

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

9.1.1 **We are exposed to outbreaks of poultry livestock infections and diseases, which could adversely affect our business operations and financial performance**

Outbreaks of poultry livestock infections and diseases at our Bidor Integrated Farm could adversely affect our business operations and financial performance. Examples of contagious poultry livestock infections and diseases are Avian Influenza, Newcastle disease and infectious bronchitis, which could cause sickness or death of poultry. If our layer chickens are infected with any of these diseases which lead to sickness, death or inability to lay eggs, our overall egg production may be affected, and we may not be able to meet our customers' orders timely. Further, if such infections are severe and may cause harmful effect to human health, our Bidor Integrated Farm may be subject to quarantine and disinfections, and all our chickens may be forced to be depopulated. Further, we are required to suspend our operations for 42 days after the depopulation of chickens and disinfection of our Bidor Integrated Farm, before we are allowed to recommence our poultry rearing operations. Such business suspension may adversely and materially affect our business operations and financial performance.

In November 2018, our layer chickens in some of our chicken coops were infected with H9N2 strain of Avian Influenza, which rendered our layer chickens unable to lay eggs. As a result, our Group was operationally and financially impacted as we were unable to fulfil our customers' orders due to a decrease in egg production of up to approximately 78.9% from our usual egg production of approximately 1,090,000 eggs per day prior to the infection to approximately 230,000 eggs per day in the first week of December 2018. To curb the spread of the Avian Influenza, our Group depopulated the infected layer chickens and was required to re-commence the entire rearing process starting from the rearing of day-old-chicks after disinfecting the infected chicken coops. Since then, our egg production began to recover and eventually resume to pre-infection egg production rate by November 2019. Such infection in November 2018 also resulted in a decrease in Hock Soon Poultry Farm's revenue by 25.1% in FYE 2019.

Moving forward, any future outbreak of poultry livestock infections and diseases could result in sickness and death of our layer chickens, the imposition of a quarantine and disinfections, and/or depopulation of infected chickens. In the event that any of these events occurs, it would not only adversely impact our business operations but may also create adverse publicity which would lead to negative perception by consumers regarding our table eggs. This may in turn, adversely affect the demand for our table eggs and consequently adversely affect our Group's financial performance.

9. RISK FACTORS (Cont'd)

9.1.2 We may not be able to sustain our financial performance and profitability following the removal of price controls and subsidies of ordinary eggs by the Government

As announced by the Ministry of Agriculture and Food Security on 30 April 2025, the egg subsidy for each grade A, grade B and grade C ordinary eggs were reduced from RM0.10 to RM0.05 and the price control was removed effective 1 May 2025. Subsequently, effective 1 August 2025, the Government fully removed the egg subsidy. Following which, our financial performance may be affected in view of the absence of egg subsidies and the fluctuation in egg prices if we are unable to raise egg prices to cover our operating cost.

For FYE 2022 to 2024, we recorded PAT of RM14.5 million, RM34.2 million and RM40.7 million respectively. However, a substantial portion of the PAT was attributed to egg subsidies received from the Government. Assuming that the egg subsidies for FYE 2022 to 2024 are removed but price control retained, our PAT would be adjusted to RM9.0 million, RM18.3 million and RM16.4 million respectively. Please refer to Section 12.1.1 for a detailed analysis of our financial performance in view of the removal of egg subsidies with price control retained. Following the removal of egg subsidies by the Government effective 1 August 2025, we may not be able to record PAT at similar or higher levels considering the simulation of our historical financial performance in the event of removal of egg subsidies as detailed in Section 12.1.1.

In addition, as the price control was also removed beginning 1 May 2025, we are exposed to the risk of fluctuations in egg prices, which generally follow market rates based on supply and demand conditions. While the removal of price control gives us the flexibility to price our eggs by taking into consideration our costs, we are simultaneously exposed to higher competitive pressure in the market. In the event of market oversupply during certain period which results in a decline in market prices of eggs, we would need to price our eggs accordingly in order to maintain our competitive edge. We may experience a lower GP margin in such circumstances; or in a worse scenario where the decline in market prices is substantial that it exceeds our cost of sales, we may suffer from losses, and it may eventually negatively impact our financial performance.

