements;
  - expansion into emerging markets or applications, which may present new operational challenges;
  - costs or impairments related to restructuring, asset write-downs or goodwill adjustments;
  - shifts in operating costs and margins, particularly related to R&D investments in next-generation technologies or adjustments from operational restructuring; and
  - rising operational costs tied to compliance and reporting obligations as a publicly listed entity in Malaysia.
- Supplier-related factors:
  - unforeseen delays in product rollouts due to issues faced by third-party service providers, such as the EDA Tools and Verification IP Suppliers, which may affect our deliverable timelines; and
  - slow adoption or standardisation of industry protocols that delay our new product introductions to the market.
- Competitor-related factors:
  - pricing strategy adjustments by us or competitors that could put downward pressure on licensing fees due to intensified competition; and
  - the pace at which we or our competitors introduce new technologies, along with the market's reception of these innovations.

## 5. RISK FACTORS (Cont'd)

The unpredictable nature of these external factors poses a risk to our business operations and financial performance. As such, our past performance should not be considered a reliable indicator of future results, and there can be no assurance that we will achieve similar growth rates in our financial performance in the future.

### 5.2 RISKS RELATING TO OUR INDUSTRY

#### 5.2.1 We are subject to economic, social, political and regulatory risks in foreign countries as well as Malaysia, including risks of trade restrictions and export controls imposed by other countries

We principally operate in Malaysia and we primarily serve customers in foreign countries. The top two foreign countries by revenue contribution were China and Taiwan, which collectively accounted for 93.0%, 97.6% and 90.0% of our revenue for the FYEs 31 March 2023, 31 March 2024 and 31 March 2025, respectively. In this respect, any geopolitical actions, events and sanctions, as well as changes in the political, economic and regulatory conditions in Malaysia and in foreign countries including countries that we serve, could adversely affect our results of operations and financial performance. These changes may include:

- changes in domestic and global political landscapes, geopolitical events, deterioration of international relationships, sanctions, restrictions, boycotts, terrorism, riots and conflicts;
- changes in the international trade environment including governmental trade restrictions such as export and import controls, tariffs and trade sanctions, can lengthen sales cycles due to increased regulatory scrutiny. These restrictions may also limit or prohibit the sale or licensing of certain technologies or products including our products, affecting not only targeted countries but also those indirectly involved in the supply chain. Consequently, the industry faces heightened media, political and regulatory scrutiny, especially concerning compliance with complex sanctions regimes. This increases the risk of domestic and foreign government investigations, legal actions and penalties, including indirect trade with sanctioned entities. Furthermore, disruptions in global supply chains can impact companies relying on products, services and technologies from directly and indirectly affected nations;
- changes in domestic fiscal and monetary policies affecting interest rates, foreign investments and taxation;
- emergence of new epidemics or pandemics;
- changes in global and regional consumer trends and behaviour affecting demand for electrical and electronic devices and equipment;
- changes in social conditions such as inflation, unemployment rate and minimum wage; and
- other factors such as foreign worker levies and other issues influencing consumer and business confidence and spending.

As such, there can be no assurance that any adverse economic, social, geopolitical, political and regulatory developments which are beyond our control, will not materially affect our business operations and financial performance.

## 5. RISK FACTORS *(Cont'd)*

We are an IC design company specialising in silicon IPs and custom ASICs, serving our customers who are fabless IC companies, primarily from China and Taiwan. For the FYE 31 March 2025, revenue generated from China and Taiwan accounted for 56.5% (RM67.5 million) and 33.5% (RM40.0 million) of our revenue, respectively.

Given the current global trade situation, including increases in tariffs and sanctions on certain high-technology products, services, and equipment imposed by countries, such as the USA and some European nations on China, we may face the risk of restrictive trade practices which could affect our ability to sell our advanced IC designs to China and other affected countries. In the event such restrictions were to be imposed, this could adversely impact our business operations and financial performance.

In recent years, the USA has tightened export controls and restrictions on the semiconductor industry, primarily through the Export Administration Regulations (EAR) administered by the U.S. Department of Commerce's Bureau of Industry and Security (BIS). These measures include revisions to controls on advanced computing ICs and related items. According to BIS, these controls are intended to safeguard U.S. national security and foreign policy interests. The EAR includes the Entity List that comprises a list of foreign persons, including businesses, research institutions, government and private organisations, individuals and other types of legal persons. A foreign person listed on the Entity List will be subject to specific licence requirements for the export, reexport and/or transfer (in-country) of specified items including certain USA technology and software. Any violation of the restrictions would be considered a violation of USA regulations.

