

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF SPRING ART HOLDINGS BERHAD (“SPRING ART HOLDINGS” OR “COMPANY”) DATED 16 OCTOBER 2019 (“ELECTRONIC PROSPECTUS”)

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) website at www.bursamalaysia.com (“**Website**”).

Availability and Location of Paper/Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from the Company, M&A Securities Sdn Bhd (“M&A Securities”), or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Form is not available in electronic format.

Jurisdictional Disclaimer

This distribution of the Electronic Prospectus and the sale of the units are subject to Malaysian law. Bursa Securities, M&A Securities and Spring Art Holdings take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from 10.00 a.m. on 16 October 2019 and will close at 5.00 p.m. on 24 October 2019. In the event there is any change to the timetable, Spring Art Holdings will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users’ access to the website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.

SPRING ART HOLDINGS BERHAD
(Company No. 1278159-A)
(Incorporated in Malaysia under the Companies Act 2016)

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Kawasan Persindustrian Bukit Pasir,
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SPRING ART HOLDINGS BERHAD

PROSPECTUS

PROSPECTUS

This Prospectus is dated 16 October 2019

SPRING ART™

SPRING ART HOLDINGS BERHAD

(Company No. 1278159-A)
(Incorporated in Malaysia under the Companies Act 2016)

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH OUR LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") COMPRISING:

- (I) PUBLIC ISSUE OF 97,687,000 NEW ORDINARY SHARES IN OUR COMPANY ("SHARES") IN THE FOLLOWING MANNER:
 - 20,784,400 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
 - 4,156,800 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS AND EMPLOYEES AS WELL AS PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP; AND
 - 72,745,800 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY AND SELECTED INVESTORS
- (II) OFFER FOR SALE OF 27,019,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS

AT AN ISSUE/OFFER PRICE OF RM0.25 PER SHARE, PAYABLE IN FULL UPON APPLICATION.

Adviser, Sponsor, Underwriter And Placement Agent



M&A SECURITIES SDN BHD (15017-H)
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)



This Prospectus has been registered by the Securities Commission Malaysia ("SC"). The registration of this Prospectus, should not be taken to indicate that the SC recommends the offering or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. The SC is not liable for any non-disclosure on the part of the company and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus. No securities will be allotted or issued based on this Prospectus after 6 months from the date of this Prospectus.

YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 112.

THE ACE MARKET OF BURSA SECURITIES IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS AN EXEMPT TRANSACTION UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 AND IS THEREFORE NOT SUBJECT TO THE APPROVAL OF THE SC.

Our Directors, Promoters and Selling Shareholders (as defined herein) have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities Sdn Bhd, being the Adviser, Sponsor, Underwriter and Placement Agent to our IPO (as defined herein), acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

A copy of this Prospectus, together with the Application Form (as defined herein), has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

You should note that you may seek recourse under Sections 248, 249 and 357 of the Capital Markets and Services Act 2007 ("CMSA") for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Group (as defined herein).

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

Approval has been obtained from Bursa Securities for the listing of and quotation for our IPO Shares (as defined herein) on 18 April 2019. Our admission to the Official List of the ACE Market of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares. Bursa Securities shall not be liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility if you are or may be subject to the laws of countries or jurisdictions other than Malaysia, to consult your legal and/or other professional advisers as to whether our IPO would result in the contravention of any law of such countries or jurisdictions.

Further, it shall also be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO as stated in our Prospectus and the Application Forms and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected. We will further assume that you had accepted our IPO in Malaysia and will be subjected only to the laws of Malaysia in connection therewith.

However, we reserve the right, in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither us nor our Adviser nor any other advisers in relation to our IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS

This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application (as defined herein) may be subject to the risks of problems occurring during the data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt of the validity or integrity of an Electronic Prospectus, you should immediately request from us, the Adviser or Issuing House, a paper printed copy of this Prospectus.

In the event of any discrepancy arising between the contents of the electronic and the contents of the paper printed copy of this Prospectus for any reason whatsoever, the contents of the paper printed copy of this Prospectus which are identical to the copy of this Prospectus registered with the SC shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "Third Party Internet Sites"), whether by way of hyperlinks or by way of description of the third party internet sites, you acknowledge and agree that:

- (a) We and our Adviser do not endorse and is not affiliated in any way with the Third Party Internet Sites and is not responsible for the availability of, or the contents or any data, information, files or other material provided on the third party internet sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (b) We and our Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, for fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance of any data, information, files or other material provided by such parties; and
- (c) Any data, information, files or other material downloaded from Third Party Internet Sites is done at your own discretion and risk. We and our Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (a) The Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions and shall not be responsible in any way for the integrity of the contents of an Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and
- (b) While all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the internet participating financial institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

All terms used are defined under "Definitions" commencing from page vii.

