

9. RISK FACTORS

OUR OPERATIONS ARE ALSO SUBJECT TO A NUMBER OF FACTORS, MANY OF WHICH ARE OUTSIDE OUR CONTROL. YOU SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THIS PROSPECTUS, INCLUDING THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW, BEFORE DECIDING TO INVEST IN OUR SHARES.

9.1 RISKS RELATING TO OUR BUSINESS OPERATIONS

9.1.1 We are exposed to input material price fluctuations, particularly flour

As a producer of food ingredient premixes, we are exposed to fluctuations in input material prices, particularly wheat flour, which constitutes a significant portion of our purchases. For the Financial Years Under Review, purchases of wheat flour accounted for 32.7% (RM27.2 million), 32.1% (RM28.1 million), and 32.1% (RM27.8 million) of our total purchases for the Financial Years Under Review respectively.

In addition to wheat flour, we also procure seasonings, including salt, spices, herbs and other food additives, as well as other food ingredients for our operations. These purchases accounted for 49.6% (RM41.2 million), 53.3% (RM46.6 million) and 52.4% (RM45.4 million) of our total purchases for the Financial Years Under Review respectively.

Prices of flour and other food ingredients are inherently volatile and influenced by global commodity market conditions, including supply disruptions arising from adverse weather, geopolitical developments, and trade restrictions, as well as fluctuations in energy, fertiliser, and transportation costs. For instance, global wheat prices fluctuated between approximately USD200 per tonne and USD400 per tonne from 2023 to 2025, reflecting the cyclical nature of these commodities (Source: IMR Report). For the Financial Years Under Review, the average purchase prices for our wheat flour were RM2,400 per tonne, RM2,100 per tonne, and RM1,800 per tonne respectively. Wheat flour is a key input material used in the production of seasoned flour premixes and during the Financial Years Under Review, the purchases of wheat flour generally constituted approximately 60% and 70% of the purchases of ingredients for the production segment.

Any significant or sustained increase in the prices of wheat flour, seasonings or other food ingredients may result in higher production costs. Our ability to mitigate such increases depends on our ability to pass them on to customers through price adjustments, which may not always be possible in full or in a timely manner due to competitive pressures, contractual arrangements, or customer sensitivity to price changes. This may adversely affect our profit margins and results of operations.

Conversely, a decline in input material prices may require us to reduce our selling prices to remain competitive. In such circumstances, we may utilise higher-cost inventory procured in earlier periods to fulfil orders at lower selling prices, which may result in inventory holding losses. In addition, declining prices may necessitate inventory write-downs to net realisable value.

Furthermore, fluctuations in input material prices may affect our pricing strategies, demand for our products and customers' purchasing behaviour, including order timing and volume. While we may undertake measures such as maintaining optimal inventory levels and conducting periodic price reviews, there can be no assurance that such measures will fully mitigate the impact of input material price volatility on our business, financial condition and results of operations.

9.1.2 We are exposed to supply chain disruptions, particularly in relation to imported input materials

Our operations depend on the timely and consistent supply of input materials, including wheat flour and certain seasoning inputs, a portion of which are sourced from domestic and foreign suppliers. As such, we are exposed to risks associated with supply chain disruptions, including shipping delays, logistical constraints, geopolitical developments and changes in import regulations.

9. RISK FACTORS (CONT'D)

Disruptions to global shipping and logistics networks may arise from circumstances beyond our control, including adverse weather conditions, geopolitical tensions, trade restrictions, social unrest, outbreaks of diseases, port congestion or strikes, and delays or loss of shipments. Recent geopolitical developments, including conflicts in the Middle East and disruptions to key maritime routes such as the Strait of Hormuz, have affected global shipping conditions and energy supply, contributing to increased uncertainty in logistics and supply chains.

In addition, sea freight rates are subject to volatility. For example, the weekly sea freight rate for 40-foot equivalent unit (“FEU”) containers declined to approximately USD2,800 per FEU on 28 May 2026, from a peak of USD5,937 per FEU on 18 July 2024, reflecting fluctuations arising from geopolitical events and global shipping conditions (Source: IMR Report). Any sustained increase in freight rates or disruption to shipping routes may lead to delays in the delivery of input materials and increased procurement costs.

While we maintain relationships with multiple suppliers and implement inventory management practices, there can be no assurance that such measures will fully mitigate the impact of supply chain disruptions. Any inability to secure a timely supply of input materials may adversely affect our production schedules, delay order fulfilment, and consequently, impact our business operations, financial condition and results of operations.

9.1.3 We are subject to inflationary pressures, including increases in input materials, logistics and operating costs, which may affect our profitability and sales

Our business, comprising the production of food premixes and the supply of other food ingredients, is subject to inflationary pressures. The cost of input materials may increase due to inflationary pressures, while our operating expenses, including utilities, fuel, logistics, and labour, may also rise.

