

## 12. FINANCIAL INFORMATION

### 12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated on 26 November 2024 to facilitate the Listing and the Acquisition of Hock Soon Poultry Farm was completed on [●]. The Acquisition of Hock Soon Poultry Farm will be accounted for using book value accounting in the consolidated financial statements of our Company for FYE 2025. For the purpose of this section, as our Company was incorporated subsequent to the latest reporting period presented, the financial information contained in the ensuing sections relates solely to the audited consolidated financial statements of Hock Soon Poultry Farm.

The audited consolidated financial statements throughout FYE 2022 to 2024 have been prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

#### 12.1.1 Consolidated statement of profit or loss and other comprehensive income

The following table sets out a summary of our consolidated statement of profit or loss and other comprehensive income for FYE 2022 to 2024, which have been extracted from the Accountants' Report as set out in Section 13. It should be read in conjunction with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report as set out in Sections 12.2 and 13 respectively.

|  | <b>Audited</b>  |                 |                 |
|--|-----------------|-----------------|-----------------|
|  | <b>FYE 2022</b> | <b>FYE 2023</b> | <b>FYE 2024</b> |
|  | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>   |
| Revenue  | 134,178         | 146,251         | 151,377         |
| Cost of sales  | (110,805)       | (105,125)       | (92,549)        |
| <b>GP</b>  | <b>23,373</b>   | <b>41,126</b>   | <b>58,828</b>   |
| Other income   | 4,007           | 18,494          | 8,433           |
| Administrative expenses  | (7,450)         | (13,568)        | (13,723)        |
| Distribution costs   | (2,631)         | (2,417)         | (2,484)         |
| <b>Results from operating activities</b>   | <b>17,299</b>   | <b>43,635</b>   | <b>51,054</b>   |
| Finance income   | 1,173           | 1,799           | 2,849           |
| Finance cost   | (45)            | (13)            | (19)            |
| <b>PBT</b>   | <b>18,427</b>   | <b>45,421</b>   | <b>53,884</b>   |
| Tax expense  | (3,882)         | (11,178)        | (13,141)        |
| <b>PAT</b>   | <b>14,545</b>   | <b>34,243</b>   | <b>40,743</b>   |
| <b>Other comprehensive (expense)/income, net of tax</b>  |                 |                 |                 |
| <b>Item that will not be reclassified subsequently to profit or loss</b>                                   |                 |                 |                 |
| Net change in fair value of equity investments designated at fair value through other comprehensive income | (105)           | 73              | 1,077           |
| <b>Other comprehensive (expense)/income for the year, net of tax</b>                                       | <b>(105)</b>    | <b>73</b>       | <b>1,077</b>    |
| <b>Total comprehensive income for the year</b>   | <b>14,440</b>   | <b>34,316</b>   | <b>41,820</b>   |
| Profit and total comprehensive income attributable to:   |                 |                 |                 |
| - Owners of the Group  | 14,440          | 34,316          | 41,820          |
| - Non-controlling interest   | -               | -               | -               |
|  | <b>14,440</b>   | <b>34,316</b>   | <b>41,820</b>   |

**12. FINANCIAL INFORMATION (Cont'd)**

|  | <b>Audited</b>  |                 |                 |
|--|-----------------|-----------------|-----------------|
|  | <b>FYE 2022</b> | <b>FYE 2023</b> | <b>FYE 2024</b> |
|  | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>   |
| EBIT <sup>(1)</sup>  | 17,299          | 43,635          | 51,054          |
| EBITDA <sup>(1)</sup>  | 19,560          | 45,540          | 53,300          |
| GP margin (%) <sup>(2)</sup>   | 17.4            | 28.1            | 38.9            |
| PBT margin (%) <sup>(3)</sup>  | 13.7            | 31.1            | 35.6            |
| PAT margin (%) <sup>(3)</sup>  | 10.8            | 23.4            | 26.9            |
| Effective tax rate (%) <sup>(4)</sup>  | 21.1            | 24.6            | 24.4            |
| Basic EPS (sen) <sup>(5)</sup>   | 3.6             | 8.6             | 10.2            |
| Diluted EPS (sen) <sup>(6)</sup>   | 2.9             | 6.8             | 8.1             |
| <b>Results after adjusting for government subsidies<sup>(7)</sup></b>  |                 |                 |                 |
| Revenue  | 134,178         | 146,251         | 151,377         |
| Cost of sales  | (110,805)       | (105,125)       | (92,549)        |
| Government subsidies received  | (7,254)         | (20,971)        | (32,079)        |
| Adjusted cost of sales   | (118,059)       | (126,096)       | (124,628)       |
| <b>Adjusted GP</b>   | <b>16,119</b>   | <b>20,155</b>   | <b>26,749</b>   |
| PBT  | 18,427          | 45,421          | 53,884          |
| Less:  |                 |                 |                 |
| Government subsidies received  | (7,254)         | (20,971)        | (32,079)        |
| <b>Adjusted PBT</b>  | <b>11,173</b>   | <b>24,450</b>   | <b>21,805</b>   |
| PAT  | 14,545          | 34,243          | 40,743          |
| Less:  |                 |                 |                 |
| Government subsidies received, net of 24% tax  | (5,513)         | (15,938)        | (24,380)        |
| <b>Adjusted PAT</b>  | <b>9,032</b>    | <b>18,305</b>   | <b>16,363</b>   |
| Adjusted GP margin (%)   | 12.0            | 13.8            | 17.7            |
| Adjusted PBT margin (%)  | 8.3             | 16.7            | 14.4            |
| Adjusted PAT margin (%)  | 6.7             | 12.5            | 10.8            |
| <b>Results after adjusting for government subsidies and fair value gain on biological assets<sup>(8)</sup></b> |                 |                 |                 |
| PBT  | 18,427          | 45,421          | 53,884          |
| Less:  |                 |                 |                 |
| Government subsidies received  | (7,254)         | (20,971)        | (32,079)        |
| Gain on change in fair value of biological assets  | (2,525)         | (17,417)        | (5,763)         |
| <b>Adjusted PBT</b>  | <b>8,648</b>    | <b>7,033</b>    | <b>16,042</b>   |
| PAT  | 14,545          | 34,243          | 40,743          |
| Less:  |                 |                 |                 |
| Government subsidies received, net of 24% tax  | (5,513)         | (15,938)        | (24,380)        |
| Gain on change in fair value of biological assets, net of 24% deferred tax                                     | (1,919)         | (13,237)        | (4,380)         |
| <b>Adjusted PAT</b>  | <b>7,113</b>    | <b>5,068</b>    | <b>11,983</b>   |
| Adjusted PBT margin (%)  | 6.4             | 4.8             | 10.6            |
| Adjusted PAT margin (%)  | 5.3             | 3.5             | 7.9             |

**12. FINANCIAL INFORMATION (Cont'd)****Notes:**

- (1) EBIT and EBITDA are calculated as follows:

|                | <b>FYE 2022</b> | <b>FYE 2023</b> | <b>FYE 2024</b> |
|----------------|-----------------|-----------------|-----------------|
|                | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>   |
| PAT            | 14,545          | 34,243          | 40,743          |
| Less:          |                 |                 |                 |
| Finance income | (1,173)         | (1,799)         | (2,849)         |
| Add:           |                 |                 |                 |
| Finance costs  | 45              | 13              | 19              |
| Tax expense    | 3,882           | 11,178          | 13,141          |
| <b>EBIT</b>    | <b>17,299</b>   | <b>43,635</b>   | <b>51,054</b>   |
| Add:           |                 |                 |                 |
| Depreciation   | 2,261           | 1,905           | 2,246           |
| <b>EBITDA</b>  | <b>19,560</b>   | <b>45,540</b>   | <b>53,300</b>   |

- (2) GP margin is calculated based on GP divided by revenue.
- (3) PBT or PAT margin is calculated based on PBT or PAT divided by revenue.
- (4) Effective tax rate is calculated based on tax expense divided by PBT.
- (5) Basic EPS is calculated based on PAT divided by enlarged share capital of 400,000,000 Shares before our IPO.
- (6) Diluted EPS is calculated based on PAT divided by enlarged share capital of 500,000,000 Shares after our IPO.
- (7) For illustration, excluding government subsidies for FYE 2022 to 2024. In Malaysia, certain ordinary eggs (i.e. grade A, B and C eggs) are price-controlled products by the Government, whereby the Government has set a ceiling retail price for eggs. To retain the price control on eggs without compromising the profitability of egg producers in Malaysia, the Government has also vide the DVS introduced a provision of subsidies to egg producers.
- (8) For illustration, excluding government subsidies and gain on change in fair value of biological assets for FYE 2022 to 2024.

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**12. FINANCIAL INFORMATION (Cont'd)****12.1.2 Consolidated statement of financial position**

The following table sets out the consolidated statement of financial position of our Group as at 30 September 2022, 30 September 2023 and 30 September 2024, which have been extracted from the Accountants' Report as set out in Section 13. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report as set out in Sections 12.2 and 13 respectively.

|  | <b>Audited</b>            |                |                |
|--|---------------------------|----------------|----------------|
|  | <b>As at 30 September</b> |                |                |
|  | <b>2022</b>               | <b>2023</b>    | <b>2024</b>    |
|  | <b>RM'000</b>             | <b>RM'000</b>  | <b>RM'000</b>  |
| <b>Assets</b>                              |                           |                |                |
| <b>Non-current assets</b>                  |                           |                |                |
| Property, plant and equipment              | 28,453                    | 34,529         | 36,059         |
| Right-of-use assets                        | 680                       | 538            | 379            |
| Investment properties                      | 5,434                     | 5,355          | 5,017          |
| Other investments                          | 8,616                     | 9,653          | 4,154          |
| <b>Total non-current assets</b>            | <b>43,183</b>             | <b>50,075</b>  | <b>45,609</b>  |
| <b>Current assets</b>                      |                           |                |                |
| Biological assets <sup>(1)</sup>           | 23,493                    | 42,277         | 49,095         |
| Inventories                                | 8,737                     | 5,169          | 5,515          |
| Current tax assets                         | 984                       | -              | 63             |
| Trade and other receivables                | 5,951                     | 6,233          | 5,706          |
| Prepayments and other assets               | 349                       | 1,867          | 1,502          |
| Other investments                          | 55,737                    | 75,293         | 45,856         |
| Cash and cash equivalents                  | 6,869                     | 6,007          | 18,771         |
|  | 102,120                   | 136,846        | 126,508        |
| Asset classified as held for sale          | -                         | -              | 258            |
| <b>Total current assets</b>                | <b>102,120</b>            | <b>136,846</b> | <b>126,766</b> |
| <b>Total assets</b>                        | <b>145,303</b>            | <b>186,921</b> | <b>172,375</b> |
| <b>Equity and liabilities</b>              |                           |                |                |
| <b>Equity</b>                              |                           |                |                |
| Share capital                              | 9,261                     | 9,261          | 9,261          |
| Reserves                                   | 124,944                   | 158,260        | 136,330        |
| Equity attributable to owners of the Group | 134,205                   | 167,521        | 145,591        |
| Non-controlling interest                   | -                         | -              | (2)30          |
| <b>Total equity</b>                        | <b>134,205</b>            | <b>167,521</b> | <b>145,621</b> |
| <b>Non-current liabilities</b>             |                           |                |                |
| Loans and borrowings                       | -                         | -              | 4,655          |
| Lease liabilities                          | 285                       | 9              | 9              |
| Deferred tax liabilities                   | 4,931                     | 9,539          | 11,332         |
| <b>Total non-current liabilities</b>       | <b>5,216</b>              | <b>9,548</b>   | <b>15,996</b>  |
| <b>Current liabilities</b>                 |                           |                |                |
| Trade and other payables                   | 5,876                     | 6,340          | 7,927          |
| Loans and borrowings                       | -                         | -              | 619            |
| Lease liabilities                          | 6                         | 14             | 5              |
| Current tax liabilities                    | -                         | 3,498          | 2,207          |
| <b>Total current liabilities</b>           | <b>5,882</b>              | <b>9,852</b>   | <b>10,758</b>  |
| <b>Total liabilities</b>                   | <b>11,098</b>             | <b>19,400</b>  | <b>26,754</b>  |
| <b>Total equity and liabilities</b>        | <b>145,303</b>            | <b>186,921</b> | <b>172,375</b> |

**12. FINANCIAL INFORMATION (Cont'd)****Notes:**

- (1) Biological assets comprise pullets and layer chickens that are measured at fair value less cost to sell. For further details on the methodology and key assumptions in determining such fair value, please refer to Section 12.2.1 (j).

Biological assets are classified under our current assets as they are part of our Company's normal operating cycle, even though their value may not be expected to be realised within 12 months from the reporting period. This classification is in line with similar industry players' classification.

The following table shows the number of pullets and layers as at 30 September 2022, 30 September 2023 and 30 September 2024.

|         | <b>As at 30 September</b> |                  |                  |
|---------|---------------------------|------------------|------------------|
|         | <b>2022</b>               | <b>2023</b>      | <b>2024</b>      |
| Pullets | 296,707                   | 296,881          | 313,150          |
| Layers  | 1,143,398                 | 1,243,431        | 1,313,095        |
|         | <b>1,440,105</b>          | <b>1,540,312</b> | <b>1,626,245</b> |

Our biological assets increased from RM23.5 million as at 30 September 2022 to RM42.3 million as at 30 September 2023, mainly due to gain on change in fair value of biological assets of RM17.4 million, resulting from lower projected feed costs, increase in number of layer chickens and increase in projected selling prices for spent chicken in FYE 2023.

Our biological assets increased from RM42.3 million as at 30 September 2023 to RM49.1 million as at 30 September 2024, mainly due to gain on change in fair value of biological assets of RM5.8 million, resulting from lower projected feed costs and increase in number of layer chickens.

- (2) Relates to the 30.0% non-controlling interest held by Mohamad Harasul Bin Harith Fadzilah in Al-Kauthar Trading, a 70.0%-owned subsidiary of Hock Soon Poultry Farm which was incorporated on 20 September 2024.