If any of our customers were to be added to the Entity List, we would have to suspend the supply of our products and services to them unless a U.S. licence is granted, which could adversely affect our financial performance. As at the LPD, none of our customers are on the Entity List. Nevertheless, there can be no assurance that our customers will not be added to the Entity List in the future.

The U.S. government may, through BIS, continue to revise and expand its export controls, trade sanctions and other trade restrictions, with new rules and regulations implemented regularly. In the event we are unable to access the relevant critical technologies or supply chains, it will have a material impact on our business operations and financial performance. Additionally, the USA tariff landscape has seen significant developments since April 2025, with several extensions, adjustments and on-going trade negotiations. For example, exports of goods from Malaysia to the US are subject to a 19% tariff, with semiconductors receiving full exemption under the revised tariff framework effective from August 2025. These export controls, trade sanctions and trade restrictions, including tariff rates and exemptions, are subject to changes and may affect companies operating within the IC design industry in Malaysia.

For the Financial Years Under Review and up to the LPD, we have not encountered any export controls, trade sanctions and trade restrictions affecting our ability to provide or sell our products and services. We will continue to monitor global trade developments that may potentially affect our operations, as well as our customers and suppliers, which may affect our business operations and financial performance.

### 5.2.2 We face global competition from silicon IP and custom ASIC providers

We face global competition from other providers of silicon IP and custom ASIC that offer similar products and services. We may also encounter competition from new entrants to the market as they establish themselves in the industry over time. Furthermore, fabless semiconductor companies with in-house silicon IP design capabilities also pose a competitive threat, as they can design and develop silicon IP for their use.

## 5. RISK FACTORS (Cont'd)

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We generally compete on a variety of factors including among others, product quality and reliability, availability of technical resources, access to technology advancements, price competitiveness, financial strength in terms of working capital, availability or willingness to invest in technology development and resources, customer service, promptness in delivery, track record and market reputation.

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

### 5.2.3 We are subject to the demand and performance of the end-user application industries

Our business is dependent on the demand and performance of the end-user applications including high-performance computing, AI applications, data centres, IoT and communication applications in the semiconductor and electronics industries. Furthermore, the demand for third-party silicon IP designs and related services is closely tied to the initiation of new design or product projects by semiconductor companies. Any adverse events such as concerns about increased costs arising from the increasing complexity of semiconductor designs, could reduce demand. This could lead to a reduction in new design or product projects, potentially decreasing the demand for third-party silicon IP designs and related services.

Any adverse demand and negative performance in these industries could result in fewer orders for our products and services. Some of the factors that may affect our end-market demand and performance include political, economic, social and regulatory factors, changes in technology, changes in market trends and user preferences and new or enhanced products and services replacing existing products and services. Any material changes in regional and global demand for end-market applications may subsequently affect our business operations and financial performance.

### 5.2.4 Operators in the fabless IC and the end-user application industries may develop in-house silicon IPs for their ICs, which may affect the demand of third-party silicon IP

We provide our silicon IP to customers to incorporate into their IC products. Some operators in the fabless IC and the end-user application industries may choose to develop in-house silicon IPs for their ICs to gain greater control over design specifications, enhance customisation for specific applications, reduce reliance on external suppliers, and improve security. As such, this may reduce the demand for third-party silicon IP design services which may subsequently affect our business operations and financial performance.

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

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

There is a risk that we may not promptly adopt emerging technological changes, which may result in reduced demand for our products and services, loss of competitiveness and a subsequent reduction in purchase orders for our products and services. Similarly, changes in technology may require us to invest in additional engineering resources as well as investment in new or improved technological tools and equipment. If we acquire the new technology, it may impact our financial condition, and/or may cause our products and services to be less price competitive thus affecting our ability to continue to secure purchase orders or attract new customers.

## 5. RISK FACTORS *(Cont'd)*

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As such, our business faces risks from technological changes or failure to keep abreast of the technological advancements, which may adversely affect our business operations and financial performance.

### 5.3 RISKS RELATING TO OUR SHARES AND OUR LISTING

#### 5.3.1 The offering of our Shares may not result in an active and liquid market for our Shares

There can be no assurance as to the liquidity of the market that may develop for our Shares, the ability of shareholders to sell our Shares or the prices at which shareholders would be able to sell our Shares. Neither we nor our Promoters have an obligation to make a market for our Shares or, if such a market does develop, to sustain it. In addition, there can be no assurance that the trading price of our Shares will reflect our operations and financial condition, our growth prospects or the growth prospects of the industry in which we operate.