The indicative timing of events leading to our Listing is set out below:

Events	Tentative Dates
Issuance of this Prospectus/Opening of Application	16 October 2019
Closing of Application	24 October 2019
Balloting of the Application	31 October 2019
Allotment of our IPO Shares to successful applicants	6 November 2019
Date of Listing	8 November 2019

In the event there is any change to the timetable, we will advertise the notice of the changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All terms used are defined under "Definitions" commencing from page vii.

All references to "Spring Art Holdings" and the "Company" in this Prospectus are to Spring Art Holdings Berhad (1278159-A). Unless otherwise stated, references to "Group" are to our Company and our subsidiary taken as a whole; and references to "we", "us", "our" and "ourselves" are to our Company, and, save where the context otherwise requires, our subsidiary. Unless the context otherwise requires, references to "Management" are to our Directors and key senior management as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

The word "approximately" used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest hundredth or 1 decimal place (for percentages) or dollar and sen for currency. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

Certain abbreviations, acronyms and technical terms used are defined in "Definitions" and "Technical Glossary" appearing after this section. Words denoting the singular only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include companies and corporations.

All reference to dates and times are references to dates and times in Malaysia.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

This Prospectus includes statistical data provided by our management and various third parties and cites third party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is acknowledged, it can be assumed that the information originates from our Management. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the Independent Market Researcher. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate.

The information on our website, or any website directly or indirectly linked to such websites does not form part of this Prospectus.

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FORWARD-LOOKING STATEMENTS

All terms used are defined under "Definitions" commencing from page vii.

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast", "project" or similar expressions and include all statements that are not historical facts.

Such forward-looking statements include, without limitations, statements relating to:

- (a) Demand for our products;
- (b) Our business strategies and prospects;
- (c) Our financial position; and
- (d) Our ability to pay future dividends.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

- (a) The economic, political and investment environment in Malaysia and globally; and
- (b) Government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "Section 8 - Risk Factors" and "Section 11 - Financial Information". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

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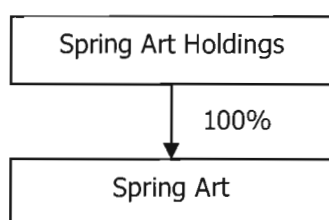
DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless otherwise defined or the context requires otherwise:

COMPANIES WITHIN OUR GROUP:

"Spring Art"	:	Spring Art Industries Sdn Bhd (415155-P), a wholly-owned subsidiary of Spring Art Holdings
"Spring Art Holdings" or "Company"	:	Spring Art Holdings Berhad (1278159-A)
"Spring Art Holdings Group" or "Group"	:	Spring Art Holdings and its subsidiary, collectively

A diagrammatic illustration of our Group structure is as follows:



GENERAL:

"ACE Market"	:	ACE Market of Bursa Securities
"Act"	:	Companies Act 2016
"Acquisition of Spring Art"	:	Acquisition by Spring Art Holdings of the entire share capital of Spring Art for a purchase consideration of RM31,799,980 which was wholly satisfied by the issuance of 317,999,800 new Shares at an issue price of RM0.10 per Share.
		The Acquisition of Spring Art was completed on 31 July 2019 and resulted in Spring Art becoming a wholly-owned subsidiary of Spring Art Holdings
"ADA"	:	Authorised Depository Agent
"Adviser" or "Sponsor"	:	M&A Securities
"Application"	:	The application for our IPO Shares by way of Application Form, Electronic Share Application or Internet Share Application
"Application Form"	:	The printed application form for the application of our IPO Shares accompanying this Prospectus
"ATM(s)"	:	Automated Teller Machine(s)
"Board"	:	Board of Directors of Spring Art Holdings
"Bursa Depository" or "Depository"	:	Bursa Malaysia Depository Sdn Bhd (165570-W)

DEFINITIONS (Cont'd)