In particular, we are exposed to rising shipping and logistics costs associated with procuring input materials and distributing our products. Input materials sourced from foreign suppliers accounted for 44.5% (RM37.0 million), 44.8% (RM39.2 million) and 46.1% (RM39.9 million) of our total purchases for FYE 2023, FYE 2024 and FYE 2025, respectively. In addition, we incur transportation costs for the delivery of our products across Peninsular Malaysia, East Malaysia, and to export markets. Our transportation costs increased from approximately RM1.4 million for the FYE 2023 to RM1.9 million for the FYE 2024 and RM2.0 million for the FYE 2025, on the back of higher sales.

Any sustained increase in input material, freight, or operating costs may increase our overall cost base. Our ability to mitigate such increases depends on our ability to pass them on to customers through price adjustments, which may not always be possible in full or on a timely basis due to competitive pressures and customer sensitivity to price changes. This may adversely affect our profit margins and financial performance.

Furthermore, higher selling prices arising from inflationary pressures may affect demand for our products, as customers may reduce order volumes, switch to alternative suppliers or delay purchases. As a result, prolonged inflationary conditions may adversely impact our sales, profitability and overall financial performance.

9.1.4 We are dependent on a major customer and are exposed to risks associated with our reliance on appointed distributors

We are dependent on a major customer, namely Kapaly, which is our appointed distributor for Selangor, Kuala Lumpur and Putrajaya since 2010. Revenue contribution from Kapaly accounted for 19.8% (RM27.3 million), 21.4% (RM34.4 million) and 22.6% (RM39.6 million) of our total revenue for the Financial Years Under Review respectively.

9. RISK FACTORS (CONT'D)

As at the LPD, we have a subsisting distribution agreement with Kapaly, which is subject to annual renewal. There can be no assurance that this agreement will be renewed or that Kapaly will continue to act as our distributor. Any termination of this relationship, or a significant reduction in orders from Kapaly, may require us to appoint one or more new distributors. There can be no assurance that we will be able to replace Kapaly with customers of a similar scale or within a reasonable timeframe, which may adversely affect our financial performance.

In addition, we rely on other appointed distributors, who are also our customers, to distribute and sell our products. Revenue derived from all appointed distributors accounted for 69.8% (RM96.3 million), 72.8% (RM117.0 million) and 75.4% (RM132.1 million) of our total revenue for the Financial Years Under Review respectively. Our agreements with these distributors generally do not impose minimum purchase commitments, and orders are placed at the distributors' discretion. As a result, we have limited visibility over order volumes and continuity, which may lead to fluctuations in demand for our products.

Our reliance on distributors also exposes us to risks related to their performance and business practices, including their ability to market and distribute our products effectively, maintain adequate inventory levels, manage credit risk, and comply with applicable laws and regulations. Any deterioration in the financial condition or operational capabilities of our distributors, or any adverse actions affecting their businesses, may negatively impact their ability to purchase or distribute our products.

Additionally, our distributors operate within specific territories, and we have limited control over their sales strategies, pricing decisions and customer relationships. Any shift in their commercial priorities, including reduced focus on our products or changes in their product mix, may adversely affect our sales volumes and market presence.

There can be no assurance that our distributors will continue to act as our distribution partners or maintain their current purchase levels. The loss of a major distributor, or a material reduction or cessation of orders from one or more distributors, may adversely affect our results of operations and financial performance if we are unable to secure alternative distribution channels or customers on a timely basis.

9.1.5 We do not have long-term contracts or purchase orders, and our business depends on our ability to continually secure new orders

Our sales are mainly based on confirmed purchase orders, and we generally do not enter into long-term contracts or maintain purchase orders with durations exceeding 1 year. As a result, our revenue is largely non-recurring once orders are fulfilled or delivered.

In this respect, our business and financial performance depend on our ability to consistently secure new orders from both existing and new customers. There can be no assurance that we will be able to maintain or increase our sales volume, or that existing customers will continue to place orders at historical levels.

The lack of long-term purchase commitments also limits our revenue visibility and may result in fluctuations in order volumes and demand patterns. Customer purchasing decisions may be influenced by various factors beyond our control, including changes in consumer preferences, competitive pricing, availability of alternative suppliers, economic conditions and inventory management strategies of our customers.

In addition, our customers, including distributors and commercial buyers, may adjust the timing and volume of their orders based on their own demand forecasts and inventory levels, which may result in uneven sales patterns across reporting periods. This may affect our ability to plan production, manage inventory efficiently and optimise capacity utilisation.

In addition, increased competition or pricing pressures may affect our ability to secure new orders or renew business with existing customers. If we are unable to consistently generate sufficient purchase orders, this may adversely affect our revenue, operational efficiency, financial condition and results of operations.

