8. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY OCCUR EITHER INDIVIDUALLY OR IN COMBINATION, AT THE SAME TIME OR AROUND THE SAME TIME) THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

8.1 RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

8.1.1 We are dependent on the building construction and property development industries

We are dependent on the building construction and property development industries as active fire protection systems, equipment and accessories are mainly for installation in built environment including buildings, amenities, facilities and infrastructure. This is because our main customers, namely M&E and FPS contractors and FPS maintenance service providers, operate in the building construction and property development industries, where they are involved in new building construction, and renovations or remodelling. Our revenue from M&E and FPS contractors and FPS maintenance service providers collectively accounted for 93.60%, 93.20% and 93.60% of our total revenue for the FYE 2019, FYE 2020 and FYE 2021, respectively.

From this perspective, the demand for our fire protection products would be adversely affected if there is a slowdown in the building construction and property development industries caused by, among others, containment measures from the COVID-19 pandemic, a slowdown in construction of new properties due to oversupply, a slowdown in property renovations, refurbishments and extensions, decline in the availability of loans to finance construction activities, decline in public or private sector construction projects, and other factors that may adversely affect building construction and property development activities.

The real GDP of the construction industry contracted by 10.4% in the first quarter (Q1) of 2021 before expanding by 40.3% in the second quarter (Q2) of 2021 supported by an improvement in specialised construction activities, non-residential buildings and residential buildings subsectors. On a seasonally adjusted, quarter-to-quarter basis, the construction industry declined by 3.2% in Q2 2021 compared to Q1 2021, as only essential construction projects were allowed to operate at a reduced capacity during Phase 1 of the NRP. The real GDP of the construction industry is estimated to decline by 0.8% in 2021 before recovering with a forecasted real GDP growth of 11.5% in 2022 *(Source: Industry Overview)*. Nevertheless, there is a risk that any slowdown in the construction industry may negatively impact on the demand for our products and our financial performance may be adversely affected.

8.1.2 Our business operations and financial performance may be adversely affected if the COVID-19 pandemic is prolonged or occurrence of similar epidemic or pandemic in the future

Our business and financial performance were affected by the economic and other disruptions related to COVID-19 in Malaysia. Measures implemented to control the spread of COVID-19 caused some disruptions to our Operational Facility in Shah Alam, Selangor as summarised in the following table:

Period	Operational Status
18 March 2020 to 3 May 2020	Temporary shut down during MCO 1.0
4 May 2020 to 31 May 2021	Operating at normal workforce capacity

Period	Operational Status
1 June 2021 to 2 July 2021	Operating at 60% workforce capacity during NRP Phase 1
3 July 2021 to 16 July 2021	Temporary shut down due to EMCO in Selangor
17 July 2021 to 22 August 2021	Operating at 60% workforce capacity during NRP Phase 1
23 August 2021 to 9 September 2021	Operating at normal workforce capacity after the revision of SOP
10 September 2021 to 30 September 2021	Operating at normal workforce capacity during NRP Phase 2
1 October 2021 up to 16 October 2021	Operating at normal workforce capacity during NRP Phase 3
17 October 2021 up to 24 December 2021	Operating at normal workforce capacity during NRP Phase 4

We were able to carry out our business operations, apart from the periods and restrictions described above, with compliance to relevant SOP and guidelines. Any deterioration in the COVID-19 pandemic in Malaysia, such as increases in new daily COVID-19 infections and/or the emergence of more infectious and/or virulent COVID-19 variants, could result in the tightening of economic and social constraints and other restrictions, which could include, among others, suspension or reduced workforce capacity for our operations, interruption in the supply chain, restrictions in sales and marketing activities, reduction in purchase orders from customers, and delays in delivery of orders. This could adversely affect our business operations and financial performance.