9.1.3 We may be subjected to price fluctuations and unavailability or shortages of raw materials and ingredients

The purchase of raw materials and ingredients for the production of our in-house poultry feed represented 85.9%, 84.4% and 82.3% of our Group's total purchases for FYE 2022 to 2024 respectively. Any fluctuations in the prices of these raw materials and ingredients may affect our gross profit margin and consequently our profitability.

In 2019, maize prices (i.e. quarterly average price) ranged between USD166.81 per MT to USD175.88 per MT. Pursuant to the outbreak of the COVID-19 pandemic, business operations and supply chain disruptions adversely impacted the maize commodity market, leading to continuous price hikes from USD191.97 per MT in the fourth quarter of 2020 to USD288.70 per MT in the second quarter of 2021, before easing in the second half of 2021. Maize prices continued to increase and peaked in second quarter of 2022 at USD342.91 per MT and remained elevated up to the end of 2022. This was mainly due to the geopolitical tensions between Ukraine (i.e. one of the world's largest maize producers) and Russia (i.e. one of the world's largest fertilisers producers). Subsequently, maize prices began to decrease from USD294.48 per MT in first quarter of 2023 to a pre-pandemic level of USD177.57 per MT in the third quarter of 2024 as market conditions normalised.

9. RISK FACTORS (Cont'd)

Any material fluctuations in the prices of these raw materials and ingredients particularly commodity products used in the production of our in-house poultry feed (e.g. maize, soybean meal, wheat, pollard and sunflower meal) may affect our profitability if we are unable to adjust the price of our table eggs to reflect the increase in costs. Following the removal of price controls effective 1 May 2025 and if we opt to increase the price of our table eggs due to increase in costs, we may lose our competitive edge to other industry players if other industry players do not increase their product pricing despite being equally affected by the price fluctuations of raw materials and ingredients. Please refer to Section 12.11 for effects of price fluctuations of raw materials and ingredients on our financial performance for FYE 2022 to 2024.

In addition, we are required to obtain sufficient quantities of raw materials and ingredients in a timely manner and at acceptable prices to conduct our business operations and fulfil customer's orders. Save for the global supply chain disruption during the COVID-19 pandemic and Ukraine-Russia war which resulted in minor disruptions in the sourcing of raw materials and ingredients, we have not encountered any unavailability or shortages of raw materials and ingredients for FYE 2022 to 2024 and up to LPD. However, there is no assurance that such incidences will not occur in the future. Any sudden unavailability or shortages of raw materials and ingredients may affect our business operations as there is no assurance that we will be able to obtain raw materials and ingredients from new suppliers in a timely manner or at reasonably acceptable prices.

9.1.4 Our business is exposed to operational risks which may be beyond our control and may lead to interruptions to our operations

Our business is exposed to various operational risks including fire, natural disasters, equipment failures and power outage, which may be beyond our control and may lead to unexpected interruptions to our operations.

As at LPD, our poultry farming operations are based at our Bidor Integrated Farm, which is where all our chicken coops, grading and sorting station and feed mill are located at. Hence, the occurrence of fires and/or natural disasters such as floods or storms at our Bidor Integrated Farm may significantly hinder our business operations. This may lead to delays in fulfilling customer orders as well as incur additional costs to repair and restore our Bidor Integrated Farm.

We also rely on a range of automation systems (i.e. automated feed hoppers and drinking systems, egg collection belts, automated conveyor belts and manure collection belts) as well as monitoring and control systems (i.e. temperature sensors, pad cooling systems, computer-controlled fans and air inlet valves) installed in our closed-house chicken coops systems for rearing of layer chickens. Further, we utilise egg grading and sorting lines in our egg grading and sorting process, as well as computerised poultry feed production lines in our feed mill operations. Please refer to Section 7.6 for further details on the technology used by our Group. These systems and machines may, on occasion, be out of service due to unanticipated failures or damages sustained during operations. If the abovementioned unexpected interruptions persist for a prolonged period of time, our business operations as well as our financial performance may be adversely impacted. Further, these systems and machines are powered by electricity. In the event of power outage, these systems and machines may not be able to function, which may materially affect our business. In particular, all our chicken coops adopt closed-house systems which rely on our automation systems as well as monitoring and control systems to ensure optimal chicken health and egg production. Prolonged power outage, coupled with insufficient power back-up from our generation sets, will result in unhealthy chickens or even mortality, consequently adversely affecting our business operations.