"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"CAGR"	:	Compounded annual growth rate
"CDS"	:	Central Depository System
"CDS Account"	:	An account established by Bursa Depository for a depositor for the recording of securities and for dealing in such securities by the depositor
"Closing Date"	:	The date adopted in this Prospectus as the last date for acceptance and receipt of Application
"CMSA"	:	Capital Markets and Services Act 2007
"Constitution"	:	Constitution of our Company
"Depository Rules"	:	The Rules of Bursa Depository and any appendices thereto
"DDWG"	:	Due diligence working group for the purpose of our IPO
"Director"	:	Either an executive director or a non-executive director of our Company within the meaning of Section 2 of the Act
"EBIT"	:	Earnings before interest and taxation
"EBITDA"	:	Earnings before interest, taxation, depreciation and amortisation
"Electronic Prospectus"	:	Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium
"Electronic Share Application"	:	Application for our IPO Shares through a Participating Financial Institution's ATM
"EPS"	:	Earnings per share
"ETP"	:	Economic Transformation Programme
"FPE"	:	4-month financial period ended 30 April
"FYE(s)"	:	Financial year(s) ended 31 December
"GP"	:	Gross profit
"IFRS"	:	International Financial Reporting Standards
"IMR" or "Providence"	:	Providence Strategic Partners Sdn Bhd (1238910-A), our Independent Market Researcher
"IMR Report"	:	Independent Market Research Report titled "Outlook of Malaysia's Furniture Industry and the Global Furniture Market"
"Initial Public Offering" or "IPO"	:	Our initial public offering comprising our Public Issue and Offer for Sale

DEFINITIONS (Cont'd)

"Internet Participating Financial Institutions"	:	Participating financial institutions for Internet Share Application as listed in Section 15
"Internet Share Application"	:	Application for our IPO Shares through an online share application service provided by the Internet Participating Financial Institutions
"IPO Price"	:	Our issue/offer price of RM0.25 per Share pursuant to our Public Issue and Offer for Sale
"IPO Share(s)"	:	The Issue Share(s) and Offer Share(s), collectively
"ISO"	:	International Organisation for Standardisation
"Issue Share(s)"	:	97,687,000 new Share(s) to be issued pursuant to our Public Issue
"Issuing House"	:	Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
"Listing"	:	Listing of and quotation for our entire enlarged share capital of RM56,221,750 comprising 415,687,000 Shares on the ACE Market
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities
"Listing Scheme"	:	Comprising our Public Issue, Offer for Sale and Listing, collectively
"LPD"	:	17 September 2019, being the latest practicable date for ascertaining certain information contained in this Prospectus
"M&A Securities"	:	M&A Securities Sdn Bhd (15017-H)
"Malaysian Public"	:	Malaysian citizens and companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
"Market Day(s)"	:	Any day(s) between Monday to Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for the trading of securities
"MFRS"	:	Malaysian Financial Reporting Standards
"MIDA"	:	Malaysian Investment Development Authority
"MITI"	:	Ministry of International Trade and Industry Malaysia
"NA"	:	Net assets
"NBV"	:	Net book value
"Offer for Sale"	:	The offer for sale by our Selling Shareholders of 27,019,000 Offer Shares at our IPO Price by way of private placement to selected investors
"Offer Shares"	:	27,019,000 existing Shares to be offered pursuant to our Offer for Sale
"Official List"	:	The list specifying all securities which have been admitted for listing of Bursa Securities and not removed

DEFINITIONS (Cont'd)

"Participating Financial Institutions"	:	Participating financial institutions for Electronic Share Application, as listed in Section 15
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"PE Multiple"	:	Price-to-earnings multiple
"Pink Form Allocations"	:	The allocation of 4,156,800 Issue Shares to our eligible Directors and employees as well as persons who have contributed to the success of our Group
"Placement Agent"	:	M&A Securities
"Promoters"	:	Collectively, Lim Kok Eng and Kwan Chian Poh
"Prospectus"	:	This prospectus dated 16 October 2019 in relation to our IPO
"Public Issue"	:	The public issue of 97,687,000 Issue Shares at our IPO Price
"ROC"	:	Registrar of Companies
"SC"	:	Securities Commission Malaysia
"Selling Shareholders"	:	Lim Kok Eng and Kwan Chian Poh, whom are undertaking the Offer for Sale
"Shares" or "Spring Art Holdings Shares"	:	Ordinary shares in Spring Art Holdings
"SICDA" or "Depository Act"	:	Securities Industry (Central Depositories) Act, 1991
"sq ft"	:	Square foot
"sqm"	:	Square metre
"SST"	:	Sales and Service Tax
"Taiwan"	:	The Republic of China (Taiwan)
"UAE"	:	The United Arab Emirates
"Underwriter"	:	M&A Securities
"Underwriting Agreement"	:	The underwriting agreement dated 4 September 2019 entered into between our Company and M&A Securities pursuant to our IPO
"USA"	:	United States of America
"Vendors"	:	Lim Kok Eng and Kwan Chian Poh, collectively