9. RISK FACTORS (CONT'D)

9.1.6 Our 'Bestari' brand products are susceptible to changes in consumer preferences, market trends and potential negative publicity

Our 'Bestari' brand of food premixes and other food ingredients are subject to evolving consumer preferences, shifts in market demand and broader industry trends. Changes in consumer tastes, dietary preferences, health and wellness considerations, or increasing demand for alternative or competing products may reduce the attractiveness of our offerings. In addition, trends such as demand for healthier, natural or clean-label products, or preferences for specific cuisines and flavour profiles, may affect the relevance of our existing product range. If we are unable to anticipate or respond to such changes in a timely manner, demand for our products may decline, which could adversely affect our revenue and financial performance.

For the Financial Years Under Review, sales of our 'Bestari' brand of food premixes and other food ingredients accounted for 78.7% (RM108.6 million), 83.5% (RM134.1 million) and 87.4% (RM153.2 million) of our total revenue respectively.

Brand equity is a key driver of our business's sustainability and growth. Accordingly, our ability to maintain and enhance brand awareness, customer loyalty, trust and overall brand perception is critical to retaining existing customers and attracting new customers. Any failure to effectively position and differentiate our brand in a competitive market may weaken our market presence and impact sales.

We are also exposed to risks of negative publicity or adverse market perception arising from factors such as concerns relating to product quality, food safety, ingredient sourcing, compliance with regulatory standards or broader industry issues. In addition, consumer boycotts, the dissemination of negative or misleading information, including fake news, or acts of sabotage may adversely affect our brand. The widespread use of social media and digital platforms may further amplify the speed and reach of such information, potentially resulting in reputational damage and loss of consumer confidence.

Furthermore, any product quality issues, product recalls, contamination incidents or failure to meet regulatory or customer requirements, whether actual or perceived, may have a material adverse impact on our brand reputation. Such events may also expose us to potential claims, regulatory actions or loss of business relationships.

There can be no assurance that market perception of our brand will remain positive or aligned with evolving consumer expectations. If we are unable to maintain the relevance, quality and perceived value of our products, or effectively manage our brand reputation, our business operations, financial condition, and results of operations may be adversely affected.

9.1.7 Our business is subject to various operational licence requirements and food-related regulations and standards

Our operations are subject to various operational licence requirements as well as food-related laws, regulations and standards imposed by the relevant authorities. These include requirements relating to food safety, hygiene, manufacturing practices, labelling, packaging, storage, handling and distribution of food products. We are also required to comply with applicable standards for ingredient use, contaminants, traceability, and product quality.

Our licences and permits may be suspended, revoked or not renewed in the event of non-compliance with applicable requirements, which may materially disrupt our operations and adversely affect our financial performance. As at the LPD, save as disclosed in Section 7.23.1(vii) of this Prospectus, we have obtained the necessary licences and permits from the relevant authorities, including those for food premises, manufacturing activities. Details of our major licences and permits are set out in Section 7.21 of this Prospectus.

9. RISK FACTORS (CONT'D)

Compliance with regulatory requirements involves ongoing costs and resource commitments, including investments in quality assurance systems, facility maintenance, employee training, documentation and monitoring processes. Regulatory requirements may also change from time to time, requiring us to implement operational adjustments, reformulate products, update labelling or obtain additional approvals, which may result in increased compliance costs and potential delays in product launches. In the event of any non-compliance with applicable laws or standards, we may be subject to enforcement actions, including fines, penalties, product recalls, suspension or revocation of licences, or restrictions on the manufacture and sale of our products. Such actions may adversely affect our business operations, reputation, financial condition and results of operations.

In addition, our products are subject to stringent quality and safety expectations. Any contamination, mislabelling or failure to meet required standards, whether actual or perceived, may give rise to product liability claims, customer complaints, regulatory scrutiny or adverse publicity, which may negatively impact our brand and customer relationships.

During the Financial Years Under Review and up to the LPD, there was an incident where a specific batch of iodised salt products was found to be non-compliant with the FR in relation to the maximum limit of iodine content. We have since implemented corrective measures, including monthly recalibration of production equipment and strengthening quality control procedures by implementing additional checks to ensure that the iodine levels comply with the prescribed limits before the products are packaged. Save for a fine of RM4,000, the incident did not have a material adverse impact on our business operations and financial performance during the Financial Years Under Review. Save for the said incident, we have not incurred any material fines, penalties, operational limitations, or licence revocations that have materially affected our business and financial condition during the Financial Years Under Review and up to the LPD. Please refer to Section 7.23.1(vi) of this Prospectus for further details of this non-compliance.

While we have implemented quality control measures and compliance procedures, there can be no assurance that such measures will be sufficient to prevent all instances of non-compliance or that any penalties or enforcement actions, if imposed, will not have a material adverse effect on our business, financial condition and results of operations in the future.