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**12. FINANCIAL INFORMATION (Cont'd)****12.1.3 Consolidated statement of cash flows**

The following table sets out the consolidated statement of cash flows of our Group for FYE 2022 to 2024, which have been extracted from the Accountants' Report as set out in Section 13. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report as set out in Sections 12.2 and 13 respectively.

|   | <b>Audited</b>  |                 |                 |
|---|-----------------|-----------------|-----------------|
|   | <b>FYE 2022</b> | <b>FYE 2023</b> | <b>FYE 2024</b> |
|   | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>   |
| <b>Cash flows from operating activities</b>                         |                 |                 |                 |
| PBT   | 18,427          | 45,421          | 53,884          |
| Adjustments for:  |                 |                 |                 |
| Bad debts written off   | -               | -               | 100             |
| Depreciation of property, plant and equipment                       | 1,841           | 1,666           | 2,007           |
| Depreciation of right-of-use assets                                 | 341             | 160             | 160             |
| Depreciation of investment properties                               | 79              | 79              | 79              |
| Gain on disposal of property, plant and equipment                   | (107)           | (337)           | (1,537)         |
| Gain on disposal of right-of-use assets                             | (158)           | -               | -               |
| Change in fair value of biological assets                           | (2,525)         | (17,417)        | (5,763)         |
| Dividend income   | (108)           | (156)           | (119)           |
| Finance cost  | 45              | 13              | 19              |
| Finance income  | (1,173)         | (1,799)         | (2,849)         |
| <b>Operating profit before changes in working capital</b>           | <b>16,662</b>   | <b>27,630</b>   | <b>45,981</b>   |
| Change in biological assets   | (372)           | (1,368)         | (1,055)         |
| Change in inventories   | (3,653)         | 3,568           | (346)           |
| Change in trade and other receivables, prepayments and other assets | 651             | (1,800)         | 823             |
| Change in trade and other payables                                  | 508             | 464             | 1,587           |
| <b>Cash generated from operations</b>                               | <b>13,796</b>   | <b>28,494</b>   | <b>46,990</b>   |
| Income tax paid   | (2,005)         | (2,088)         | (12,703)        |
| <b>Net cash from operating activities</b>                           | <b>11,791</b>   | <b>26,406</b>   | <b>34,287</b>   |
| <b>Cash flows from investing activities</b>                         |                 |                 |                 |
| Acquisition of property, plant and equipment                        | (2,072)         | (7,742)         | (9,738)         |
| Proceeds from disposal/(Acquisition) of quoted securities, net      | 346             | (964)           | 2,076           |
| Dividends received  | 108             | 156             | 119             |
| Interest received   | 1,173           | 1,799           | 2,849           |
| Proceeds from disposal of property, plant and equipment             | 169             | 337             | 8,924           |
| Proceeds from disposal of right-of-use assets                       | 300             | -               | -               |
| (Placement)/Withdrawal of fixed deposits, net                       | (13,445)        | (19,556)        | 33,936          |
| <b>Net cash (used in)/from investing activities</b>                 | <b>(13,421)</b> | <b>(25,970)</b> | <b>38,166</b>   |

**12. FINANCIAL INFORMATION (Cont'd)**

|  | <b>Audited</b>  |                 |                 |
|--|-----------------|-----------------|-----------------|
|  | <b>FYE 2022</b> | <b>FYE 2023</b> | <b>FYE 2024</b> |
|  | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>   |
| <b>Cash flows from financing activities</b>  |                 |                 |                 |
| Dividend paid  | -               | (1,000)         | (63,750)        |
| Interest paid  | (45)            | (13)            | (19)            |
| Payment of lease liabilities   | (730)           | (285)           | (9)             |
| Payment of hire purchase   | -               | -               | (598)           |
| Drawdown of term loan, net   | -               | -               | 4,687           |
| <b>Net cash used in financing activities</b>                                       | <b>(775)</b>    | <b>(1,298)</b>  | <b>(59,689)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                        | <b>(2,405)</b>  | <b>(862)</b>    | <b>12,764</b>   |
| <b>Cash and cash equivalents at the beginning of the financial year</b>            | <b>9,274</b>    | <b>6,869</b>    | <b>6,007</b>    |
| <b>Cash and cash equivalents at the end of the financial year<sup>(1)(2)</sup></b> | <b>6,869</b>    | <b>6,007</b>    | <b>18,771</b>   |

**Note:**

- (1) Cash and cash equivalents comprised the following:

|                           | <b>Audited</b>            |               |               |
|---------------------------|---------------------------|---------------|---------------|
|                           | <b>As at 30 September</b> |               |               |
|                           | <b>2022</b>               | <b>2023</b>   | <b>2024</b>   |
|                           | <b>RM'000</b>             | <b>RM'000</b> | <b>RM'000</b> |
| Short-term deposits       | -                         | -             | 1,631         |
| Cash and cash equivalents | 6,869                     | 6,007         | 17,140        |
|                           | <b>6,869</b>              | <b>6,007</b>  | <b>18,771</b> |

- (2) For illustration, if excluding government subsidies and gain on change in fair value of biological assets, our adjusted cash and cash equivalents are as follows:<sup>(a)</sup>

|  | <b>Audited</b>       |                 |                 |
|--|----------------------|-----------------|-----------------|
|  | <b>FYE 2022</b>      | <b>FYE 2023</b> | <b>FYE 2024</b> |
|  | <b>RM'000</b>        | <b>RM'000</b>   | <b>RM'000</b>   |
| Net cash from operating activities   | 11,791               | 26,406          | 34,287          |
| Less:  |                      |                 |                 |
| Government subsidies received, net of tax                                  | (5,513)              | (15,938)        | (24,380)        |
| Adjusted net cash from operating activities                                | 6,278                | 10,468          | 9,907           |
| Net cash (used in)/ from investing activities                              | (13,421)             | (25,970)        | 38,166          |
| Net cash used in financing activities                                      | (775)                | (1,298)         | (59,689)        |
| <b>Adjusted net decrease in cash and cash equivalents</b>                  | <b>(7,918)</b>       | <b>(16,800)</b> | <b>(11,616)</b> |
| Adjusted cash and cash equivalents at the beginning of the financial year  | <sup>(b)</sup> 9,274 | 1,356           | (15,444)        |
| <b>Adjusted cash and cash equivalents at the end of the financial year</b> | <b>1,356</b>         | <b>(15,444)</b> | <b>(27,060)</b> |

**Notes:**

- (a) The gain on fair value adjustment on biological assets is a non-cash item that was added back when calculating operating profit before changes in working capital. Hence, excluding this gain has no impact on the net cash from operating activities.
- (b) As our Group began receiving government subsidies in FYE 2022, no adjustment was made to the cash and cash equivalents at the beginning of FYE 2022.

## 12. FINANCIAL INFORMATION (Cont'd)

### 12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and segmental analysis of our consolidated financial statements for FYE 2022 to 2024 should be read in conjunction with the Accountants' Report as set out in Section 13.

#### 12.2.1 Overview of our operations

##### (a) Principal activities

We are principally involved in poultry farming, whereby we rear layer chickens for the production of table eggs. Our table eggs can be categorised into ordinary eggs and premium eggs as below:

- (i) Our **ordinary eggs** are eggs that contain basic nutritional value, which are produced by our layer chickens that are fed with basic poultry feed without enrichments added to them; and
- (ii) Our **premium eggs** are eggs that contain higher nutritional value, such as Vitamin E, Omega DHA and selenium. These eggs are produced by our layer chickens that are fed with enriched poultry feed.

We sell our ordinary eggs unbranded or under our house brand 'QPlus', and premium eggs all under our house brand 'QPlus'. Upon request by customers, our Group also supplies table eggs packaged and/or labelled under our customers' brands.

We operate a vertically integrated business model for our poultry farming, beginning from rearing of layer chickens which is supported by our in-house feed mill operations to produce poultry feed to sorting and sale of eggs.

Our layer chickens typically start laying eggs at around 17 to 18 weeks old and will typically be past their prime laying period at around 90 weeks old. Layer chickens that have passed their prime laying period are known as spent chickens, which are sold to, amongst others, wholesalers and third-party poultry farmers. Our Group has historically collected, dried and sold the treated manure to third parties. Subsequent to FYE 2024, raw manure collected from our poultry farming is sold to a related party, namely BL Ong & Sons Ventures. The income generated from the sale of spent chickens and raw manure is part of our revenue stream.

Our Group adopts a multi-channel distribution strategy whereby our eggs are sold to our network of local wholesalers for onward sales to retailers (e.g. wet markets, mini markets and sundry shop) and food manufacturers; retailers for onward sales to consumers; and food manufacturers who use our eggs in their food manufacturing process. Apart from our local customers, we also sell our eggs to an overseas customer (i.e. a wholesaler) in Hong Kong, where we supply our ordinary eggs and premium eggs that are packaged and/or labelled under the customer's brand.

For FYE 2022 to 2024, the sales of table eggs were the largest revenue contributor, which accounted for 93.5%, 95.2% and 95.0% of our Group's total revenue respectively, which are driven by sales of ordinary eggs, which contributed 93.5%, 89.2% and 90.9% to our Group's total revenue respectively. Our Group launched and began to sell premium eggs in FYE 2023.

Please refer to Section 7 for our Group's detailed business overview.



## **12. FINANCIAL INFORMATION (Cont'd)**

### **(b) Revenue**

Our revenue comprises income from the sale of table eggs and other products, such as the sale of spent chicken, raw manure, raw materials, scrap materials and handling charges.

Revenue from the sale of table eggs and other products are recognised upon goods being delivered and accepted by the customers at their premises or recognised upon the control of goods being transferred to the customer. There were no warranties given to the customers, nor any variable element in the consideration.

### **(c) Cost of sales**

Cost of sales comprise mainly cost of materials and livestock, staff costs and related expenses, upkeep of farm machinery, utilities, depreciation of property, plant and equipment and right-of-use assets and transportation and forwarding costs. The cost of materials and livestock were offset with government subsidies received in relation to the sales of eggs.

### **(d) Other income**

Other income mainly comprise gain on change in fair value of biological assets, gain on disposal of property, plant and equipment, net income from sale of fresh fruit bunches, realised gain on foreign exchange, rental income and gain on disposal of right-of-use assets.

### **(e) Administrative expenses**

Administrative expenses mainly comprise directors' remuneration, legal and professional fees, upkeep and maintenance expenses, depreciation of property, plant and equipment, right-of-use assets and investment properties, foreign worker levy and staff-related expenses, insurance and entertainment.

### **(f) Distribution costs**

Distribution costs mainly comprise transportation and forwarding costs.

### **(g) Finance income**

Finance income comprises fixed deposit interests, bank interest income, interest income from long-term investments and interest income from short-term investments.

### **(h) Finance costs**

Finance costs comprise term loan interests, hire purchase interests and lease liabilities interests.

### **(i) Significant events subsequent to FYE 2024**

Save as disclosed below, there were no other significant events subsequent to our audited consolidated financial statements for FYE 2024:

- (i) the Acquisition of Hock Soon Poultry Farm;
- (ii) the acquisition of Teluk Intan Lands, and
- (iii) the dividend paid of RM43.0 million.

**12. FINANCIAL INFORMATION (Cont'd)****(j) Accounting policies, estimates and judgements**

The material accounting policy information is disclosed in Notes 3 (Property, plant and equipment), 4 (Right-of-use assets), 5 (Investment properties), 7 (Other investment), 8 (Biological assets), 9 (Inventories) and 17 (Revenue) of the Accountants' Report as set out in Section 13. The accounting policies that are peculiar to our Group because of the nature of our business involving poultry farming are summarised below:

Biological assets

We classified our biological assets as part of our normal operating cycle – current assets. This classification is in line with similar industry players' classification, which includes assets that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting period.

Valuation methodology

Biological assets comprise pullets and layers that are measured at fair value less cost to sell. The fair value of pullets and layers is determined using the discounted cash flow model based on expected cash inflow from agriculture produce less expected cost incurred over the remaining life of pullets and layers and contributory assets charges for the land and farm houses owned by our Group. Changes in fair value of the pullets and layers are recognised in the consolidated statement of profit or loss.

In preparing the financial statements, actual results may differ from the estimates as our management are required to make judgements, estimates, and assumptions on the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effects on the amounts recognised in the consolidated financial statements other than those discussed in Note 1(d) of the Accountants' Report. Significant accounting estimates and judgements of the Accountants' Report are included in Section 13.

Key assumptions used in deriving the fair value of biological assets

The key assumptions used in determining the fair value of biological assets are the selling prices of eggs and feed costs, the records of which for FYE 2022 to 2024 are set out in Note 8 of the Accountants' Report, and as follows:

|  | <b>FYE 2022</b> | <b>FYE 2023</b> | <b>FYE 2024</b> |
|--|-----------------|-----------------|-----------------|
| Estimated average eggs' selling prices per piece (sen) | 36              | 38              | 35              |
| Estimated feed cost (RM per MT)                        | 1,275           | 1,712           | 1,904           |

In deriving the fair value of layer chickens using discounted cash flow model, the management's estimation also includes other parameters, such as the expected number of eggs produced, projected selling prices, discount rate, mortality rate, feed consumption rate, feed costs and other estimated costs over the remaining life of the layer chickens.

There is no difference on the key assumptions used for pullets and layers apart from the adjustments made on pullets as immature biological assets, which are set out in the following subsections.

The foregoing valuation assumptions applied by our Group were in line with market factors as well as industry practices.

**12. FINANCIAL INFORMATION (Cont'd)**Sensitivity analysis

The sensitivity analysis for the changes in each the key assumptions as well as other parameters on the effect on biological assets for each financial year end are tabulated as below:

| Key valuation assumption           | Variation | Effect on biological assets |       |          |       |          |       |
|------------------------------------|-----------|-----------------------------|-------|----------|-------|----------|-------|
|                                    |           | FYE 2022                    |       | FYE 2023 |       | FYE 2024 |       |
|                                    |           | RM'000                      | %     | RM'000   | %     | RM'000   | %     |
| Selling prices of egg              | 20.0      | 15,181                      | 64.6  | 25,810   | 61.1  | 21,304   | 43.4  |
|                                    | -20.0     | -15,181                     | -64.6 | -25,810  | -61.1 | -21,304  | -43.4 |
| Feed cost                          | 20.0      | -9,911                      | -42.2 | -15,326  | -36.3 | -9,458   | -19.3 |
|                                    | -20.0     | 9,911                       | 42.2  | 15,326   | 36.3  | 9,458    | 19.3  |
| Vaccination cost                   | +20.0     | -55                         | -0.2  | -111     | -0.3  | -32      | -0.1  |
|                                    | -20.0     | 55                          | 0.2   | 111      | 0.3   | 32       | 0.1   |
| Liveability rate <sup>(1)(2)</sup> | +5.0      | 509                         | 2.2   | 670      | 1.6   | 640      | 1.3   |
|                                    | -5.0      | -158                        | -0.7  | -152     | -0.4  | -34      | -0.1  |
| Productivity rate <sup>(1)</sup>   | +5.0      | 4,010                       | 17.1  | 7,145    | 16.9  | 5,648    | 11.5  |
|                                    | -5.0      | -4,177                      | -17.8 | -7,145   | -16.9 | -5,648   | -11.5 |
| Discount rate <sup>(1)</sup>       | +5.0      | -1,087                      | -4.6  | -1,612   | -3.8  | -1,367   | -2.8  |
|                                    | -5.0      | 1,164                       | 5.0   | 1,718    | 4.1   | 1,441    | 2.9   |
| Selling prices of spent chicken    | +20.0     | 1,374                       | +5.9  | 1,790    | +4.2  | 1,127    | +2.3  |
|                                    | -20.0     | -1,374                      | -5.9  | -1,790   | -4.2  | -1,127   | -2.3  |

**Notes:**

- (1) The above illustration uses 5.0% variation for the sensitivity analysis on the liveability rate, productivity rate and discount rate to provide a realistic and reasonable analysis on the effect of these key valuation inputs of biological assets.
- (2) For liveability rate, those existing above 95.0%, it will be taken as 100.0%, while those below 95.0%, it will be added with 5.0% directly.

Fair value adjustments to pullets

After determining the fair value of the pullets, an adjustment is made to their fair value, to reflect the stages of growth and biological transformations of immature biological assets. In this regard, the first 4 months of layers (i.e. pullets) are considered as immature biological assets, and therefore, although the pullet houses can be measured at fair value based on the future projected cash flows, such fair value does not represent the price in an orderly transaction between willing buyer and willing seller.

The adjustment made is equal to the difference between: the purchase price of day-old chicks; against the discounted net cash flows as of the 1st month when the chicken reaches its mature stage (i.e: approximately the fifth month). This difference will be proportionately recorded over the first 4 months to reflect the incremental value of the biological transformation of the pullet into a mature hen.