9. RISK FACTORS (Cont'd)

For FYE 2022 to 2024 and up to LPD, we have not experienced any major interruptions to our business operations caused by fires, natural disasters, unexpected equipment failures and power outage that have adversely affected our business operations and/or financial performance. Notwithstanding that, there is no assurance that we will not encounter such events and our business operations and/or financial performance will not be adversely affected should such events occur in the future.

9.1.5 We are exposed to the risks of product contamination, which may result in product liability claims and regulatory actions

As an egg producer, our table eggs are subject to various hygiene and food safety standards, such as the Food Act 1983, Food Regulation 1985 and Food Hygiene Regulation 2009 in Malaysia. Further, as we export our table eggs to Hong Kong and intend to export our table eggs to Singapore, our table eggs are also subject to hygiene and food safety standards in Hong Kong and Singapore. However, our table eggs are exposed to potential contamination such as salmonella, which is transmitted through the exposure of salmonella bacteria that is found in the gut and faeces of layer chickens. Salmonella bacteria is able to penetrate table eggs through the porous shells of the table eggs or if cracks are present on shells of the table eggs. Contamination issues may also occur due to cracks to the shells of our table eggs arising during the storage, handling and transportation stages. Despite the implementation of our QA and QC procedures and biosecurity measures to ensure that our table eggs are free from contamination, we may not always be able to detect any such contamination. Please refer to Section 7.5 for full details of our QA and QC procedures and biosecurity measures.

Any contamination in our table eggs could render them unsafe for consumption, which will have an adverse impact on our reputation and may also expose us to financial losses arising from product liability claims from consumers. This may also prompt inspections or regulatory actions by authorities, potentially resulting in monetary fines and/or the temporary closure of our operations for cleaning and sanitation, which could materially and adversely affect our business operations and/or financial performance. For FYE 2022 to 2024 and up to LPD, we have not experienced any incidents of product contamination that has adversely affected our business operations and/or financial performance.

Notwithstanding that we have not received any claims from customers in regard to product contamination for FYE 2022 to 2024 and up to LPD, product contamination claims involving eggs produced by other poultry farmers in Malaysia may create negative perceptions towards Malaysian-produced eggs as a whole. In March 2021, the Singapore Food Agency announced a recall of a batch of eggs imported from Malaysia after detecting the presence of salmonella bacteria. Subsequently, a hypermarket chain in Malaysia also announced a recall of the same batch of eggs. In October 2022, another recall was announced by the Singapore Food Agency for a batch of imported eggs from Malaysia following the detection of salmonella bacteria. Such negative news could lead to adverse perceptions of Malaysian-produced eggs, which may in turn reduce the demand for eggs produced in Malaysia. This may consequently affect our export sales, including plans to export eggs to Singapore.

9. RISK FACTORS (Cont'd)

9.1.6 We are dependent on our key management team for continued success and growth of our business

The continued success and growth of our Group are, to a significant extent, dependent on the abilities, skills, experience, competency and continuous efforts of our Executive Directors and key senior management. The presence of our Executive Directors and key senior management is crucial to our business continuity and future growth as they play a pivotal role in our day-to-day operations as well as charting, formulating and implementing strategies to drive the growth of our Group.

Any significant or sudden loss of the services of our Executive Directors and/or key senior management without suitable replacement in a timely manner, or our inability to attract and retain qualified and competent personnel, may have an adverse impact on our Group's business operations and may eventually affect our ability to maintain and/or improve our business performance. This may in turn adversely affect the financial performance and future growth of our Group.