DEFINITIONS (Cont'd)

"WAFEX" : Weighted average foreign exchange of USD against RM for export sales. It represents the total export sales in RM after currency conversion at respective invoice dates for a financial year divided by the total export sales denominated in USD as per sales invoices in the same financial year

PROPERTIES OWNED BY OUR GROUP:

"Factory A1" : A single storey detached factory with a single storey integral office building situated on Land 1

"Factory A2" : An extended single storey detached factory with an annexed 3 storey office situated on Land 1

"Factory B" : An extended single storey detached factory situated on Land 2

"Factory C" : A new factory to be constructed on Land 3, which shall include a 2-storey office and a 2-storey hostel

"Investment Land" : A vacant freehold land identified as Lot 1850, Mukim of Sungai Raya, District of Muar, Johor

"Land 1" : An industrial leasehold land bearing postal address Plo 49, Jalan Rami 4, Taman Perindustrian Bukit Pasir, 84300 Bukit Pasir, Muar, Johor which houses Factory A1 and Factory A2

"Land 2" : An industrial freehold land bearing postal address PTD 2626, Jalan Rami 5, Taman Perindustrian Bukit Pasir, 84300 Bukit Pasir, Muar, Johor which houses Factory B

"Land 3" : An agriculture freehold land bearing title Lot 343, Mukim of Sungai Raya, District of Muar, Johor Darul Takzim held under Title No. GM 231. We plan to construct Factory C on the land

CURRENCIES:

"RM" and "sen" : Ringgit Malaysia and sen respectively

"SGD" : Singapore Dollar

"USD" : United States Dollar

TECHNICAL GLOSSARY:

"CNC machine" : Computer numerical control machines, the automation of processes in the manufacturing sector that involves the use of computers to control machinery

"Conveyor belts" : A mechanical handling equipment or system that is used to transport materials from one location to another

"e-commerce" : Electronic commerce, the activity of buying and selling products over the internet

"MDF" : Medium density fibreboard, a type of wood product which is made from wood fibres bonded under heat and pressure

DEFINITIONS (Cont'd)

- "Particle board" : A low density fibreboard made from compressed wood particles
- "PVC" : Polyvinyl chloride, a synthetic polymer with wide application across multiple industries
- "QC" : Quality control, a set of procedures intended to ensure that a manufactured product adheres to a defined set of quality criteria
- "ready-to-assemble" : Flat packed furniture that requires customer to assemble. Furniture parts are packed in cartons along with assembly instructions. Ready to assemble furniture is generally easily assembled with basic tools such as screwdrivers

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1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name (Gender)	Designation	Address	Nationality
Haji Ismail Bin Tunggak (M)	Independent Non-Executive Chairman	No 107, Taman Pertama Sungai Abong 84000 Muar Johor	Malaysian
Lim Kok Eng (M)	Managing Director	No 315, Jalan Selatan Bukit Bakri 84200 Muar Johor	Malaysian
Kwan Chian Poh (F)	Executive Director	No 315, Jalan Selatan Bukit Bakri 84200 Muar Johor	Malaysian
Law Sang Thiam (M)	Independent Non-Executive Director	No 59, Jalan M9 Taman Merbok Bukit Baru 75450 Melaka	Malaysian
Tan Meng Loon (M)	Independent Non-Executive Director	No 4, Jalan Perdana 6 Taman Junid Perdana Jalan Abdul Rahman 84000 Muar Johor	Malaysian

Notes:

M refers to male
F refers to female

AUDIT COMMITTEE

Name	Designation	Directorship
Law Sang Thiam	Chairman	Independent Non-Executive Director
Haji Ismail Bin Tunggak	Member	Independent Non-Executive Chairman
Tan Meng Loon	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Haji Ismail Bin Tunggak	Chairman	Independent Non-Executive Chairman
Law Sang Thiam	Member	Independent Non-Executive Director
Tan Meng Loon	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY (Cont'd)

NOMINATION COMMITTEE

Name	Designation	Directorship
Tan Meng Loon	Chairman	Independent Non-Executive Director
Haji Ismail Bin Tunggak	Member	Independent Non-Executive Chairman
Law Sang Thiam	Member	Independent Non-Executive Director

REGISTERED OFFICE

: No. 7 (1st Floor), Jalan Pesta 1/1
Taman Tun Dr Ismail 1, Jalan Bakri
84000 Muar
Johor

Telephone number: 06-954 1705

HEAD OFFICE

: Lot Plo 49
Jalan Rami 4
Kawasan Perindustrian Bukit Pasir
84300 Bukit Pasir, Muar
Johor