9.1.8 We are dependent on our halal certification, and any suspension, revocation or non-renewal may adversely affect our business

Our products and manufacturing premises are halal-certified by JAKIM. Given that more than 90% of our revenue during the Financial Years Under Review was derived from Malaysia, where halal certification is an important consideration for a significant portion of consumers and customers, our ability to maintain such certification is critical to our business.

Halal certification is subject to compliance with applicable halal standards and regulatory requirements, including those relating to sourcing of ingredients, production processes, storage, handling, hygiene and segregation. Any failure to comply with these requirements may result in the suspension, revocation or non-renewal of our halal certification.

In the event that our halal certification is suspended, revoked, or not renewed, we may be required to cease using halal labelling on our products, which could significantly reduce their marketability and acceptance among consumers, distributors, and retailers in Malaysia. This may also lead to the loss of existing customers, termination of supply arrangements, or restrictions on access to certain distribution channels, including major retailers that require halal-certified products.

In addition, any actual or perceived non-compliance with halal requirements may result in negative publicity, reputational damage and loss of consumer confidence, which may be amplified by media coverage and social media platforms.

9. RISK FACTORS (CONT'D)

While we have implemented internal controls and procedures to ensure compliance with halal standards, there can be no assurance that such measures will be sufficient to prevent all instances of non-compliance or that our halal certification will be maintained at all times. Any suspension, revocation or non-renewal of our halal certification may materially and adversely affect our business operations, financial condition and results of operations.

9.1.9 We are exposed to the risk of unfavourable foreign currency exchange rates

For the Financial Years Under Review, our revenue was mainly derived from product sales transacted in local currency (RM). Meanwhile, our procurement of input materials was conducted in both local currency (RM) and foreign currencies such as the SGD, United States Dollar (USD), Renminbi (RMB) and Euro (EUR) for materials purchased from suppliers abroad. This exposes us to foreign currency risk, mainly SGD, USD, RMB and EUR.

For the Financial Years Under Review, our revenue and purchases were transacted in RM and foreign currencies, as set out below:

	FYE 2023		FYE 2024		FYE 2025	
	RM'000	%	RM'000	%	RM'000	%
Revenue						
• RM	134,899	97.8	158,022	98.3	171,332	97.7
• Foreign currencies	2,966	2.2	2,669	1.7	3,991	2.3
- SGD	2,740	2.0	2,305	1.5	3,087	1.8
- Others ⁽¹⁾	226	0.2	364	0.2	904	0.5
	137,865	100.0	160,691	100.0	175,323	100.0
Purchases⁽³⁾						
• RM	37,669	45.3	39,610	45.3	40,587	46.8
• Foreign currencies	45,418	54.7	47,760	54.7	46,054	53.2
- USD	22,040	26.5	27,754	31.8	21,521	24.8
- RMB	12,093	14.6	13,386	15.3	16,871	19.5
- EUR	9,239	11.1	6,002	6.9	7,270	8.4
- Others ⁽²⁾	2,046	2.5	618	0.7	392	0.5
	83,087	100.0	87,370	100.0	86,641	100.0

Notes:

- (1) Include EUR and USD.
- (2) Include Australian Dollar, Indian Rupee, SGD, Swiss Franc and Thai Baht.
- (3) Comprise purchases of input materials for our production segment and purchases of other materials and equipment for the supply segment.

Unfavourable exchange rate fluctuations may affect our business operations and financial performance through transactions denominated in foreign currencies.

Please refer to Section 12.3.10 of this Prospectus for further information on the impact of foreign exchange fluctuations.

9. RISK FACTORS (CONT'D)

The details of our foreign exchange gains and losses are as follows:

	FYE 2023 (RM'000)	FYE 2024 (RM'000)	FYE 2025 (RM'000)
Realised gains on foreign exchange	-	104	161
Realised losses on foreign exchange	(31)	-	(10)
Net realised gains/ (losses) on foreign exchange	(31)	104	151
Unrealised gains on foreign exchange	-	-	-
Unrealised losses on foreign exchange	-	7	3
Net unrealised gains/ (losses) on foreign exchange	-	7	3

As at the LPD, we maintain foreign currency bank accounts in RMB, USD and EUR, mainly for payments to suppliers. For the Financial Years Under Review and up to the LPD, we used forward currency contracts to manage some of our foreign currency exposure in relation to purchases that are transacted and denominated in foreign currencies.