9.1.7 We are dependent on three of our major suppliers

We are exposed to the risk of supplier concentration as we incur significant purchases from Hoe Seng Chan Company Sdn Bhd and Cargill (Malaysia) Sdn Bhd. For FYE 2022 to 2024, Hoe Seng Chan Company Sdn Bhd and Cargill (Malaysia) Sdn Bhd were two of the largest major suppliers of our Group for the supply of raw materials and ingredients such as maize, soybean meal, wheat, pollard and sunflower meal for the production of poultry feed. We are dependent on Hoe Seng Chan Company Sdn Bhd and Cargill (Malaysia) Sdn Bhd which consistently contributed more than 10.0% of our Group's purchases for FYE 2022 to 2024. Hoe Seng Chan Company Sdn Bhd contributed 34.2%, 31.9% and 25.2% respectively to our Group's purchases for FYE 2022 to 2024. On the other hand, Cargill (Malaysia) Sdn Bhd contributed 13.9%, 20.9% and 21.7% respectively to our Group's purchases for FYE 2022 to 2024.

In the event that Hoe Seng Chan Company Sdn Bhd and/or Cargill (Malaysia) Sdn Bhd ceases the supply of the above raw materials and ingredients to our Group, our production of poultry feed may be disrupted if we are unable to purchase similar raw materials and ingredients from alternative suppliers before our inventory is depleted. In such circumstances, if we are unable to source ready-made poultry feed from suppliers at the required amount, our operations will be adversely affected as we may not have sufficient poultry feed to feed our layer chickens, which may consequently lead to insufficient nutrition intake of our layer chickens and affect the quality of our table eggs. If the situation worsens, our layer chickens may be exposed to risk of mortality.

In addition, our Group's poultry farming business focuses on rearing of layer chickens to produce table eggs for sale, and we do not hatch day-old-chicks internally at our Bidor Integrated Farm. We source all day-old-chicks from Leong Hup Group of Companies, thereafter rearing the day-old-chicks to layer chickens to produce table eggs.

As such, we are dependent on Leong Hup Group of Companies for the supply of day-old-chicks. In the event that Leong Hup Group of Companies ceases to supply us with day-old-chicks due to factors beyond our control (e.g. commercial reasons, decision to keep all day-old-chicks for internal rearing, or outbreaks of poultry infections and diseases) and we are unable to secure new suppliers of day-old-chicks in a timely manner and/or on commercially acceptable terms, we will face shortage of day-old-chicks and delays in filling our chicken coops with day-old-chicks for rearing. In such circumstances, we may face a prolonged decline in our egg production and thus materially and adversely affect our business operations and financial performance.

9. RISK FACTORS (Cont'd)

9.1.8 We rely on certain licences, permits and approvals to conduct our business

We are dependent on various licences, permits and approvals issued by the relevant government authorities in Malaysia to conduct our business. Please refer to Section 6.7 for details of our major licences, permits and approvals, including the respective issuing authorities, expiration dates and status of compliance.

Our licences, permits and approvals are generally subject to a variety of conditions which are either stipulated within the licences, permits and approvals themselves, or under the respective legislations and/or regulations governing the issuing authorities. All licences, permits and approvals need to be renewed or reassessed by the relevant authorities on a periodic basis. As at LPD, we have obtained all licences, permits and approvals to operate our business save for the Certificate of Accommodation that has been expired on 14 March 2025. We have applied for renewal of the Certificate of Accommodation on 15 January 2025. We must continue to comply with the restrictions and conditions imposed by the relevant authorities for us to maintain the validity of such licences, permits and approvals.

While we have not encountered any issues in renewing or obtaining any of the required licences, permits and approvals to conduct our poultry farming operations during FYE 2022 to 2024 and up to LPD, there can be no assurance that we will be able to renew or obtain such licences, permits and approvals in the future or that we will not be subject to suspension, withdrawal or termination of our licences, permits and approvals. Any such failure to secure renewal or obtain the required licences, permits or approvals would adversely affect our financial performance, results of operations and prospects.