Telephone number: 06-985 9971

EMAIL ADDRESS AND WEBSITE

: Email address: info@springart.com
Website: http://www.springart.com

COMPANY SECRETARIES

: Ng Mei Wan (MIA 28862)
(Malaysian Institute of Accountants)

Tan Hui Khim (LS 0009936)
(Licenced Secretary)

No. 7 (1st Floor), Jalan Pesta 1/1
Taman Tun Dr Ismail 1, Jalan Bakri
84000 Muar
Johor

Telephone number: 06-954 1705

**AUDITORS AND REPORTING
ACCOUNTANTS FOR OUR IPO**

: Grant Thornton Malaysia (AF 0737)
Level 11
Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Telephone number: 03-2692 4022

Partner's name: Ooi Poh Lim
(Chartered Accountant, Malaysian Institute of
Accountants, Association of Chartered Certified
Accountants)

1. CORPORATE DIRECTORY (Cont'd)

- PRINCIPAL ADVISER, SPONSOR,
UNDERWRITER AND PLACEMENT
AGENT** : M&A Securities Sdn Bhd (15017-H)
Level 11, No. 45 & 47, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Telephone number: 03-2284 2911
- SOLICITORS FOR OUR IPO** : Ben & Partners
Advocates & Solicitors
7-2, Level 2, Block D2
Dataran Prima
Jalan PJU 1/39
47301 Petaling Jaya
Selangor

Telephone number: 03-7805 2922
- SHARE REGISTRAR AND ISSUING
HOUSE** : Tricor Investor & Issuing House Services Sdn Bhd
(11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
8, Jalan Kerinchi
59200 Kuala Lumpur

Telephone number: 03-2783 9299
- INDEPENDENT MARKET
RESEARCHER** : Providence Strategic Partners Sdn Bhd (1238910-A)
67-1, Block D, Jaya One
No. 72A, Jalan Universiti
46200 Petaling Jaya
Selangor

Telephone number: 03-7625 1769

Executive Director's name: Elizabeth Dhoss
(Bachelor of Business Administration from University
of Malaya)
- LISTING SOUGHT** : ACE Market of Bursa Securities

2. APPROVALS AND CONDITIONS

2.1 APPROVALS AND CONDITIONS

2.1.1 Bursa Securities

Bursa Securities had vide its letter dated 18 April 2019 approved our admission to the Official List of the ACE Market and the listing of and quotation for our entire enlarged issued share capital on the ACE Market. The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
1.	Submission of the following information in respect of the moratorium on the shareholdings of the Promoters to the Bursa Depository: <ul style="list-style-type: none"> (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares. 	Complied
2.	Approvals from other relevant authorities have been obtained for implementation of the Listing.	Complied
3.	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Note 15 of Listing Requirements.	To be complied
4.	Furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the share spread requirements based on the entire issued share capital of Spring Art Holdings on the first day of Listing.	To be complied
5.	Any director of Spring Art Holdings that has not attended the Mandatory Accreditation Programme must do so prior to the Listing.	Complied
6.	In relation to the public offering to be undertaken by Spring Art Holdings, please announce at least 2 Market Days prior to the Listing date, the result of the offering including the following: <ul style="list-style-type: none"> (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/allocation; (iii) A table showing the distribution for placement tranche, in format prescribed; and (iv) Disclosure of placees who become substantial shareholders of Spring Art Holdings arising from the public offering, if any. M&A Securities is reminded to ensure that the overall distribution of Spring Art Holdings' securities is properly carried out to mitigate any disorderly trading in the secondary market.	To be complied
7.	Spring Art Holdings/M&A Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of Spring Art Holdings to the Official List of the ACE Market.	To be complied
8.	Spring Art Holdings/M&A Securities to ensure full compliance of all requirements as provided under the Listing Requirements at all times.	Noted

2. APPROVALS AND CONDITIONS *(Cont'd)*

2.1.2 SC

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, vide its letter dated 24 May 2019, approved the resultant equity structure of Spring Art Holdings under the equity requirement for public listed companies pursuant to our Listing.

The approval from the SC is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
(i)	Spring Art Holdings to allocate Shares equivalent to at least 12.5% of its enlarged share capital at the point of Listing to Bumiputera investors. This includes the Shares offered under the balloted public offer portion, of which at least 50.0% are to be offered to Bumiputera investors.	To be complied

In the event that MITI is unable to allocate the shares to Bumiputera investors, the unsubscribed shares shall be offered to Bumiputera public investors via balloting.