9.1.10 We are dependent on our Managing Director, Executive Director and Key Senior Management for our business continuity

We depend on the experience, expertise, technical knowledge, and business development expertise of our Managing Director, Executive Director and Key Senior Management for our business operations. Our Managing Director, Lai Kok Siong, has more than 37 years of experience in the food production, food ingredients and food processing machinery industries, and he is responsible for leading our Group's overall operations and strategic direction, including oversight of financial management, sales and business development, risk management and compliance, while driving innovation and continuous operational improvements. Our business operations are also supported by our Executive Director / Head of Sales & Marketing, Gabriel Lai Yung-Yao, who brings more than 13 years of experience in the food production, food ingredients and food processing machinery industries, and is responsible for overseeing sales operations, driving commercial and export expansion, leading new product developments, and managing brand strategy and marketing programmes. Our Managing Director and Executive Director / Head of Sales & Marketing are supported by our Key Senior Management who have relevant experience in their respective fields including Fong Zhoon Zhien (Chief Financial Officer), Chang Kok Leong (Head of Engineering) and Gary Lai Yung-Hui (Head of Production).

The loss of services of any one or more of our Managing Director, Executive Director or Key Senior Management without any suitable and timely replacement may adversely affect our business operations and financial performance.

9.1.11 We are exposed to risks of product liabilities, product recalls and consumer claims

We are exposed to risks of product liability, product recalls, and consumer claims arising from our involvement in the production of food premixes and the supply of food ingredients, including products sold in retail packs to the mass consumer market.

Product liability risks may arise from, among others, contamination during production, storage, handling or product display, the unintentional use of unsafe, expired or prohibited ingredients, sabotage or tampering, and product mislabelling, including incorrect ingredient declarations, allergen information or expiry dates. Any such incidents may result in our products being deemed unsafe or non-compliant with applicable food safety regulations and standards.

9. RISK FACTORS (CONT'D)

In the event of a product defect or safety concern, we may be required to initiate product recalls. Such recalls may involve identifying and tracing affected batches, withdrawing products from distributors and customers, notifying affected parties and regulatory authorities, and disposing of or replacing the affected products. Product recalls may result in significant costs, including logistics and retrieval expenses, disposal and replacement costs, potential regulatory penalties, and increased compliance and administrative costs. They may also disrupt our operations and supply chain.

In addition, we may be subject to consumer complaints, claims, or legal proceedings arising from product quality issues, such as contamination, spoilage, the presence of mould, or other defects. We may also face claims from distributors or customers regarding product defects, including compensation claims or disputes over product quality. Any such claims or disputes may result in financial losses, management distraction and increased legal and administrative costs.

Furthermore, any actual or perceived product quality or safety issues may result in adverse publicity, which may be amplified through traditional and social media, leading to reputational damage and loss of consumer confidence. This may, in turn, negatively affect demand for our products and our relationships with customers and distribution partners.

While we have implemented quality control measures, product traceability systems and standard operating procedures to mitigate such risks, there can be no assurance that these measures will be sufficient to prevent all product-related incidents. Any occurrence of product liability issues, product recalls or consumer disputes may materially and adversely affect our business operations, financial condition and results of operations.

9.1.12 We are exposed to risks associated with potential loss, leakage or infringement of proprietary formulations and brand rights

Our proprietary product formulations and brand name are important to our competitive positioning. However, they expose us to the risk of unauthorised access, disclosure, copying, imitation, or reverse engineering by competitors, former employees, business partners, or other third parties. Despite implementing internal controls to restrict access to sensitive information, including limiting access to full formulations, there can be no assurance that such information will not be misappropriated or replicated.

If our formulations or taste profiles are successfully imitated, our products may lose their differentiation in the market, leading to increased competition, pricing pressure, erosion of market share, and a decline in our profitability. In addition, competitors may introduce similar products at lower prices, further affecting our competitive advantage.

We are also exposed to risks of misuse or imitation of our brand name and trademarks, including the sale of counterfeit or unauthorised products falsely represented as ours. Such activities may result in customer confusion, dilution of brand value, reputational damage and potential loss of sales. While we may take enforcement actions to protect our intellectual property rights, such actions may be time-consuming and costly, and may not always be successful, particularly in markets where enforcement is challenging.

We also rely, in part, on confidentiality measures, trade secrets, and unregistered intellectual property, which may offer less protection than registered rights. Any leakage of proprietary information, whether through internal breaches, cyber incidents or third-party misconduct, may have a material adverse impact on our business.

In addition, we develop our products based on internal expertise, research and industry knowledge. There is a risk that certain aspects of our products, branding or processes may inadvertently infringe upon third-party intellectual property rights, including patents, trade secrets, trademarks or copyrights. While we are not aware of any such claims as at the LPD, there can be no assurance that we will not be subject to infringement allegations in the future.

9. RISK FACTORS (CONT'D)

Any such claims may result in legal proceedings, financial liabilities, including damages or settlement costs, and/or restrictions on our ability to manufacture, market or sell certain products. We may also be required to modify or discontinue affected products, obtain licences from third parties or incur additional costs to redesign our formulations or branding.