9.1.9 We are indirectly exposed to foreign exchange fluctuation risks which may impact the profitability of our Group

For FYE 2022 to 2024, our major supplies were raw materials and ingredients sourced for the production of poultry feed, constituting 85.9%, 84.4% and 82.3% to our total purchases of supplies. The key raw materials and ingredients used for the production of poultry feed (e.g. maize, soybean meal, wheat, pollard and sunflower meal) are generally imported by our local suppliers from several key producing countries for these raw materials and ingredients, which include Argentina and Ukraine. As such, we are indirectly subject to the risk of foreign exchange fluctuation. Should the RM depreciate against the USD (i.e. the currency commonly used by our local suppliers for overseas sourcing), our local suppliers will factor in the depreciation to our purchase transactions by increasing the charges to our Group, even though our purchases from these local suppliers are transacted in RM. In such circumstances, our GP margin might decline, potentially harming our financial performance as we may not be able to promptly pass the increased costs to our customers through product pricing adjustment in view of competitive pressures.

On the other hand, for FYE 2022 to 2024, majority of our revenue (i.e. 96.3%, 98.9% and 99.2%) were generated from sales to local customers which are denominated in RM. The remaining 3.7%, 1.1% and 0.8% of our revenue were generated from sales to Hong Kong customers which are denominated in USD. Hence, our exposure to foreign exchange fluctuation from revenue is minimal. Moving forward as we intend to export our table eggs to Singapore whereby the sales will be denominated in SGD, we will be exposed to foreign exchange fluctuation in SGD. Should the SGD depreciate against the RM, it will lead to lower revenue in RM after conversion, which may eventually impact our financial results.

9. RISK FACTORS (Cont'd)

9.1.10 The fair value of our biological assets is subject to fluctuations

Our Group is principally involved in poultry farming whereby we rear layer chickens for the production of table eggs. As such, our Group's biological assets are our layer chickens that comprise pullets and mature hens (also known as layers). The fair value of our biological assets is determined using discounted cash flow model based on expected cash inflow from agriculture produce (which depends on, amongst others, the expected number of eggs produced and projected eggs selling prices) less expected cost to be incurred over the remaining life of pullets and layers (which includes feed consumption rate and feed costs) and contributory assets charges for the land and farm houses owned by our Group. Please refer to Note (8) of the Accountants' Report as set out in Section 13 for further details of the accounting policy and valuation process of our biological assets. Any changes in the factors considered in the accounting policy and valuation process of our biological assets may impact the fair value of our biological assets, and any changes to the fair value are recognised in profit or loss. For FYE 2022 to 2024, the changes in the fair value of our biological assets recognised in profit or loss amounted to RM2.5 million, RM17.4 million and RM5.8 million, respectively.

Further, the key assumptions used for the fair value calculation of the biological assets for FYE 2022 to 2024 are the estimated average eggs' selling prices and estimated feed costs as at end of financial year. Hence, any changes in the assumptions used may affect the fair value of our biological assets. Please refer to Note (8) of the Accountants' Report as set out in Section 13 for the sensitivity analysis of the possible changes in the key assumptions on the fair value of our biological assets.

9.1.11 We are exposed to credit risk and default payment by customers

Our sales to customers are conducted on cash term or credit term of up to 90 days. In the event of delay or default in payment by our customers, our operating cash flows or financial results may be adversely affected.

While we have not impaired for any credit loss or experienced any material delay or default in payment by our customers during FYE 2022 to 2024 and up to LPD, there can be no guarantee that our customers will be able to fulfil their payment obligations within the stipulated credit period and that we will not encounter any collection problems in the future. In the event that there is any default or delay in the collection of payment, it may lead to impairment losses on trade receivables or bad debts which may adversely impact our financial performance.

9.1.12 Our 'QPlus' house-brand is critical to our image and the value of our brand and our reputation may be adversely affected by negative perception

The image of our house-brand, 'QPlus', is integral to our business and market reputation as it is used to market our table eggs. For FYE 2022 to 2024, 4.6%, 12.8% and 7.4% of our revenue were generated from sales of tables eggs that are labelled under our house-brand, 'QPlus'.