While we have implemented and enforced the relevant SOP and guidelines at our Operational Facility in Shah Alam, Selangor to reduce the risk of COVID-19 between our employees at the workplace, there can be no assurance that there will be no positive diagnosis for COVID-19 among our employees. There is a risk that the Ministry of Health Malaysia or other authorities may require us to temporarily shut down our Operational Facility in Shah Alam, Selangor if our employees receive positive diagnoses for COVID-19. The affected employee, other employees who have close contact with them and employees who exhibit symptoms consistent with COVID-19 will be required to be quarantined and may be unable to perform their work duties. As at 29 December 2021, a total of 12 of our employees had positive diagnosis for COVID-19, all of whom have since recovered and returned to work.

The COVID-19 pandemic may also result in delays in implementing our business strategies and plans in accordance with the expected timeline as set out in Section 6.18 of this Prospectus. Such delays may adversely affect the development of our business and future financial performance.

For further information on the financial impact and effects of the COVID-19 pandemic on our business operations, please refer to Section 11.3 in this Prospectus on the Management's Discussion and Analysis and Section 6.17 in this Prospectus on material interruptions to our business.

8.1.3 We could lose or fail to renew our distributorship agreements if we are unable to fulfil the agreed sales target and/or other obligations

For the Financial Years Under Review, we have distributorship agreements for products used in our assembly and distribution business segments. These include distributorship agreements with the following suppliers:

- Orient Fire Pte Ltd for the supply of products used to assemble fire suppression systems and marketed and/or distributed under our Unique227 and Unique5112 brands;
- Kidde-Fenwal Inc. for the supply of products used to assemble HFC and FK5112 fire suppression systems that are distributed under Kidde brands, as well as the supply of wet chemical fire suppression systems that are distributed under Range Guard brand;

- Tyco Fire & Building Products Asia Pte Ltd for the distribution of wet chemical fire suppression systems under the Ansul brand (we did not record any sales of Ansul brand of wet chemical fire suppression systems for the Financial Years Under Review. Sales of Ansul brand of wet chemical fire suppression system was made subsequent to the FYE 2021);
- Honeywell International Sdn Bhd and Demco Industries Sdn Bhd for the distribution of fire detection and alarm devices for brands including System Sensor and Demco respectively;
- ZYfire Hose Corporation for the distribution of ZYfire hoses; and
- Chang Der Fire Protection Corporation and Viking Corporation (Far East) Pte Ltd for the distribution of sprinkler systems under CD and Viking brands, respectively.

Our distributorship agreements are subject to renewal from time to time. There is a risk that we may not be able to renew them if we are unable to fulfil our obligations under the respective distributorship agreements, such as achieving sales targets (where relevant) and abiding by the agreed payment terms. There is also a risk that our distributorship agreements may not be renewed even if we meet our obligations as renewal is under the discretion of the respective supplier. In addition, a supplier may decide to terminate our distributorship agreement before it is due for renewal.

During the Financial Years Under Review, revenue related to our distributorship agreements amounted to RM19.95 million (25.02%), RM20.76 million (27.25%) and RM17.17 million (27.06%) of our total revenue for the FYE 2019, FYE 2020 and FYE 2021, respectively. Our purchases from suppliers with whom we have distributorship agreements amounted to RM12.96 million (25.52%), RM16.97 million (32.85%) and RM8.29 million (19.88%) of our total purchases of input materials and services for the FYE 2019, FYE 2020 and FYE 2021, respectively.

If a distributorship agreement is not renewed or terminated for any reason, we may need to source products from other suppliers to supply to our customers. Although we have renewed our distributorship agreements as at the LPD, there can be no assurance that we would be able to retain our distributorship agreements in the future.