As such, any loss, leakage or infringement of proprietary formulations or brand rights may adversely affect our competitive position, business operations, financial condition and results of operations.

9.1.13 Our operations are subject to various operational risks, including labour constraints, equipment breakdown and inventory management challenges

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

- (i) Our operations depend on labour for the day-to-day activities of our production floor. In this respect, we are exposed to the risk of labour shortages, which may arise from changes in government policies and regulations governing the employment of foreign workers, including hiring restrictions and increases in minimum wages.

Any shortage of labour, or our inability to recruit or retain sufficient workers in a timely manner, may affect our ability to maintain stable operations, which could, in turn, adversely affect our business operations and financial performance.

- (ii) Our production operations depend on the reliable performance of capital-intensive automated machinery and equipment across multiple stages of the production process. Any unplanned breakdowns or malfunctions, whether arising from mechanical failure, electrical faults, software or control system errors, power interruptions or operator error, may result in production downtime and delays in order fulfilment. As our production process involves multiple sequential stages, any disruption at a critical point may affect overall output and our ability to meet customer demand in a timely manner.

In addition, certain specialised equipment and spare parts may be subject to extended repair or replacement lead times, which could result in prolonged downtime, reduced production capacity and the need for unplanned capital expenditure or higher maintenance and repair costs, thereby adversely affecting our results of operations and financial performance.

- (iii) Our products are subject to inherent shelf-life limitations and require proper storage, handling and inventory management to maintain quality, safety and compliance with applicable food standards. Shelf life may be affected by factors such as humidity, temperature, packaging integrity, storage conditions, transportation and handling.

Improper storage or handling may result in product deterioration, including moisture absorption, clumping, loss of flavour or mould growth, which may render products unsuitable for use or non-compliant with regulatory requirements.

In addition, inefficiencies in inventory planning, demand forecasting, or distribution may lead to overstocking or slow-moving inventory, increasing the risk that products approach or exceed their expiry dates. This may result in product write-offs, returns, discounts or disposal costs, adversely affecting our margins and profitability.

We may also be required to withdraw products from the market if they are expired, improperly labelled or otherwise non-compliant with applicable standards. Such events may give rise to additional operational costs, potential regulatory action and reputational damage, which may adversely affect our results of operations and financial performance.

9. RISK FACTORS (CONT'D)

- (iv) In addition, we are exposed to the risk of fire incidents, including those arising from faults in power distribution equipment, which may result in damage to assets, operational disruption and safety hazards.

During the FYE 2023, one of our rented shop units at Kota Kemuning Industrial Park, Selangor, experienced a fire incident caused by an electrical short circuit, resulting in loss of inventories but caused no casualty or injury. Based on the assessment by the loss adjuster, total loss amounted to approximately RM0.2 million. The fire incident did not result in any material adverse impact on our business operations and financial performance during the Financial Years Under Review, as the damage was confined to a portion of the rented shop units and losses were fully covered under our Group's commercial fire insurance policy.

Apart from the aforementioned incident, we have not experienced any other material fire-related events that adversely affected our business operations or financial performance. There can be no assurance that similar incidents will not occur in the future or that any such incidents will not adversely affect our business operations and financial performance.

9.1.14 Our growth prospects may be adversely affected if we are unable to effectively execute our business strategies and plans

Our business strategies and plans are focused on leveraging our strengths and expertise in the production of food premixes. These include expanding our operational facilities and product range, enhancing our marketing capabilities and outreach, and exploring upstream processing activities to support growth. Further details of our strategies and plans are set out in Section 7.18 of this Prospectus.

Our future growth and prospects depend on our ability to implement these strategies effectively and in a timely manner. There can be no assurance that we will be able to execute our plans as intended, within the expected timeframe, or that such initiatives will achieve the desired commercial outcomes.

Our ability to execute these strategies may be affected by various factors beyond our control, including insufficient funding or bank financing, constraints on human resources or skilled personnel, changes in regulatory requirements, and unforeseen operational or market challenges. In addition, expansion initiatives may entail execution risks, including delays in project completion, cost overruns, supply chain constraints, difficulties integrating new operations, and challenges achieving targeted capacity utilisation or sales volumes.

Furthermore, our expansion into new products, markets or upstream activities may expose us to unfamiliar operational, regulatory and competitive environments, which may increase the complexity of our business and the risks associated with execution.

Any delay, failure, or inability to effectively implement our strategies and plans may limit our growth, adversely affect our competitive position, and result in lower-than-expected returns on investment, which may, in turn, have a material adverse effect on our business, financial condition, and results of operations.