The effect of our Listing on the equity structure of Spring Art Holdings shall be as follows:

Category of shareholders	As at 30 November 2018		After the Acquisition of Spring Art ⁽¹⁾		After Listing	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Bumiputera	⁽²⁾ 200	100.0	⁽²⁾ 200	*	⁽³⁾ 51,961,400	12.5
Non-Bumiputera	-	-	317,999,800	100.0	363,725,600	87.5
Malaysians	200	100.0	318,000,000	100.0	415,687,000	100.0
Foreigners	-	-	-	-	-	-
TOTAL	200	100.0	318,000,000	100.0	415,687,000	100.0

Notes:

* Negligible.

(1) Acquisition of Spring Art for a purchase consideration of RM31,799,980.

(2) 2 subscriber shareholders.

(3) Based on the assumption that the Shares allocated to Bumiputera investors shall be fully subscribed as follows:

Category	No. of Shares
Bumiputera public investors via balloting	10,392,200
Private placement to selected Bumiputera investors approved by the MITI	41,569,000
Total	51,961,200

2. APPROVALS AND CONDITIONS (Cont'd)

2.1.3 MITI

The MITI had, vide its letter dated 1 July 2019 taken note and has no objection to our Listing.

2.2 MORATORIUM ON OUR SHARES

In accordance with Paragraph 3.19 of the Listing Requirements and pursuant to the conditions imposed under the approval letter by Bursa Securities, a moratorium will be imposed on the sale, transfer or assignment of those Spring Art Holdings Shares held by our Promoters as follows:

- (a) The moratorium applies to the entire shareholdings of our Promoters after the Offer for Sale for a period of 6 months from the date of our admission to the ACE Market ("First 6-Month Moratorium");
- (b) Upon the expiry of the First 6-Month Moratorium, our Company must ensure that our Promoters' aggregate shareholdings amounting to at least 45% of our total number of issued ordinary shares (adjusted for any bonus issue or subdivision of shares) remain under moratorium for another period of 6 months ("Second 6-Month Moratorium"); and
- (c) On the expiry of the Second 6-Month Moratorium, our Promoters may sell, transfer or assign up to a maximum of 1/3rd per annum (on a straight line basis) of those Spring Art Holdings Shares held under moratorium.

Details of our Promoters and their Shares which will be subject to the abovementioned moratorium, are set out below:

Promoters	Moratorium shares during the First 6-Month Moratorium ⁽¹⁾		Moratorium shares during the Second 6-Month Moratorium	
	⁽¹⁾ No. of Shares	⁽²⁾ %	⁽¹⁾ No. of Shares	⁽²⁾ %
Lim Kok Eng	232,784,640	56.0	149,647,320	36.0
Kwan Chian Poh	58,196,160	14.0	37,411,830	9.0
	290,980,800	70.0	187,059,150	45.0

Notes:

⁽¹⁾ After the Offer for Sale.

⁽²⁾ Based on the enlarged share capital of 415,687,000 Shares.

The moratorium has been fully accepted by our Promoters, who have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the moratorium period.

The moratorium restrictions are specifically endorsed on the share certificates representing the Shares under moratorium held by the Promoters to ensure that our Share Registrar does not register any transfer that contravenes with such restrictions.

3. PROSPECTUS SUMMARY

THIS PROSPECTUS SUMMARY ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE WHOLE PROSPECTUS PRIOR TO DECIDING ON WHETHER TO INVEST IN OUR SHARES.

3.1 PRINCIPAL STATISTICS RELATING TO OUR IPO

The following statistics relating to our IPO are derived from the full text of this Prospectus and should be read in conjunction with that text:

No. of Shares to be issued under the Public Issue	97,687,000
No. of Shares to be offered under the Offer for Sale	27,019,000
IPO Price/Offer Price per Share (RM)	0.25

Further details on our IPO are set out in Section 4.

Our Promoters' entire shareholdings after IPO will be under moratorium for 6 months from the date of Listing. Thereafter, our Promoters' shareholdings amounting to 45% of our share capital will remain under moratorium for another 6 months. Our Promoters may sell, transfer or assign up to a maximum of 1/3rd per annum (on a straight line basis) of their shares held under moratorium upon expiry of the second 6 months.

Further details on the moratorium on our shares are set out in Section 2.2.

3.2 BUSINESS MODEL

Our Company was incorporated in Malaysia on 25 April 2018 under the Act as a public limited company under the name of Spring Art Holdings Berhad. We were incorporated as a special purpose vehicle to facilitate the listing of our subsidiary, Spring Art, on the ACE Market.