8.1.4 We mainly adopt an indirect distribution channel strategy where we are dependent on intermediaries to buy our products for installation, maintenance or resale

We are dependent on indirect distribution channels where we supply our fire protection systems, equipment and accessories to intermediaries, including M&E contractors, FPS contractors and FPS maintenance service providers, and wholesalers and retailers. For the FYE 2019, FYE 2020 and FYE 2021, indirect distribution channels accounted for 93.88%, 93.68% and 94.15% of our total revenue, respectively. The purchases of fire protection systems, equipment and accessories made by M&E contractors and FPS contractors are mainly based on the specifications of M&E consultants, who are normally engaged by property or asset owners, property developers or main contractors to design the building's fire protection system (as part of its M&E system), which includes specifying the types and/or brands of fire protection systems, equipment and accessories to use. Ultimately, the final decision makers for fire protection system, equipment and accessories are the property or asset owners, or property developers. M&E consultants may also take into consideration the preferences and requirements of property or asset owners, property developers or main contractors in specifying fire protection systems, equipment and accessories. We do not supply our fire protection systems, equipment and accessories directly to M&E consultants, property or asset owners, property developers or main contractors. FPS maintenance service providers are usually engaged by building owners and property developers to maintain their fire protection systems, while retailers and wholesalers purchase our products to resell to their own customers.

As the revenue for our fire protection systems, equipment and accessories are mainly derived from intermediaries, our financial performance will be dependent on the demand from this group of customers. If the business performance of our intermediaries is adversely affected due to factors including, among others, termination, delay or suspension of their projects, and business interruptions due to COVID-19 containment measures or other events, our financial performance would also be adversely affected. There is no assurance that our business performance would not be adversely affected by our reliance on intermediaries in the future.

8.1.5 We are exposed to fluctuations in the market price of steel

Steel is a globally traded commodity whose market price is subject to fluctuations, and we are exposed to these fluctuations through our purchases of empty cylinders (which are made of steel), as well as steel coils and plates. We purchase empty cylinders and steel coils and plates for our assembly and manufacturing operations. Empty cylinders and steel coils and plates collectively accounted for 27.49%, 24.12% and 29.49% of our purchases of input materials and services for the FYE 2019, FYE 2020 and FYE 2021, respectively. In addition, we purchase other fire protection systems, equipment and accessories that are made of steel, such as parts for wet and dry riser systems, and hydrants, sprinkler systems, fire hose reels and cabinets. Fluctuations in steel prices may affect our purchase prices for input materials used in our assembly and manufacturing operations as well as goods for our distribution operations.

Steel is a commodity whose price is affected by, among others, global economic performance, demand, production capacity and supply. 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. *(Source: Industry Overview)*. Fluctuations in the market price of steel may have an adverse effect on our business operations and/or financial performance.

An increase in the market price of steel may increase the purchase prices of empty cylinders, steel coils and plates, and other fire protection systems, equipment and accessories that are made of steel, which could consequently increase the costs of the fire protection systems, equipment and accessories that we assemble, distribute and manufacture. We currently adopt a monthly pricing strategy whereby we review the prices of our fire protection systems, equipment and accessories every month to take into account, among others, the effects of changes in the price of steel and foreign exchange rates, and we adjust our prices accordingly from time to time, when required. We have been able to pass on some increases in costs to our customers in the past. Nevertheless, there is no assurance that we can pass on any of the increases in costs resulting from changes in the price of steel and foreign exchange rates to our customers. If we are unable to pass on the increases in costs to our customers, this would adversely affect our margins and financial performance.

8.1.6 We are dependent on our Executive Directors and key management team

We are dependent on the experience, expertise, technical knowledge and contributions of our Managing Director, Liew Sen Hoi and Executive Directors namely Marcus Liew and Ryan Liew, as well as our key senior management namely Roy Liew, Ray Liew, Cheow Zi Ying, Tan Hoay Ling and Mohamad Azmir Bin Ramli. Their years of experience is summarised in the following table:

Person	Years of Experience
Liew Sen Hoi	Approximately 50 years in the fire protection industry
Marcus Liew	Approximately 16 years in the fire protection industry
Ryan Liew	Approximately 14 years in the fire protection industry

Person	Years of Experience
Roy Liew	Approximately 14 years in the fire protection industry
Ray Liew	Approximately 10 years in the fire protection industry
Cheow Zi Ying	Approximately 17 years in accounting related functions
Tan Hoay Ling	Approximately 16 years related to inventory and production planning
Mohamad Azmir Bin Ramli	Approximately 26 years related to quality control and product certifications

Our day-to-day business operations and the successful implementation of our business strategy may be adversely affected if we lose the services of one or more of the Directors or key senior management team and are unable to find a suitable and timely replacement. For further information on the profiles of our Directors and key senior management team, please refer to Sections 5.1.2 and 5.2.8 of this Prospectus.