9.1.15 Our insurance coverage may not be adequate to fully cover losses or liabilities arising from our business operations

Our business is exposed to various operational and liability risks, and we may not have adequate insurance coverage to fully protect against all potential losses. Adverse events may include workplace injuries arising from the handling of materials and operation of machinery, product liability claims, fire or other property damage, business interruption, cybersecurity incidents such as data breaches or ransomware attacks, and losses arising from employee misconduct, including fraud or breaches of confidentiality.

9. RISK FACTORS (CONT'D)

We maintain insurance coverage for certain aspects of our operations, including fire, burglary, public liability, employer liability and fidelity guarantee. However, there can be no assurance that our existing insurance policies will be sufficient in scope or coverage limits to fully cover all potential losses, liabilities, or damages that may arise. Certain types of risks may be uninsurable, not economically viable to insure, or subject to exclusions, deductibles or coverage limitations under our policies.

In addition, our insurance coverage may not adequately compensate for indirect or consequential losses, such as loss of business, reputational damage or loss of future earnings. Any claims made may also be subject to insurer approval, and there may be delays in settlement or disputes with insurers over coverage.

There can be no assurance that we will be able to maintain our insurance coverage on commercially reasonable terms in the future, or at all. Insurance premiums may increase over time, and insurers may impose more restrictive terms, higher deductibles or lower coverage limits. If we incur losses that are not covered, or only partially covered, by our insurance policies, we may be required to bear such costs, which could adversely affect our business operations, financial condition and results of operations.

During the Financial Years Under Review and up to the LPD, we have not experienced any material insurance claims relating to such adverse events, save for an insurance compensation amounted to approximately RM0.2 million, arising from a fire incident during the FYE 2023 at one of our rented shop units at Kota Kemuning Industrial Park, Selangor, which was caused by an electrical short circuit and resulted in loss of inventories. The loss of approximately RM0.2 million was fully covered under our Group's commercial fire insurance policy.

9.2 RISKS RELATING TO OUR INDUSTRY**9.2.1 We face competition from other operators in the food ingredients industry**

We operate in a competitive market and face competition from other operators offering similar food premixes and other food ingredients. We may also face increasing competition from new entrants as they establish themselves in the industry. The food ingredients market is relatively fragmented, with competitors ranging from established manufacturers with larger production capacities, stronger financial resources and wider distribution networks, to smaller niche players focusing on specialised products or customised formulations.

We compete across multiple factors, including product quality and consistency, pricing, turnaround time, customer service, delivery reliability, technical support, product innovation, brand recognition and market reputation. In addition, our ability to maintain sufficient working capital, invest in automation, and expand production capacity may influence our competitiveness relative to larger or better-capitalised competitors.

Intensified competition may result in pricing pressure, reduced profit margins and loss of market share. Competitors may offer similar or substitute products at lower prices, introduce new or improved formulations, or adopt more aggressive marketing and promotional strategies. In addition, customers may diversify their supplier base or switch to alternative suppliers based on price, quality, service levels or other commercial considerations.

Additionally, changes in consumer preferences, evolving industry trends, and increased demand for differentiated or value-added products may require continuous innovation and adaptation. If we are unable to respond effectively to such changes or to maintain our competitive positioning, our ability to attract and retain customers may be adversely affected.

There can be no assurance that we will be able to compete effectively in the future. Any failure to maintain or enhance our competitiveness may adversely affect our business operations, financial condition and results of operations.

9. RISK FACTORS (CONT'D)

9.2.2 We are subject to adverse economic, social, political and regulatory conditions

Our business, financial condition and results of operations may be adversely affected by changes in global and Malaysian economic, social, political and regulatory conditions, which are beyond our control. Such changes may include shifts in political leadership, geopolitical developments, wars, acts of terrorism, civil unrest, outbreaks of epidemics or pandemics, as well as changes in economic policies, including fiscal and monetary measures, taxation policies, interest rates, foreign worker regulations and levies, and trade policies.

The performance of our industry is closely linked to general economic conditions and consumer spending trends. During periods of economic slowdown or uncertainty, consumer spending, particularly discretionary spending on dining and food services, may decline. This may lead to reduced demand for food ingredients, including food premixes, as our customers may scale back operations, reduce order volumes, delay purchases or defer expansion plans. Such developments may adversely affect our revenue and profitability.

In addition, adverse economic conditions may result in increased cost pressures, tighter credit conditions and heightened competition, which may further impact our margins and financial performance. Customers may also seek more competitive pricing or switch to lower-cost alternatives during challenging economic conditions.

Global events, including geopolitical tensions, trade conflicts, sanctions and disruptions to international trade flows, may also affect the availability and cost of input materials, logistics and overall supply chain stability. Prolonged pandemics or similar public health crises may further disrupt supply chains, workforce availability and customer demand.

As these factors are beyond our control, there can be no assurance that adverse changes in economic, social, political or regulatory conditions will not materially and adversely affect our business operations, financial condition and results of operations.