We are an investment holding company. Through our subsidiary, we are involved in the manufacturing of ready-to-assemble furniture products, where we undertake the design and development, manufacturing as well as marketing and sales of office furniture, bedroom furniture, living room furniture as well as other types of furniture.

Our Group has only one business segment, namely the design, development, manufacturing, marketing and sales of furniture products as shown below:

Business segment	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design, development, manufacturing, marketing and sales of furniture products	36,425	100.0	41,287	100.0	48,276	100.0	50,382	100.0

Business segment	FPE 2018		FPE 2019	
	RM'000	%	RM'000	%
Design, development, manufacturing, marketing and sales of furniture products	15,626	100.0	18,297	100.0

3. PROSPECTUS SUMMARY (Cont'd)

For the FYEs/FPE, all our sales were from overseas markets, mainly to Middle East and Asia Pacific regions.

3.3 COMPETITIVE STRENGTHS

Our Directors believe that our business sustainability and growth is built on the following competitive strengths:

(a) We automate our manufacturing processes

Automation allows us to produce standard specification furniture based on designs generated by our design and development team in standard sizes and dimensions. Nonetheless, our automated production line is flexible and thus, also able to produce customised furniture with adjustments and alterations in dimensions made according to customers' requirements.

We achieve consistent product quality by maintaining the quality of materials used and adopting QC inspections throughout production to maintain close tolerances in the manufacturing process. This is made possible through the use of automated machinery that is configured to ensure the accuracy of the dimension of boards, drilling of holes for the insertion of screws and boring of holes for panels, bed posts and table legs.

(b) We are able to design and develop our own products

Over the years, we have evolved to undertake the design and development, manufacturing as well as marketing and sales of office furniture, bedroom furniture, living room furniture and other furniture. We collect and analyse historical sales information as well as market data such as market trends and consumer lifestyle requirements from various countries. As a result, we are able to incorporate elements of design and functionality in our furniture products, based on market trends and consumer lifestyles.

(c) We manufacture ready-to-assemble furniture product in flat pack format

We have been able to market and ship our furniture products to export markets due to the inherent benefit of the flat pack format. By shipping our furniture products unassembled in flat packs, we are able to reduce the volume and cost of shipping, thereby making our furniture products cost competitive. Further, shipping losses are less with ready-to-assemble furniture as the flat packaged furniture is less vulnerable to damage during transportation.

(d) We place emphasis on our QC processes to ensure consistent quality of furniture products

We implement stringent QC processes throughout the design and development as well as manufacturing processes in order to ensure that our furniture products meet predefined quality standards, thereby meeting the demands and expectations of our customers.

Should there be any defects in our products, we have a replacement policy to replace these defected products at no cost to our customers. Further, with the key manufacturing processes being carried out at our own manufacturing factories, we are able to have better control over the quality of furniture products that we produce.

3. PROSPECTUS SUMMARY (Cont'd)

(e) We have a diversified revenue base

Our diversified base consists of customers from 35 countries comprising distributors, furniture showroom retailers, home furnishing chain stores and e-commerce companies. By diversifying our revenue base across several regions globally, we are able to capture growth opportunities in various overseas markets while at the same time reducing our business concentration risk from unanticipated downturn in a particular overseas market.

(f) We maintain long-term business relationships with our customers and suppliers

The long-term business relationships that we have established with our existing customers have allowed us to sustain our business growth. Over the years, our established track record in maintaining consistent product quality has enabled us to retain our existing customers, thereby securing repeat orders and developing our reputation in the furniture manufacturing industry.

Further, we recognise the importance of maintaining long-term business relationships with our suppliers. The business relationships cultivated with our suppliers ensure stable supply of our raw materials in a timely manner.

(g) We have an experienced key senior management team

We have an experienced key senior management team with operational expertise and in-depth knowledge of the furniture manufacturing industry. Our Managing Director, Lim Kok Eng and Executive Director, Kwan Chian Poh have played a pivotal role in establishing and growing our business over the years. They are responsible for determining the overall strategic direction and management of our Group. Under their leadership, Spring Art has become an export-oriented furniture manufacturer with customers comprising distributors, furniture showroom retailers, home furnishing chain stores and e-commerce companies in various foreign markets. Lim Kok Eng and Kwan Chian Poh are supported by a qualified key senior management team.

Further details of our competitive strengths are set out in Section 6.8.

3.4 BUSINESS STRATEGIES AND PROSPECTS

A summary of our business strategies and prospects are set out below:

(a) We intend to set up a new manufacturing factory to expand our current manufacturing capacity

We plan to construct a new factory, namely Factory C, with a total estimated factory built-up area of approximately 103,926 sq ft to undertake the manufacturing of office furniture, bedroom furniture, living room furniture and other furniture for export to North America and Europe.