8.1.7 We rely on external manufacturers and/or suppliers for our brands of assembled and distribution products

We rely on external manufacturers and/or suppliers for our brands of assembled and distribution products. During the Financial Years Under Review, we had approximately 90, 80 and 90 external manufacturers and/or suppliers for our brands of assembled and distribution products for the FYE 2019, FYE 2020 and FYE 2021, respectively. As at the LPD, we assemble CO_2 and HFC fire suppression systems, fire extinguishers, fire hose reel and fire hoses where the parts and components are purchased from external manufacturers. As at the LPD, we distribute wet and dry riser system, and hydrant as well as fire protection accessories where the finished products are manufactured by external parties. These products are sold under our brands including Unique, Unique227, Yama and Commander during the Financial Years Under Review. Revenue contribution from our brands of assembled and distribution products amounted to RM48.90 million (61.35%), RM48.41 million (63.53%) and RM39.88 million (62.84%) of our total revenue for the FYE 2019, FYE 2020 and FYE 2021, respectively.

From this perspective, we face risks that third party materials and finished products that are purchased from external parties may have manufacturing defects, which may compromise the overall quality of our brands of fire protection systems and equipment. This may in turn affect our market reputation, result in customers making product warranty or liability claims against us, and/or authorities requiring us to recall our products, which may negatively affect our business operations and financial performance.

While we carry out quality checks on the products that we purchase from external parties based on sampling, as well as carry out in-process and final QC checks on the products that we assemble and manufacture, there is no assurance that third party products may not affect the quality of our brands of products.

8.1.8 Our customers may make product warranty claims against us

Our customers may make product warranty claims against us concerning the supply of fire protection systems, equipment and accessories.

We provide the following product warranty against manufacturing defects for products that we assemble, distribute or manufacture under our brands:
- typically, we provide a one (1)-year warranty which commences from the date of delivery of our products;
- two (2)-year warranty for infrastructure projects which commences from date of certification of line completion; and

- five (5)-year warranty for Unique227 fire suppression systems that are sold to customers for installation in TNB facilities. The five (5)-year warranty period which commences from the date of installation of the system and after each maintenance date, is a requirement of TNB for our Unique227 fire suppression systems.

Product warranty for the third party brands that we assemble and distribute ranges from one (1) to three (3) years depending on the products and these are provided by the respective brand owners.

If a customer makes a warranty claim against us for the products we assemble, distribute or manufacture under our brand name, there is a risk that we will incur additional costs of replacing the product or making good the defects, which may adversely affect our financial performance. We do not have back-to-back product warranty arrangements with the suppliers of finished products sold under our brands, or with external manufacturers of finished goods that we sell under our brands. One exception is our assembled Unique brand of HFC-227ea fire suppression system, which we are able to claim against Orient.

During the Financial Years Under Review, customers have made claims against our brand of products for manufacturing defects amounting to RM8,995, RM17,824 and RM17,664 for FYE 2019, FYE 2020 and FYE 2021, respectively. The value of these claims was equivalent to 0.02%, 0.03% and 0.03% of our revenue from our brand of manufactured, assembled and distributed products for FYE 2019, FYE 2020 and FYE 2021, respectively, and are not regarded as material to our Group.

As for fire suppression systems for installation in TNB facilities, this is similar to the five (5)-year warranty as required by TNB. During the Financial Years Under Review, customers have made claims against third party brands of products for manufacturing defects amounting to RM33,017, RM21,303 and RM51,779 for FYE 2019, FYE 2020 and FYE 2021, respectively. The value of these claims was equivalent to 0.18%, 0.14% and 0.46% of our revenue from third party brands of assembled and distributed products for FYE 2019, FYE 2020 and FYE 2021, respectively, and are not regarded as material to our Group. Upon receiving product warranty claims from customers against third party brands, we will normally make a corresponding warranty claim with the respective brand owner. In most cases, the brand owner would honour the warranty claim unless the warranty period granted has lapsed. There is no assurance that any future warranty claims against us would not adversely affect our financial performance.