#### 5.3.2 Our Share price and trading volume may be volatile

The market price of our Shares could be affected by numerous factors, some of which may not be within our control and may be unrelated or disproportionate to our financial results, including the following:

- general market, political and economic conditions;
- trading liquidity of our Shares;
- differences in our actual financial and operating results and those expected by investors and analysts;
- changes in earnings estimates, projections and recommendations by financial analysts;
- changes in market valuations of listed shares in general or shares of companies comparable to ours;
- perceived prospects of our business and the industry in which we operate;
- adverse media reports regarding us or our shareholders;
- changes in government policy, legislation or regulation; and
- general operational and business risks.

In addition, many of the risks described in this Section could materially and adversely affect the market price of our Shares. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Final Retail Price.

## 5. RISK FACTORS *(Cont'd)*

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Over the past few years, the Malaysia, regional and global equity markets have experienced significant price and volume volatility that has affected the share prices of many companies. Share prices of many companies have experienced wide fluctuations that were not always related to the operating performance of such companies, including fluctuations as a result of developments in other markets. There can be no assurance that the price and trading of our Shares will not be subject to fluctuations.

### **5.3.3 The sale, or the possible sale, of a substantial number of our Shares in the public market following our Listing could adversely affect the price of our Shares**

Following our Listing, we will have in issue 1,796,000,000 Shares, of which 400,000,000 Shares, representing 22.3% of our enlarged issued Shares, will be held by investors participating in our IPO, and not less than 54.2% will be held by our Promoters via their direct and indirect interests in our Company. Save for the restrictions pursuant to the moratorium as set out in Section 2.2 of this Prospectus, our Shares sold in our IPO will be tradeable on the Main Market of Bursa Securities without restriction following our Listing.

In addition, the Moratorium Providers could dispose of some or all of our Shares that they hold after the moratorium period pursuant to their own investment objectives. If our shareholders sell, or are perceived as intending to sell, a substantial amount of our Shares that they hold, the market price for our Shares could be adversely affected.

### **5.3.4 There may be a delay in, or termination of, our Listing**

The occurrence of certain events, including the following, may cause a delay in, or termination of, our Listing:

- the Managing Underwriter's or the Joint Underwriters' exercise of their rights under the Retail Underwriting Agreement, or the Lead Bookrunner's or the Joint Bookrunners' exercise of their rights under the Placement Agreement, to discharge themselves of their obligations under such agreements;
- our inability to meet the minimum public shareholding spread requirement pursuant to Paragraph 3.06 of the Listing Requirements of having at least 25.0% of the total number of our Shares for which our Listing is sought being in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of our Listing; or
- the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

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

- the SC issues a stop order under Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

## 5. RISK FACTORS *(Cont'd)*

- our Listing is aborted other than pursuant to a stop order by the SC under Section 245(7)(a) of the CMSA, investors will not receive any IPO Shares, and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares and the proceeds from our Public Issue form part of our share capital:

- the SC issues a stop order under Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of our share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either (a) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances, or (b) a solvency statement from our Directors.

### **5.3.5 Our ability to pay dividends in the future will depend upon our retained earnings, financial condition, cash flows, working capital requirements and covenants under our financing documents, and we may be affected by our payment of dividends**

We may choose to pay dividends out of cash generated from our operations after setting aside the necessary funds for capital expenditure and working capital. Dividend payments are not guaranteed and our Board may decide, in its sole and absolute discretion, at any time and for any reason, not to pay dividends. See Section 12.3 of this Prospectus for further details of our dividend policy.

Further, if we or our subsidiaries incur new borrowings subsequent to our Listing, we may be subject to additional covenants restricting our ability to pay dividends and we may incur expenses or liabilities that would reduce or eliminate the cash or profit available for the distribution of dividends. The payment of our dividends and the receipt of dividends from our subsidiaries may also be affected by the passing of new laws, adoption of new regulations, changes in accounting standards and other events outside our control. There can be no assurance that future dividends declared by our Board or any of our subsidiaries, if any, will not differ materially from historical dividend levels.

If we do not pay dividends, or we pay dividends at levels lower than anticipated by investors, the market price of our Shares may be negatively affected and the value of investment in our Shares may be reduced.

Further, our payment of dividends may adversely affect our ability to fund unexpected capital expenditure. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms or available at all.



**5. RISK FACTORS (Cont'd)**

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**5.3.6 This Prospectus contains forward-looking statements which may not be accurate**

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Prospectus, including without limitation to those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements are made based on assumptions that we believe to be reasonable as at the date of this Prospectus. Forward-looking statements can be identified by the use of forward-looking terminologies, such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions, and include all statements that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance, achievements, or industry results 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 factors include, among others, general economic and business conditions, competition, the impact of new laws and regulations affecting our industry and government initiatives.