Our house-brand could be adversely affected if our public image or reputation were to be tarnished by negative publicity through traditional or social media platforms, including negative publicity about our table eggs. Content that is adverse to our interests, whether or not accurate, could be posted to social media platforms and disseminated to broad audiences without any verification of such content. Even isolated incidents involving our table eggs could potentially erode the trust and confidence of our customers and consumers, thus damaging the image of our house-brand especially if such incidents result in adverse publicity. For instance, we may be wrongly faulted and subject to market rumours based on unfounded claims of poor quality table eggs when in reality, such issues may stem from improper storage of our table eggs. We cannot guarantee that we will be able to prevent or mitigate the occurrence of such incidents. This could adversely affect our ability to attract and engage customers and consumers to purchase our table eggs, which would eventually adversely impact our business, financial condition and results of operations.

9. RISK FACTORS (Cont'd)

9.1.13 The absence of long term contracts with customers may result in the fluctuation of our Group's financial performance

We do not enter into any long term contracts with our customers and all transactions with our customers are conducted by way of purchase orders and verbal arrangements. To ensure clarity and traceability of orders that we receive via verbal arrangements, invoices are issued to the respective customers upon fulfilment of the orders. Given that we do not have any long term contracts with our customers, we are exposed to the risk of losing our existing customers as our existing customers are not obliged to purchase table eggs from us and may cease their purchases from us at any time.

Our Group continuously seeks to ensure customer satisfaction by maintaining the quality of our table eggs and strengthening business relationships with our Group's existing customers. Nonetheless, there is no certainty and assurance that our existing customers will continue to purchase table eggs from our Group either at all or at pre-existing quantities. In the event that we lose a substantial amount of our customers and are unable to secure additional sales from existing customers or secure new customers in a timely manner, our Group's financial performance may be adversely affected.

9.1.14 We may not be able to successfully implement our business strategies

We plan to expand our Group's business through our business strategies as follows:

- (a) to expand our poultry farming business by setting up a new poultry farm in the Teluk Intan Lands as well as expanding our feed mill operations in our Bidor Integrated Farm;
- (b) to actively expand our customer base to continue growing our financial performance; and
- (c) to expand our sales by exporting our table eggs to Singapore.

Please refer to Section 7.18 for further details of our business strategies.

The implementation of our business strategies is subject to additional expenditures including operational expenditures and other working capital requirements, which will increase our Group's overall operational cost, including overhead costs and cost of sales. This may result in an adverse impact to our profit margin if we are unable to gain sufficient revenue following the execution of our business strategies.

We intend to finance a portion of the construction cost of our new poultry farm at the Teluk Intan Lands through bank borrowings. While we are optimistic in procuring bank borrowings in view of our healthy financial position, there is no guarantee that we will be able to secure the required funding on commercially favourable or acceptable terms, including acceptable interest rates, or at all. In such situation, we intend to utilise our internally generated funds and/or reallocate the earmarked funds for general working capital requirements towards partial payment for our construction works. In the event the earmarked funds for general working capital requirements or cash generated from our operations is insufficient for our future working capital requirements, it could materially affect our business, financial condition and results of operations. Moreover, the estimated timeline for the construction of our new poultry farm at the Teluk Intan Lands may deviate from our plan as detailed in Sections 4.9.1(a) and 7.18.1, due to our exposure to various risks such as dwindling demand or oversupply of eggs, the potential delay in obtaining the necessary approvals/ licences such as the CCC, fire certificate and DVS licence that are required to commence the operations of the new poultry farm. Further, any outbreaks of poultry infections and diseases (e.g. Avian Influenza, Newcastle disease and infectious bronchitis) in our existing chicken coops and pandemic (e.g. the COVID-19 pandemic) may necessitate us to dedicate our resources in managing the impact, which could consequently disrupt and delay construction progress of the new poultry farm.