8.1.9 We are subject to the risk of product liability

We may be exposed to risks of product liability when we are the brand owner of the products that we sell to our customers. Exposure to product liability generally stems from, among others, defective design, manufacturing defects, faulty products, inaccurate or inadequate warnings and instructions, and mislabelled products. Claims for product liability could arise from damages to properties and lives caused by, among others, incorrect formulation or labelling of extinguishing agents, explosions involving faulty cylinders or faulty sensors, valves and other parts and components.

Any product liability claims or legal actions against us as the brand owner may result in negative publicity which may damage our reputation and brand equity as well as affect our business operations and financial performance. We may also be subjected to, among others, product recall or temporary suspension of sales which would affect our financial performance.

As at the LPD, we have general liability insurance to provide coverage against product liability claims for the fire protection systems, equipment and accessories that we supply. Our general liability insurance provides coverage in respect of all sums which we shall become legally liable to pay in respect of personal injury and property damage of up to RM8.5 million (for any one occurrence and aggregated for the policy period), and product liability coverage of up to RM2.00 million for (for any one occurrence and aggregated for the policy period).

During the Financial Years Under Review and up the LPD, we have not received any claims for damages on product liability or other grounds from our customers which had a material effect on our business operation or financial performance. However, there is no assurance that we will not receive any such claims or legal actions in the future. There can also be no assurance that our general liability insurance coverage will be sufficient to provide coverage against any claims of product liability in the future.

8.1.10 We are subject to the risk of non-renewal or revocation of permits and/or regulatory licences

We require approvals, major licences and permits from the relevant authorities to carry out our business operations. Details of the approvals, major licences and permits obtained by our Group are set out in Section 6.19 of this Prospectus. For example, we are required to obtain approval certificates from Bomba for certain products as prescribed by Bomba from time to time pursuant to the Fire Services Act 1988. Generally, these approval certificates issued by Bomba are valid for one (1) year and are renewable upon expiry.

In addition, pursuant to the conditions of UFI's manufacturing licence set out in Section 6.19, UFI is required to employ at least 80% Malaysians for its full-time workforce by 2020. As at the LPD, our subsidiary UFI's total workforce consists of 131 employees, of which 90 are Malaysians and 41 are foreign workers from Bangladesh, Myanmar and Nepal. UFI's foreign workers are involved mainly in our manufacturing operations which involve manual labour. As at the LPD, UFI has achieved 69% Malaysian workforce. Given the on-going COVID-19 pandemic, we were unable to achieve this workforce requirement. UFI had on 15 September 2021 submitted an application to MIDA for an extension of time up to 31 December 2022 to comply with this requirement, and as at 22 February 2022 the approval from MIDA has been obtained.

Based on our Group's experience, we have found it difficult to recruit and retain local employees to fill in positions which involve manual labour. However, UFI will continue its efforts such as offering competitive remuneration packages, providing staff accommodation for outstation local employees, continuing with recruitment efforts (such as putting out job advertisements, appointing recruiters, referrals etc), providing training to unexperienced local employees as well as improving on machine automation going forward to reduce reliance on foreign workers.

We expect to be able to increase our Malaysian workforce to meet this local workforce requirement in tandem with our business strategies and plans, in particular with the expected staff increase from our plans to establish new sales offices and warehouses in Johor and Penang. Please see Section 6.18 for further details of our business strategies and plans. Nonetheless, if UFI is unable to meet the local workforce requirement within the prescribed timeframe, UFI's manufacturing licence may be revoked pursuant to the section 6 of the ICA 1975. In such event, UFI will need to cease its assembly and manufacturing activities and our Group's operations and financial performance will be materially and adversely affected. Upon revocation, any person who engages in manufacturing activity without a licence is guilty of an offence under the ICA 1975 and is liable on conviction to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding six (6) months and to a further fine not exceeding RM1,000 for every day during which such default continues.