Accounting treatment and recognition of the value for agriculture produce (fresh eggs)

Fresh eggs harvested from the Group's biological assets are outputs of the biological assets. The eggs are instead recognised as "finished goods – Agriculture produce". In accordance to MFRS 102, Para 20, agricultural produce that an entity has harvested from its biological assets are measured on initial recognition at their fair value less costs to sell at the point of harvest (i.e: fair value being the selling price at the point of harvest) and this is the cost of the inventories at the initial recognition. In accordance with MFRS 102, the eggs are stated at the lower of cost and net realisable value.

## 12. FINANCIAL INFORMATION (Cont'd)

### (k) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during FYE 2022 to 2024. In addition, the audited financial statements of our Group for FYE 2022 to 2024 were not subject to any audit qualifications.

### (l) Significant factors affecting our business

Section 9 details the risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our revenue and financial performance. The main factors which affect revenues and profits include but are not limited to the following:

#### (i) 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.

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.

Please refer to Section 9.1.1 for further details.

#### (ii) 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 subsidies for each grade A, grade B and grade C ordinary eggs were reduced from RM0.10 to RM0.05 per egg and the price control was removed, effective 1 May 2025. Subsequently, effective 1 August 2025, the Government fully removed the egg subsidy.

**12. FINANCIAL INFORMATION (Cont'd)**

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.

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.

Please refer to Section 9.1.2 for further details.

**(iii) 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. The raw materials and ingredients (e.g. maize, soybean meal, wheat, pollard and sunflower meal) used in the production of our in-house poultry feed are commodity products, whose price and availability are influenced by various factors, including production levels, weather conditions, transportation and storage costs, epidemic diseases, global demand for such materials and fluctuations in USD. Local corn prices have historically adjusted to global corn prices. Any significant change in the availability or significant increase in the price of raw materials could materially affect our cost of sales, our gross profit margin and, consequently, our profitability.

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 the effects of price fluctuations of raw materials and ingredients on our financial performance for FYE 2022 to 2024.

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. 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.

Please refer to Section 9.1.3 for further details.

## 12. FINANCIAL INFORMATION (Cont'd)

### (iv) 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 these commodities are quoted in USD in the world market, any fluctuation in the currency will have an impact on the cost of procurement of these raw materials. As such, we are indirectly subject to the risk of foreign exchange fluctuation.

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.

Our exposure to foreign exchange fluctuation from revenue is minimal, as only 3.7%, 1.1% and 0.8% of our revenue for FYE 2022 to 2024 were generated from sales to Hong Kong customers, which are denominated in USD. Hence, our exposure to foreign exchange fluctuation from revenue is minimal.

Please refer to Section 9.1.9 for further details.

### (v) The fair value of our biological assets is subject to fluctuations

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. Further, the key assumptions used for the fair value assessment 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, which are disclosed in Note (8) of the Accountant Report. Any changes in the factors considered in the accounting policy and valuation process of our biological assets and the assumptions used 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.

Please refer to Section 9.1.10 and Note (8) of the Accountants' Report as set out in Section 13 for the further details, including the sensitivity analysis of the possible changes in the key assumptions on the fair value of our biological assets.

**12. FINANCIAL INFORMATION (Cont'd)****12.2.2 Review of our results of operations****(a) Revenue****Analysis of revenue by product**

|                                 | FYE 2022       |              | FYE 2023       |              | FYE 2024       |              |
|---------------------------------|----------------|--------------|----------------|--------------|----------------|--------------|
|                                 | RM'000         | %            | RM'000         | %            | RM'000         | %            |
| <b>Table eggs<sup>(1)</sup></b> | <b>125,412</b> | <b>93.5</b>  | <b>139,232</b> | <b>95.2</b>  | <b>143,798</b> | <b>95.0</b>  |
| Ordinary eggs                   | 125,412        | 93.5         | 130,378        | 89.2         | 137,539        | 90.9         |
| - Unbranded <sup>(2)</sup>      | 107,398        | 80.0         | 112,564        | 77.0         | 121,011        | 80.0         |
| - Customers' brand              | 11,849         | 8.9          | 8,564          | 5.9          | 10,472         | 6.9          |
| - Own brand                     | 6,165          | 4.6          | 9,250          | 6.3          | 6,056          | 4.0          |
| Premium eggs <sup>(3)</sup>     | -              | -            | 8,854          | 6.0          | 6,259          | 4.1          |
| <b>Others<sup>(4)</sup></b>     | <b>8,766</b>   | <b>6.5</b>   | <b>7,019</b>   | <b>4.8</b>   | <b>7,579</b>   | <b>5.0</b>   |
|                                 | <b>134,178</b> | <b>100.0</b> | <b>146,251</b> | <b>100.0</b> | <b>151,377</b> | <b>100.0</b> |

**Notes:**

(1) Our table eggs revenues is mainly derived from the grade of eggs as below:

|                             | FYE 2022 | FYE 2023 | FYE 2024 |
|-----------------------------|----------|----------|----------|
|                             | %        | %        | %        |
| Grade A                     | 18.7     | 17.9     | 16.5     |
| Grade B                     | 35.5     | 32.5     | 33.8     |
| Grade C                     | 29.8     | 32.4     | 32.2     |
| Others (Grade AA, D, E & F) | 16.0     | 17.2     | 17.5     |

(2) Includes soiled, spotted, cracked or broken eggs that are sold in the form of liquid eggs in bags.

(3) Comprise premium eggs labeled under our house-brand 'QPlus' and under a Hong Kong customer's brand. Sale of premium eggs under the Hong Kong customer's brand amounted to RM1.0 million for both FYE 2023 and 2024.

(4) Comprises revenue generated from the sale of spent chickens, raw manure, raw materials, scrap materials and handling charges.

**Analysis of revenue by geographical region<sup>(1)</sup>**

|                         | FYE 2022       |              | FYE 2023       |              | FYE 2024       |              |
|-------------------------|----------------|--------------|----------------|--------------|----------------|--------------|
|                         | RM'000         | %            | RM'000         | %            | RM'000         | %            |
| <b>Malaysia</b>         | <b>129,240</b> | <b>96.3</b>  | <b>144,572</b> | <b>98.9</b>  | <b>150,191</b> | <b>99.2</b>  |
| Central <sup>(2)</sup>  | 78,655         | 58.6         | 91,708         | 62.7         | 103,330        | 68.2         |
| Northern <sup>(3)</sup> | 42,975         | 32.0         | 47,964         | 32.8         | 39,495         | 26.1         |
| Southern <sup>(4)</sup> | 6,461          | 4.8          | 4,157          | 2.9          | 6,462          | 4.3          |
| Eastern <sup>(5)</sup>  | 1,149          | 0.9          | 743            | 0.5          | 904            | 0.6          |
| <b>Overseas</b>         | <b>4,938</b>   | <b>3.7</b>   | <b>1,679</b>   | <b>1.1</b>   | <b>1,186</b>   | <b>0.8</b>   |
| Hong Kong               | 4,938          | 3.7          | 1,679          | 1.1          | 1,186          | 0.8          |
|                         | <b>134,178</b> | <b>100.0</b> | <b>146,251</b> | <b>100.0</b> | <b>151,377</b> | <b>100.0</b> |

**Notes:**

(1) The classification of our revenue by geographical region is based on the locations of our customers.

**12. FINANCIAL INFORMATION (Cont'd)**

- (2) Central comprises Selangor, Kuala Lumpur and Negeri Sembilan.
- (3) Northern comprises Penang, Perak, Perlis and Kedah.
- (4) Southern comprises Melaka and Johor.
- (5) Eastern comprises Pahang, Terengganu and Kelantan.

**Analysis of average selling price for table eggs**

|   | <b>FYE 2022</b>    | <b>FYE 2023</b>    | <b>FYE 2024</b>    |
|---|--------------------|--------------------|--------------------|
| <b>Table eggs</b>                                   |                    |                    |                    |
| <b>Volume sold (eggs)</b>                           | <b>351,363,605</b> | <b>365,879,264</b> | <b>394,860,539</b> |
| - ordinary eggs                                     | 351,363,605        | 351,034,239        | 384,475,599        |
| - premium eggs                                      | -                  | 14,845,025         | 10,384,940         |
| <b>Average selling price (RM/egg)<sup>(1)</sup></b> | <b>0.36</b>        | <b>0.38</b>        | <b>0.36</b>        |
| - ordinary eggs <sup>(2)</sup>                      | 0.36               | 0.37               | 0.36               |
| - premium eggs <sup>(2)</sup>                       | -                  | 0.60               | 0.60               |

**Notes:**

- (1) The average selling prices were computed based on the revenue from sales of table eggs divided by the sales volume of eggs for each financial year.
- (2) The average selling prices were computed based on the revenue from sales of ordinary eggs or premium eggs divided by the sales volume of ordinary eggs or premium eggs for each financial year.

**Comparison between FYE 2022 and FYE 2023**

Our revenue increased by RM12.1 million or 9.0% to RM146.3 million for FYE 2023 (FYE 2022: RM134.2 million), mainly attributable to the increase in revenue from the sale of table eggs by RM13.8 million or 11.0% to RM139.2 million for FYE 2023 (FYE 2022: RM125.4 million) due to the reasons as explained below.

The sale of table eggs segment was our primary revenue contributor, which recorded RM139.2 million or 95.2% of our total revenue for FYE 2023 (FYE 2022: RM125.4 million or 93.5%) which was primarily contributed by the sales of Grade B and C table eggs, which collectively contributed 64.9% of our total revenue for the sale of table eggs segment for FYE 2023 (FYE 2022: 65.3%). Our Group launched and began to sell premium eggs during FYE 2023.

The local market was our main revenue contributor, which recorded RM144.6 million or 98.9% of our total revenue for FYE 2023 (FYE 2022: RM129.2 million or 96.3% of total revenue). However, our revenue from the overseas market has decreased by RM3.2 million or 65.3% to RM1.7 million (FYE 2022: RM4.9 million) mainly due to lower revenue from the sale of ordinary eggs to a Hong Kong wholesaler customer, which decreased by RM4.2 million as the said customer sourced some of its supplies from other suppliers due to our uncompetitive selling prices. Such a decrease was partially offset by the revenue from the sale of premium eggs of RM1.0 million to a new Hong Kong wholesaler customer.



**12. FINANCIAL INFORMATION (Cont'd)*****Table eggs***

Our revenue from the sale of table eggs increased by RM13.8 million or 11.0% to RM139.2 million for FYE 2023 (FYE 2022 RM125.4 million). The increase in revenue was primarily attributable to higher sales volume for table eggs for FYE 2023, which increased to 365,879,264 eggs in FYE 2023 (FYE 2022: 351,363,605 eggs) attributable to higher egg production as a result of the increase in average monthly number of mature hens to 1,145,658 hens for FYE 2023 (FYE 2022: 1,112,564 hens).

In addition, the increase in revenue from the sale of table eggs was also attributable to the increase in the average selling prices of table eggs to RM0.38 per egg for FYE 2023 (FYE 2022: RM0.36 per egg), contributed mainly by higher sales of own brand ordinary eggs as well as revenue from the sale of premium eggs which was launched during FYE 2023, generally having a higher selling price than unbranded and customers' brand ordinary eggs.

Our Group launched the sale of premium eggs during FYE 2023, which recorded revenue of RM8.9 million, contributed mainly by retailer and wholesaler customers of RM8.7 million.

The revenue from the sale of ordinary eggs increased by RM5.0 million or 4.0% to RM130.4 million for FYE 2023 (FYE 2022: RM125.4 million), primarily driven by the following:

- (a) higher revenue from the sale of unbranded ordinary eggs by RM5.2 million, mainly attributable to higher demand from retailer customers; and
- (b) higher revenue from the sale of own-brand ordinary eggs by RM3.1 million, mainly attributable to higher demand from retailer and wholesaler customers.

However, the above increases were partially offset by lower revenue from the sale of customers' brand ordinary eggs of RM3.2 million, mainly due to lower demand from retailer customers.

***Others***

Revenue from the others segment decreased by RM1.8 million or 20.5% to RM7.0 million for FYE 2023 (FYE 2022: RM8.8 million), mainly due to the sale of raw materials of RM3.8 million upon request from a local wholesaler customer in FYE 2022. Such a decrease was partially narrowed by the increase in revenue from the sale of spent chicken of RM1.6 million, mainly attributable to the increase in sales volume for spent chicken from 1,239,346 kg for FYE 2022 to 1,546,460 kg for FYE 2023 as well as increase in average selling prices for spent chicken from RM2.5 per kg for FYE 2022 to RM3.1 per kg for FYE 2023.

**Comparison between FYE 2023 and FYE 2024**

Our revenue further improved by RM5.1 million or 3.5% to RM151.4 million for FYE 2024 (FYE 2023: RM146.3 million), mainly attributable to the increase in revenue from the sale of table eggs by RM4.6 million or 3.3% to RM143.8 million for FYE 2024 (FYE 2023: RM139.2 million), due to the reasons as explained below.

Our revenue from the sale of table eggs has remained our largest revenue contributor, which recorded RM143.8 million or 95.0% of our total revenue for FYE 2024 (FYE 2023: RM139.2 million or 95.2%) which was primarily contributed by the sales of Grade B and C table eggs, which collectively contributed 66.0% of our total revenue for the sale of table eggs segment for FYE 2024 (FYE 2023: 64.9%).

**12. FINANCIAL INFORMATION (Cont'd)**

The local market was still the primary revenue contributor for FYE 2024, which recorded RM150.2 million or 99.2% of our total revenue (FYE 2023: RM144.6 million or 98.9%). The decrease in revenue from the Hong Kong market of RM0.5 million or 29.4% to RM1.2 million for FYE 2024 (FYE 2023: RM1.7 million) was mainly attributable to absence of revenue from the sale of ordinary eggs to a Hong Kong customer due to our uncompetitive selling prices.

***Table eggs***

Revenue from the sale of table eggs increased by RM4.6 million or 3.3% to RM143.8 million for FYE 2024 (FYE 2023: RM139.2 million). The increase was primarily due to higher sales volume for table eggs which increased to 394,860,539 eggs in FYE 2024 (FYE 2023: 365,879,264 eggs) attributable to higher production of eggs for FYE 2024 resulting from the increase in monthly average number of mature hens to 1,211,903 hens for FYE 2024 (FYE 2023: 1,145,658 hens). However, we recorded lower average selling prices for table eggs of RM0.36 per egg for FYE 2024 (FYE 2023: RM0.38 per egg), mainly due to the shift in our customers' demands from premium eggs and own-brand ordinary eggs to unbranded ordinary eggs during FYE 2024, which generally have lower selling prices as compared to premium eggs and own brand ordinary eggs. Revenue from the sale of ordinary eggs increased by RM7.1 million or 5.4% to RM137.5 million for FYE 2024 (FYE 2023: RM130.4 million), primarily driven by the following:

- (a) higher revenue from the sale of unbranded ordinary eggs by RM8.4 million, mainly due to higher demand from retailer and wholesaler customers; and
- (b) higher revenue from the sale of customers' brand ordinary eggs by RM1.9 million, mainly due to higher demand from retailer customers.

However, the above increases were partially offset by lower revenue from the sale of own-brand ordinary eggs of RM3.2 million, mainly due to lower demand from retailer and wholesaler customers.

Revenue from the sale of premium eggs decreased by RM2.6 million or 29.2% to RM6.3 million for FYE 2024 (FYE 2023: RM8.9 million), mainly due to lower demand from retailer and wholesaler customers.

***Others***

Revenue from the others segment increased by RM0.6 million or 8.6% to RM7.6 million for FYE 2024 (FYE 2023: RM7.0 million). The said increase was mainly due to the following:

- (a) revenue from the sale of raw materials of RM1.7 million upon request from a local wholesaler (FYE 2023: RM Nil); and
- (b) revenue from the sale of raw manure increased by RM0.7 million, mainly contributed by higher demand from 1 local retailer and 2 local wholesalers, as well as an increase in the number of layers sold in FYE 2024.

The above increases were partially offset by the decrease in revenue from the sale of spent chicken of RM1.7 million, which was mainly attributable to the decrease in average selling prices from RM3.1 per kg for FYE 2023 to RM2.0 per kg for FYE 2024.

**12. FINANCIAL INFORMATION (Cont'd)****(b) Cost of sales, GP and GP margin****Analysis of cost of sales by cost component**

|  | FYE 2022       |              | FYE 2023       |              | FYE 2024      |              |
|--|----------------|--------------|----------------|--------------|---------------|--------------|
|  | RM'000         | %            | RM'000         | %            | RM'000        | %            |
| Cost of materials and livestock <sup>(1)</sup>     | 95,165         | 85.9         | 86,049         | 81.9         | 70,797        | 76.5         |
| Staff costs and related expenses                   | 5,497          | 5.0          | 7,063          | 6.7          | 8,441         | 9.1          |
| Upkeep of farm machinery                           | 2,647          | 2.4          | 4,981          | 4.7          | 5,568         | 6.0          |
| Utilities  | 2,821          | 2.5          | 3,146          | 3.0          | 3,289         | 3.6          |
| Depreciation <sup>(2)</sup>                        | 1,919          | 1.7          | 1,541          | 1.5          | 1,707         | 1.8          |
| Transportation and forwarding costs <sup>(3)</sup> | 1,450          | 1.3          | 1,409          | 1.3          | 1,620         | 1.8          |
| Others <sup>(4)</sup>                              | 1,306          | 1.2          | 936            | 0.9          | 1,127         | 1.2          |
|  | <b>110,805</b> | <b>100.0</b> | <b>105,125</b> | <b>100.0</b> | <b>92,549</b> | <b>100.0</b> |

**Notes:**

- (1) Comprises costs of poultry feeds, vaccines and medications, packaging materials and day-old chicks offset with the government subsidies received in relation to the sales of eggs. The government subsidies received for FYE 2022, 2023 and 2024 was RM7.3 million, RM21.0 million and RM32.1 million respectively.
- (2) Comprises depreciation of property, plant and equipment and right-of-use assets.
- (3) Comprises transportation and forwarding costs incurred for the purchases of goods.
- (4) Comprises mainly penalty expenses incurred in FYE 2022 in relation to farm building structure not in accordance with the building plan (the said penalty was paid in December 2021), fuel oil for machinery use and laboratory charges.

**Analysis of cost of sales and adjusted cost of sales by products**

|                      | FYE 2022       |              | FYE 2023       |              | FYE 2024      |              |
|----------------------|----------------|--------------|----------------|--------------|---------------|--------------|
|                      | RM'000         | %            | RM'000         | %            | RM'000        | %            |
| Table eggs           | 106,657        | 96.3         | 104,144        | 99.1         | 90,003        | 97.2         |
| Others               | 4,148          | 3.7          | 981            | 0.9          | 2,546         | 2.8          |
| <b>Cost of sales</b> | <b>110,805</b> | <b>100.0</b> | <b>105,125</b> | <b>100.0</b> | <b>92,549</b> | <b>100.0</b> |

**Cost of sales if excluding government subsidies**

|                               |                |              |                |              |                |              |
|-------------------------------|----------------|--------------|----------------|--------------|----------------|--------------|
| Table eggs <sup>(1)</sup>     | 113,911        | 96.5         | 125,115        | 99.2         | 122,082        | 98.0         |
| Others                        | 4,148          | 3.5          | 981            | 0.8          | 2,546          | 2.0          |
| <b>Adjusted cost of sales</b> | <b>118,059</b> | <b>100.0</b> | <b>126,096</b> | <b>100.0</b> | <b>124,628</b> | <b>100.0</b> |

**Note:**

- (1) Being adjusted cost of sales of table eggs if government subsidies are removed but price control retained.

**12. FINANCIAL INFORMATION (Cont'd)****Analysis of GP and GP margin and adjusted GP and GP margin by products**

|   | FYE 2022      |             | FYE 2023      |             | FYE 2024      |             |
|---|---------------|-------------|---------------|-------------|---------------|-------------|
|   | GP            | GP margin   | GP            | GP margin   | GP            | GP margin   |
|   | RM'000        | %           | RM'000        | %           | RM'000        | %           |
| Table eggs  | 18,755        | 15.0        | 35,088        | 25.2        | 53,795        | 37.4        |
| Others  | 4,618         | 52.7        | 6,038         | 86.0        | 5,033         | 66.4        |
| <b>GP and GP margin</b>                                   | <b>23,373</b> | <b>17.4</b> | <b>41,126</b> | <b>28.1</b> | <b>58,828</b> | <b>38.9</b> |
| <b>GP and GP margin if excluding government subsidies</b> |               |             |               |             |               |             |
| Table eggs <sup>(1)</sup>                                 | 11,501        | 9.2         | 14,117        | 10.1        | 21,716        | 15.1        |
| Others  | 4,618         | 52.7        | 6,038         | 86.0        | 5,033         | 66.4        |
| <b>Adjusted GP and GP margin</b>                          | <b>16,119</b> | <b>12.0</b> | <b>20,155</b> | <b>13.8</b> | <b>26,749</b> | <b>17.7</b> |

**Note:**

- (1) Being adjusted GP and GP margin of table eggs if government subsidies are removed but price control is retained.

**Comparison between FYE 2022 and FYE 2023**

Our cost of sales decreased by RM5.7 million or 5.1% to RM105.1 million for FYE 2023 (FYE 2022: RM110.8 million) despite our revenue increased by 9.0%, mainly attributable to the decrease in the cost of materials and livestock of RM9.2 million or 9.7% to RM86.0 million for FYE 2023 (FYE 2022: RM95.2 million), primarily due to increase in government subsidies received of RM13.7 million or 187.7% to RM21.0 million for FYE 2023 (FYE 2022: RM7.3 million), which increased in tandem with our revenue growth. The increase in the following costs narrowed the decrease in the total cost of materials and livestock:

- (i) the upkeep of farm machinery increased by RM2.4 million or 92.3% to RM5.0 million for FYE 2023 (FYE 2022: RM2.6 million), mainly due to higher repair and replacement costs incurred for egg grading machinery and farm equipment; and
- (ii) an increase in our staff costs and related expenses of RM1.6 million or 29.1% to RM7.1 million for FYE 2023 (FYE 2022: RM5.5 million) was mainly attributable to higher salaries and allowances paid to foreign workers primarily resulting from the increase in foreign workers headcount from 160 foreign workers as at the end of FYE 2022 to 205 foreign workers as at the end of FYE 2023 and the full-year impact from the increase in the basic salaries from RM1,200 to RM1,500 in compliance with the minimum wages requirements since May 2022.

Accordingly, our GP increased by RM17.7 million or 75.6% to RM41.1 million for FYE 2023 (FYE 2022: RM23.4 million) and our overall GP margin has increased from 17.4% for FYE 2022 to 28.1% for FYE 2023.

If excluding the increase in government subsidies, our cost of material and livestock increased by RM4.6 million for FYE 2023, in tandem with the increase in our monthly average number of mature hens, as explained in Section 12.2.2(a). After excluding the government subsidies received, our adjusted GP increased by RM4.1 million or 25.5% to RM20.2 million for FYE 2023 (FYE 2022: RM16.1 million) and our overall adjusted

**12. FINANCIAL INFORMATION (Cont'd)**

GP margin increased from 12.0% for FYE 2022 to 13.8% for FYE 2023. This was also mainly attributable to the higher GP and GP margin recorded from the sale of table eggs for FYE 2023 as explained below.

***Table eggs***

Although our revenue for the sale of table eggs increased by 11.0%, our cost of sales for the sale of table eggs decreased by RM2.6 million or 2.4% to RM104.1 million for FYE 2023 (FYE 2022: RM106.7 million). This was mainly due to the lower total cost of materials and livestock of FYE 2023, as a result of the increase in government subsidies received in FYE 2023, which was partially offset by the increase in our upkeep of farm machinery as well as staff costs and related expenses, as explained above.

Correspondingly, our GP for the sale of table eggs has increased by RM16.3 million or 86.7% to RM35.1 million for FYE 2023 (FYE 2022: RM18.8 million), and our GP margin increased from 15.0% for FYE 2022 to 25.2% for FYE 2023.

If excluding the government subsidies received, our cost of sales for the sale of table eggs increased by RM11.2 million or 9.8% to RM125.1 million for FYE 2023 (FYE 2022: RM113.9 million), which increased in tandem with our revenue growth. Our adjusted GP for the sale of table eggs increased by RM2.6 million or 22.6% to RM14.1 million for FYE 2023 (FYE 2022: RM11.5 million), and our adjusted GP margin increased from 9.2% for FYE 2022 to 10.1% for FYE 2023. These were attributable to higher sales volume and the increase in average selling prices for table eggs for FYE 2023, as explained in Section 12.2.2(a).

***Others***

Our cost of sales from the sale of others decreased by RM3.1 million or 75.6% to RM1.0 million for FYE 2023 (FYE 2022: RM4.1 million), mainly due to the absence of the material cost incurred for the sale of raw materials in FYE 2022. Although our revenue from the sale of others decreased by 20.5% for FYE 2023, our GP for the sale of others increased by RM1.4 million or 30.4% to RM6.0 million for FYE 2023 (FYE 2022: RM4.6 million), and our GP margin increased from 52.7% for FYE 2022 to 86.0% for FYE 2023 mainly due to the higher sales volume for spent chicken sold as well as increase in average selling prices for spent chickens for FYE 2023 as explained in Section 12.2.2(a). In addition, the lower GP margin for FYE 2022 was primarily attributable to the sale of raw materials to a local wholesaler customer upon request in FYE 2022 which yielded a lower GP margin compared to sale of spent chicken.

**Comparison between FYE 2023 and FYE 2024**

Our cost of sales decreased by RM12.6 million or 12.0% to RM92.5 million for FYE 2024 (FYE 2023: RM105.1 million) despite our revenue grew by 3.5%, mainly attributable to the decrease in the cost of materials and livestock of RM15.3 million or 17.8% to RM70.8 million for FYE 2024 (FYE 2023: RM86.1 million), primarily due to an increase in government subsidies received of RM11.1 million or 52.9% to RM32.1 million for FYE 2024 (FYE 2023: RM21.0 million), which increased in tandem with our revenue growth. The decrease in the cost of materials and livestock was partially offset by the increase in staff costs and related expenses of RM1.3 million or 18.3% to RM8.4 million for FYE 2024 (FYE 2023: RM7.1 million), mainly due to higher salaries and allowances paid to foreign workers primarily resulting from the increase in foreign workers headcount from 205 foreign workers as at the end of FYE 2023 to 251 foreign workers as at the end of FYE 2024.

**12. FINANCIAL INFORMATION (Cont'd)**

Our GP increased by RM17.7 million or 43.1% to RM58.8 million for FYE 2024 (FYE 2023: RM41.1 million), while our overall GP margin has increased from 28.1% for FYE 2023 to 38.9% for FYE 2024.

If excluding the increase in government subsidies, our cost of material and livestock increased by RM4.1 million for FYE 2024, which was growth in tandem with the increase in our monthly average number of mature hens, as explained in Section 12.2.2(a). After excluding the government subsidies received, our adjusted GP increased by RM6.5 million or 32.2% to RM26.7 million for FYE 2024 (FYE 2023: RM20.2 million) and our overall adjusted GP margin increased from 13.8% for FYE 2023 to 17.7% for FYE 2024. This was mainly attributable to the higher GP and GP margin recorded from the sale of table eggs for FYE 2024 for the reasons as explained below.

***Table eggs***

Although our revenue for the sale of table eggs grew by 3.3%, our cost of sales for the sale of table eggs decreased by RM14.1 million or 13.5% to RM90.0 million for FYE 2024 (FYE 2023: RM104.1 million). This was mainly due to the lower total cost of materials and livestock of FYE 2024 as a result of increase in government subsidies received in FYE 2024 and the normalisation of market conditions as explained in Section 9.1.3, which was partially offset by the increase in our staff costs and related expenses, as explained above. If excluding the government subsidies received, our cost of sales for the sale of table eggs decreased by RM3.0 million or 2.4% to RM122.1 million for FYE 2024 (FYE 2023: RM125.1 million).

Correspondingly, our GP for the sale of table eggs has increased by RM18.7 million or 53.3% to RM53.8 million for FYE 2024 (FYE 2023: RM35.1 million), and our GP margin increased from 25.2% for FYE 2023 to 37.4% for FYE 2024. These were attributable to higher revenue recorded for FYE 2024 as explained in Section 12.2.2(a), lower total cost of materials and livestock of FYE 2024 as the market conditions normalised in FYE 2024, as explained above.

Our adjusted GP for the sale of table eggs has increased by RM7.6 million or 53.9% to RM21.7 million for FYE 2024 (FYE 2023: RM14.1 million), and our adjusted GP margin increased from 10.1% for FYE 2023 to 15.1% for FYE 2024. This was also attributable to the higher GP and GP margin as explained above.

***Others***

Our cost of sales for the sale of others increased by RM1.5 million or 150.0% to RM2.5 million for FYE 2024 (FYE 2023: RM1.0 million), which increased at a rate higher than our revenue growth rate of 8.6%. This was mainly due to material costs incurred for selling raw materials to a local wholesaler upon request in FYE 2024 (FYE 2023: RM Nil), which yielded a lower GP margin than the sale of spent chicken. Hence, our GP for the sale of others decreased by RM1.0 million or 16.7% to RM5.0 million for FYE 2024 (FYE 2023: RM6.0 million), and our GP margin decreased from 86.0% for FYE 2023 to 66.4% for FYE 2024. In addition, the lower GP margin was also due to the decrease in average selling prices per kg for spent chicken during FYE 2024 as explained in Section 12.2.2(a), which was partially offset by lower transportation costs incurred for the sale of others as our customers collected their orders by their own transportation.

**12. FINANCIAL INFORMATION (Cont'd)****(c) Other income**

|  | <b>FYE 2022</b> |              | <b>FYE 2023</b> |              | <b>FYE 2024</b> |              |
|--|-----------------|--------------|-----------------|--------------|-----------------|--------------|
|  | <b>RM'000</b>   | <b>%</b>     | <b>RM'000</b>   | <b>%</b>     | <b>RM'000</b>   | <b>%</b>     |
| Gain on change in fair value of biological assets <sup>(1)</sup> | 2,525           | 63.0         | 17,417          | 94.2         | 5,763           | 68.3         |
| Gain on disposal of property, plant and equipment                | 107             | 2.7          | 337             | 1.8          | 1,537           | 18.2         |
| Net income from selling fresh fruit bunches <sup>(2)</sup>       | 916             | 22.9         | 398             | 2.2          | 521             | 6.2          |
| Realised gain on foreign exchange                                | -               | -            | -               | -            | 319             | 3.8          |
| Rental income <sup>(3)</sup>                                     | 188             | 4.7          | 171             | 0.9          | 168             | 2.0          |
| Gain on disposal of right-of-use assets                          | 158             | 3.9          | -               | -            | -               | -            |
| Others <sup>(4)</sup>  | 113             | 2.8          | 171             | 0.9          | 125             | 1.5          |
|  | <b>4,007</b>    | <b>100.0</b> | <b>18,494</b>   | <b>100.0</b> | <b>8,433</b>    | <b>100.0</b> |

**Notes:**

- (1) The fair value of our biological assets, which comprise layer chickens, were derived using the discounted cash flow model and inputs from the management's estimation, including the expected number of eggs produced, projected selling prices, discount rate, mortality rate, feed consumption rate, feed costs and other estimated costs over the remaining life of the layer chickens.
- (2) Comprises net income from selling fresh fruit bunches after accounting for the direct expenses incurred on our agriculture lands from which the fresh fruit bunches are harvested (as disclosed under Section 6.9.1 which are currently oil palm estates).
- (3) Comprises rental income received from the rental of our investment properties, which comprise shop offices and an apartment.
- (4) Comprises mainly dividend income from quoted securities in Malaysia and Hong Kong.

**Comparison between FYE 2022 and FYE 2023**

Our other income increased by RM14.5 million or 362.5% to RM18.5 million for FYE 2023 (FYE 2022: RM4.0 million), mainly attributable to higher gain on change in fair value of biological assets, which increased by RM14.9 million or 596.0% to RM17.4 million (FYE 2022: RM2.5 million), primarily due to lower projected feed costs, increase in number of layer chickens and increase in projected selling prices for spent chicken in FYE 2023.

**12. FINANCIAL INFORMATION (Cont'd)**

The abovementioned increase was partially offset by the decrease in income from sale of fresh fruit bunches of RM0.5 million or 55.6% to RM0.4 million for FYE 2023 (FYE 2022: RM0.9 million), mainly due to lower selling prices for fresh fruit bunches, which moved in tandem with the global crude palm oil prices during FYE 2023.

**Comparison between FYE 2023 and FYE 2024**

Our other income decreased by RM10.1 million or 54.6% to RM8.4 million for FYE 2024 (FYE 2023: RM18.5 million) mainly due to a lower gain on change in fair value of biological assets recorded for FYE 2024, which decreased by RM11.6 million or 66.7% to RM5.8 million for FYE 2024 (FYE 2023: RM17.4 million), primarily as a result of smaller movement in projected material feed costs and projected selling prices of table eggs from FYE 2023 to 2024 as compared to the period FYE 2022 to 2023.

The abovementioned decrease was partially narrowed by the increase in gain on disposal of property, plant and equipment of RM1.2 million or 400.0% to RM1.5 million for FYE 2024 (FYE 2023: RM0.3 million), mainly for the disposal of 5 pieces of freehold lands where the manure facilities such as manure storage as well as manure collection and drying station are erected thereon, as well as equipment and machinery for the handling of manure to a related party, BL Ong & Sons Ventures in FYE 2024, as detailed in Section 10.1.

**(d) Administrative expenses**

|  | FYE 2022     |              | FYE 2023      |              | FYE 2024      |              |
|--|--------------|--------------|---------------|--------------|---------------|--------------|
|  | RM'000       | %            | RM'000        | %            | RM'000        | %            |
| Directors' remuneration                        | 5,625        | 75.5         | 11,004        | 81.1         | 9,885         | 72.0         |
| Legal and professional fees                    | 138          | 1.8          | 346           | 2.6          | 916           | 6.7          |
| Upkeep and maintenance expenses                | 367          | 4.9          | 643           | 4.7          | 869           | 6.3          |
| Depreciation <sup>(1)</sup>                    | 342          | 4.6          | 364           | 2.7          | 539           | 3.9          |
| Foreign worker levy and staff-related expenses | 280          | 3.8          | 496           | 3.7          | 449           | 3.3          |
| Insurance                                      | 168          | 2.3          | 222           | 1.6          | 255           | 1.9          |
| Entertainment                                  | 222          | 3.0          | 45            | 0.3          | 134           | 1.0          |
| Others <sup>(2)</sup>                          | 308          | 4.1          | 448           | 3.3          | 676           | 4.9          |
|  | <b>7,450</b> | <b>100.0</b> | <b>13,568</b> | <b>100.0</b> | <b>13,723</b> | <b>100.0</b> |

**Notes:**

- (1) Comprises depreciation of property, plant and equipment, right-of-use assets and investment properties.
- (2) Comprises mainly penalty charges incurred in relation to underestimation of income tax for the year of assessment 2023, fuel and oil expenses, travelling expenses, quit rent and assessment as well as printing and stationery.



**12. FINANCIAL INFORMATION (Cont'd)****Comparison between FYE 2022 and FYE 2023**

Our administrative expenses increased by RM6.1 million or 81.3% to RM13.6 million for FYE 2023 (FYE 2022: RM7.5 million), mainly attributable to the following:

- (i) increase in directors' remuneration of RM5.4 million or 96.4% to RM11.0 million for FYE 2023 (FYE 2022: RM5.6 million), mainly due to annual salary increment and higher bonuses in line with our business growth;
- (ii) increase in upkeep and maintenance expenses of RM0.2 million or 50.0% to RM0.6 million for FYE 2023 (FYE 2022: RM0.4 million), mainly due to higher replacement costs as well as repair and maintenance costs for electrical fittings;
- (iii) increase in foreign worker levy and staff-related expenses of RM0.2 million or 66.7% to RM0.5 million for FYE 2023 (FYE 2022: RM0.3 million), mainly due to higher foreign worker levy fees incurred as a result of the increase in foreign worker headcounts from 160 as at the end of FYE 2022 to 205 as at the end of in FYE 2023; and
- (iv) increase in legal and professional fees of RM0.2 million or 200.0% to RM0.3 million for FYE 2023 (FYE 2022: RM0.1 million), mainly due to legal fee and stamp duty incurred for the acquisition of leasehold industrial land located in Bidor, Perak during FYE 2023, as detailed in Section 6.9.3(b).

**Comparison between FYE 2023 and FYE 2024**

Our administrative expenses increased marginally by RM0.1 million or 0.7% to RM13.7 million for FYE 2024 (FYE 2023: RM13.6 million), mainly attributable to the increase in legal and professional fees of RM0.6 million or 200.0% to RM0.9 million for FYE 2024 (FYE 2023: RM0.3 million), mainly due to professional fees incurred for our Listing. Such an increase was partially offset by the lower directors' remuneration for FYE 2024, which decreased by RM1.1 million or 10.0% to RM9.9 million for FYE 2024 (FYE 2023: RM11.0 million), primarily due to the lower bonuses paid in FYE 2024.

**(e) Distribution costs**

|  | FYE 2022     |              | FYE 2023     |              | FYE 2024     |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
|  | RM'000       | %            | RM'000       | %            | RM'000       | %            |
| Transportation and forwarding costs <sup>(1)</sup> | 2,626        | 99.8         | 2,415        | 99.9         | 2,483        | 100.0        |
| Others <sup>(2)</sup>                              | 5            | 0.2          | 2            | 0.1          | 1            | <0.1         |
|  | <b>2,631</b> | <b>100.0</b> | <b>2,417</b> | <b>100.0</b> | <b>2,484</b> | <b>100.0</b> |

**Notes:**

- (1) Comprise transportation and forwarding costs incurred for the delivery of goods to customers.
- (2) Comprises goods handling charges and advertisement expenses.

**12. FINANCIAL INFORMATION (Cont'd)****Comparison between FYE 2022 and FYE 2023**

Our distribution costs decreased by RM0.2 million or 7.7% to RM2.4 million for FYE 2023 (FYE 2022: RM2.6 million), mainly due to the decrease in transportation and forwarding costs of RM0.2 million or 7.7% to RM2.4 million for FYE 2023 (FYE 2022: RM2.6 million), primarily resulting from the lower export forwarding charges incurred in FYE 2023, which decreased in tandem with lower export sales in FYE 2023.

**Comparison between FYE 2023 and FYE 2024**

Our distribution costs for and FYE 2023 and FYE 2024 were fairly consistent.

**(f) Finance income**

|   | FYE 2022     |              | FYE 2023     |              | FYE 2024     |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
|   | RM'000       | %            | RM'000       | %            | RM'000       | %            |
| Fixed deposit interests                     | 1,053        | 89.8         | 1,360        | 75.6         | 2,380        | 83.5         |
| Bank interest income                        | 67           | 5.7          | 238          | 13.2         | 299          | 10.5         |
| Interest income from long-term investments  | -            | -            | 158          | 8.8          | 170          | 6.0          |
| Interest income from short-term investments | 53           | 4.5          | 43           | 2.4          | -            | -            |
|   | <b>1,173</b> | <b>100.0</b> | <b>1,799</b> | <b>100.0</b> | <b>2,849</b> | <b>100.0</b> |

**Comparison between FYE 2022 and FYE 2023**

Our finance income increased by RM0.6 million or 50.0% to RM1.8 million for FYE 2023 (FYE 2022: RM1.2 million) mainly due to the following:

- (i) increase in fixed deposits interests of RM0.3 million or 27.3% to RM1.4 million for FYE 2023 (FYE 2022: RM1.1 million) due to higher placement of fixed deposits during FYE 2023;
- (ii) interest income from long-term investments of RM0.2 million as a result of the placement of structured deposits with the original maturity exceeding 12 months towards the end of FYE 2022; and
- (iii) increase in bank interest income of RM0.1 million or 100.0% to RM0.2 million (FYE 2022: RM0.1 million), mainly due to higher short-term placements with a licensed bank.

**Comparison between FYE 2023 and FYE 2024**

Our finance income increased by RM1.0 million or 55.6% to RM2.8 million for FYE 2024 (FYE 2023: RM1.8 million), mainly due to the increase in fixed deposit interests of RM1.0 million or 71.4% to RM2.4 million for FYE 2024 (FYE 2023: RM1.4 million). This was mainly due to higher placements of fixed deposits during the second half of FYE 2023.

**12. FINANCIAL INFORMATION (Cont'd)****(g) Finance costs**

|                             | Audited   |              |           |              |           |              |
|-----------------------------|-----------|--------------|-----------|--------------|-----------|--------------|
|                             | FYE 2022  |              | FYE 2023  |              | FYE 2024  |              |
|                             | RM'000    | %            | RM'000    | %            | RM'000    | %            |
| Term loan interests         | -         | -            | -         | -            | 6         | 31.6         |
| Hire purchase interests     | -         | -            | -         | -            | 12        | 63.1         |
| Lease liabilities interests | 45        | 100.0        | 13        | 100.0        | 1         | 5.3          |
|                             | <b>45</b> | <b>100.0</b> | <b>13</b> | <b>100.0</b> | <b>19</b> | <b>100.0</b> |

**Comparison between FYE 2022 and FYE 2023**

Our finance costs decreased by RM0.04 million or 80.0% to RM0.01 million for FYE 2023 (FYE 2022: RM0.05 million), mainly attributable to the decrease in lease liabilities interests due to lower outstanding lease liabilities as at the end of FYE 2022, as a result of 2 motor vehicles and 1 farm equipment purchased under lease arrangements were fully repaid during FYE 2022.

**Comparison between FYE 2023 and FYE 2024**

Our finance costs increased by RM0.01 million or 100.0% to RM0.02 million for FYE 2024 (FYE 2023: RM0.01 million), mainly due to a new term loan drawdown during FYE 2024 for our working capital purposes.

**(h) PBT and PBT margin, PAT and PAT margin**

|                | FYE 2022 | FYE 2023 | FYE 2024 |
|----------------|----------|----------|----------|
|                | RM'000   | RM'000   | RM'000   |
| PBT            | 18,427   | 45,421   | 53,884   |
| PBT margin (%) | 13.7     | 31.1     | 35.6     |
| PAT            | 14,545   | 34,243   | 40,743   |
| PAT margin (%) | 10.8     | 23.4     | 26.9     |

**Results after adjusting for government subsidies**

|                               |        |        |        |
|-------------------------------|--------|--------|--------|
| Government subsidies received | 7,254  | 20,971 | 32,079 |
| Adjusted PBT                  | 11,173 | 24,450 | 21,805 |
| Adjusted PAT                  | 9,032  | 18,305 | 16,363 |
| Adjusted PBT margin (%)       | 8.3    | 16.7   | 14.4   |
| Adjusted PAT margin (%)       | 6.7    | 12.5   | 10.8   |

**Results after adjusting for government subsidies and fair value gain on biological assets**

|   |       |        |        |
|---|-------|--------|--------|
| Gain on change in fair value of biological assets | 2,525 | 17,417 | 5,763  |
| Adjusted PBT                                      | 8,648 | 7,033  | 16,042 |
| Adjusted PAT                                      | 7,113 | 5,068  | 11,983 |
| Adjusted PBT margin (%)                           | 6.4   | 4.8    | 10.6   |
| Adjusted PAT margin (%)                           | 5.3   | 3.5    | 7.9    |

**12. FINANCIAL INFORMATION (Cont'd)****Comparison between FYE 2022 and FYE 2023**

We recorded an increase in PBT of RM27.0 million or 146.7% to RM45.4 million for FYE 2023 (FYE 2022: RM18.4 million) while our PBT margin also increased from 13.7% for FYE 2022 to 31.1% for FYE 2023. The increase in PBT and PBT margin was mainly due to higher GP and GP margins, higher other income and higher finance income recorded during FYE 2023 as explained in Sections 12.2.2(b), 12.2.2(c) and 12.2.2(f) respectively. Such increases were partially offset by higher administrative expenses as explained in Section 12.2.2(d) above.

If excluding government subsidies received, our adjusted PBT recorded an increase of RM13.3 million or 118.8% to RM24.5 million for FYE 2023 (FYE 2022: RM11.2 million) while our adjusted PBT margin also increased from 8.3% for FYE 2022 to 16.7% for FYE 2023. The increase in both adjusted PBT and adjusted PBT margin was mainly due to higher adjusted GP and adjusted GP margins, higher other income and higher finance income recorded during FYE 2023 as explained in Sections 12.2.2(b), 12.2.2(c) and 12.2.2(f) respectively. Such increases were partially offset by higher administrative expenses as explained in Section 12.2.2(d) above.

If excluding government subsidies received and gain on change in fair value of biological assets, our adjusted PBT recorded a decrease of RM1.6 million or 18.6% to RM7.0 million for FYE 2023 (FYE 2022: RM8.6 million), while our adjusted PBT margin also decreased from 6.4% for FYE 2022 to 4.8% for FYE 2023. The decrease in both adjusted PBT and adjusted PBT margin was mainly due to lower income from the sale of fresh fruit bunches recorded and higher administrative expenses incurred during FYE 2023, as explained in Sections 12.2.2(c) and 12.2.2(d), respectively.

Our PAT increased by RM19.7 million or 135.9% to RM34.2 million for FYE 2023 (FYE 2022: RM14.5 million) while our PAT margin increased from 10.8% for FYE 2022 to 23.4% for FYE 2023. The increase in PAT and PAT margin was mainly due to higher PBT and PBT margin recorded, as explained above, which was partially offset by the higher tax expenses for FYE 2023, as explained in Section 12.2.2(i) below.

If excluding government subsidies received, our adjusted PAT increased by RM9.3 million or 103.3% to RM18.3 million for FYE 2023 (FYE 2022: RM9.0 million) while our adjusted PAT margin increased from 6.7% for FYE 2022 to 12.5% for FYE 2023. The increase in both adjusted PAT and adjusted PAT margin was mainly due to higher adjusted PBT and adjusted PBT margin recorded, as explained above, which was partially offset by the higher tax expenses for FYE 2023, as explained in Section 12.2.2(i) below.

If excluding government subsidies received and gain on change in fair value of biological assets, our adjusted PAT decreased by RM2.0 million or 28.2% to RM5.1 million for FYE 2023 (FYE 2022: RM7.1 million), while our adjusted PAT margin decreased from 5.3% for FYE 2022 to 3.5% for FYE 2023. The decrease in both adjusted PAT and adjusted PAT margin was mainly due to lower adjusted PBT and adjusted PBT margin, as well as higher tax expenses for FYE 2023, as explained in Section 12.2.2(i) below.

**Comparison between FYE 2023 and FYE 2024**

We recorded an increase in PBT of RM8.5 million or 18.7% to RM53.9 million for FYE 2024 (FYE 2023: RM45.4 million), while our PBT margin also increased from 31.1% for FYE 2023 to 35.6% for FYE 2024. The increase in PBT and PBT margin was mainly due to higher GP and GP margin recorded and higher finance income recorded during FYE 2024, as explained in Sections 12.2.2(b) and 12.2.2(f) respectively. Such an increase was partially offset by the lower other income recorded during FYE 2024 for the reasons explained in Section 12.2.2(c).

**12. FINANCIAL INFORMATION (Cont'd)**

If excluding government subsidies received, our adjusted PBT recorded an decrease in adjusted PBT of RM2.7 million or 11.0% to RM21.8 million for FYE 2024 (FYE 2023: RM24.5 million), while our adjusted PBT margin also decreased from 16.7% for FYE 2023 to 14.4% for FYE 2024. The decrease in both adjusted PBT and adjusted PBT margin was mainly due to lower other income recorded during FYE 2024 for the reasons explained in Section 12.2.2(c).

If excluding government subsidies received and gain on change in fair value of biological assets, our adjusted PBT recorded an increase in adjusted PBT of RM9.0 million or 128.6% to RM16.0 million for FYE 2024 (FYE 2023: RM7.0 million), while our adjusted PBT margin also increased from 4.8% for FYE 2023 to 10.6% for FYE 2024. The increase in both adjusted PBT and adjusted PBT margin was mainly due to higher adjusted GP, adjusted GP margin as explained in Section 12.2.2(b), and gain on disposal of property, plant, and equipment, as explained in Section 12.2.2(c).

Our PAT increased by RM6.5 million or 19.0% to RM40.7 million for FYE 2024 (FYE 2023: RM34.2 million) while our PAT margin increased from 23.4% for FYE 2023 to 26.9% for FYE 2024. The increase in PAT and PAT margin was mainly due to higher PBT and PBT margin recorded as explained above, which was partially offset by the higher tax expenses for FYE 2024, as explained in Section 12.2.2(i) below.

If excluding government subsidies received, our adjusted PAT decreased by RM1.9 million or 10.4% to RM16.4 million for FYE 2024 (FYE 2023: RM18.3 million) while our adjusted PAT margin decreased from 12.5% for FYE 2023 to 10.8% for FYE 2024. The decrease in both adjusted PAT and adjusted PAT margin was mainly due to lower adjusted PBT and adjusted PBT margin recorded as explained above and higher tax expenses for FYE 2024, as explained in Section 12.2.2(i) below.

If excluding government subsidies received and gain on change in fair value of biological assets, our adjusted PAT increased by RM6.9 million or 135.3% to RM12.0 million for FYE 2024 (FYE 2023: RM5.1 million) while our adjusted PAT margin increased from 3.5% for FYE 2023 to 7.9% for FYE 2024. The increase in both adjusted PAT and adjusted PAT margin was mainly due to higher adjusted PBT and adjusted PBT margin recorded as explained above.

**(i) Tax expense**

|                        | <b>FYE 2022</b> | <b>FYE 2023</b> | <b>FYE 2024</b> |
|------------------------|-----------------|-----------------|-----------------|
|                        | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>   |
| Tax expense            | 3,882           | 11,178          | 13,141          |
| Effective tax rate (%) | 21.1            | 24.6            | 24.4            |
| Statutory tax rate (%) | 24.0            | 24.0            | 24.0            |

Tax expense comprise the current financial year's income tax payable, deferred tax and any under or overprovision of tax expenses in the prior financial years. The applicable statutory tax rate for FYE 2022 to 2024 is 24.0%.

On 8 July 2021, Hock Soon Poultry Farm, our subsidiary, received a letter from the Malaysian Investment Development Authority approving its Green Investment Tax Allowance ("**GITA**") application under Section 123(3)(b) of the Income Tax Act 1967 and the Malaysian Green Technology And Climate Change Corporation ("**MGTC**") had on 6 July 2022 determining the effective date of the GITA to commence effective from 1 April 2021. The GITA was fully claimed in FYE 2022.

**12. FINANCIAL INFORMATION (Cont'd)****Comparison between FYE 2022 and FYE 2023**

Our tax expenses increased by RM7.3 million or 187.2% to RM11.2 million for FYE 2023 (FYE 2022: RM3.9 million) mainly due to higher PBT recorded for FYE 2023.

Our effective tax rate of 21.1% for FYE 2022 was lower than the statutory tax rate, mainly attributable to investment tax allowances claimed pertaining to the capital expenditure incurred on a photovoltaic system, which was qualified as green technology assets under the GITA as explained above.

Our effective tax rate of 24.6% for FYE 2023 did not deviate significantly from the statutory tax rate.

**Comparison between FYE 2023 and FYE 2024**

Our tax expenses increased by RM1.9 million or 17.0% to RM13.1 million for FYE 2024 (FYE 2023: RM11.2 million), mainly attributable to higher PBT recorded for FYE 2024. Our effective tax rate of 24.4% for FYE 2024 did not deviate significantly from the statutory tax rate.

**12.2.3 Review of cash flows**

The following is a summary of our Group's cash flow for FYE 2022 to 2024:

|   | <b>Audited</b>  |                 |                 |
|---|-----------------|-----------------|-----------------|
|   | <b>FYE 2022</b> | <b>FYE 2023</b> | <b>FYE 2024</b> |
|   | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>   |
| Net cash from operating activities  | 11,791          | 26,406          | 34,287          |
| Net cash (used in)/ from investing activities                                   | (13,421)        | (25,970)        | 38,166          |
| Net cash used in financing activities   | (775)           | (1,298)         | (59,689)        |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                     | <b>(2,405)</b>  | <b>(862)</b>    | <b>12,764</b>   |
| Cash and cash equivalents at the beginning of the financial year                | 9,274           | 6,869           | 6,007           |
| <b>Cash and cash equivalents at the end of the financial year<sup>(1)</sup></b> | <b>6,869</b>    | <b>6,007</b>    | <b>18,771</b>   |

**Notes:**

- <sup>(1)</sup> For illustration, if excluding government subsidies and gain on change in fair value of biological assets, our adjusted cash and cash equivalents are as follows:<sup>(a)</sup>

|  | <b>Audited</b>       |                 |                 |
|--|----------------------|-----------------|-----------------|
|  | <b>FYE 2022</b>      | <b>FYE 2023</b> | <b>FYE 2024</b> |
|  | <b>RM'000</b>        | <b>RM'000</b>   | <b>RM'000</b>   |
| Net cash from operating activities   | 11,791               | 26,406          | 34,287          |
| Less:  |                      |                 |                 |
| Government subsidies received, net of tax                                  | (5,513)              | (15,938)        | (24,380)        |
| Adjusted net cash from operating activities                                | 6,278                | 10,468          | 9,907           |
| Net cash (used in)/ from investing activities                              | (13,421)             | (25,970)        | 38,166          |
| Net cash used in financing activities                                      | (775)                | (1,298)         | (59,689)        |
| <b>Adjusted net decrease in cash and cash equivalents</b>                  | <b>(7,918)</b>       | <b>(16,800)</b> | <b>(11,616)</b> |
| Adjusted cash and cash equivalents at the beginning of the financial year  | 9,274 <sup>(b)</sup> | 1,356           | (15,444)        |
| <b>Adjusted cash and cash equivalents at the end of the financial year</b> | <b>1,356</b>         | <b>(15,444)</b> | <b>(27,060)</b> |

## 12. FINANCIAL INFORMATION (Cont'd)

- (a) The gain on fair value adjustment on biological assets is a non-cash item that was added back when calculating operating profit before changes in working capital. Hence, excluding this gain has no impact on the net cash from operating activities.
- (b) As our Group started to receive government subsidies since FYE 2022, no adjustment is made on the cash and cash equivalents at the beginning of FYE 2022.

As illustrated above, our Group still recorded adjusted net cash from operating activities for FYE 2022 to 2024 despite excluding the government subsidies and gain on fair value adjustment on biological assets. The negative adjusted cash and cash equivalents at the end of FYE 2023 of RM15.4 million were primarily due to the cash outflow from investing activities, mainly attributable to additional placement of fixed deposits with original maturity exceeding 3 months, amounting to RM19.6 million during FYE 2023. The negative adjusted cash and cash equivalents at the end of FYE 2024 of RM27.1 million were primarily due to the cash outflow from investing activities, mainly attributable to the payments of dividends of RM63.8 million.

### FYE 2022

#### Net cash from operating activities

For FYE 2022, our Group recorded a net cash inflow from operating activities of RM11.8 million. We collected RM143.1 million mainly from the following:

- (a) RM134.7 million from our customers;
- (b) RM7.3 million of government subsidies received in relation to the sale of table eggs; and
- (c) RM1.1 million of other income received, comprised mainly net proceeds from selling fresh fruit bunches from our Group's own land and rental income received.

The above collections were partially offset by cash payments of RM131.3 million, mainly in respect of the following:

- (a) payments of RM108.2 million to our suppliers;
- (b) payments for staff costs and other operating expenses of RM21.1 million; and
- (c) income tax of RM2.0 million paid to the Inland Revenue Board.

#### Net cash used in investing activities

For FYE 2022, our Group recorded a net cash outflow of RM13.4 million from investing activities, mainly attributable to the net effects of the following:

- (a) net placement of fixed deposits with the original maturity exceeding 3 months of RM13.4 million;
- (b) cash payments for the purchase of property, plant and equipment of RM2.1 million, which comprise mainly motor vehicles of RM1.2 million and farm machinery equipment of RM0.9 million;
- (c) interest received of RM1.2 million, mainly from fixed deposits;
- (d) net proceeds from the disposal of quoted securities in Malaysia of RM0.3 million; and

## 12. FINANCIAL INFORMATION (Cont'd)

- (e) proceeds from the disposal of motor vehicles classified under right-of-use assets of RM0.3 million.

### Net cash used in financing activities

For FYE 2022, our Group recorded a net cash outflow of RM0.8 million from financing activities, mainly attributable to:

- (a) repayment of lease liabilities of RM0.7 million; and
- (b) payments for lease liabilities interests of RM0.04 million.

### FYE 2023

### Net cash from operating activities

For FYE 2023, our Group recorded a net cash inflow from operating activities of RM26.4 million. We collected RM167.5 million mainly from the following:

- (a) RM145.9million from our customers;
- (b) RM21.0 million of government subsidies received in relation to the sale of table eggs; and
- (c) RM0.6 million of other income received, comprised mainly net proceeds from selling fresh fruit bunches from our Group's own land and rental income received.

The above collections were partially offset by cash payments of RM141.1 million in respect of the following:

- (a) payments of RM105.7 million to our suppliers;
- (b) payments for staff costs and other operating expenses of RM33.3 million; and
- (c) income tax of RM2.1 million paid to the Inland Revenue Board.

### Net cash used in investing activities

For FYE 2023, our Group recorded a net cash outflow of RM25.9 million from investing activities, mainly attributable to net effects of the following:

- (a) net placement of fixed deposits with the original maturity exceeding 3 months of RM19.6 million;
- (b) payments for the purchase of property, plant and equipment of RM7.7 million, which comprise mainly leasehold industrial land located at Lot 11263 Bidor, Perak of RM4.1 million, construction of storage for the manure facilities of RM2.2 million, motor vehicles of RM1.2 million and farm equipment of RM0.2 million;
- (c) net investments in quoted securities in Malaysia and Hong Kong of RM1.0 million;
- (d) interests received of RM1.8 million, mainly from fixed deposits and banks; and
- (e) proceeds from the disposal of motor vehicles classified under property, plant and equipment of RM0.4 million.



## 12. FINANCIAL INFORMATION (Cont'd)

### Net cash used in financing activities

For FYE 2023, our Group recorded a net cash outflow of RM1.3 million from financing activities, mainly attributable to:

- (a) payments of dividends of RM1.0 million; and
- (b) repayment of lease liabilities of RM0.3 million.

### FYE 2024

### Net cash from operating activities

For FYE 2024, our Group recorded a net cash inflow from operating activities of RM34.3 million. We collected RM185.0 million mainly from the following:

- (a) RM152.2 million from our customers;
- (b) RM32.1 million of government subsidies received in relation to the sale of table eggs; and
- (c) RM0.7 million of other income received, comprised mainly net proceeds from selling fresh fruit bunches from our Group's own land and rental income received.

The above collections were partially offset by cash payments of RM150.7 million in respect of the following:

- (a) payments of RM103.6 million to our suppliers;
- (b) payments for staff costs and other operating expenses of RM34.4 million; and
- (c) income tax of RM12.7 million paid to the Inland Revenue Board.

### Net cash from investing activities

For FYE 2024, our Group recorded a net cash inflow of RM38.2 million from investing activities, mainly due to the following:

- (a) net withdrawal of fixed deposits with the original maturity exceeding 3 months of RM33.9 million for the payment of dividend declared in FYE 2024;
- (b) proceeds from the disposal of property, plant and equipment of RM8.9 million, mainly due to the disposal of lands where the manure facilities such as manure storage as well as manure collection and drying station erected thereon, as well as equipment and machinery for the manure facilities to a related party, BL Ong & Sons Ventures in FYE 2024, which comprised of 5 pieces of vacant freehold land, equipment and machinery, as detailed in Section 10.1;
- (c) interests received of RM2.8 million, mainly from fixed deposits and banks; and
- (d) net proceeds from the disposal of quoted securities in Malaysia and Hong Kong of RM2.1 million.

The above cash inflows were partially offset by the cash payments for the purchase of property, plant and equipment of RM9.7 million, which comprise mainly a light industrial corporate office unit in Kota Damansara, Selangor of RM2.0 million, new chicken coops equipment of RM3.7 million, farm equipment of RM1.4 million, motor vehicles of RM1.2 million and office equipment of RM0.5 million.

## **12. FINANCIAL INFORMATION (Cont'd)**

### **Net cash used in financing activities**

For FYE 2024, our Group recorded a net cash outflow of RM59.7 million from financing activities, mainly attributable to the net effects of the following:

- (a) payments of dividends of RM63.8 million;
- (b) repayment of hire purchase creditors of RM0.6 million; and
- (c) net drawdown of term loans of RM4.7 million to finance the purchase of a light industrial corporate office unit in Kota Damansara, Selangor and chicken coops equipment as well as for our working capital purposes.

## **12.3 LIQUIDITY AND CAPITAL RESOURCES**

### **12.3.1 Working capital**

We finance our operations with cash generated from operations, credit extended by trade payables and/or financial institutions as well as cash and bank balances. Our facilities from financial institutions comprise term loans and hire purchase creditors.

Our Board confirms that we have sufficient working capital for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus, taking into consideration the following:

- (a) our cash and cash equivalent of approximately RM33.4 million as at LPD;
- (b) our expected future cash flows from operations;
- (c) our total banking facilities as at LPD of RM28.0 million (excluding lease liabilities and hire purchase facilities), of which RM15.7 million have been utilised; and
- (d) our pro forma gearing level of [•] times, based on our pro forma consolidated statement of financial position as at 30 September 2024 after the Acquisition of Hock Soon Poultry Farm, IPO and utilisation of proceeds.

We carefully consider our cash position and ability to obtain further financing before making significant capital commitments. At this juncture, we do not foresee any circumstances which will materially affect our liquidity.

## 12. FINANCIAL INFORMATION (Cont'd)

### 12.4 BORROWINGS

All our borrowings are secured, interest bearing and denominated in RM. As at 30 September 2024, our Group's total borrowings (excluding lease liabilities arising from the rental of residential properties) stood at RM5.3 million, details of which are as follows:

|                                     | Purposes   | Security  | Effective<br>interest rate<br>% | Tenure       | As at 30<br>September 2024<br>RM'000 |
|-------------------------------------|--|---|---------------------------------|--------------|--------------------------------------|
| <b>Current</b>                      |  |   |                                 |              |                                      |
| Term loans                          | To finance the purchase of light industrial corporate office unit, farm equipment and for our working capital purposes | (a) Joint and several guarantees by certain directors of our Group;<br>(b) Legal charges over certain freehold land and building of our Group; and<br>(c) Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP") | 3.8 – 4.1                       | 5 – 20 years | 502                                  |
| Hire purchase creditors             | To finance the purchase of motor vehicles  | Legal charges over the motor vehicles   | 2.3 - 2.4                       | 5 years      | 117                                  |
| <b>Total current borrowings</b>     |  |   |                                 |              | <b>619</b>                           |
| <b>Non-current</b>                  |  |   |                                 |              |                                      |
| Term loans                          | To finance the purchase of light industrial corporate office unit, farm equipment and for working capital purposes     | (a) Joint and several guarantees by certain directors of our Group;<br>(b) Legal charges over certain freehold land and building of our Group; and<br>(c) Guarantee by SJPP   | 3.8 – 4.1                       | 5 – 20 years | 4,185                                |
| Hire purchase creditors             | To finance the purchase of motor vehicles  | Legal charges over the motor vehicles   | 2.3 - 2.4                       | 5 years      | 470                                  |
| <b>Total non-current borrowings</b> |  |   |                                 |              | <b>4,655</b>                         |
| <b>Total borrowings</b>             |  |   |                                 |              | <b>5,274</b>                         |

#### Pro forma gearing (times)

After the Acquisition of Hock Soon Poultry Farm but before our Public Issue and utilisation of our IPO proceeds<sup>(1)</sup>

0.14

After the Acquisition of Hock Soon Poultry Farm, our Public Issue and utilisation of our IPO proceeds<sup>(2)</sup>

[•]

**12. FINANCIAL INFORMATION (Cont'd)****Notes:**

- (1) Computed based on our pro forma total equity of RM102.6 million in the pro forma consolidated statement of financial position after the Acquisition Hock Soon Poultry Farm, but before our Public Issue and utilisation of our IPO proceeds.
- (2) Computed based on our pro forma total equity of RM[•] million in the pro forma consolidated statement of financial position after the Acquisition Hock Soon Poultry Farm, our Public Issue and utilisation of our IPO proceeds.

Separately, we have also recognised the following lease liabilities on the right-of-use assets arising from rental of residential properties, which are denominated in RM, as follows:

|   | <b>Purpose</b>                                  | <b>Tenure</b>   | <b>As at 30<br/>September 2024<br/>RM'000</b> |
|---|---|---|---|
| Lease liabilities payable within 1 year | Rental of residential properties <sup>(1)</sup> | Lease of 2 years, with an option to renew the lease after that date | 5   |

**Note:**

- (1) Our Group has terminated the tenancy agreements with the landlord for the rental of residential properties subsequent to LPD.

We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout FYE 2022 to 2024 and up to LPD.

As at LPD, our Group is not in breach of any terms and conditions or covenants associated with credit arrangements or bank loan which can materially affect our financial position and results or business operations, or the investments by holders of our securities. During FYE 2022 to 2024, we did not experience any clawback or reduction in the facilities limit granted to us by our lenders.

In conjunction with our Listing, we have obtained the approval of our financiers to release and/or discharge of the personal guarantees by our Promoters, substantial shareholders and Directors by substituting the same with a corporate guarantee from our Company subject to the completion of our Listing. Until such release and/or discharge is completed, our Promoters, substantial shareholders and Directors will continue to provide their personal guarantees, which shall remain intact as security for the banking facilities and hire purchase facilities extended to our Group.

**12. FINANCIAL INFORMATION (Cont'd)****12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES**

As at LPD, save as disclosed in Section 12.4 above, we do not have nor utilise any other financial instruments. All our financial instruments are for our working capital purposes as well as the purchase of property, plant and equipment.

As at 30 September 2024, save for our hire purchase which carry fixed interest rates, other borrowings bear variable interest rates based on the bank's base lending rate plus or minus a rate, which varies depending on the different types of bank facilities.

Our Group does not hedge our exposure to fluctuation in foreign currency exchange rates. As at LPD, we have not entered into any foreign exchange contracts.

**12.6 MATERIAL CAPITAL COMMITMENTS**

As at LPD, save as disclosed below, we do not have any other material capital commitments:

|   | <b>To be<br/>funded from<br/>Public Issue<br/>RM'000</b> | <b>To be<br/>funded<br/>internally or<br/>via bank<br/>borrowings<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|--|--|-------------------------|
| <b>Approved and not contracted for:</b>                         |  |  |                         |
| Establishment of new poultry farm at<br>Teluk Intan Lands       | [•]  | [•]  | [•]                     |
| Farm machinery equipment and hi-<br>tech chicken house          | -  | 5,440  | 5,440                   |
| Expansion of existing feed mill in our<br>Bidor Integrated Farm | -  | 26,100   | 26,100                  |
|   | <b>[•]</b>   | <b>[•]</b>   | <b>[•]</b>              |

We plan to meet our capital commitments through the combination of proceeds from our Public Issue as set out in Section 4.9.1, bank borrowings and/or internally generated funds.

**12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES**

As at LPD, we are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant. There is no proceeding pending or threatened or any fact likely to give rise to any proceeding, which might materially or adversely affect our position or business.

As at LPD, there are no material contingent liabilities incurred by our Group, which upon becoming enforceable may have a material effect on our business, financial results or position.

**12. FINANCIAL INFORMATION (Cont'd)****12.8 KEY FINANCIAL RATIOS**

The key financial ratios of our Group for FYE 2022 to 2024 are as follows:

|  | <b>FYE 2022</b> | <b>FYE 2023</b> | <b>FYE 2024</b> |
|--|-----------------|-----------------|-----------------|
| Trade receivables turnover (days) <sup>(1)</sup> | 17              | 15              | 14              |
| Trade payables turnover (days) <sup>(2)</sup>    | 14              | 14              | 16              |
| Inventory turnover (days) <sup>(3)</sup>         | 21              | 20              | 16              |
| Current ratio (times) <sup>(4)</sup>             | 17.4            | 13.9            | 11.8            |
| Gearing ratio (times) <sup>(5)</sup>             | <0.1            | <0.1            | <0.1            |

**Notes:**

- (1) Computed based on our average trade receivables and net of allowances for impairment loss as at the financial year-end divided by our revenue for the respective financial years, multiplied by 365/ 366 days for each financial year.
- (2) Computed based on our average trade payables as at the financial year-end divided by our cost of sales (excluding government subsidies received) for the respective financial years, multiplied by 365/ 366 days for each financial year.
- (3) Computed based on our inventory as at the financial year-end divided by our cost of sales (excluding government subsidies received) for the respective financial years, multiplied by 365/ 366 days for each financial year.
- (4) Computed based on our current assets divided by our current liabilities as at the end of each financial year.
- (5) Computed based on our total interest-bearing borrowings (including lease liabilities for right-of-use assets) divided by our total equity as at the end of each financial year.

**12.8.1 Trade receivables turnover**

Our average trade receivables turnover days for FYE 2022 to 2024 are set out below:

|  | <b>FYE 2022</b> | <b>FYE 2023</b> | <b>FYE 2024</b> |
|--|-----------------|-----------------|-----------------|
|  | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>   |
| Opening trade receivables                | 6,542           | 5,774           | 6,106           |
| Closing trade receivables                | 5,774           | 6,106           | 5,408           |
| Average trade receivables                | 6,158           | 5,940           | 5,757           |
| Revenue                                  | 134,178         | 146,251         | 151,377         |
| Trade receivables turnover period (days) | 17              | 15              | 14              |

The normal credit periods granted by our Group ranged from 7 to 75 days from the date of our invoice.

Our Group's exposure to credit risk arises principally from each customer's individual characteristics. There are no significant changes for FYE 2022 to 2024. Our Group has a credit policy in place, and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount. At each reporting date, we assess whether any of the trade receivables are credit-impaired based on our policies and processes for managing our credit risk, which are disclosed in Note 26.4 of the Accountants' Report as set out in Section 13.

**12. FINANCIAL INFORMATION (Cont'd)**

Our trade receivables turnover periods for FYE 2022 to 2024 were 17 days, 15 days and 14 days respectively, and are within our trade terms period and were relatively consistent. Hence, our Group is not subject to any significant credit risk, and no impairment losses on trade receivables were recognised for FYE 2022 to 2024.

The ageing analysis of our trade receivables as at 30 September 2024 is as follows:

|                                  | Trade receivables as at 30<br>September 2024 | Collection<br>from 1<br>October 2024<br>to LPD               | Balance trade<br>receivables as<br>at LPD |
|----------------------------------|--|--|---|
|                                  | RM'000                                       | Percentage<br>of trade<br>receivables<br>(a)/total of<br>(a) | RM'000                                    |
|                                  | (a)  | (a)  | (b)                                       |
|                                  |  |  | (c) = (a)-(b)                             |
| Neither past due<br>nor impaired | 3,463  | 64.0   | 3,463                                     |
| Past due but not<br>impaired:    |  |  |   |
| - less than 30 days              | 1,831  | 33.9   | 1,831                                     |
| - 31 to 60 days                  | 110  | 2.0  | 110                                       |
| - over 60 days                   | 4  | 0.1  | 4   |
|                                  | 1,945  | 36.0   | 1,945                                     |
|                                  | <b>5,408</b>                                 | <b>100.0</b>   | <b>5,408</b>                              |

As at LPD, we have fully collected the outstanding trade receivables balance as at 30 September 2024.

Our Group has not encountered any major disputes with our trade receivables.

**12.8.2 Trade payables turnover**

Our average trade payables turnover days for FYE 2022 to 2024 are set out below:

|                                       | FYE 2022 | FYE 2023 | FYE 2024 |
|---------------------------------------|----------|----------|----------|
|                                       | RM'000   | RM'000   | RM'000   |
| Opening trade payables                | 4,696    | 4,627    | 5,026    |
| Closing trade payables                | 4,627    | 5,026    | 5,756    |
| Average trade payables                | 4,662    | 4,827    | 5,391    |
| Cost of sales <sup>(1)</sup>          | 118,059  | 126,096  | 124,628  |
| Trade payables turnover period (days) | 14       | 14       | 16       |

**Note:**

<sup>(1)</sup> Total cost of sales excludes government subsidies received.

Trade payables comprise amounts outstanding for trade purchases. The credit terms granted to our Group for trade purchases ranged from 30 to 90 days.

Our trade payables turnover periods for FYE 2022 to 2024 were 14 days, 14 days and 16 days respectively, which were relatively consistent and were within the normal credit terms granted by our suppliers.

**12. FINANCIAL INFORMATION (Cont'd)**

The ageing analysis of our trade payables as at 30 September 2024 is as follows:

|                          | Trade payables as at<br>30 September 2024 | Payment<br>from 1<br>October<br>2024 to LPD               | Balance<br>trade<br>payables as<br>at LPD |
|--------------------------|---|---|---|
|                          | RM'000                                    | Percentage<br>of trade<br>payables<br>(a)/total of<br>(a) | RM'000                                    |
|                          | (a)                                       | (b)   | (c) = (a)-(b)                             |
| Within credit period     | 3,556                                     | 61.8  | 3,556                                     |
| Exceeding credit period: |   |   |   |
| - 1 to 30 days           | 2,121                                     | 36.8  | 2,121                                     |
| - 31 to 60 days          | 79  | 1.4   | 79  |
| - More than 60 days      | -   | -   | -   |
|                          | 2,200                                     | 37.2  | 2,200                                     |
|                          | <b>5,756</b>                              | <b>100.0</b>  | <b>5,756</b>                              |

As at LPD, we have fully settled the outstanding trade payables as at 30 September 2024.

As at LPD, we do not have any material disputes in respect of our trade payables, and no material legal proceedings to demand for payment have been initiated by our suppliers against us.

**12.8.3 Inventory turnover**

Our inventory turnover periods for FYE 2022 to 2024 are set out below:

|                                    | FYE 2022 | FYE 2023 | FYE 2024 |
|------------------------------------|----------|----------|----------|
|                                    | RM'000   | RM'000   | RM'000   |
| Opening inventories                | 5,084    | 8,737    | 5,169    |
| Closing inventories <sup>(1)</sup> | 8,737    | 5,169    | 5,515    |
| Average inventories                | 6,911    | 6,953    | 5,342    |
| Cost of sales <sup>(2)</sup>       | 118,059  | 126,096  | 124,628  |
| Inventory turnover period (days)   | 21       | 20       | 16       |

**Notes:**

(1) The breakdown of closing inventories for each financial year are as follows:

|                                | FYE 2022     | FYE 2023     | FYE 2024     |
|--------------------------------|--------------|--------------|--------------|
|                                | RM'000       | RM'000       | RM'000       |
| Raw materials for poultry feed | 6,884        | 3,601        | 3,237        |
| Vaccines and medication        | 1,254        | 919          | 1,118        |
| Packaging materials            | 367          | 366          | 504          |
| Eggs                           | 232          | 283          | 656          |
|                                | <b>8,737</b> | <b>5,169</b> | <b>5,515</b> |

(2) Total cost of sales excludes government subsidies received.

Our inventories comprise mainly raw materials for poultry feeds, vaccines and medications and packaging materials.



**12. FINANCIAL INFORMATION (Cont'd)**

Our inventory turnover periods for FYE 2022 to 2024 were 21 days, 20 days and 16 days respectively.

Our inventory turnover period for FYE 2023 remained relatively consistent at 20 days (FYE 2022: 21 days). The higher inventory turnover period for FYE 2022 and FYE 2023 was mainly attributable to our Group keeping more raw materials inventories resulted from global supply chain disruption during COVID-19 pandemic and the Ukraine-Russia war.

We recorded a lower inventory turnover period of 16 days for FYE 2024 (FYE 2023: 20 days), due to lower purchases of raw materials towards the end of FYE 2024.

Our Group's product-by-product inventory management policy are as follows:

- (a) Raw materials for poultry feeds are stored under controlled environmental conditions. Inventory levels are monitored based on consumption trends and shelf life;
- (b) Vaccines and medications are sensitive to storage temperature and expiry dates. Inventory is tracked by batch and expiry, and regular reviews are conducted to avoid overstocking and ensure timely usage;
- (c) Packaging materials are non-perishable but are reviewed for usability and compatibility with current production requirements; and
- (d) Eggs are perishable and subject to strict quality control. Inventory is managed daily to ensure freshness and minimise spoilage. Eggs are rotated on a first-in, first-out (FIFO) basis.

We review our inventories on a product-by-product and ageing basis during the periodic stock count in accordance to our inventory management policy, and we make allowances for damaged, obsolete and slow-moving inventories, when necessary.

We did not have any material damaged, obsolete and slow-moving inventories for FYE 2022 to 2024 and up to LPD.

**12.8.4 Current ratio**

Our current ratios for FYE 2022 to 2024 are set out below:

|                           | <b>As at 30 September</b> |                |                |
|---------------------------|---------------------------|----------------|----------------|
|                           | <b>2022</b>               | <b>2023</b>    | <b>2024</b>    |
|                           | <b>RM'000</b>             | <b>RM'000</b>  | <b>RM'000</b>  |
| Current assets            | 102,120                   | 136,846        | 126,766        |
| Current liabilities       | 5,882                     | 9,852          | 10,758         |
| <b>Net current assets</b> | <b>96,238</b>             | <b>126,994</b> | <b>116,008</b> |
| Current ratio (times)     | 17.4                      | 13.9           | 11.8           |

Our current ratios range from 11.8 times to 17.4 times for FYE 2022 to 2024. This indicates that our Group can meet our current obligations as our current assets, such as inventories and trade receivables, which can be readily converted into cash, together with our fixed deposits and bank balances, are enough to meet immediate current liabilities.

Our current ratio decreased from 17.4 times as at 30 September 2022 to 13.9 times as at 30 September 2023, mainly due to the following:

**12. FINANCIAL INFORMATION (Cont'd)**

- (a) our Group recorded current tax liabilities of RM3.5 million as at 30 September 2023 as compared to the tax recoverable of RM1.0 million as at 30 September 2022, mainly due to higher tax expenses recorded for FYE 2023 as a result of higher PBT recorded; and
- (b) decrease in inventories of RM3.6 million, mainly due to lower purchases made towards the end of FYE 2023 as compared to 2022;

As at 30 September 2024, our current ratio decreased to 11.8 times (as at 30 September 2023: 13.9 times), mainly due to the following:

- (a) decrease in other investments of RM29.4 million, mainly due to the withdrawal of fixed deposits with the original maturity exceeding 3 months during FYE 2024;
- (b) increase in trade payables of RM0.7 million, mainly due to higher purchases from a supplier towards the last quarter of FYE 2024;
- (c) increase in other payables of RM0.9 million, mainly due to higher accrued expenses mainly in relation to upkeep for farm equipment expenses; and
- (d) increase in loans and borrowings of RM0.6 million, mainly due to the drawdown of term loans during FYE 2024 to finance the purchase of a light industrial corporate office unit in Kota Damansara, Selangor and chicken coops equipment as well as for our working capital purposes.

**12.8.5 Gearing ratio**

Our gearing ratios for FYE 2022 to 2024 are set out below:

|                                 | <b>As at 30 September</b> |               |               |
|---------------------------------|---------------------------|---------------|---------------|
|                                 | <b>2022</b>               | <b>2023</b>   | <b>2024</b>   |
|                                 | <b>RM'000</b>             | <b>RM'000</b> | <b>RM'000</b> |
| Total borrowings <sup>(1)</sup> | 291                       | 23            | 5,288         |
| Total equity                    | 134,205                   | 167,521       | 145,621       |
| Gearing ratio (times)           | <0.1                      | <0.1          | <0.1          |

**Note:**

- (1) Computed based on our total interest-bearing borrowings (including lease liabilities for right-of-use assets) divided by our total equity as at the end of each financial year.

Our gearing ratio remained stable at less than 0.1 times for FYE 2022 to 2024.

Although our gearing ratio remains less than 0.1 time as at 30 September 2024, our Group's total borrowings increased to RM5.3 million as at 30 September 2024 mainly due to the drawdown of term loans during FYE 2024 to finance the purchase of a light industrial corporate office unit in Kota Damansara, Selangor and chicken coops equipment as well as for our working capital purposes.

**12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES**

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 9. There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward.

**12. FINANCIAL INFORMATION (Cont'd)****12.10 IMPACT OF INFLATION**

Our financial performance was not materially affected by inflation during FYE 2022 to 2024. However, there is no assurance that our financial performance will not be adversely affected by inflation moving forward. Any significant increase in our costs of sales in the future may adversely affect our operations and performance if we are unable to pass on the higher costs to our customers through an increase in selling prices.

**12.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR OPERATIONS****(a) Impact of foreign exchange rates**

Our proportions of sales and purchases transactions denominated in local and foreign currencies are as follows:

|                           | <b>FYE 2022</b> |              | <b>FYE 2023</b> |              | <b>FYE 2024</b> |              |
|---------------------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|
|                           | <b>RM'000</b>   | <b>%</b>     | <b>RM'000</b>   | <b>%</b>     | <b>RM'000</b>   | <b>%</b>     |
| Sales denominated in:     |                 |              |                 |              |                 |              |
| (i) RM                    | 129,240         | 96.3         | 144,572         | 98.9         | 150,191         | 99.2         |
| (ii) HKD                  | -               | -            | 1,017           | 0.7          | 1,186           | 0.8          |
| (iii) USD                 | 4,938           | 3.7          | 662             | 0.4          | -               | -            |
|                           | <b>134,178</b>  | <b>100.0</b> | <b>146,251</b>  | <b>100.0</b> | <b>151,377</b>  | <b>100.0</b> |
| Purchases denominated in: |                 |              |                 |              |                 |              |
| (i) RM                    | 104,757         | 98.4         | 103,984         | 99.2         | 102,908         | 98.7         |
| (ii) USD                  | 1,687           | 1.6          | 836             | 0.8          | 1,368           | 1.3          |
|                           | <b>106,444</b>  | <b>100.0</b> | <b>104,820</b>  | <b>100.0</b> | <b>104,276</b>  | <b>100.0</b> |

We are exposed to transactional currency exposure as 3.7%, 0.4% and Nil of our total revenue were denominated in USD and Nil, 0.7% and 0.8% of our total revenue were denominated in HKD for FYE 2022, 2023 and 2024 respectively. In addition, 1.6%, 0.8% and 1.3% of our purchases were denominated in USD for FYE 2022, 2023 and 2024. Therefore, our GP is directly affected by the foreign currency exchange fluctuations.

For FYE 2022 to 2024, our gains and losses from foreign exchange fluctuations are as follows:

|  | <b>FYE 2022</b> | <b>FYE 2023</b> | <b>FYE 2024</b> |
|--|-----------------|-----------------|-----------------|
|  | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>   |
| Realised gain on foreign exchange          | ^               | 1               | 319             |
| Unrealised (loss)/gain on foreign exchange | -               | -               | -               |
| <b>Net gain</b>                            | <b>^</b>        | <b>1</b>        | <b>319</b>      |

**Note:**

^ Less than RM1,000.

We currently do not have a formal policy with respect to our foreign exchange transactions. Exposure on foreign exchange is monitored on an ongoing basis, and our Group endeavours to keep the net exposure at an acceptable level.

Our Group does not hedge our exposure to fluctuation in foreign currency exchange rates. As at LPD, we have not entered into any foreign exchange contracts.

**12. FINANCIAL INFORMATION (Cont'd)****(b) Impact of interest rates**

The interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. Our interest coverage ratios for FYE 2022 to 2024 are as follows:

|  | <b>FYE 2022</b> | <b>FYE 2023</b> | <b>FYE 2024</b> |
|--|-----------------|-----------------|-----------------|
|  | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>   |
| EBIT   | 17,299          | 43,635          | 51,054          |
| Finance costs                                  | 45              | 13              | 19              |
| Interest coverage ratio (times) <sup>(1)</sup> | 384.4           | 3,356.5         | 2,687.1         |

**Note:**

<sup>(1)</sup> Computed based on our EBIT divided by our finance costs for FYE 2022 to 2024.

Our interest coverage ratios range from 384.4 times to 3,356.5 times during FYE 2022 to 2024, indicating that our Group has been able to generate sufficient profits from operations to meet our interest-serving obligations.

Our financial results for FYE 2022 to 2024 were not materially affected by fluctuations in interest rates.

**(c) Impact of commodity prices**

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 purchases for FYE 2022 to 2024 respectively. Hence, we are exposed to fluctuations in the prices of these raw materials and ingredients, particularly commodity products used in the production of our in-house poultry feed, such as maize, soybean meal, wheat, pollard and sunflower meal. As prices of these commodity are subject to fluctuation due to global supply and demand conditions, geopolitical tensions as well as crop yields, our financial performance may be adversely impacted if we are unable to adjust the price of our table eggs to reflect the increase in costs. Please refer to Section 9.1.3 for the risk of price fluctuations and unavailability or shortages of raw materials and ingredients.

During FYE 2022 to 2024, the fluctuations in commodities prices did not have any material negative impact on our business operations and financial performance. There can be no assurance that our financial performance will not be adversely affected by the impact of commodity prices moving forward. Any significant increase in costs of sales in the future may adversely affect our operations and performance in the event where we are unable to pass on higher costs to our customers through an increase in selling prices. In this regard, it should also be noted that we have enjoyed government subsidies throughout FYE 2022 to 2024 and up to LPD to help us manage our costs in the face of the price ceiling imposed by the government.

**12.12 ORDER BOOK**

We do not enter into long-term contracts with our customers as our sales are transacted based on purchase orders from our customers on an ongoing basis. Due to the nature of our business, we do not maintain an order book.

## **12. FINANCIAL INFORMATION (Cont'd)**

### **12.13 TREND ANALYSIS**

As at LPD, our financial performance, position and operations are not affected by any of the following:

- (a) known trends, demands, commitments, events or uncertainties, including fair value adjustments from biological assets and government subsidies that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations, save as disclosed in Sections 7, 8, 9 and 12.2;
- (b) material commitments for capital expenditure save as disclosed in Section 12.6;
- (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 7.12 and 9;
- (d) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our revenue and/or profit save for those that had been discussed in Sections 12.2 and 12.11; and
- (e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical consolidated financial statements not necessarily indicative of the future financial performance and position, save as disclosed in Sections 12.2, 12.9 and 12.11.

Based on the above, our Board is optimistic about the future prospects of our Group given our competitive strengths as set out in Section 7.17, the outlook of the layer poultry industry in Malaysia as set out in the IMR Report in Section 8 and our commitment to implement the business strategies and future plans as set out in Section 7.18.

### **12.14 DIVIDEND POLICY**

Our Group presently does not have any formal dividend policy and the declaration of dividends and other distributions are subject to the discretion of our Board. It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors, such as having profits and excess funds, which are not required to be retained to fund our business.

As our Company is an investment holding company, our income and therefore our ability to declare and pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Our subsidiaries will require its financiers' consent as set out in the respective facility agreements to pay dividends to our Company. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, there are no legal, financial, or economic restrictions on the ability of our existing subsidiaries to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant. Save for certain restrictive covenants from our credit facilities, which our subsidiaries are subject to, there is no other dividend restriction imposed on our subsidiaries as at LPD.

**12. FINANCIAL INFORMATION (Cont'd)**

Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

- (a) the level of cash and level of indebtedness;
- (b) required and expected interest expense, cash flows, profits, return on equity and retained earnings;
- (c) our expected results of operations and future level of operations;
- (d) our projected levels of capital expenditure and other investment plans;
- (e) any restrictive covenants contained in our current and future financing arrangements; and
- (f) any material impact of tax laws and regulatory requirements.

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Board and will depend on factors stated above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Subject to the Act, our Company, in a general meeting, may from time to time approve dividends or other distributions. However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- (a) our Company is, or would after the payment be unable to pay its liabilities as they become due; or
- (b) the realisable value of our Company's assets would thereby be less than its liabilities.

For FYE 2022 to 2024 and up to LPD, the dividends declared and paid are as follows:

|                             | <b>FYE 2022</b> | <b>FYE 2023</b> | <b>FYE 2024</b> | <b>1 October<br/>2024 up<br/>to LPD</b> |
|-----------------------------|-----------------|-----------------|-----------------|---|
|                             | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>                           |
| Dividends declared and paid | -               | 1,000           | 63,750          | 43,000                                  |

The above dividends were funded by internally generated cash. The dividends will not affect the execution and implementation of our future plans or business strategies. Together with the gross proceeds from our Public Issue, we believe that we have sufficient cash from operations and bank borrowings to fund our operations and expansion plans.

Further to the above, we have no intention to declare and pay any dividends subsequent to LPD, up to the completion of our Listing.

**12. FINANCIAL INFORMATION (Cont'd)****12.15 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness based on the latest unaudited financial information of our Group as at 31 January 2025 and after adjusting for the effects of the events occurred after 31 January 2025, Acquisition of Hock Soon Poultry Farm and Public Issue including the utilisation of proceeds.

|   | <b>Unaudited</b>                 | <b>I</b>   | <b>II</b>  | <b>III</b>  |
|---|----------------------------------|--|--|---|
|   | <b>As at 31<br/>January 2025</b> | <b>(1)After<br/>adjustment of<br/>subsequent<br/>event</b> | <b>After I and<br/>Acquisition of<br/>Hock Soon<br/>Poultry Farm</b> | <b>After II,<br/>Public Issue<br/>and utilisation<br/>of proceeds</b> |
|   | <b>RM'000</b>                    | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>   |
| <b>Shareholders' equity/<br/>capitalisation</b>   |                                  |  |  |   |
| Equity attributable to owners of our Company      | 137,084                          | 124,084  | 124,084  | [•]   |
| Non-controlling interests                         | 33                               | 33   | 33   | 33  |
| <b>Total shareholders' equity/ capitalisation</b> | <b>137,117</b>                   | <b>124,117</b>   | <b>124,117</b>   | <b>[•]</b>  |
| <b>Indebtedness</b>                               |                                  |  |  |   |
| <b>Current</b>                                    |                                  |  |  |   |
| <i>Secured and guaranteed</i>                     |                                  |  |  |   |
| Term loans  | 699                              | 1,164  | 1,164  | 1,164   |
| Hire purchase liabilities                         | 108                              | 108  | 108  | 108   |
| <i>Unsecured and unguaranteed</i>                 |                                  |  |  |   |
| Lease liabilities                                 | 9                                | 9  | 9  | 9   |
| <b>Non-current</b>                                |                                  |  |  |   |
| <i>Secured and guaranteed</i>                     |                                  |  |  |   |
| Term loans  | 5,584                            | 14,558   | 14,558   | 14,558  |
| Hire purchase liabilities                         | 409                              | 409  | 409  | 409   |
| <i>Unsecured and unguaranteed</i>                 |                                  |  |  |   |
| Lease liabilities                                 | 3                                | 3  | 3  | 3   |
| <b>Total indebtedness</b>                         | <b>6,812</b>                     | <b>16,251</b>  | <b>16,251</b>  | <b>16,251</b>   |
| <b>Total capitalisation and indebtedness</b>      | <b>143,929</b>                   | <b>140,368</b>   | <b>140,368</b>   | <b>[•]</b>  |
| <b>Gearing ratio (times)<sup>(2)</sup></b>        | <b>0.05</b>                      | <b>0.13</b>  | <b>0.13</b>  | <b>[•]</b>  |

**Notes:**

(1) Subsequent events relate to:

- (a) payment of dividend amounting to RM13.0 million; and
- (b) drawdown of term loan amounting to RM9.4 million.

(2) Computed based on total indebtedness divided by total equity attributable to owners of our Company.