9. RISK FACTORS (*Cont'd*)

Further, despite our best efforts, we may be unsuccessful in implementing our expansion into the Singapore market as there is no guarantee that we will be able to establish a stable and recurrent customer base in the country. We also anticipate facing competition from poultry farmers/table egg suppliers who are already selling table eggs within the Singapore market. Furthermore, as our Group will be required to deliver table eggs from our Bidor Integrated Farm to customers in Singapore, we are likely to experience lower profit margins compared to local Singaporean poultry farmers and egg suppliers, primarily due to the additional transportation costs incurred. All of these may pose challenges to the success of our expansion plan to Singapore.

In addition, while our Group's key management team have years of experience in our business operations and/or their respective field of expertise, there can be no assurance that the effort and expenditures spent on the execution of our business strategies will yield expected results in expanding our business. We are also not able to guarantee the successful implementation of our business strategies and in a sustainable manner, nor can we assure that we will be able to anticipate the business and operational risks arising from our business strategies. Such failure may lead to adverse effect on our business operations and financial performance.

9.1.15 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities. As at LPD, our Group has taken up several insurance policies which include:

- (a) Fire insurance for our fixed assets, inventory, machinery and equipment (including those held in trust by our relevant companies) in relation to any damage caused by fire, aircraft and other aerial devices, explosions, civil disorders and/or natural disasters such as tempest storms, earthquakes, volcanic eruptions and floods, impact damage, bursting or overflowing water tanks or pipes;
- (b) Burglary insurance for damage to premises, office equipment, machinery, building furniture, fixtures and fittings caused by any burglary, robbery, hold-up, larceny, strikes, riots and civil commotions;
- (c) Products liability insurance for claims made notified in relation to any legal liability to be paid by way of compensation as a result of a claim for injury and/or damage in connection with the production, marketing and sale of eggs;
- (d) Public liability insurance for claims made notified in relation to any bodily injury or to any illness of any person and loss of or damage to property as a result of an accident happening in connection with our business and occurring within our premises;
- (e) Goods in transit insurance for theft, fire, or accidental damage to our stock of eggs (including eggs held in trust or on commission by our relevant companies) during transit conveyed in our vehicles and/or in our contractors' vehicles within Peninsular Malaysia and Singapore;
- (f) Medical benefits and hospitalisation insurance for all of our employees in relation to any sickness or injuries suffered during the course of their employment; and
- (g) Motor vehicle insurance in relation to any damages to our motor vehicles.

9. RISK FACTORS *(Cont'd)*

As these insurance coverages are subject to exclusions and limitations of liability both in amount and with respect to the insured events, our insurance may not be adequate to cover all losses or liabilities that might be incurred in our operations because of any unforeseen circumstances. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business operations and financial performance. Moreover, we will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant loss or liability for which we were not fully insured, the additional cost incurred by our Group may adversely affect our financial performance. For FYE 2022 to 2024 and up to LPD, save for a minor insurance claim amounting to RM2,400.00 for a damage in our weighing bridge equipment due to lightning in FYE 2022, we did not submit or receive any other insurance claims. Please refer to Section 7.13 for details of insurance policies taken up by our Group.

9.2 RISKS RELATING TO OUR INDUSTRY IN WHICH OUR GROUP OPERATES

9.2.1 We are exposed to changes in Government policies, laws or regulations pertaining to poultry farming operations

Our Group is principally involved in poultry farming, whereby we rear layer chickens for the production and sale of table eggs. Any changes in Government policies, laws or regulations pertaining to poultry farming operations in Malaysia may require poultry farmers, including our Group, to adjust their business operations, which could in turn impact their business and financial performance.

For example, in August 2023, new guidelines were issued by the Government through the Ministry of Housing and Local Government, which required all open cage systems to be converted into closed house system by 2030. This will affect all operators which maintain open cage systems. In this regard, our Group fully uses closed house chicken coops in our Bidor Integrated Farm. In another instance, between February 2022 and April 2025, various degrees of price control were implemented on certain ordinary eggs, together with the provision of egg subsidies to egg producers. Please refer to Section 7.3 for details on implementation of price control and egg subsidies. Effective 1 May 2025 and 1 August 2025 respectively, the price control and egg subsidies were removed entirely, necessitating our Group to adjust our business strategies (e.g. pricing and sales strategy) in order to sustain our operations and profitability. Moving forward, if our Group is unable to adapt our business strategies in response to future changes in Government policies, laws or regulations affecting our operations, we may not be able to maintain or improve our financial performance, thereby posing a sustainability risk to our Group.