If UFI's manufacturing licence is revoked (as described above) and we have to cease our assembly and manufacturing activities, our revenue would be materially and adversely affected as we would only be able to sell those fire protection systems and equipment that we had already completed and are in our inventory. Consequently, we may not be able to complete some of the orders that we have on-hand at that time, unless and until we are able to source fire protection systems and equipment from other suppliers that are acceptable to the affected customers, and there can be no assurance that we will be able to source these equipment and systems from other suppliers. In addition, we may not be able to accept new orders for the fire protection systems and equipment that we assemble and manufacture. During the Financial Years Under Review, assembly of fire protection systems and equipment was the largest revenue contributor which accounted for RM37.00 million (46.42%), RM35.77 million (46.94%) and RM30.72 million (48.42%) of our total revenue for the FYE 2019, FYE 2020 and FYE 2021, respectively. Manufacturing of fire protection equipment accounted for RM10.96 million (13.75%), RM11.39 million (14.95%) and RM11.14 million (17.55%) of our total revenue for the FYE 2019, FYE 2020 and FYE 2021, respectively.

There is a risk that we would not be able to realise our revenue from the assembly and manufacture of fire protections systems and equipment if we have to cease these business activities.

In the event that we do not obtain the required approvals, major licences and permits and/or such approvals, major licences and permits are not renewed or are revoked, we will not be able to carry on our business operations and this would adversely impact our business and financial performance.

8.1.11 Our business may be disrupted if we do not have adequate input materials and goods for distribution

Our business requires that we maintain adequate inventory of input materials and goods for distribution to avoid instances of under-stocking goods. We have to procure and maintain adequate quantities of input materials and goods for distribution to avoid under-stocking particular products, which can result in a delay in our assembly or manufacturing operations, as well as disruption to our distribution operations resulting in delays or inability to fulfil our customers' orders promptly.

Furthermore, there is a risk that disruptions in the importation of goods into Malaysia or disruption in supplies from overseas may disrupt our business operations as a large proportion of the input materials and goods for distribution that we purchase are from suppliers in other countries. Purchases of input materials and goods for distribution from suppliers in foreign countries accounted for RM38.23 million (75.25%), RM39.17 million (75.85%) and RM31.14 million (74.72%) of our purchases of input materials, goods for distribution and services for the FYE 2019, FYE 2020 and FYE 2021, respectively. In the event of a disruption in supply, we may not be able to purchase from alternative suppliers for some of the input materials and goods for distribution, particularly those that are purchased from brand owners and suppliers. In such an event, our assembly, distribution and manufacturing operations may be disrupted if our stock of the affected input materials or goods for distribution are exhausted. During the Financial Years Under Review and as at the LPD, we have not faced any disruptions in purchasing input materials and goods for distribution from suppliers in foreign countries. Nevertheless, there can be no assurance that we will not face supply disruptions in the future.

For the FYE 2021, the value of our inventories (which includes input materials and goods for distribution) was RM21.08 million and our average inventories turnover period for the FYE 2021 was 161 days. We maintain this level of inventory to ensure that we have adequate input materials and goods for distribution on-hand to avoid disruptions to our assembly, distribution and manufacturing businesses, and to ensure that we can fulfil customers' orders on-time. Our inventory planning policy for input materials for assembly and manufacturing and goods for distribution that are sourced from suppliers in Malaysia is to establish minimum and maximum stock levels that are sufficient to sustain two (2) to three (3) months of operations. Our supply chain manager will review stock levels on a weekly basis to identify items for replenishment and place orders accordingly. For input materials and goods for distribution sourced from suppliers in other countries, we establish minimum and maximum stock levels and our supply chain manager will prepare monthly purchase suggestions to be approved by our Managing Director. We place orders with suppliers in other countries three (3) to five (5) months in advance to mitigate against potential disruptions.