9.2.3 Geopolitical conflicts in the Middle East may adversely affect our costs, supply chain and demand for our products

Ongoing geopolitical conflicts in the Middle East may adversely impact global energy markets, shipping routes and overall economic conditions. The Middle East is a key region for global oil and gas supply, and any disruption arising from conflicts, sanctions or instability may lead to increased energy prices. Higher energy costs may, in turn, increase fuel, electricity, and transportation expenses, which could raise our operating and logistics costs.

In addition, such conflicts may disrupt key maritime routes, including major shipping corridors, leading to increased sea freight rates, longer transit times and potential delays in the delivery of input materials and finished goods. Volatility in freight rates may increase our procurement and distribution costs, particularly for imported input materials and shipments to customers in East Malaysia and overseas markets.

Rising energy and logistics costs may also contribute to broader inflationary pressures in the economy. In an inflationary environment, consumers may reduce discretionary spending, including expenditure on dining and food services. This may result in lower demand for food ingredients, including premix products, as our customers adjust their purchasing behaviour, reduce order volumes or delay expansion plans.

Furthermore, prolonged geopolitical instability may weaken overall business confidence, disrupt global trade flows and contribute to currency volatility, which may further impact our cost structure and pricing strategies.

As these factors are beyond our control, there can be no assurance that geopolitical developments in the Middle East will not materially and adversely affect our business operations, financial condition and results of operations.

9. RISK FACTORS (CONT'D)

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 There is 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. Accordingly, there is no assurance that an active market for our Shares will develop upon Listing 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.

In addition, there can be no assurance that the Final Retail Price will correspond to the price at which our Shares will trade on Bursa Securities upon our Listing. There is also no assurance that the market price of our Shares will not decline below the Final Retail Price.

9.3.2 Our Share price and trading volume may be volatile

The performance of Bursa Securities is dependent on external factors such as the performance of the regional and global stock exchanges and the flows of foreign funds. The 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 share prices witnessed on Bursa Securities and this adds risks to the market price of our Shares. Nevertheless, our profitability 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.

In addition, the market price of our Shares may fluctuate significantly and rapidly in response to, among 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 management team in implementing business and growth strategies;
- (iii) gain or loss of an important business relationship;
- (iv) changes in securities analysts' recommendations, perceptions or estimates of our 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) addition or departure of our Managing Director or Key Senior Management;
- (viii) fluctuation in stock market prices and volume;
- (ix) involvement in litigation; or
- (x) natural disasters, health epidemics and outbreaks of contagious diseases.

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

9. RISK FACTORS (CONT'D)

9.3.3 The interest of our Substantial Shareholders who control our Group may not be aligned with the interest of our other shareholders

Upon Listing, our Substantial Shareholders will hold approximately 70.4% of our enlarged number of issued Shares. As a result, they will be able to effectively control the business direction and management of our Group, including the election of Directors, the timing and payment of dividends and influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law, or by relevant guidelines or regulations.

There can be no assurance that the interests of our Substantial Shareholders will always be aligned with those of our other shareholders.

9.3.4 Failure or delay in our Listing

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

- (i) our Sole Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;
- (ii) we are unable to meet the public shareholding spread requirement under the Listing Requirements of at least 25% of our enlarged number of issued Shares to be held by a minimum of 1,000 public shareholders holding not less than 100 Shares each, at the point of our Listing; and
- (iii) the revocation of approvals from relevant authorities prior to our Listing or admission to the Official List for whatever reason.

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

- (i) if the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled, and we or such other person who received the monies shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10% per annum or at such rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (ii) if our Listing is aborted, investors will not receive any of our IPO Shares and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

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

- (i) if the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall forthwith be repaid without interest, 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% per annum or at such other rate as may be specified by the SC from the expiry of that period pursuant to Section 245(7)(b) of the CMSA; or

9. RISK FACTORS (CONT'D)

- (ii) if 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 either:
 - (a) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our directors.

9.3.5 Uncertainty of dividend payments

Our ability to declare dividends to our shareholders is dependent on, among others, our future financial performance, cash flow position, capital requirements and other obligations, and our ability to implement our business plans. Deterioration of these factors could have an effect on our business, which in turn will affect our ability to declare dividends to our shareholders. As such, there is no assurance that we will be able to pay dividends to our shareholders.

Furthermore, dividend payments are not guaranteed and our Board may decide, at its 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.

9.3.6 Forward-looking statements in this Prospectus 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, those regarding our financial position, business strategies, prospects, plans and objectives of our Group for future operations are forward-looking statements. Such forward-looking statements are made 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. 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, including risks and challenges, which may cause our actual results, performance or achievements of our Group, or industry results, to be materially different from any future results, performance, achievements or industry results expressed or implied by such forward-looking statements.

In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved.