11. FINANCIAL INFORMATION

11.1 HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION

The historical audited combined financial information of our Group for the FYE 2019, FYE 2020 and FYE 2021 have been extracted from the Accountants' Report set out in Section 12 of this Prospectus, which deals with the audited combined financial statements of our Group for the same financial years under review.

You should read the historical audited combined financial information below together with:

- Management's Discussion and Analysis of Financial Conditions and Results of Operations set out in Section 11.3 of this Prospectus; and
- Accountants' Report set out in Section 12 of this Prospectus.

(a) Historical audited combined statements of profit or loss and other comprehensive income of our Group

	<--------------------Audited-------------------->		
	FYE 2019 RM'000	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Revenue	79,699	76,194	63,444
Cost of sales	(56,578)	(54,032)	(46,753)
GP	**23,121**	**22,162**	**16,691**
Other income	1,728	534	666
	24,849	22,696	17,357
Administrative expenses	(9,106)	(10,267)	(8,295)
Selling and distribution expenses	(1,213)	(1,283)	(681)
Finance costs	(831)	(667)	(441)
Other expenses	(557)	(318)	(19)
(Net impairment losses on financial assets) / Reversal of impairment losses on financial assets	267	-	(239)
PBT	**13,409**	**10,161**	**7,682**
Income tax expense	(3,464)	(2,677)	(2,358)
PAT / Total comprehensive income for the financial year	**9,945**	**7,484**	**5,324**
GP margin(1) (%)	29.01	29.09	26.31
PBT margin(2) (%)	16.82	13.34	12.11
PAT margin(3) (%)	12.48	9.82	8.39
Effective tax rate (%)	25.83	26.35	30.70
EBITDA(4) (RM'000)	16,486	12,782	9,757
Basic and diluted EPS			
- After the Acquisition of UFI and UDI(5) (sen)	3.14	2.37	1.68
- After the Public Issue(6) (sen)	2.49	1.87	1.33

Notes:

(1) GP margin is calculated based on GP divided by revenue.

(2) PBT margin is calculated based on PBT divided by revenue.

(3) PAT margin is calculated based on PAT divided by revenue.

(4) EBITDA is calculated as follows:

		<------Audited------>		
		FYE 2019	**FYE 2020**	**FYE 2021**
		RM'000	**RM'000**	**RM'000**
PAT		9,945	7,484	5,324
Add:	Income tax expense	3,464	2,677	2,358
	Depreciation	2,250	1,959	1,634
	Amortisation	-	1	-
	Finance costs	831	667	441
Less:	Interest income	(4)	(6)	-
EBITDA		**16,486**	**12,782**	**9,757**

(5) Based on PAT divided by the assumed number of Shares in issue of 316,250,000 after the Acquisition of UFI and UDI, but before Public Issue.

(6) Based on PAT divided by the assumed number of Shares in issue of 400,000,000 after the Public Issue.

There was no share of profits of associated companies or joint ventures, and no exceptional or extraordinary items throughout the Financial Years Under Review. The audited financial statements of our Group for the Financial Years Under Review were not subject to any qualification or modification.

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11. FINANCIAL INFORMATION (Cont'd)

(b) Historical audited combined statements of financial position of our Group

	<------------------------Audited------------------------>		
	FYE 2019 RM'000	**FYE 2020 RM'000**	**FYE 2021 RM'000**
ASSETS			
Property, plant and equipment	30,356	27,403	26,581
Right-of-use assets	-	1,377	963
Intangible assets	-	19	-
Total non-current asset	**30,356**	**28,799**	**27,544**
Inventories	17,140	20,088	21,081
Trade and other receivables	24,466	24,177	24,471
Cash and bank balances	1,972	2,073	3,693
Total current assets	**43,578**	**46,338**	**49,245**
Total assets	**73,934**	**75,137**	**76,789**
EQUITY AND LIABILITIES			
Invested capital	9,105	9,305	9,455
Retained profits	46,014	47,320	41,144
Total equity	**55,119**	**56,625**	**50,599**
Lease liabilities	-	144	171
Long-term borrowings	9,885	12,222	11,345
Deferred tax liabilities	407	289	274
Total non-current liabilities	**10,292**	**12,655**	**11,790**
Trade and other payables	5,132	4,301	8,332
Amount due to a director	52	-	-
Lease liabilities	-	449	279
Short-term borrowings	2,444	689	5,181
Current tax liabilities	895	418	608
Total current liabilities	**8,523**	**5,857**	**14,400**
Total liabilities	**18,815**	**18,512**	**26,190**
Total equity and liabilities	**73,934**	**75,137**	**76,789**
NA	55,119	56,625	50,599

11.2 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness:

(i) as at 30 September 2021, after taking into account the Acquisition of UFI and UDI but before our Public Issue and use of proceeds; and

(ii) after adjusting for the proceeds arising from our Public Issue and use of proceeds from our Public Issue.

	(Unaudited) As at 30 September 2021	**After the Public Issue and use of proceeds**
	RM'000	**RM'000**
INDEBTEDNESS		
Current		
Secured and guaranteed:		
Bankers' acceptance	4,301	4,301
Term loans	993	993
Hire purchase payable	-	-
Lease liabilities	110	110
	5,404	5,404
Non-current		
Secured and guaranteed:		
Term loans	11,214	11,214
Hire purchase payable	-	-
Lease liabilities	121	121
	11,335	11,335
Total Indebtedness	**16,739**	**16,739**
CAPITALISATION		
Shareholders' equity	53,070	[•]
Total capitalisation and indebtedness	69,809	[•]
Gearing ratio (times)*	0.32	[•]

Note:

* Computed based on total indebtedness divided by our shareholders' equity.

11.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

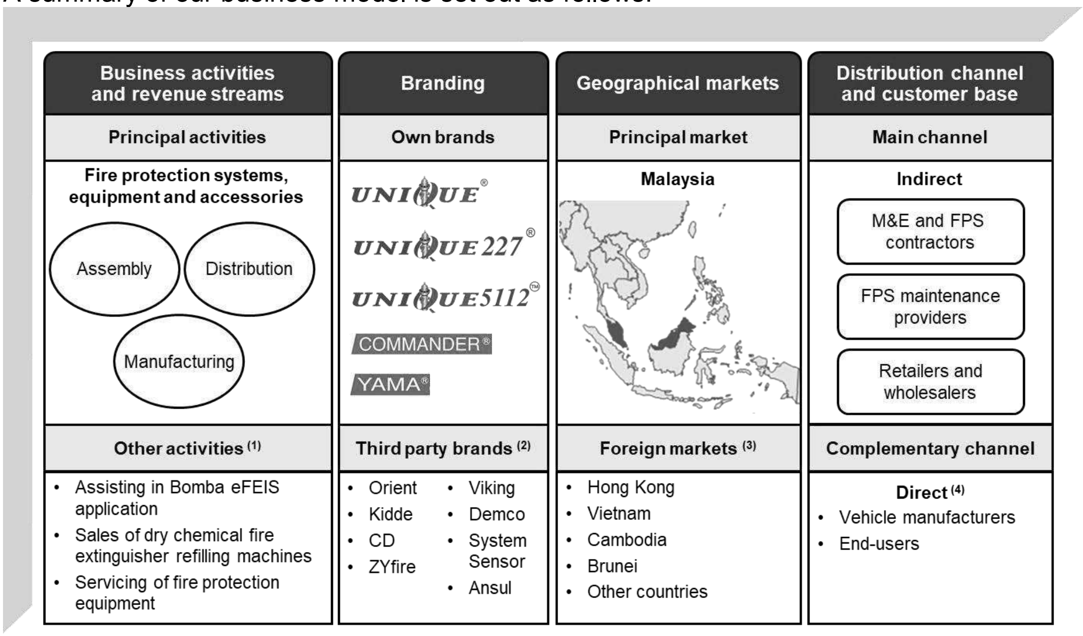
The following discussion and analysis should be read together with the Accountants' Report as set out in Section 12 of this Prospectus.

The management's discussion and analysis contains data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in these forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 8 of this Prospectus.

11.3.1 Overview of our operations

Our Company is principally an investment holding company and through our wholly-owned subsidiaries, UFI and UDI, are principally involved in the assembly, distribution and manufacturing of active fire protection systems, equipment and accessories for built environment. In addition, our other business activities include assisting in Bomba eFEIS application, sales of dry chemical fire extinguisher refilling machines and servicing of fire protection equipment.

A summary of our business model is set out as follows:



Please refer to Section 6 of this Prospectus for further information on our business activities.

11.3.2 Review of operations

(a) **Revenue**

Our revenue is derived from the assembly, distribution and manufacturing of active fire protection systems, equipment and accessories both under our own brands and third-party brands which contributed more than 98% of our total revenue during the Financial Years Under Review with the balance of the revenue contribution from the other activities such as assisting in Bomba eFEIS application, sales of dry chemical fire extinguisher refilling machines and servicing of fire protection equipment. We derived most of our revenue from Malaysia with only 1.25%, 1.01% and 1.30% of our total revenue for the FYE 2019, FYE 2020 and FYE 2021, respectively, contributed from the foreign countries, such as Hong Kong, Vietnam, Cambodia and Brunei.

As we are involved in the assembly, distribution and manufacture of active fire protection systems, equipment and accessories for the built environment, our revenue stream can be classified into the following business activities:

Assembly : We assemble fire suppression systems and equipment by integrating multiple parts and components that we purchased from external suppliers and where relevant, filling cylinders with extinguishing agents and propellant to form the finished product.

Distribution : We distribute fire suppression systems, equipment and accessories under our brands and third party brands where we source the products from domestic and foreign manufacturers and suppliers and supply the products to our customers. No modification or alteration is involved in our distribution activities.

Manufacturing : We manufacture fire protection equipment under our brand involving the transformation of input materials into finished products. In particular, we manufacture hand portable dry chemical fire extinguishers, where we manufacture the fire extinguisher cylinders in-house and put together the parts and fill the cylinders with extinguishing agents.

In addition to the above, our other business activities include assisting in Bomba eFEIS application, sales of dry chemical fire extinguisher refilling machines and servicing of fire protection equipment. Please refer to Section 6.4.2 of the Prospectus for further information on our business activities and revenue stream.

The range of active fire protection systems, equipment and accessories that we market under our assembly, distribution and manufacturing activities are illustrated below:

Product categories	Assembly activities	Distribution activities	Manufacturing activities
Fire suppression systems	- CO_2 fire suppression systems - HFC fire suppression systems	- Sprinkler systems - Dry and wet riser systems and hydrants - Wet chemical fire suppression systems	Not applicable
Fire protection equipment	- Trolley mounted dry chemical fire extinguishers - CO_2 fire extinguishers - Foam fire extinguishers - Fire hose reels - Fire hoses	- Fire hoses	- Hand portable dry chemical fire extinguishers
Fire protection accessories	Not applicable	- Fire alarm and detection devices - Batteries - Cabinets - Fire blankets	Not applicable

Revenue from the sale of goods is recognised when our Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Our revenue is recognised net of any sales discounts and tax.

Our revenue is mainly driven by the following key factors:

- the performance of building construction and property development industries and the general economy which may affect the demand for our products;
- the competition from other operators that are involved in the assembly, distribution and manufacturing of active fire protection systems, equipment and accessories may affect the selling prices and sales volume of our products; and
- our ability to retain existing customers and/or secure new customers based on the quality, price competitiveness and availability and range of our active fire protection systems, equipment and accessories.

Our Group recorded revenue of RM79.70 million, RM76.19 million and RM63.44 million for the FYE 2019, FYE 2020 and FYE 2021, respectively, where the revenue from our assembly activities accounted for RM37.00 million (or 46.42%), RM35.77 million (or 46.94%) and RM30.72 million (or 48.42%) of our total revenue for the FYE 2019, FYE 2020 and FYE 2021, respectively. Our revenue from the distribution activities accounted for RM30.42 million (or 38.17%), RM27.92 million (or 36.65%) and RM20.48 million (or 32.29%) of our total revenue for the FYE 2019, FYE 2020 and FYE 2021, respectively. Our revenue from the manufacturing activities accounted for RM10.96 million (or 13.75%), RM11.39 million (or 14.95%) and RM11.14 million (or 17.55%) of our total revenue for the FYE 2019, FYE 2020 and FYE 2021, respectively. Our other activities contributed RM1.32 million (or 1.66%), RM1.11 million (or 1.46%) and RM1.10 million (or 1.74%) of our total revenue for the FYE 2019, FYE 2020 and FYE 2021, respectively.

(i) Analysis of contribution to revenue by business activities and products

The breakdown of our Group's revenue by business activities and products for the Financial Years Under Review is as follows:

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
Business activities	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Assembly	**37,000**	**46.42**	**35,773**	**46.94**	**30,725**	**48.42**
- Fire suppression systems	21,950	27.54	21,113	27.71	19,417	30.60
- Fire protection equipment	15,050	18.88	14,660	19.23	11,308	17.82
Distribution	**30,419**	**38.17**	**27,918**	**36.65**	**20,483**	**32.29**
- Fire suppression systems	23,348	29.30	20,691	27.16	14,739	23.23
- Fire protection accessories	7,071	8.87	7,168	9.41	5,550	8.75
- Fire protection equipment	-	-	59	0.08	194	0.31
Manufacturing	**10,957**	**13.75**	**11,392**	**14.95**	**11,135**	**17.55**
- Fire protection equipment	10,957	13.75	11,392	14.95	11,135	17.55
Other activities	**1,323**	**1.66**	**1,111**	**1.46**	**1,101**	**1.74**
Total revenue	**79,699**	**100.00**	**76,194**	**100.00**	**63,444**	**100.00**

Commentary:

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our total revenue decreased by RM3.51 million or 4.40% to RM76.19 million (FYE 2019: RM79.70 million). The decrease in total revenue for the FYE 2020 was mainly attributable to competitive landscape and commencement of MCO on 18 March 2020 which affected the sales.

For the FYE 2020, revenue from our assembly activities decreased by RM1.23 million or 3.32% to RM35.77 million (FYE 2019: RM37.00 million) mainly due to lower sales of CO_2 fire suppression systems in view of the reschedule of delivery to a later date by our customers amounted to RM0.32 million arising from the commencement of the MCO period on 18 March 2020 coupled with the switch of our product focus to self-assembly HFC fire suppression systems. The HFC fire suppression systems are marketed under our own brand Unique227, where sales picked up mainly for use in TNB's substations during the FYE 2020 following the SGP certification being obtained for such systems in 2018, which partly offset the lower sales of CO_2 fire suppression systems.

For the FYE 2020, revenue from our distribution activities decreased by RM2.50 million or 8.22% to RM27.92 million (FYE 2019: RM30.42 million) mainly due to lower revenue from the sales of fire suppression systems in particular the third party brand sprinkler systems as a result of the introduction of a new sprinkler product with competitive pricing in the market by other industry player during the FYE 2020.

For the FYE 2020, revenue from our manufacturing activities increased by RM0.43 million or 3.92% to RM11.39 million (FYE 2019: RM10.96 million) mainly due to our price competitiveness and value-added services provided to our customers such as the Bomba eFEIS registration.

For the FYE 2020, revenue from our other activities decreased by RM0.21 million or 15.91% to RM1.11 million (FYE 2019: RM1.32 million) mainly due to additional labour services which were charged to a customer in FYE 2019 for a one-off upgrading works conducted on fire suppression system.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our total revenue decreased by RM12.75 million or 16.73% to RM63.44 million (FYE 2020: RM76.19 million). The decrease in total revenue for the FYE 2021 was mainly attributable to the slow down in construction activities and general economy following the containment measures imposed by the Government during the COVID-19 pandemic in particular during the period from March 2020 to June 2020 where the nation was experiencing MCO for the first time and most business activities (except for those essential services which were allowed to operate by MITI) were at a standstill. As a result, our revenue for the assembly, distribution and manufacturing activities were affected as most of our customers are involved in the building construction and property development industries.

For the FYE 2021, as a consequence of the COVID-19 pandemic:

(i) the revenue from our assembly activities decreased by RM5.05 million or 14.12% to RM30.72 million (FYE 2020: RM35.77 million); and

(ii) the revenue from our distribution activities decreased by RM7.44 million or 26.65% to RM20.48 million (FYE 2020: RM27.92 million), as most construction projects were temporary suspended and restrictions on the supply of building materials amidst the containment measures imposed by the Government which caused deferment in the demand from our customers and the delivery of our products were rescheduled to a later date by our customers.

For the FYE 2021, the revenue from our manufacturing activities decreased marginally by RM0.25 million or 2.19% to RM11.14 million (FYE 2020: RM11.39 million). The lower amount of decrease in the revenue from our manufacturing activities as compared to our assembly and distribution activities was mainly due to the pent-up demand and fulfilment of the outstanding delivery for our fire extinguishers after the period of MCO 1.0.

For the FYE 2021, revenue from our other activities decreased by RM0.01 million or 0.90% to RM1.10 million (FYE 2020: RM1.11 million) mainly due to decrease in eFEIS applications made for and charged to customers.

The Covid-19 pandemic and the consequential containment measures had affected the overall financial performance of our Group during the Financial Years Under Review. In 2020, real GDP of Malaysia declined by 5.6%. In the first quarter (Q1) of 2021, Malaysia's real GDP recorded a decline of 0.5% compared to Q1 2020, before it expanded and grew by 16.1% in the second quarter (Q2) 2021 compared to Q2 2020. Meanwhile, the real GDP of the construction industry declined by 19.4% in 2020. In Q1 2021, the construction industry improved with a smaller decline of 10.4% compared to Q1 2020, before it expanded with a growth of 40.3% in Q2 2021. *(Source: Industry Overview).*

To address the impact on our financial performance from the Covid-19 pandemic, our Group had also undertaken the following measures:

(i) increase our marketing team personnel in order to intensify the sales and marketing effort. As at the LPD, we had hired 2 additional marketing personnel;

(ii) adopt innovative marketing strategy by engaging M&E consultants directly to promote our Group's own brand and products; and

(iii) maintain the inventory level of our products to enhance the responsiveness towards our customers' orders.

Nevertheless, the economy in Malaysia is forecasted with real GDP growth between 5.5% and 6.5% in 2022. It is also expected that the construction industry, which our business is dependent on, will recover in 2022 with a forecasted real GDP growth of 11.5% *(Source: Industry Overview)*.

Based on the above, our Company expects that the overall financial performance of our Group will improve in FYE 2022.

(b) Cost of sales, GP and GP margin

Our cost of sales comprises the following:

Material costs : Material costs are the main component of our cost of sales which accounted for RM52.40 million (or 92.62%), RM49.72 million (or 92.03%) and RM42.81 million (or 91.57%) of our total cost of sales for the FYE 2019, FYE 2020 and FYE 2021, respectively.

Our materials cost mainly consists of the following:

- input materials for our assembly and manufacturing activities such as empty cylinders, steel coils and sheets, dry powder, CO_2 and HFC-227ea, fire hose reels and fire hoses parts as well as other fire suppression systems parts and components that are used in our assembly and manufacturing activities.

- goods for distribution procured from suppliers and/or manufacturers for onwards sale or distribution to our customers such as the sprinkler systems, wet and dry riser systems and hydrants, wet chemical fire suppression systems and fire protection accessories.

The cost of purchase is net of rebates and payment discounts received from our suppliers. Such rebates and payments discounts are subject to us achieving certain key performance targets such as quantity purchased and meeting repayment schedule.

Direct expenses : Direct expenses accounted for RM3.08 million (or 5.44%), RM3.28 million (or 6.06%) and RM3.02 million (6.47%) of our total cost of sales for the FYE 2019, FYE 2020 and FYE 2021, respectively.

Our direct expenses mainly comprise salaries, wages allowances, bonuses and other workers' related expenses for the assembly and manufacturing line, packing expenses, Bomba certification fees for our assembly and manufactured products, QC, testing and inspection fees for our assembly and manufactured products.

Factory overheads : Factory overhead accounted for RM1.10 million (or 1.94%), RM1.03 million (or 1.91%) and RM0.92 million (or 1.96%) of our total cost of sales for the FYE 2019, FYE 2020 and FYE 2021, respectively.

Our factory overheads mainly comprise depreciation charges for machinery and equipment used for our assembly and manufacturing activities, upkeep of machinery and equipment, electricity and water charges.

The key factors affecting our cost of sales, GP and GP margin include the following:

- fluctuation in the prices of our input materials and goods for distribution and our ability to pass on the increase in cost to customers;

- our procurement strategy which would affect our costing and pricing strategy;

- our ability to maintain long-term relationships with our key suppliers and to secure wider range of active fire protection equipment at competitive prices and favourable terms to meet the demand and requirements of our customers; and

- our product sales mix composition as some product categories may have higher GP margin as compared to others.

Our Group recorded cost of sales of RM56.58 million, RM54.03 million and RM46.75 million for the FYE 2019, FYE 2020 and FYE 2021, respectively, and the corresponding GP recorded was RM23.12 million, RM22.16 million and RM16.69 million for the FYE 2019, FYE 2020 and FYE 2021, respectively.

(i) Analysis of cost of sales by cost components

A breakdown of our cost of sales by cost components for the Financial Years Under Review is as follows:

	<-------------------------------Audited------------------------------>					
	FYE 2019		**FYE 2020**		**FYE 2021**	
Cost components	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Material costs	52,401	92.62	49,724	92.03	42,812	91.57
Direct expenses	3,077	5.44	3,277	6.06	3,024	6.47
Factory overheads	1,100	1.94	1,031	1.91	917	1.96
Total cost of sales	**56,578**	**100.00**	**54,032**	**100.00**	**46,753**	**100.00**

(ii) Analysis of cost of sales by business activities and products

A breakdown of our cost of sales by business activities and products for the Financial Years Under Review is as follows:

	<-------------------------------Audited------------------------------>					
	FYE 2019		**FYE 2020**		**FYE 2021**	
Business activities	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Assembly	**27,738**	**49.03**	**26,735**	**49.48**	**24,246**	**51.86**
- Fire suppression systems	16,581	29.31	15,875	29.38	15,887	33.98
- Fire protection equipment	11,157	19.72	10,860	20.10	8,359	17.88
Distribution	**20,425**	**36.10**	**19,119**	**35.39**	**14,171**	**30.31**
- Fire suppression systems	15,433	27.28	14,033	25.97	10,246	21.91
- Fire protection accessories	4,992	8.82	5,044	9.34	3,813	8.16
- Fire protection equipment	-	-	42	0.08	112	0.24
Manufacturing	**7,954**	**14.06**	**7,706**	**14.26**	**7,948**	**17.00**
- Fire protection equipment	7,954	14.06	7,706	14.26	7,948	17.00
Other activities	**461**	**0.81**	**472**	**0.87**	**388**	**0.83**
Total cost of sales	**56,578**	**100.00**	**54,032**	**100.00**	**46,753**	**100.00**

Commentary:

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our total cost of sales decreased by RM2.55 million or 4.51% to RM54.03 million (FYE 2019: RM56.58 million). The decrease in total cost of sales was in line with the decrease in the revenue for the FYE 2020.

The material costs decreased by RM2.68 million or 5.11% to RM49.72 million in the FYE 2020 (FYE 2019: RM52.40 million) mainly due to lower sales during the financial year. The direct expenses increased by RM0.20 million or 6.49% to RM3.28 million in the FYE 2020 (FYE 2019: RM3.08 million) mainly due to higher workers' salary and wages, additional workers were recruited in UDI to manage fire safety courses and seminars, higher Bomba e-FEIS registration and quality control expenses due to higher sales of our fire extinguishers during the FYE 2020. The factory overheads remained relatively stable in the FYE 2020.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our total cost of sales decreased by RM7.28 million or 13.47% to RM46.75 million (FYE 2020: RM54.03 million). The decrease in total cost of sales was in line with the decrease in the revenue for the FYE 2020 in view of the COVID-19 pandemic.

The material costs decreased by RM6.91 million or 13.90% to RM42.81 million in the FYE 2021 (FYE 2020: RM49.72 million) mainly due to the lower input materials used for assembly activities as well as goods for distribution sold during the FYE 2021. The direct expenses also decreased by RM0.26 million or 7.93% to RM3.02 million in the FYE 2021 (FYE 2020: RM3.28 million) mainly due to lower bonus and allowances for workers. The factory overheads decreased by RM0.11 million or 10.68% to RM0.92 million in the FYE 2021 (FYE 2020: RM1.03 million) mainly due to lower utilities expenses as a result of lower assembly activities.

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(iii) Analysis of GP and GP margins by business activities and products

The breakdown of our Group's GP and GP margin by business activities and products for the Financial Years Under Review are as follows:

	<--------------------------------Audited-------------------------------->					
	FYE 2019		FYE 2020		FYE 2021	
Business activities	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Assembly	**9,262**	**40.06**	**9,038**	**40.79**	**6,479**	**38.82**
- Fire suppression systems	5,369	23.22	5,238	23.64	3,530	21.15
- Fire protection equipment	3,893	16.84	3,800	17.15	2,949	17.67
Distribution	**9,994**	**43.22**	**8,799**	**39.70**	**6,312**	**37.82**
- Fire suppression systems	7,915	34.23	6,658	30.04	4,493	26.92
- Fire protection accessories	2,079	8.99	2,124	9.58	1,737	10.41
- Fire protection equipment	-	-	17	0.08	82	0.49
Manufacturing	**3,003**	**12.99**	**3,686**	**16.63**	**3,187**	**19.09**
- Fire protection equipment	3,003	12.99	3,686	16.63	3,187	19.09
Other activities	**862**	**3.73**	**639**	**2.88**	**713**	**4.27**
Total GP	**23,121**	**100.00**	**22,162**	**100.00**	**16,691**	**100.00**

	FYE 2019	FYE 2020	FYE 2021
GP Margin	**%**	**%**	**%**
Assembly	**25.03**	**25.26**	**21.09**
- Fire suppression systems	24.46	24.81	18.18
- Fire protection equipment	25.87	25.92	26.08
Distribution	**32.85**	**31.52**	**30.82**
- Fire suppression systems	33.90	32.18	30.48
- Fire protection accessories	29.40	29.63	31.30
- Fire protection equipment	-	28.81	42.27
Manufacturing	**27.41**	**32.36**	**28.62**
- Fire protection equipment	27.41	32.36	28.62
Other activities	**65.15**	**57.72**	**64.76**
Over GP Margin	**29.01**	**29.09**	**26.31**

Commentary:

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our GP decreased by RM0.96 million or 4.15% to RM22.16 million (FYE 2019: RM23.12 million). The decrease in the GP was in line with the lower sales recorded during the FYE 2020.

For the FYE 2020, we recorded a decrease in GP from our assembly activities by RM0.22 million or 2.38% to RM9.04 million (FYE 2019: RM9.26 million) which was in line with the decrease in the revenue from our assembly activities. We recorded a decrease in the GP from our distribution activities by RM1.19 million or 11.91% to RM8.80 million (FYE 2019: RM9.99 million) mainly due to lower GP from the sales of third party brand sprinkler systems which corresponded with the decline in such sales. As for the manufacturing activities, we recorded an increase in GP by RM0.69 million or 23.00% to RM3.69 million (FYE 2019: RM3.00 million) mainly due to higher sales of our own manufactured fire extinguishers.

Our overall GP margin improved marginally from 29.01% in the FYE 2019 to 29.09% in the FYE 2020 mainly due to the following:

(a) higher GP margin recorded from our assembly activities of 25.26% in the FYE 2020 (FYE 2019: 25.03%) which was mainly attributable to the higher sales of our self-assembly HFC fire suppression systems which was of higher GP margin; and

(b) higher GP margin recorded from our manufacturing activities of 32.36% in the FYE 2020 (FYE 2019: 27.41%) mainly due to lower cost of sales as we managed to source for more price competitive component parts and discounts received from our steel suppliers during the FYE 2020.

However, such an increase was partly offset by lower sales and GP made during the FYE 2020 from our distribution activities. Generally, the products that we distribute record higher GP margin as compared to our assembly and manufacturing activities, due to limited authorised distributors for certain brands and products in the market. The GP margin for our distribution activities decreased from 32.85% in the FYE 2019 to 31.52% in the FYE 2020 mainly due to lower GP margin for the third party sprinkler systems following some price adjustments made in order to remain competitive as a result of the introduction of a new sprinkler product with competitive pricing in the market by other industry player.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our GP decreased by RM5.47 million or 24.68% to RM16.69 million (FYE 2020: RM22.16 million). The decrease in the GP was in line with the lower overall sales recorded due to the COVID-19 pandemic during the FYE 2021.

Correspondingly, we recorded a decrease in the GP from:

(a) our assembly activities by RM2.56 million or 28.32% to RM6.48 million (FYE 2020: RM9.04 million);

(b) our distribution activities by RM2.49 million or 28.30% to RM6.31 million (FYE 2020: RM8.80 million); and

(c) our manufacturing activities by RM0.50 million or 13.55% to RM3.19 million (FYE 2020: RM3.69 million).

Our overall GP margin decreased from 29.09% in the FYE 2020 to 26.31% in the FYE 2021 mainly attributable to the following factors:

(a) lower GP margin recorded from our assembly activities of 21.09% in the FYE 2021 (FYE 2020: 25.26%) mainly due to the lower GP margin for the sales of our fire suppression systems as discounts were granted to certain key customers to encourage sales during the COVID-19 pandemic period;

(b) lower GP margin recorded from our distribution activities of 30.82% in the FYE 2021 (FYE 2020: 31.52%) mainly due to further price adjustment for our third party brand sprinkler systems to remain competitive during the FYE 2021;

(c) lower proportion GP contribution from our distribution activities which were generally of higher GP margin;

(d) lower GP margin for the manufacturing of fire extinguishers due to the sudden increase in steel prices which was not fully passed on to customers; and

(e) fixed productions overheads continued to be maintained during the MCO periods.

Our overall GP margin in the FYE 2021 had been affected by the Covid-19 pandemic, coupled with the sudden increase in steel prices. In addition to the monthly pricing strategy adopted, which is set out in Section 6.11 of this Prospectus, we also negotiate with our suppliers in advance to secure favourable pricing for the raw materials before fixing the selling price for our customers' orders. In addition, we procure the raw materials in bulk to negotiate for better discount and to fulfill the anticipated demand following the reopening of some economy sectors particularly the building construction and property development industry.

(c) Other income

Our Group recorded other income of RM1.73 million, RM0.53 million and RM0.67 million for the FYE 2019, FYE 2020 and FYE 2021, respectively. The breakdown of our other income for the Financial Years Under Review is as follows:

	<------------------------------Audited------------------------------>					
	FYE 2019		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest income	4	0.23	6	1.12	*	*
Gain on foreign exchange – unrealised	234	13.54	356	66.67	30	4.50
Gain on foreign exchange - realised	-	-	-	-	109	16.37
Gain on disposal of property, plant and equipment	231	13.37	51	9.55	-	-
Gain in disposal of right-of-use assets	-	-	-	-	52	7.81
Recovery of bad debts	-	-	118	22.10	202	30.33
Compensation received	1,245	72.05	2	0.37	1	0.15
Others (1)	14	0.81	1	0.19	272	40.84
Total	**1,728**	**100.00**	**534**	**100.00**	**666**	**100.00**

Note:

(1) Mainly comprise subsidy received from SOCSO (PERKESO) under the Prihatin Rakyat Economic Stimulus Package (PrihatinPKS+) Wage Subsidy Programme and sundry income.

Commentary:

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our Group recorded a decrease in other income by RM1.20 million or 69.36% to RM0.53 million (FYE 2019: RM1.73 million). The decrease was mainly due to the following:

(i) one-off compensation received from overseas supplier of RM1.25 million claimed by our Group in the FYE 2019 as the result of non-performance of the machinery purchased; and

(ii) lower gain on disposal of property, plant and equipment of RM0.05 million in the FYE 2020 (FYE 2019: RM0.23 million).

Such decrease in other income was partly mitigated by the higher unrealised gain on foreign exchange of RM0.36 million in the FYE 2020 (FYE 2019: RM0.23 million) and the recovery of bad debts from our customer of RM0.12 million during the FYE 2020.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group recorded an increase in other income by RM0.14 million or 26.42% to RM0.67 million (FYE 2020: RM0.53 million). The increase was mainly due to the following:

(i) wage subsidy received from SOCSO (PERKESO) under the Prihatin Rakyat Economic Stimulus Package (PrihatinPKS+) Wage Subsidy Programme of RM0.24 million in the FYE 2021;

(ii) gain on foreign exchange recognised of RM0.36 million in the FYE 2021; and

(iii) higher recovery of bad debts of RM0.20 million in the FYE 2021 (FYE 2020: RM0.12 million).

However, the increase in other income was partly mitigated by the lower unrealised gain on foreign exchange of RM0.03 million in the FYE 2021 (FYE 2020: RM0.36 million).

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(d) Administrative expenses

Our Group incurred administrative expenses of RM9.11 million, RM10.27 million and RM8.29 million for the FYE 2019, FYE 2020 and FYE 2021, respectively. The breakdown of our administrative expenses for the Financial Years Under Review is as follows:

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
Directors' remuneration	1,027	11.28	1,658	16.15	1,753	21.13
Staff costs	2,910	31.96	3,297	32.11	2,512	30.28
Depreciation of property, plant and equipment, and right-of-use assets	1,575	17.30	1,368	13.32	1,069	12.89
Upkeep of property, plant and equipment	720	7.90	672	6.55	905	10.91
Professional fees	240	2.63	163	1.59	301	3.63
Insurance charges	180	1.98	180	1.75	151	1.82
GST and SST	296	3.25	560	5.45	380	4.58
Travelling expenses	353	3.88	409	3.98	244	2.94
Entertainment	173	1.90	282	2.75	97	1.17
Labour and hiring charges (1)	262	2.88	249	2.43	3	0.04
Others (2)	1,370	15.04	1,429	13.92	880	10.61
Total	**9,106**	**100.00**	**10,267**	**100.00**	**8,295**	**100.00**

Note:

(1) Labour and hiring charges mainly relates to the outsourced labour charges for the installation work of fire protection system which was provided on an ad-hoc basis.

(2) Others mainly consist of bank charges, printing and stationery, permit and licence fees, quit rent and assessment, cleaning and security charges, sundry expenses and office utilities charges.

Commentary:

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our Group recorded an increase in administrative expenses by RM1.16 million or 12.73% to RM10.27 million (FYE 2019: RM9.11 million). The increase in administrative expenses was mainly due to the following factors:

(i) increase in directors' remuneration by RM0.63 million mainly due to the appointment of 4 new directors in November 2018 and the remuneration of the 4 new directors for the full financial year was only reflected in FYE 2020;

(ii) increase in staff costs by RM0.39 million mainly due to increase in workforce by 10 employees to cater for the operations of UDI, overall salary increment and leave passage as employee benefits; and

(iii) increase in SST by RM0.26 million mainly due to higher SST incurred for the higher purchases of goods for distribution during the FYE 2020.

However, such increase in administrative expenses was partly mitigated by the decrease in depreciation charges and upkeep of property, plant and equipment of RM0.26 million.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group recorded a decrease in administrative expenses by RM1.97 million or 19.18% to RM8.30 million (FYE 2020: RM10.27 million). The decrease in administrative expenses was mainly due to the following factors:

(i) decrease in staff costs by RM0.79 million due to reduce in workforce by 2 headcounts, lower bonus, reduction in staff benefits such as leave passage in view of the COVID-19 pandemic;

(ii) decrease in depreciation charges by RM0.30 million as some of the property, plant and equipment have been fully depreciated; and

(iii) decrease in travelling expenses by RM0.17 million due to less business activities during the MCO periods;

(iv) decrease in outsourced labour charges for installation work during the FYE 2021 which was on an ad-hoc basis. Our Group is not involved in the provision of installation works unless requested by our customers. In attending to such request, our Group will usually outsource to third party installers to carry out the works; and

(v) decrease in entertainment expenses by RM0.19 million and other expenses such as festive celebration expenses, printing and stationery expenses by RM0.55 million as part of our cost cutting measures in view of the COVID-19 pandemic

However, such decrease in administrative expenses was partly mitigated by the increase in upkeep of property, plant and equipment by RM0.23 million mainly due to the upgrade in ERP system and increase in legal and professional fees by RM0.14 million mainly due to listing expenses.

(e) Selling and distribution expenses

Our Group incurred selling and distribution expenses of RM1.21 million, RM1.28 million and RM0.68 million for the FYE 2019, FYE 2020 and FYE 2021, respectively. The breakdown of our selling and distribution expenses for the Financial Years Under Review is as follows:

	<---------------------------------Audited--------------------------------->					
	FYE 2019		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Sales commission	338	27.87	399	31.10	170	24.96
Transportation charges	587	48.39	578	45.05	461	67.70
Marketing expenses	217	17.89	70	5.46	38	5.58
Product certification fees	-	-	163	12.70	-	-
Others (1)	71	5.85	73	5.69	12	1.76
Total	**1,213**	**100.00**	**1,283**	**100.00**	**681**	**100.00**

Note:

(1) Mainly comprises photography and videography costs and website expenses.

Commentary:

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our Group recorded a marginal increase in selling and distribution expenses of RM0.07 million or 5.79% to RM1.28 million (FYE 2019: RM1.21 million). The increase was mainly due to the product certification fees incurred to meet the requirement of the FM procedures for Kidde brand HFC filling machine which was partly mitigated by lower marketing expenses incurred for the online sales in the FYE 2020.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group recorded a decrease in selling and distribution expenses of RM0.60 million or 46.88% to RM0.68 million (FYE 2020: RM1.28 million). The decrease was mainly due to lower sales commission for our staff due to the lower sales performance of our Group during the financial year and lower transportation charges in line with the lower sales and less travelling during the FYE 2021 amidst the COVID-19 pandemic.

(f) Finance costs

Our Group incurred finance costs of RM0.83 million, RM0.67 million and RM0.44 million for the FYE 2019, FYE 2020 and FYE 2021, respectively. The breakdown of our finance costs for the Financial Years Under Review is as follows:

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
Bank overdraft interest	59	7.10	161	24.14	12	2.72
Bankers' acceptance interest	29	3.49	3	0.45	35	7.94
Term loans interest	604	72.68	409	61.32	336	76.19
Hire purchase interest	88	10.59	-	-	-	-
Lease liabilities interest	-	-	52	7.79	16	3.63
Bank charges[1]	51	6.14	42	6.30	42	9.52
Total	**831**	**100.00**	**667**	**100.00**	**441**	**100.00**

Note:

(1) Mainly comprises bank commitment fees and letter of credit charges.

Commentary:

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our Group recorded a decrease in finance costs of RM0.16 million or 19.28% to RM0.67 million (FYE 2019: RM0.83 million). The decrease in the finance costs was mainly due to advance payment made for the flexi-term loans during the FYE 2020. The flexi-term loan is obtained by our Group to finance the purchase of our existing Operational Facility in Shah Alam, Selangor, with redraw facilities whereby borrower is allowed to make advance payment on top of the monthly repayment schedule. Borrower is also allowed to withdraw such advance payment which is made on top of the monthly repayment schedule from time to time. As part of our Group's cash flow management strategy, the advance payment was made from the surplus cash available in order to reduce our Group's finance costs and withdrawal of such advance payment will be made as and when required by our Group.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group recorded a decrease in finance costs of RM0.23 million or 34.33% to RM0.44 million (FYE 2020: RM0.67 million). The decrease in the finance costs was mainly due to lower utilisation of bank overdraft and advance payment made for the flexi-term loans and lower interest rates for term loans during the FYE 2021.

(g) Other expenses

Our Group incurred other expenses of RM0.56 million, RM0.32 million and RM0.02 million for the FYE 2019, FYE 2020 and FYE 2021, respectively. The breakdown of our expenses for the Financial Years Under Review is as follows:

	<----------Audited					---------->
	FYE 2019		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Bad debts written off	360	64.63	-	-	-	-
Loss on foreign exchange – unrealised	197	35.37	318	100.00	-	-
Written off of intangible assets	-	-	-	-	19	100.0
Total	**557**	**100.00**	**318**	**100.00**	**19**	**100.00**

Commentary:

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our Group recorded a decrease in other expenses of RM0.24 million or 42.86% to RM0.32 million (FYE 2019: RM0.56 million). The decrease in other expenses was mainly due to bad debts written off amounting to RM0.36 million in relation to the outstanding trade receivables that were not recoverable in the FYE 2019. The bad debts written off is not related to our Group's major customer. It was resulted from several customers with insignificant contribution each. Up to the LPD, our Group does not enter into subsisting business relationship with any of these customers, save for a customer whom we managed to recover fully the bad debts amounted to RM0.02 million subsequently.

11. FINANCIAL INFORMATION (Cont'd)

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group recorded a decrease in other expenses of RM0.30 million or 93.75% to RM0.02 million (FYE 2020: RM0.32 million). The decrease in the other expenses was mainly due to the unrealised loss on foreign exchange recorded in the FYE 2020 and the written off of intangible assets of RM0.02 million recorded in the FYE 2021 in relation to a software invested in UDI due to no future economic benefits are expected from its use.

(h) Net impairment losses on financial assets / (Reversal of impairment losses on financial assets)

Our Group recorded reversal of impairment losses on financial assets of RM0.27 million for the FYE 2019 and incurred net impairment losses on financial assets of RM0.24 million for the FYE 2021. The breakdown of which for the Financial Years Under Review is as follows:

	<---Audited					--->
	FYE 2019		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Impairment losses on trade receivables	-	-	-	-	239	100.00
(Reversal of impairment losses on trade receivables)	(267)	100.00	-	-	-	-
Total	**(267)**	**100.00**	**-**	**-**	**239**	**100.00**

Commentary:

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our Group does not have any impairment losses nor reversal of impairment losses on financial assets. Our Group recorded reversal of impairment losses on trade receivables of RM0.27 million for the FYE 2019 mainly due to lower assessment of expected credit loss in accordance with Malaysian Financial Reporting Standards ("**MFRS**") 9 after taking into consideration the loss given default and probability of default assigned, and are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group incurred net impairment losses on trade receivables of RM0.24 million (FYE 2020: nil) due to higher assessment of expected credit loss in accordance with MFRS 9 after taking into consideration the impact of Covid-19 and MCO, global economy and longer trade receivables turnover period during the FYE 2021.

(i) Income Tax Expense

The breakdown of our income tax expense for the Financial Years Under Review is set out below:

	<---------------------------Audited--------------------------->		
	FYE 2019	**FYE 2020**	**FYE 2021**
Income tax expense (RM'000)	3,464	2,677	2,358
Effective tax rate (%)	25.83	26.35	30.70
Statutory tax rate (%)	24.00	24.00	24.00

Our Group's effective tax rate was 25.83%, 26.35% and 30.70% for the FYE 2019, FYE 2020 and FYE 2021, respectively.

Our effective tax rate for the FYE 2019 was 25.83% and higher than the statutory tax rate mainly due to under provision of deferred tax in the previous financial year and non-deductible expense which include among others, professional and legal expenses, entertainment and travelling expenses. However, such higher tax expense was partly offset with the non-taxable income mainly arising from the compensation received from the machinery supplier during the FYE 2019 and overprovision of tax expense in the previous financial year.

Our effective tax rate for the FYE 2020 was 26.35% and higher than the statutory tax rate mainly due to non-deductible expense which included among others, inventories written down, professional and legal expenses, entertainment and travelling expenses.

Our effective tax rate for the FYE 2021 was 30.70% and higher than the statutory tax rate mainly due to under provision of tax expense in the previous financial year and the non-deductible expense which included among others, impairment loss on trade receivables, inventories written down, professional and legal expenses, entertainment and travelling expenses.

(j) PBT, PBT margin, PAT and PAT margin

Our Group recorded PBT of RM13.41 million, RM10.16 million and RM7.68 million for the FYE 2019, FYE 2020 and FYE 2021, respectively. In addition, we recorded PAT of RM9.95 million, RM7.48 million and RM5.32 million for the FYE 2019, FYE 2020 and FYE 2021, respectively. The decrease in our PBT and PAT during the Financial Years Under Review was mainly due to lower GP recorded.

	<-------------------------------Audited------------------------------->		
	FYE 2019	**FYE 2020**	**FYE 2021**
PBT (RM'000)	13,409	10,161	7,682
PAT (RM'000)	9,945	7,484	5,324
PBT margin (%)	16.82	13.34	12.11
PAT margin (%)	12.48	9.82	8.39

Commentary:

<u>Comparison between FYE 2019 and FYE 2020</u>

For the FYE 2020, our Group recorded a decrease in PBT by RM3.25 million or 24.24% to RM10.16 million (FYE 2019: RM13.41 million) and a decrease in PAT by RM2.47 million or 24.82% to RM7.48 million (FYE 2019: RM9.95 million). The decrease in both PBT and PAT was mainly due to lower GP recorded as explained in Section 11.3.2(b) above as well as a decrease in other income by RM1.20 million recorded in the FYE

2020, higher administrative expenses incurred and higher effective tax rate incurred for the FYE 2020. As a result, our PBT margin decreased from 16.82% for the FYE 2019 to 13.34% for the FYE 2020. Correspondingly, our PAT margin also decreased from 12.48% for the FYE 2019 to 9.82% for the FYE 2020.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group recorded a decrease in PBT by RM2.48 million or 24.41% to RM7.68 million (FYE 2020: RM10.16 million) and a decrease in PAT by RM2.16 million or 28.88% to RM5.32 million (FYE 2020: RM7.48 million). The decrease in both PBT and PAT was mainly due to lower GP and GP margin recorded as explained in Section 11.3.2(b) above. As a result and coupled with the higher effective tax rate recorded for the FYE 2021, our PBT margin decreased from 13.34% for the FYE 2020 to 12.11% for the FYE 2021. Correspondingly our PAT margin also decreased from 9.82% for the FYE 2020 to 8.39% for the FYE 2021.

11.3.3 Significant factors materially affecting our operations and financial results

Our business operations and financial conditions have been and will continue to be affected by factors including, but not limited to, the following:

(a) Demand and supply condition

Our business, performance and results of operations are dependent on the demand and supply condition of the active fire protection equipment industry in Malaysia. The demand for our active fire protection equipment is dependent on the economic activities and conditions, the performance of the building construction and property development industries which includes building construction, civil engineering and specialised construction. New buildings in residential, commercial, industrial, infrastructure and public amenities and facilities will contribute to the demand for active fire protection systems and equipment as well as the regulatory framework in Malaysia which specified that every designated premises (except for single private dwellings and public religious worship areas) must have adequate fire safety, prevention and protection, and fire-fighting facilities. In addition, the requirement to have a portable fire extinguisher in private dwellings and apartments and flats that fall under the prescribed categories was subsequently incorporated into the UBBL of certain states by way of gazettes namely Selangor, Penang, Terengganu and Melaka in 2012, 2016, 2013 and 2019, respectively.

As such, any slowdown or adverse development in the Malaysian and global economy as well as the prolonged recovery of the building construction and property development industries will limit the demand for our products and our business growth opportunities, and thus adversely affecting our financial performances. The increase in the public awareness of the fire safety and changes in the regulatory framework in Malaysia where the implementation of stringent regulations for fire protection in buildings, are expected to fuel the demand for our active fire protection equipment.

Please refer to Sections 7 and 8 of this Prospectus for further details on the demand and supply conditions in relation to the active fire protection equipment industry in Malaysia and the associated risk factors.

(b) Fluctuation in the prices of our input materials and goods for distribution

Materials cost for our assembly, manufacturing and distribution activities are the main component of our cost of sales, representing more than 90% of our cost of sales for the Financial Years Under Review. Such input materials which we use for our assembly and manufacturing activities and the goods for our distribution mainly comprise parts and components made of steel which are subject to fluctuations according to the global commodity prices. The value of purchases of input materials with parts and components made mainly of steel constitutes approximately 38.02%, 39.24% and 40.16% of our total cost of sales for the FYE 2019, FYE 2020 and FYE 2021, respectively.

Between 2017 and 2019, global steel prices ranged between US$418/tonne and US$637/tonne, with an average price of US$538/tonne. In 2020, global steel prices dipped to their lowest since 2017 at US$385/tonne on 11 May 2020. Since then, global steel prices have been increasing and reached an all-time high of US$1,100/tonne on 24 May 2021, before subsequently falling to US$890/tonne on 25 October 2021. Please refer to Section 4.3 of the Industry Overview in this Prospectus for further details on the global steel conditions and prices.

Hence, any fluctuations in the prices of our input materials and goods for distribution would affect our cost of sales as well as our financial performance.

Nevertheless, we constantly monitor the movement of the commodity prices and ensure our suppliers regularly keep us informed of the demand and supply condition and price trends in order for us to plan ahead for our procurement decision and pricing strategy to pass on any increase in our cost of sales to customers. Please refer to Section 8.1.5 of this Prospectus for further details on the risk factors.

(c) Competition

Our Group is operating as an assembler, manufacturer and distributor of active fire protection systems, equipment and accessories for built environment and thus we are subject to competition from other operations who are involved in the assembly, distribution and manufacturing of active fire protection equipment in terms of pricing, branding, range, specification and quality of products offered, customers service and others. According to the IMR and as at 18 May 2021, there were 226 industry operators registered with the Malaysian Fire Protection Association, of which 143 members were involved in the active fire protection equipment related activities.

Nevertheless, our competitive advantages and key strengths have enabled us to compete effectively in the industry that we are operating in, which include the following:

(i) we have an established track record of approximately 24 years as a provider of fire protection systems, equipment and accessories which will serve as a platform to grow our business;

(ii) we have our brands of fire protection systems, equipment and accessories to cultivate customer loyalty and brand recognition;

(iii) we are an assembler and manufacturer of our brands of fire protection systems and equipment;

(iv) we market a range of fire protection systems, equipment and accessories to meet the diverse needs of our customers;

(v) we are an authorised distributor of third-party brands of fire protection systems, equipment and accessories;

(vi) our fire protection systems, equipment and accessories are used in diverse sectors which will provide us with business growth and opportunities;

(vii) the fire protection systems, equipment and accessories that we assemble, distribute and manufacture are critical products mandated by various regulatory bodies; and

(viii) we have experienced Directors and key management team to grow our business.

We will continue to take measures to maintain our competitiveness through our competitive advantages and key strengths set out in Section 6.1.2 of this Prospectus. However, there is no assurance that our business, performance and results of operations will not be materially and adversely affected if we are unable to do so. Please refer to Sections 7 and 8 of this Prospectus for further details on the competitive analysis on the assembly, distribution and manufacturing of active fire protection equipment in Malaysia and the associated risk factors.

(d) Impact of COVID-19 outbreak and MCOs on business, results of operations and/or financial performance of our Group

As our business was deemed as essential services as prescribed by MITI, we were allowed to operate subject to complying the relevant SOP and guidelines issued by MITI during the various MCO periods. Save and except for the period of MCO 1.0 which took effect from 18 March 2020 until 3 May 2020 and the EMCO in Selangor which took effect on 3 July 2021 until 16 July 2021 in which we temporary closed our operations, we conducted our business operations as normal according to the established SOP and guidelines.

However, our customers mainly comprise the M&E contractors, FPS contractors, and FPS maintenance service providers, majority of which are operating or involved in the building construction and property development industries, where they are engaged as part of new building construction and remodelling or renovations. Our customers have and/or are encountering certain extent of disruptions or delay in their projects due to the containment measures arising from the COVID-19 pandemic. In relation thereto, we experienced slowdown in new orders and reschedule of delivery of our products by customers which adversely affected the demand for our products and sales during the FYE 2021.

There can be no assurance that the COVID-19 pandemic, MCO and/or any social and economic restrictive measures to be imposed by the Government may be prolonged or may worsen in the future which may consequently result in interruptions to our Group's business and operations and thus have a material adverse impact on our results of operations and financial performance. Please refer to Section 8.1.2 of this Prospectus for further details on the risks pertaining to the COVID-19 pandemic.

(e) Impact of interest rates

As at 31 March 2021, our Group's total borrowings of RM16.98 million consist of term loans, lease liabilities and bankers' acceptances at the interest rates ranging from 3.25% to 8.35% per annum. The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

	As at 31 March		
	2019 RM'000	**2020 RM'000**	**2021 RM'000**
Effects on PAT			
Increase of 77 basis points (2020: 65 basis points and 2019: 2 basis points)	(2)	(64)	(97)
Decrease of 77 basis points (2020: 65 basis points and 2019: 2 basis points)	2	64	97

77 basis point was a reasonably possible change in the interest rate for bank borrowings, by taking in consideration the historical change of BLR of Bank Negara Malaysia in 1 year time as shown below:

	March 2020 **%**	**March 2021** **%**	**Variance** **%**
BLR	6.26	5.49	- 0.77

Our Group's objective in managing our interest rate expenses is to ensure an acceptable level of exposure to interest rate fluctuations. As at the LPD, our borrowings have fixed and determinable payments. Save for the lease liabilities, which are charged on a fixed rate, the interest rates for our term loans and bankers' acceptances are based on the prevailing bank's base lending rate or cost of funds plus or minus a margin agreed upon by our bankers when the respective loans and financings were granted.

There is no material impact from the fluctuations in interest rates on our profits for the Financial Years Under Review. However, any hikes in interest rates would raise the cost of borrowings which may have an adverse effect on our financial performance. The sensitivity analysis for interest rate risk is set out in the Accountants' Report under Section 12 of this Prospectus.

(f) Impact of foreign exchange

Our sales are primarily denominated in RM and USD whilst our purchases are transacted primarily in RM, USD and SGD. As such, we are exposed to foreign currency risk and any unfavourable foreign currency exchange rate fluctuation may materially affect our business operations and financial performance.

For information purposes, the breakdown of our revenue and purchases transacted in RM and other currencies for the FYE 2019, FYE 2020 and FYE 2021 are summarised as follows:

	<-----Audited----->					
	FYE 2019		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
RM	78,702	98.75	75,423	98.99	62,619	98.70
USD	997	1.25	771	1.01	825	1.30
Total revenue	**79,699**	**100.00**	**76,194**	**100.00**	**63,444**	**100.00**
RM	12,575	24.75	12,470	24.15	10,537	25.28
USD	38,215	75.22	39,157	75.83	31,126	74.68
SGD	15	0.03	13	0.02	19	0.04
Total purchases	**50,805**	**100.00**	**51,640**	**100.00**	**41,682**	**100.00**

The impact of foreign exchange fluctuations on our financial performance during the Financial Years Under Review, which arose due to timing differences between our suppliers' invoices and actual payments to our suppliers, are as follows:

	<-----Audited----->		
	FYE 2019	**FYE 2020**	**FYE 2021**
Net gain/(loss) on foreign exchange (RM'000)	(197)	(318)	109

	<------------------Audited----------------->		
	FYE 2019	FYE 2020	FYE 2021
As a percentage of PBT (%)	(1.47)	(3.13)	1.42

We closely monitor the movement of the USD against RM to manage our foreign exchange currency risks and if the need arises, we may enter into hedging arrangement to minimise the impact of such risk.

We have not incurred any material losses arising from foreign currency translation for the Financial Years Under Review.

(g) Impact of inflation

There was no material impact of inflation on our Group's financial results for the FYE 2019, FYE 2020 and FYE 2021. Nevertheless, there can be no assurance that future inflation would not have a material impact on our business and performance.

(h) Impact of government/economic/fiscal/monetary policies

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 8.2.2 of this Prospectus. Save as disclosed in Sections 7, 8 and 11 of this Prospectus, there are no government, economic, fiscal or monetary policies or factors that have materially impacted our historical profits for the FYE 2019, FYE 2020 and FYE 2021.

11.3.4 Liquidity and capital resources

Our operations are funded through cash generated from our operating activities, credit extended by our suppliers, credit facilities granted by financial institutions as well as our existing cash and bank balances.

As at 31 March 2021, our Group has cash and bank balances of RM3.69 million, available credit facilities of RM26.00 million, of which RM21.82 million has yet to be utilised and working capital of RM34.85 million, being the difference between current assets of RM49.25 million and current liabilities of RM14.40 million.

Based on the above and after taking into consideration of our funding requirements for our committed capital expenditure, existing level of cash and bank balances, expected cash flows to be generated from our operations, credit facilities available, the impact of COVID-19 and MCO on our operations, dividends declared and paid for the FYE 2021 and the estimated net proceeds from the Public Issue, our Board confirms that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.

Cash flow

The table below sets out the summary of our Group's historical audited combined statements of cash flows for the Financial Years Under Review:

	<---------------------Audited-------------------->		
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Net cash from operating activities	15,263	4,927	11,243
Net cash for investing activities	(635)	(346)	(46)
Net cash for financing activities	(12,003)	(4,480)	(9,577)

	<----------Audited----------		--------->
	FYE 2019 RM'000	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Net increase in cash and cash equivalents	**2,625**	**101**	**1,620**
Cash and cash equivalents at beginning of the financial years	**(653)**	**1,972**	**2,073**
Cash and cash equivalents at end of the financial years	**1,972**	**2,073**	**3,693**

There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances, subject to availability of distributable reserves and compliance with financial covenants.

Commentary:

NET CASH FROM OPERATING ACTIVITIES

FYE 2019

For the FYE 2019, our operating cash flows before working capital changes were RM16.06 million. After adjusting for the following key items, our net cash from operating activities was RM15.26 million:

(i) increase in inventories by RM0.13 million due to higher purchases of goods for distribution which was partly offset by the decrease in finished goods and input materials;

(ii) decrease in trade and other receivables by RM2.95 million mainly due to improving collection from customers following the implementation of more stringent credit policy;

(iii) decrease in trade and other payables by RM0.31 million due to prompt repayment to our suppliers; and

(iv) payment of income tax of RM3.31 million.

FYE 2020

For the FYE 2020, our operating cash flows before working capital changes were RM12.61 million. After adjusting for the following key items, our net cash from operating activities was RM4.93 million:

(i) increase in inventories by RM3.34 million due to higher purchases of goods for distribution following the notification by our suppliers of their intention to revise the selling prices;

(ii) decrease in trade and other receivables by RM0.76 million mainly due to prompt repayment from our customers;

(iii) decrease in trade and other payables by RM1.83 million mainly due to prompt repayment to our suppliers in line with the better collection during the FYE 2020; and

(iv) payment of income tax of RM3.27 million.

FYE 2021

For the FYE 2021, our operating cash flows before working capital changes were RM9.67 million. After adjusting for the following key items, our net cash from operating activities was RM11.24 million:

(i) increase in inventories by RM0.98 million due to higher purchases of input materials and goods for distribution in anticipation for the price hike;

(ii) increase in trade and other receivables by RM0.30 million mainly due to the delay in payment by our customers amidst the COVID-19 pandemic and higher prepayment made for overseas supplier to lock in the price for input materials which was recorded as other receivables;

(iii) increase in trade and other payables by RM5.03 million which was due to higher credit purchases of input materials and goods for distribution closer to the end of the FYE 2021; and

(iv) payment of income tax of RM2.18 million.

NET CASH FOR INVESTING ACTIVITIES

FYE 2019

Our Group recorded net cash for investing activities of RM0.64 million for the FYE 2019. This was mainly attributed to the purchases of motor vehicles, machinery and equipment amounted to RM0.93 million which was partly offset with the proceeds from the disposal of motor vehicles of RM0.29 million. The machinery and equipment comprise, among others, ultraviolet printer, refilling and related accessories and enterprise resource planning ("ERP") system software. The purchase of motor vehicles was to replace the old vehicle fleet for Directors and management.

FYE 2020

Our Group recorded net cash for investing activities of RM0.35 million for the FYE 2020. This was mainly attributed to the purchases of motor vehicle, machinery and equipment amounted to RM0.40 million which was partly offset with the proceeds from the disposal of a motor vehicle amounted to RM0.05 million. The machinery and equipment comprise, among others, IT hardware and software, office accessories and other firefighting testing and related accessories. The purchase of motor vehicles was to replace the old vehicle fleet for Directors and management.

FYE 2021

Our Group recorded net cash for investing activities of RM0.05 million for the FYE 2021. This was mainly attributed to the purchases of warehouse equipment, equipment and furniture and fittings amounted to RM0.23 million and addition of motor vehicle amounted to RM0.20 million which was partly offset with the proceeds from the disposal of motor vehicles amounted to RM 0.38 million. The warehouse equipment comprises, among others, machines for the assembly and other general manufacturing usage whereas the equipment comprises multifunction printer and other computer accessories. The purchase of motor vehicles was to replace the old vehicle fleet for Directors and management.

NET CASH FOR FINANCING ACTIVITIES

FYE 2019

Our Group recorded net cash for financing activities of RM12.00 million mainly due to the following:

(i) payment of interest expense of RM0.78 million;

(ii) repayment of bankers' acceptance which was used to finance the overseas purchases of input materials, hire purchase obligations mainly in respect of the financing for motor vehicles and term loan instalments for the purchase of land and construction of our existing Operational Facility in Shah Alam, Selangor of RM4.78 million;

(iii) net advance payment made to the flexi-term loans of RM2.00 million; and

(iv) dividend payment of RM4.58 million in respect of the FYE 2019.

The outflow was partly offset by the proceeds from issuance of shares of RM0.10 million in UDI and advances from directors of RM0.04 million to fund the initial operations of UDI.

FYE 2020

Our Group recorded net cash for financing activities of RM4.48 million mainly due to the following:

(i) payment of interest expense of RM0.63 million;

(ii) repayment of bankers' acceptance which was used to finance the overseas purchases of input materials, lease liabilities for motor vehicles and term loan instalments for the purchase of land and construction of our existing Operational Facility in Shah Alam, Selangor of RM2.35 million;

(iii) dividend payment of RM5.18 million in respect of the FYE 2020; and

(iv) repayment of advances from director of RM0.05 million granted in the FYE 2019. Henceforth, the advances are fully repaid.

The outflow was partly offset by the proceeds from issuance of shares of RM0.20 million in UDI and net withdrawal of RM3.53 million from the advance payment made to the flexi-term loan in the previous financial years.

FYE 2021

Our Group recorded net cash for financing activities of RM9.58 million mainly due to the following:

(i) payment of interest expense of RM0.40 million;

(ii) repayment of lease liabilities for motor vehicles and term loan instalments for the purchase of land and construction of our existing Operational Facility in Shah Alam, Selangor of RM0.83 million; and

(iii) dividend payment of RM1.00 million in respect of the FYE 2020 and RM11.50 million in respect of the FYE 2021.

The outflow was partly offset by the proceeds from issuance of shares of RM0.15 million in UDI and drawdown of bankers' acceptance of RM4.00 million to finance the overseas purchases of input materials.

11.3.5 Borrowings

As at 31 March 2021, our total outstanding borrowings amounted to RM16.98 million comprising lease liabilities, bankers' acceptance and term loans, can be analysed further as follows:

Type of borrowings	Purpose	Tenure	Interest rates (per annum)	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Lease liabilities	To purchase motor vehicles	1 to 3 years	3.78% to 8.35%	279	171	450
Bankers' acceptance	To finance the overseas purchases of input materials	120 days	3.25% to 3.59%	4,184	-	4,184
Term loans	To finance purchase of land and construction of our existing Operational Facility in Shah Alam, Selangor	8 to 13 years	BLR ^ – 1.80%	997	11,345	12,342
Bank overdraft	To finance working capital	Repayable on demand	5.95% to 6.64%	-	-	-
Total borrowings				**5,460**	**11,516**	**16,976**
Gearing ratio as at 31 March 2021 (times)*						0.34

Note:

^ Bank's Base Lending Rate prescribed by the bank from time to time, currently at 5.47%

* Computed based on total borrowings over our pro forma shareholders' equity (after the Acquisition of UFI and UDI but before the Public Issue and use of proceeds) as at 31 March 2021 of RM50.60 million.

The maturity profile of our total outstanding borrowings as at 31 March 2021 is set out below:

	RM'000
Under 1 year	5,460
1 to 5 years	4,513
More than 5 years	7,003
Total borrowings	**16,976**

As at the LPD, all our bank borrowings are secured, interest bearing and denominated in RM. Our credit facilities are secured by legal charge over certain property, plant and equipment of our Group and/or joint and several guarantees by certain of our Directors of which would be replaced with our Company's corporate guarantees after our Listing. We have not defaulted on any payment of either principal sum and/or interest in relation to our borrowings during the Financial Years Under Review and up to the LPD. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities.

The banking facilities available to our Group include bankers' acceptance, bank overdraft, lease liabilities and term loan, which are generally used for working capital purposes, purchase of motor vehicles and land and buildings.

As at the LPD, we have not breached any terms and conditions or covenants associated with our credit arrangements or bank borrowings, which can materially affect our business operations, financial position or results of operations or the investment by holders of securities in our Group.

11.3.6 Type of financial instruments used

As at the LPD, save for bank borrowings as disclosed in Section 11.3.5 of this Prospectus, we do not use any other financial instruments.

For clarity purposes, the financial instruments of our Group which are used in the ordinary course of business, from an accounting perspective, may include financial assets such as cash and cash equivalents, and trade and other receivables, as well as financial liabilities such as borrowings, lease obligations and trade and other payables. These are shown in the combined statements of financial position of our Group.

As at the LPD, we do not use any financial instrument for hedging purposes.

11.3.7 Treasury policies and objectives

We finance our operations through internally generated funds as well as external sources of funds, such as shareholders' funds, credit term from suppliers as well as credit facilities from financial institutions.

The primary objective of our financial management and treasury policies is to maintain sufficient working capital at all times and ensure our ability to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain its debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

Our Group has not entered into any interest rate swap to hedge against fluctuations in interest rates. Our Group manage its exposure to interest rate movements by obtaining the most favourable interest rates availably and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

11.3.8 Material commitment

As at the LPD, our Board confirms that there are no material commitment which upon becoming enforceable, may have a material impact on the financial position of our Group.

11.3.9 Material contingent liabilities

As at the LPD, our Board is not aware of any contingent liabilities, which upon becoming enforceable may have a material impact on the financial performance and position of our Group.

11.3.10 Material litigation

As at the LPD, our Group is not engaged in any litigation, claims or arbitration, either as plaintiff or defendant, which may have a material and/or adverse effect on the financial position or business of our Group.

11.4 KEY FINANCIAL RATIOS

The key financial ratios of our Group are as follows:

	<--------------------Audited---------------------->		
	FYE 2019	**FYE 2020**	**FYE 2021**
Average trade receivables turnover period (days)	112	112	132
Average trade payables turnover period (days)	25	17	32
Average inventories turnover period (days)	111	126	161
Current ratio (times)	5.11	7.91	3.42
Gearing ratio (times)	0.22	0.24	0.34

Trade receivables

A summary of our trade receivables for the Financial Years Under Review is set out below:

	<----------------------Audited---------------------->		
	FYE 2019 RM'000	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Revenue (1)	79,699	76,194	63,444
Average trade receivables (2)	24,333	23,182	22,940
Average trade receivables turnover period (days) (3)	112	112	132

Notes:

(1) The percentage of sales revenue under cash term and credit term are as follows:

	FYE 2019	FYE 2020	FYE 2021
Cash Term	*	0.62%	0.14%
Credit Term	100.0%	99.38%	99.86%

(2) Average trade receivables was derived based on the average sum of the opening balances and closing balances of net trade receivables of the respective financial years.

(3) Computed based on net average trade receivables of the respective financial years over the revenue of the respective financial years, multiplied by 365 days.

* Negligible

The credit period granted to our customers ranges from 7 days to 120 days from the date of invoice. Other credit terms to our customers are assessed and approved on a case-by-case basis by taking into consideration various factors such as the business relationship with our customers, the customers' payment history, creditworthiness and transaction volume as well as any reasons resulting in our customers unable to pay within the normal credit period while new customers are subject to our credit verification and assessment process.

Our average trade receivables turnover period stood at 112 days for the FYE 2019 and FYE 2020 which fell within our normal credit period. For the FYE 2021, our average trade receivables turnover period increased to 132 days mainly due to delay in payment from certain customers which include 2 of our major customers, namely Potential Systems Sdn Bhd and Kejuruteraan Cekap Selaju Sdn Bhd, amid the COVID-19 pandemic period.

11. FINANCIAL INFORMATION (Cont'd)

As at 31 March 2021, the net trade receivables of our Group amounted to RM22.81 million, the ageing analysis in respect of trade receivables are analysed as follows:

	Within credit period	<-----------Exceed credit period by--------->				
		1 – 30 days	31 – 60 days	61 – 90 days	> 90 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	13,739	2,244	3,035	862	3,647	23,527
Less: Impairment losses	(144)	(83)	(101)	(55)	(331)	(714)
Net trade receivables	**13,595**	**2,161**	**2,934**	**807**	**3,316**	**22,813**
% of total net trade receivables	59.59	9.47	12.86	3.54	14.54	100.00
Subsequent collections up to the 11 February 2022	12,938	2,059	2,934	805	3,316	22,052
Outstanding net trade receivables	**657**	**102**	**-**	**2**	**-**	**761**

Our total net trade receivables stood at RM22.81 million as at 31 March 2021, out of which RM9.22 million or approximately 40.41% exceeded the normal credit term mainly due to slower collection amid the COVID-19 pandemic. As at 11 February 2022, we have collected RM22.05 million or 96.66% of the total net trade receivables as at 31 March 2021.

As part of our credit control policy, we closely monitor our ageing report and assess the collectability of trade receivables on an individual customer basis regularly. For any trade receivables which have exceeded the normal credit period granted by more than 30 days, we will follow up with calls and send reminders and where appropriate, provide for specific impairment on those trade receivables where recoverability is uncertain based on our dealings with the customers.

We are in the process of collecting the remaining amount of RM0.76 million. Notwithstanding the above, our Board is of the opinion that the remaining outstanding net trade receivables are recoverable and no further impairment of trade receivables is required after taking into consideration these customers' credentials and financial standings, our relationship with them and historical payment track record where they have never defaulted on payment throughout our business relationship with them which span over more than five (5) years. In addition, we have not encountered any major disputes with our customers. With respect to overdue debts, we have generally been able to collect the outstanding amount eventually.

<u>Trade payables</u>

A summary of our trade payables for the Financial Years Under Review is set out below:

	<--------------------Audited-------------------->		
	FYE 2019	FYE 2020	FYE 2021
	RM'000	RM'000	RM'000
Cost of sales	56,578	54,032	46,753
Average trade payables [(1)]	3,837	2,499	4,019
Average trade payables turnover period (days) [(2)]	25	17	32

Notes:

(1) Average trade payables was derived based on the average sum of the opening balances and closing balances of trade payables of the respective financial years.

(2) Computed based on average trade payables of the respective financial years over the cost of sales of the respective financial years, multiplied by 365 days.

The normal credit period extended by our suppliers ranges from 30 days to 60 days.

Our average trade payables turnover period for the Financial Years Under Review range from 17 days to 32 days which fell within the credit period extended by our suppliers to us. It is our practice to make prompt payments to our suppliers in order to safeguard the continuity of supplies at more favourable terms and pricing. As compared to FYE 2020 with FYE 2019, the average trade payables turnover for the FYE 2020 is lower due to payment made to one of our major suppliers in March 2020 in accordance with the credit terms given, resulting in lower trade payables balance and eventually lower trade payable period for the FYE 2020.

As at 31 March 2021, the trade payables of our Group amounted to RM6.84 million, the ageing of which are analysed as follows:

	Within credit period	<----------Exceed credit period by---------->				
		1 – 30 days	31 – 60 days	61 – 90 days	> 90 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	4,895	1,948	*	-	-	6,843
% of total trade payables	71.53	28.47	*	-	-	100.00
Subsequent payments up to the LPD	4,895	1,948	*	-	-	6,843
Outstanding trade payables	-	-	-	-	-	-

Note:

* Less than RM1,000.

As at the LPD, we have settled all of our outstanding trade payables. There is no dispute in respect of our trade payables and no legal action has been initiated by our suppliers to demand for payment from us during the Financial Years Under Review.

Inventories

A summary of our inventories for the financial years under review is set out below:

	<-------------------Audited------------------->		
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Cost of sales	56,578	54,032	46,753
Average inventories (1)	17,077	18,614	20,585
Average inventories turnover period (days) (2)	111	126	161

11. FINANCIAL INFORMATION (Cont'd)

Notes:

(1) Average inventories was derived based on the average sum of the opening balances and closing balances of inventories of the respective financial years.

(2) Computed based on average inventories of the respective financial years over the cost of sales of the respective financial years, multiplied by 365 days.

Our inventories comprised the following:

	<--------------------Audited	-------------------->	
	FYE 2019 RM'000	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Raw materials [(1)]	4,691	3,864	5,414
Work-in-progress [(2)]	-	136	189
Finished goods [(3)]	3,028	3,044	4,007
Trading goods [(4)]	9,421	13,044	10,617
Goods-in-transit [(5)]	-	-	854
Total inventories	**17,140**	**20,088**	**21,081**

Notes:

(1) Raw materials consist mainly of input materials such as empty cylinders, steel coils and sheets, dry power, CO_2 and HFC-227ea, fire hose reel and fire hoses parts as well as other fire suppression systems parts and components that are used in our assembly and manufacturing activities.

(2) Work-in-progress inventories are partially completed materials within the assembly and manufacturing cycle.

(3) Finished goods consist of goods that have completed the assembly and manufacturing process which have yet to be sold or distributed to the customers such as the fire suppression systems, fire extinguishers and fire hose reel, etc.

(4) Trading goods consist of goods procured from suppliers and/or manufacturers for onwards sale or distribution to our customers such as the sprinkler systems, wet and dry risers systems and hydrants, wet chemical fire suppression systems and fire protection accessories.

(5) Goods-in-transit refers to trading goods that have been shipped by the suppliers but have yet to reach our warehouse based on the freight on board basis.

Our inventories are measured at the lower of cost and net realisable value. Due to the nature of our business and being the assembler and manufacturer as well as brand owner, it is our policy to maintain an adequate level of raw materials to reduce the risk of disruption to our assembly and manufacturing operations and certain buffer or level of finished and trading goods to ensure availability of stocks and varieties of products to meet our customers' demand at all times and delivery lead time requirements. In addition, Our Group will generally stock up more raw materials and trading goods during the period prior to the Chinese New Year period which usually falls in the month of January and February each year and thus resulting in higher inventories level during our financial year end.

Our average inventories turnover period for the FYE 2019 was 111 days and increased to 126 days in the FYE 2020 mainly due to higher purchases of trading goods following the notification by our suppliers of their intention to increase the selling prices. Our average inventories turnover period further increased to 161 days in the FYE 2021 and this was mainly attributable to the strategic decision made by our management for our inventory planning in anticipation for the price hike and revision in raw materials and trading goods prices, as well as to cater for the expected increase in demand for our products upon the gradual reopening of the business activities nationwide after the improving COVID-19 situation.

Our inventories have long shelf life and the trend and models do not change frequently. Nevertheless, it is our Group's policy to assess the impairment of our slow moving inventories annually as follows:

(i) 50% impairment for goods with stock aged more than 3 years;
(ii) 75% impairment for goods with stock aged more than 4 years; and
(iii) 100% impairment for goods with stock aged more than 5 years.

Refer to the above impairment guideline, goods with movement more than 25% (annual quantity) will not classified for impairment assessment. We perform quarterly physical stock count on selected products as well as a full stock count annually to identify inconsistency in terms of quantity to the inventory system and slow moving inventories. Provisions will be made on slow moving inventories based on the abovementioned impairment policy. Our Group had written down RM0.39 million and RM0.05 million of slow moving inventories for the FYE 2020 and FYE 2021, respectively.

In addition, damaged and/or non-sellable inventories will be written-off in accordance with our inventory management policy. Damaged inventories are goods that are unrepairable upon quality assurance's verification while non-sellable inventories are goods that are obsolete and not expected to be sold in the future. There was no inventory written off for the FYE 2019 and FYE 2020. For the FYE 2021, our Group had written off RM0.33 million of non-sellable inventories.

Current ratio

A summary of our current ratio for the Financial Years Under Review is set out below:

	<--------------------Audited------------------>		
	FYE 2019 RM'000	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Current assets	43,578	46,338	49,245
Current liabilities	8,523	5,857	14,400
Current ratio (times)	5.11	7.91	3.42

Current ratio measures the liquidity position of our Group to meet our short-term obligations. The liquidity position of our Group has been manageable and maintained relatively healthy as reflected in the current ratio for the Financial Years Under Review.

Our current ratio increased from 5.11 times as at 31 March 2019 to 7.91 times as at 31 March 2020. This was mainly attributable to the higher inventories level while we recorded lower outstanding trade payables as at 31 March 2020.

Our current ratio decreased from 7.91 times as at 31 March 2020 to 3.42 times as at 31 March 2021. This was mainly attributable to higher outstanding trade payables and short term borrowings to finance the purchase of inventories as well as dividend payout during the FYE 2021.

Gearing ratio

A summary of our gearing ratio for the financial years under review is set out below:

	<--------------------Audited------------------>		
	FYE 2019 RM'000	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Total borrowings	12,329	13,504	16,976
Shareholders' equity	55,119	56,625	50,599
Gearing ratio (times)	0.22	0.24	0.34

Our gearing ratio increased slightly from 0.22 times as at 31 March 2019 to 0.24 times as at 31 March 2020 mainly due to net withdrawal of advance payment made to the flexi-term loans for operational use. It is our Group's cash flow management strategy to make advance payments for the flexi-term loans when there is surplus cash available in order to reduce our finance costs. When cash is required from time to time, we will withdraw from such advance payments.

Our gearing ratio increased from 0.24 times as at 31 March 2020 to 0.34 times as at 31 March 2021 mainly due to higher utilisation of bankers' acceptance for the purchase of inventories from overseas and lower shareholders' equity following the dividend payout during the FYE 2021.

11.5 TREND INFORMATION

As at the LPD, to the best of the knowledge and belief of our Board, the financial conditions and operations of our Group have not been and are not expected to be affected by any of the following:

(a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position, operations liquidity and capital resources, other than those discussed in this section and in Sections 6 and 8 of this Prospectus;

(b) material commitment for capital expenditure save as disclosed in Section 11.3.8 of this Prospectus;

(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 for those that had been disclosed in this section and in Sections 6 and 8 of this Prospectus;

(d) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for those that had been discussed in this section and in Sections 6 and 8 of this Prospectus.

(e) known circumstances, trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save for those that had been disclosed in this section and in Sections 6 and 8 of this Prospectus.

11.6 ORDER BOOK

Due to the nature of our business which is involved in the assembly, distribution and manufacture of active fire protection systems, equipment and accessories for built environment, our Group does not maintain an order book. We generate our revenue as and when we deliver our products based on purchase orders received.

11.7 SIGNIFICANT CHANGES

Save for the prolonged COVID-19 pandemic and as disclosed in this Prospectus, there are no significant changes that have occurred, which may have a material effect on our financial position and results subsequent to the FYE 2021 and up to the LPD. Please refer to Section 6.17 of this Prospectus for further details on the impact of the prolonged COVID-19 pandemic on our business and financial performance.

11.8 DIVIDEND POLICY

It is our Directors' policy to allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group.

Notwithstanding the above, our Group presently does not have a fixed dividend policy. Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business. Our Directors will take into consideration, among others, the following factors when recommending dividends for approval by our shareholders or when declaring any dividends:

(i) the availability of adequate reserves and cash flows. As an investment holding company, our income, and therefore our ability to pay dividends, depends on the dividends or other distributions received from our subsidiaries;

(ii) our operating cash flow requirements and financing commitments;

(iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;

(iv) our Company is solvent as the Act requires;

(v) any material impact of tax laws and other regulatory requirements; and

(vi) prior written consent from financial institutions, where required.

However, investors should note that the intention to recommend dividends should not be treated as a legal obligation on our Company to do so. The level of dividends should also not be treated as an indication of our Company's future dividend policy. There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value. Save for certain financial covenants which UFI is subject to, there is no dividend restriction being imposed on our Group currently.

In addition, our ability to declare and pay interim dividends as well as to recommend final dividends are subject to the discretion of our Board. We will also need to obtain our shareholders' approval for any final dividend for the year. No inference should or can be made from any of the statements above as to our actual future profitability and our ability to pay dividends in the future.

Dividend payments, capital gains and profits from dealing in our Shares will not be subject to Malaysian taxation (not applicable to entities including companies with trading of shares as their principal business activity). No withholding tax is imposed on the above transactions. Potential investors are advised to consult their professional tax advisors if they are in any doubt as to the taxation implication of subscribing, holding or disposing of and dealing in our Shares.

11. FINANCIAL INFORMATION (Cont'd)

The dividends declared and paid for the past FYE 2019 to FYE 2021 are as follows:

	FYE 2019	FYE 2020	FYE 2021
	RM'000	RM'000	RM'000
Dividends declared	4,577	6,178	11,500
Dividends paid	4,577	5,178	* 12,500

Note:

* Dividend paid in the FYE 2021 included RM1.00 million dividend declared in the FYE 2020 but paid out in the FYE 2021.

Save for the above, there are no dividends declared and paid during the Financial Years Under Review and up to the Listing.

11.9 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION

Crowe

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05 NOV 2021

The Board of Directors
Unique Fire Holdings Berhad
No. 9, Jalan Anggerik Mokara 31/55
Kota Kemuning, Seksyen 31
40460 Shah Alam
Selangor

Dear Sirs

UNIQUE FIRE HOLDINGS BERHAD ("UNIQUE FIRE" or "THE COMPANY")
REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2021

We have completed our assurance engagement to report on the compilation of Pro Forma Statements of Financial Position of Unique Fire and its subsidiaries (the "Group") as at 31 March 2021 and the related notes (as set out in Appendix A which we have stamped for the purpose of identification) prepared by the Board of Directors of the Company for inclusion in the Prospectus in connection with the listing of and quotation for the entire enlarged issued share capital of Unique Fire on the ACE Market of Bursa Securities ("Bursa Securities") ("the Listing").

The applicable criteria on the basis of which the Board of Directors of the Company have compiled the Pro Forma Statements of Financial Position are described in the notes thereon to the Pro Forma Statements of Financial Position. The Pro Forma Statements of Financial Position is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia ("the Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Statements of Financial Position issued by the Malaysian Institute of Accountants.

The Pro Forma Statements of Financial Position have been compiled by the Board of Directors of the Company to illustrate the impact of the events or transactions as set out in the notes thereon to the Pro Forma Statements of Financial Position as if the events have occurred or the transactions have been undertaken on 31 March 2021. As part of this process, information about the Group's financial position has been extracted by the Board of Directors of the Company from the Group's audited combined statements of financial position as at 31 March 2021.

THE BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors of the Company is responsible for compiling the Pro Forma Statements of Financial Position on the basis as set out in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Crowe

REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Statements of Financial Position have been compiled, in all material respects, by the Board of Directors of the Company on the basis as set out in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the Pro Forma Statements of Financial Position on the basis set out in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Statements of Financial Position.

The purpose of the Pro Forma Statements of Financial Position included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)

A reasonable assurance engagement to report on whether the Pro Forma Statements of Financial Position have been compiled, in all material respects, on the basis set out in notes thereon to the Pro Forma Financial Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines, involving performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the Pro Forma Financial Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Statements of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Pro Forma Statements of Financial Position has been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

OTHER MATTER

This letter has been prepared solely for the purpose of inclusion in the Prospectus of Unique Fire, in connection with the Listing. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Piong Yew Peng
03070/06/2023 J
Chartered Accountant

Melaka
05 NOV 2021

Appendix A

UNIQUE FIRE HOLDINGS BERHAD
PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2021

	NOTE	As At 31.3.2021* RM'000	Adjustment For Acquisition of UFI and UDI RM'000	Pro Forma I After Acquisition of UFI and UDI RM'000	Adjustment For Public Issue RM'000	Pro Forma II After Pro Forma I and Public Issue RM'000	Adjustment for Utilisation of Proceeds RM'000	Pro Forma III After Pro Forma II and Utilisation of Proceeds RM'000
ASSETS								
NON-CURRENT ASSET								
Property, plant and equipment		26,581	-	26,581	-	26,581	-	26,581
Right-of-use assets		963	-	963	-	963	-	963
		27,544		27,544		27,544		27,544
CURRENT ASSETS								
Inventories		21,081	-	21,081	-	21,081	-	21,081
Trade and other receivables		24,471	-	24,471	-	24,471	-	24,471
Cash and bank balances	6.1	3,693	#	3,693	[•]	[•]	[•]	[•]
		49,245		49,245		[•]		[•]
TOTAL ASSETS		76,789		76,789		[•]		[•]
EQUITY AND LIABILITIES								
EQUITY								
Share capital	6.2	-	50,599	50,599	[•]	[•]	[•]	[•]
Invested capital	6.3	9,455	(9,455)	-	-	-	-	-
Merger reserve	6.4	-	(41,144)	(41,144)	-	(41,144)	-	(41,144)
Retained profits	6.5	41,144		41,144	-	41,144	[•]	[•]
TOTAL EQUITY		50,599		50,599		[•]		[•]

Note:

(*) – Extracted from the Group's audited combined financial statements for the financial year ended 31 March 2021.
(#) – Amount is less than RM500.

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Chartered Accountants

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Appendix A

UNIQUE FIRE HOLDINGS BERHAD
PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2021 (CONT'D)

	NOTE	As At 31.3.2021* RM'000	Adjustment For Acquisition of UFI and UDI RM'000	Pro Forma I After Acquisition of UFI and UDI RM'000	Adjustment For Public Issue RM'000	Pro Forma II After Pro Forma I and Public Issue RM'000	Adjustment for Utilisation of Proceeds RM'000	Pro Forma III After Pro Forma II and Utilisation of Proceeds RM'000
NON-CURRENT LIABILITIES								
Lease liabilities		171	-	171	-	171	-	171
Long-term borrowings		11,345	-	11,345	-	11,345	-	11,345
Deferred tax liabilities		274	-	274	-	274	-	274
		11,790		11,790		11,790		11,790
CURRENT LIABILITIES								
Trade and other payables		8,332	-	8,332	-	8,332	-	8,332
Lease liabilities		279	-	279	-	279	-	279
Short-term borrowings		5,181	-	5,181	-	5,181	-	5,181
Current tax liabilities		608	-	608	-	608	-	608
		14,400		14,400		14,400		14,400
TOTAL LIABILITIES		26,190		26,190		26,190		26,190
TOTAL EQUITY AND LIABILITIES		76,789		76,789		[•]		[•]
Number of ordinary shares ('000)		-		316,250		400,000		400,000
Net assets ("NA") attributable to owners of the Company (RM'000)		50,599		50,599		[•]		[•]
NA per ordinary share (sen)		-		16		[•]		[•]

Note:

(*) – Extracted from the Group's audited combined financial statements for the financial year ended 31 March 2021.

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UNIQUE FIRE HOLDINGS BERHAD
NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2021

1. ABBREVIATIONS

Unless the context otherwise requires, the following abbreviations shall apply throughout this report:-

Abbreviations

Unique Fire or the Company	Unique Fire Holdings Berhad Registration No: 202101013602 (1413901-D)
Unique Fire Group or the Group	Unique Fire, UFI and UDI, collectively
UFI	Unique Fire Industry Sdn. Bhd. Registration No: 199701003235 (418731-U)
UDI	Unique Digital Innovation Sdn. Bhd. Registration No: 201801000171 (1262183-U)
Listing	Admission of Unique Fire to the Official List of Bursa Securities and listing of and quotation for the entire enlarged issued share capital of Unique Fire on the ACE Market of Bursa Securities
Unique Fire Shares or Shares	Ordinary shares in Unique Fire
RM and Sen	Ringgit Malaysia and sen, respectively

2. INTRODUCTION

The Pro Forma Statements of Financial Position as at 31 March 2021 together with the notes thereon, for which the Board of Directors of the Company are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the Prospectus in connection with the Listing and should not be relied upon for any other purposes.

Appendix A

UNIQUE FIRE HOLDINGS BERHAD
NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2021 (CONT'D)

3. BASIS OF PREPARATION

The Pro Forma Statements of Financial Position as at 31 March 2021 is prepared based on the audited combined financial statements of the Group as at 31 March 2021, which was prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of the financial statements and accounting policies of the Group.

The combined financial statements used in the preparation of these Pro Forma Statements of Financial Position were not subject to any audit qualification or emphasis of matter.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for proofing-of-interests are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination has been effected throughout the current and previous financial years. The assets combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the differences between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserves or merger deficit.

The identifiable assets and liabilities of all commonly controlled entities are accounted for at their historical costs.

The Pro Forma Statements of Financial Position together with the related notes thereon, have been prepared solely to illustrate the impact of events and transactions set out in Note 5 to the Pro Forma Statements of Financial Position had the events occurred or transactions been undertaken on 31 March 2021. The Pro Forma Statements of Financial Position are not necessarily indicative of the financial positions that would have been attained had the Listing actually occurred at the respective dates.

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UNIQUE FIRE HOLDINGS BERHAD
NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2021 (CONT'D)

4. LISTING SCHEME

In conjunction with, and as an integral part of the Listing, Unique Fire intends to undertake the following:-

4.1 Acquisition of UFI and UDI

(i) Acquisition of UFI

Unique Fire had on 26 August 2021, entered into conditional shares sale agreement with Liew Sen Hoi, Lim Show Ching, Liew Kang Leong, Liew Kang Yee, Liew Kang Chin and Liew Kang Boon to acquire the equity interest in UFI:-

	Equity Interest (%)	Purchase Consideration RM	No. of shares issued by Unique Fire
UFI	100	50,529,280	315,808,000

The purchase consideration of UFI was arrived on a willing-buyer willing-seller basis, after taking into consideration the audited net assets of UFI as at 31 March 2021. The acquisition was completed on [•] and UFI became wholly-owned subsidiary of Unique Fire.

(ii) Acquisition of UDI

Unique Fire had on 26 August 2021, entered into conditional shares sale agreement with Liew Sen Hoi, Liew Kang Leong, Liew Kang Yee, Liew Kang Chin and Liew Kang Boon to acquire the equity interest in UDI:-

	Equity Interest (%)	Purchase Consideration RM	No. of shares issued by Unique Fire
UDI	100	70,080	438,000

The purchase consideration of UDI was arrived on a willing-buyer willing-seller basis, after taking into consideration the audited net assets of UDI as at 31 March 2021. The acquisition was completed on [•] and UDI became wholly-owned subsidiaries of Unique Fire.

Appendix A

UNIQUE FIRE HOLDINGS BERHAD
NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2021 (CONT'D)

4. LISTING SCHEME (CONT'D)

In conjunction with, and as an integral part of the Listing, Unique Fire intends to undertake the following:- (cont'd):-

4.2 Public Issue

The Public Issue of 83,750,000 new Shares, representing approximately 20.94% of the enlarged issued share capital of Unique Fire at an issue price of RM[•] per Share allocated in the following manner:-

- 20,000,000 new Shares will be made available for application by the Malaysian Public by way of balloting;
- 8,000,000 new Shares will be made available for application by the eligible directors, employees and persons who have contributed to the success of the Group;
- 5,750,000 new Shares will be made available for application by way of private placement to selected investors; and
- 50,000,000 new Shares will be made available for application by way of placement to identified Bumiputera investors approved by MITI.

4.3 Offer for Sale

Offer for sale of 30,000,000 existing Shares at an issue price of RM[•] per Share by the Offeror by way of private placement to selected investors.

4.4 Share Transfer to Unique Fire Group Sdn Bhd ("UFG")

Transfer by the promoters, namely Liew Sen Hoi, Lim Show Ching, Liew Kang Leong, Liew Kang Yee, Liew Kang Chin and Liew Kang Boon (save for UFG) of an aggregate of 252,000,000 Shares to UFG, an investment holding company held by the Promoters (save for UFG), during the prescription period.

4.5 Listing

The admission of Unique Fire to the Official List of Bursa Securities and the listing of and quotation for the entire enlarged issued share capital of Unique Fire of RM[•] comprising 400,000,000 Shares on the ACE Market of Bursa Securities.

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UNIQUE FIRE HOLDINGS BERHAD
NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2021 (CONT'D)

5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION

5.1 Pro Forma I

Pro Forma I incorporates the effects of Acquisition of UFI and UDI set out in Note 4.1 to the Pro Forma Statements of Financial Position.

5.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and Public Issue set out in Note 4.2 to the Pro Forma Statements of Financial Position.

5.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and the utilisation of proceeds from Public Issue. The proceeds from the Public Issue will be utlised as follows:-

Purposes	Amount of proceeds		Estimated timeframe for utilisation from the date of Listing
	RM'000	%	
Expansion of manufacturing facilities #	[•]	[•]	Within 36 months
Expansion of geographical coverage #	[•]	[•]	Within 24 months
Expansion of operational capabilities #	[•]	[•]	Within 24 months
Working capital	[•]	[•]	Within 12 months
Estimated listing expenses *^	[•]	[•]	Within 3 months
	[•]	[•]	

Notes:-

\# *These utilisation of proceeds are not adjusted in the Pro Forma III to the Pro Forma Statements of Financial Position as they are not factually supportable and hence, they are remained in the cash and bank balances.*

* *If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be used for working capital*

^ *The estimated listing expenses of RM[•] directly attributable to the Public Issue will be offset against share capital and the remaining estimated listing expenses of RM[•] that attributable to Listing will be expensed off to profit or loss.*

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Appendix A

UNIQUE FIRE HOLDINGS BERHAD
NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2021 (CONT'D)

6. EFFECTS ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION

6.1 Cash and bank balances

	RM'000
As at 31 March 2021	3,693
Add: Allotment of shares in Unique Fire	#
As per Pro Forma I	3,693
Add: Proceeds from public issue	[•]
As per Pro Forma II	[•]
Less: Estimated listing expenses	[•]
As per Pro Forma III	[•]

Note:-
 # Amount is less than RM500.

6.2 Share capital

	Number of Ordinary Shares '000	Amount of Share Capital RM'000
As at 31 March 2021	-	-
Add: Allotment of shares in Unique Fire	4	#
Add: Acquisition of UFI	315,808	50,529
Add: Acquisition of UDI	438	70
As per Pro Forma I	316,250	50,599
Add: Public Issue	83,750	[•]
As per Pro Forma II	400,000	[•]
Less: Estimated listing expenses ^	-	[•]
As per Pro Forma III	400,000	[•]

Note:-
 # Amount is less than RM500.

^ The estimated listing expenses of RM[•] directly attributable to the Public Issue will be offset against share capital and the remaining estimated listing expenses of RM[•] that attributable to Listing will be expensed off to profit or loss.

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Appendix A

UNIQUE FIRE HOLDINGS BERHAD
NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2021 (CONT'D)

6. EFFECTS ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

6.3 Invested Capital

	RM'000
As at 31 March 2021	9,455
Less: Acquisition of UFI	(9,005)
Less: Acquisition of UDI	(450)
As per Pro Forma I, II and III	-

6.4 Merger reserve

	RM'000
As at 31 March 2021	-
Add: Acquisition of UFI	(41,524)
Add: Acquisition of UDI	380
As per Pro Forma I, II and III	(41,144)

6.5 Retained profits

	RM'000
As at 31 March 2021/As per Pro Forma I and II	41,144
Less: Estimated listing expenses ^	[•]
As per Pro Forma III	[•]

Note:-

^ *The estimated listing expenses of RM[•] directly attributable to the Public Issue will be offset against share capital and the remaining estimated listing expenses of RM[•] that attributable to Listing will be expensed off to profit or loss.*

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Chartered Accountants

Appendix A

UNIQUE FIRE HOLDINGS BERHAD

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 05 NOV 2021

On behalf of the Board of Directors,

Liew Sen Hoi

Liew Kang Yee

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Crowe

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF1018
Chartered Accountants