However, there can be no assurance that we will not experience shortages of input materials and goods for distribution in the future not face incidents of under-stocking goods in the future which may adversely affect our financial performance.

8.1.12 Our growth prospects may be limited if we are unable to implement or face delays in implementing our business strategies and plans

Our business strategies and plans involve enhancing our manufacturing facilities by installing new hand portable dry chemical fire extinguisher manufacturing lines and developing new dry chemical fire extinguisher designs that comply with MS and BS, enhancing our operational capabilities by increasing storage capacity and implementing WMS, and implementing digital fire extinguisher identification data system and enhancing our IT system, expanding our geographical coverage by establishing new sales offices and warehouses in Johor and Penang, and enhancing advertising and marketing activities, and installing a rooftop solar photovoltaic system at our Operational Facility in Shah Alam, Selangor. For further information on our business strategies and plans, please refer to Section 6.18 of this Prospectus.

There is a risk that our plans may be delayed due to COVID-19 pandemic or we may fail to successfully implement our business strategy and plans due to, among others, failure to comply with certain standards, failure to secure customers for the new products, adverse market conditions and/or limited experience or expertise. Any delays or failure to successfully implement our business strategies and plans may adversely affect our expected financial performance and growth prospects.

8.1.13 We are exposed to foreign currency exchange rate fluctuations

During the Financial Years Under Review most of our revenue was denominated in RM, while our purchases of input materials and services were denominated in foreign currencies. The breakdown of our revenue and purchases which was transacted in RM and foreign currencies during the Financial Years Under Review are summarised in the following tables:

	<---------------------------------Audited				------------------------------->
	FYE 2019		**FYE 2020**		**FYE 2021**	
	'000	**%**	**'000**	**%**	**'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**

Please refer to Section 11.3 on the Management's Discussion and Analysis for additional information.

We are exposed to foreign currency exchange gains or losses arising from timing differences between invoices received and payments to suppliers that are denominated in foreign currencies and translated into RM. Fluctuations in foreign currency exchange rates between the RM and the foreign currencies, namely USD, may have a material effect on our reported income and expenses, as they are stated in RM in our combined financial statements. For further information on our realised and unrealised gains and losses on foreign exchange during the Financial Years Under Review, please refer to Section 11.3 on the Management's Discussion and Analysis.

An unfavourable foreign exchange rate will also increase the costs of purchasing materials that are denominated in the affected foreign currencies. Although we started to adopt a quarterly pricing strategy from June 2021 whereby we review the prices of our fire protection systems, equipment and accessories every quarter to take into account, among others, the effects of changes in the cost of our materials and foreign exchange rates, there is no assurance that our financial performance would not be affected by any unfavourable exchange rate fluctuations again the RM.

While foreign exchange rate fluctuations have not had a material effect on our financial performance during the Financial Years Under Review, there can be no assurance that our financial performance will not be affected by any adverse foreign exchange rate fluctuations in the future.

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 We face competition in our industry

We face competition from other operators involved in supplying fire protection systems. As of 4 October 2021, there were an estimated 241 members registered with the Malaysian Fire Protection Association (MFPA), of which 142 were involved in active fire protection sector, 24 were involved in passive fire protection sector and 75 were involved in other activities. Not all fire protection operators are registered with MFPA *(Source: Industry Overview)*. In addition, we may face competition from new operators who enter the industry from time to time.

In general, the barriers to entry faced by new operators of the active fire protection industry in Malaysia depends on the industry segment.

There are substantial barriers to entry for new assemblers and manufacturers of active fire protection equipment and systems, mainly due to the following factors:

- set-up and investment in assembly or manufacturing facilities as well as machinery and equipment;
- having the technical knowledge, skills and experience to carry out assembly or manufacturing;
- carrying out assembly or manufacturing requires skilled and general workforce;
- specified products or systems will need to be certified by Bomba before they can be stationed or installed in any premises;
- as part of the Bomba certification process, where applicable, the product or system has to be certified by testing laboratories that are recognised by Bomba such as, among others, SIRIM Berhad, Underwriters Laboratories LLC, FM Approvals LLC or testing laboratories recognised by the Department of Standards Malaysia; and
- new operators have to bear up-front costs of product development, prototyping, testing and product certification.