9.2.2 We are exposed to the risk of competition from other industry players

The layer poultry industry in Malaysia is competitive with players ranging from fully integrated layer poultry producers (i.e. industry players who are involved in the entire layer poultry farming supply chain) and specialised layer poultry farmers (i.e. industry players who are primarily involved in certain segments of the layer poultry farming supply chain, such as day-old-chicks hatching, feed production or egg production), to local backyard layer poultry farmers (i.e. industry players who generally serve traditional retail markets such as wet markets and sundry shops). We generally compete with other poultry industry players in terms of production capacity. Please refer to Section 8 for further details on the competitive landscape of the layer poultry industry in Malaysia.

Layer poultry farmers with larger production capacities enjoy a competitive advantage, benefiting from economies of scale. Further, layer poultry farmers who have strong industry knowledge and expertise on farm management such as biosecurity, feed and water management, waste management, amongst others, are more competitive as these aspects are crucial for optimising farm efficiency and maximising egg production.

9. RISK FACTORS (Cont'd)

The layer poultry industry has moderate to high barriers to entry due to its capital-intensive nature as establishing such operations requires large investments in land, facility (e.g. coops, feed storage, processing facility, automated feeding, egg collection or waste management systems), layer stocks, amongst others. Nevertheless, failure to remain competitive in the industry may lead to reduced sales which will adversely impact our financial performance.

9.2.3 We are exposed to risks relating to the economic, political, legal and regulatory, environments in Malaysia and countries which we export our table eggs to

Our Group is incorporated in Malaysia and conducts all poultry farming operations in Malaysia. As such, any adverse change in Malaysia's economic conditions, political environment, or legal and regulatory framework could negatively impact on our business operations, financial performance and prospects.

In addition, our Group currently exports table eggs to overseas customers in Hong Kong and intends to expand our export activities to Singapore. Consequently, our Group's operations may be influenced by various external factors in these markets, including economic conditions, political stability, inflation rates, interest rates, expropriation risks, import and export restrictions, duties and tariffs, civil unrest, taxation policies, and foreign exchange controls.

Any unfavourable changes to applicable laws and regulations, particularly those concerning the licences, permits, and approvals required for our Group to operate and/ or export table eggs to Hong Kong and Singapore, whether currently in place or introduced in the future, could adversely affect our sales and financial performance. Furthermore, the occurrence of force majeure events, such as acts of terrorism, war, riots, epidemics and natural disasters, whether occurring globally or within Malaysia, are beyond our control and may have a material adverse impact on our business operations, prospects and financial performance.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the Main Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the Main Market.

9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occurs:

- (a) The selected investors fail to subscribe for their portion of our IPO Shares;
- (b) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and
- (c) We are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 1,000 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

9. RISK FACTORS (Cont'd)

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial performance. These factors may include variations in our financial performance, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.4 OTHER RISKS**9.4.1 Our Promoters will be able to exert significant influence over our Company**

Our Promoters will collectively hold approximately 70.0% of our enlarged share capital upon Listing. As a result, our Promoters will be able to effectively control the business direction and management of our Group and as such there can be no assurance that the interests of our Promoters will be aligned with those of our other shareholders. The interests of our Promoters may differ from the interests of our other shareholders and they may be able to exercise significant influence over the vote of our Shares. Our Promoters could also have significant influence in determining the outcome of any corporate transactions or other matters submitted to our shareholders for approval. This includes the election of Directors, approval of business ventures and having substantial voting control over our Group. As such, our Promoters will have a deciding vote on the outcome of any ordinary resolution (which requires a simple majority of 50% plus 1 voting share) to be tabled at general meeting, unless they are required to abstain from voting by law, relevant guidelines or regulations.