Barriers to entry for new distributors of active fire protection equipment are low as they can source products or systems that already have the relevant product certifications obtained by the respective manufacturer or supplier. However, for new types of products or systems that have not obtained Bomba certification yet, there will be a requirement for the new distributor to obtain Bomba certification on behalf of the manufacturer or supplier.

Our current and prospective customers have the option of procuring fire protection systems, equipment and accessories from one or more of our competitors. The competition that we face may result in, among others, reduction in the prices of our products and thus affecting our profit margins, increase in our marketing activities and thus expenses, and/or loss of business due to competitors' offerings, which may adversely affect our business operations and financial performance.

We have our strengths and advantages to maintain our competitive position, including, among others, our established track record, our brands of fire protection systems, equipment and accessories, our assembled and manufactured fire protection systems and equipment, our range of fire protection systems, equipment and accessories to meet the diverse needs of our customers and experienced Directors and key management team to grow our business. Nevertheless, there can be no assurance that we will continue to compete effectively in our industry and failure to do so may adversely affect our growth prospects and financial performance.

8.2.2 We are subject to economic, social, political, regulatory and pandemic risks

Economic, social, political and regulatory developments in Malaysia could have a materially adverse effect on our business operations and financial performance. These include, but are not limited to, occurrence of war, civil unrest, rebellion or civil disobedience, changes in political leadership or system of government, changes in economic, interest rate, taxation, trade, corporate ownership or investment policies, nationalisation or expropriation, global, regional or domestic economic recession or slowdown, changes in the regulations that govern the fire protection industry, and prolonged COVID-19 pandemic or emergence of new epidemics or pandemics in Malaysia. These events are beyond our control, and the occurrence of one or more of these events may harm our business operations and financial performance.

8.3 RISKS RELATING TO INVESTING IN OUR SHARES

8.3.1 There has been no prior market for our Shares

Prior to the IPO, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such market can be sustained. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

The IPO Price was determined after taking into consideration various factors including but not limited to our business strategies and our financial and operating history. There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and the market price of our Shares will not decline below the IPO Price.

8.3.2 Our Share price and trading volume may be volatile

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

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:

(i) variations in our results and operations;

(ii) success or failure in our management team in implementing business and growth strategies;

(iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(iv) changes in conditions affecting the industry, the prevailing local and global economic conditions or stock market sentiments or other events or factors;

(v) natural disasters, health epidemics and outbreaks of contagious diseases;

(vi) additions or departures of key senior management;

(vii) fluctuations in stock market prices and volumes; or

(viii) involvement in litigation.

8.3.3 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after the IPO

As disclosed in Section 5.1 of this Prospectus, our Promoters will collectively hold in aggregate 71.56% of our enlarged issued share capital upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations. For instance, due to the Promoters' collective shareholding, unless the Promoters are required to abstain from voting either by law and/or by the relevant guidelines or regulations, where the Promoters vote in favour for ordinary resolutions which require a simple majority approval, their voting in favour will result in the ordinary resolutions being passed, or in the instance of special resolutions which require at least a majority of 75% shareholders' approval, if they vote in favour they will be able to influence the passing and approval of these resolutions at a general meeting. Conversely, if the Promoters vote against such resolutions, such resolutions would not be able to be passed.

8.3.4 There may be a potential delay to or cancellation of our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:

(i) the MITI approved Bumiputera investors fail to acquire the Shares allocated to them under the Public Issue;

(ii) our Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from its obligations thereunder;

(iii) the revocation of approvals from the relevant authorities for the Listing and/or admission for whatever reason; or

(iv) we are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25% of our issued share capital for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing.

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

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company and the Offerors, shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which the Company and the Offerors shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(ii) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

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

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, the Company and the Offerors shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:

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

  (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the directors.

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