Factory C is expected to increase our annual capacity to reach a combined manufacturing capacity of approximately 674,000 units per annum.

3. PROSPECTUS SUMMARY (Cont'd)

(b) We aim to further increase the sales of our furniture products to the North America and European markets

Given our track record in penetrating these foreign markets, we will continue to focus on export markets to grow our business. We aim to further increase our presence in the North America and European markets. To achieve this, we intend to attend trade fairs in North America and Europe to increase the awareness of our products and to better understand the current market trends and developments in these regions.

(c) We aim to expand our product range

We will continue to focus on our design and development efforts to expand our product range. We aim to expand our product range by releasing 4 new collections annually, with a focus on living room furniture and bedroom furniture every year, to appeal to changing consumer preferences.

Further details on our business strategies and prospects are set out in Section 6.19.

3.5 RISK FACTORS

An investment in our Shares is subject to risks. A summary of some of the more important risks is set out below. A more detailed description of the risks associated with our Group and IPO can be found in the Section 8.

Investors should read and understand all the risk factors before making a decision to invest in our Shares.

(a) We are subject to fluctuations in foreign exchange rates

Our revenue is denominated in USD and SGD as all of our furniture products are exported to foreign markets. Further, we have been purchasing particle boards from a supplier based in Thailand, Green River Panels (Thailand) Co Ltd since FYE 2016. Any significant change in foreign exchange rates may affect our Group's financial results.

We maintain foreign currency accounts arising from our sales to settle our purchases in foreign currency. Additionally, we also enter into foreign currency forward exchange contracts with banking institutions to sell the USD received from our customers at agreed exchange rates for fixed periods of time to reduce the exposure of our receivables. Any adverse fluctuation in foreign exchange rates will have a negative impact on our financial performance.

(b) We are exposed to customer concentration risk

Our Group has not entered into any long term contract with any of our customers and it is not our business practice to do so. While we are not dependent on any single customer, we may be materially and adversely affected if we were to lose one of more of our major customers without securing new customers in a timely manner to replace the loss of business, or if we were to encounter difficulties in collecting payment from these major customers.

3. PROSPECTUS SUMMARY (Cont'd)

(c) We are dependent on foreign production workers

We rely on foreign workers in our operations. Our foreign workers are primarily from Bangladesh and Nepal. Currently, we obtain 1-year working permit for our foreign workers, which are renewed annually. If visa policies on foreign workers in Malaysia were to change in any way resulting in difficulties for our Group to maintain a sufficient foreign labour workforce, our business, financial condition and results of operations could be materially and adversely affected. In addition, our Group's business strategies which will involve expansion in our manufacturing operations, would require a corresponding increase in labour to meet increased manufacturing activities.

(d) We are subject to volatility in prices of raw materials

The prices of certain raw materials used in our manufacturing processes such as particle boards and MDF may fluctuate due to demand and supply conditions. As such, any shortage or disruption in the supply of raw materials which results in fluctuation in the prices of raw materials may adversely affect both our Group's operations and financial performance.

3.6 DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

Our Directors and key senior management are as follows:

Name	Designation
Directors	
Haji Ismail Bin Tunggak	Independent Non-Executive Chairman
Lim Kok Eng	Managing Director
Kwan Chian Poh	Executive Director
Law Sang Thiam	Independent Non-Executive Director
Tan Meng Loon	Independent Non-Executive Director
Key Senior Management	
Teo Miow Loo	Chief Financial Officer
Peter Teo Swee Chyang	Production Manager
Loo Soon Chuan	Marketing Manager
Lim Vivian	Assistant Purchasing Manager
Ahmad Mahdzir Bin Joffri	Assistant Design, Development and Quality Control Manager

The details of our Promoters and substantial shareholders are as follows:

Name / Nationality	Before IPO ⁽¹⁾		Offer Shares offered ⁽²⁾		After IPO ⁽²⁾	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lim Kok Eng / Malaysian	254,399,840	80.0	21,615,200	5.2	232,784,640	56.0
Kwan Chian Poh / Malaysian	63,599,960	20.0	5,403,800	1.3	58,196,160	14.0

3. PROSPECTUS SUMMARY (Cont'd)

Notes:

- (1) Based on the share capital of 318,000,000 Shares after the Acquisition of Spring Art.
 (2) Based on our enlarged share capital of 415,687,000 Shares after the IPO.

Further details of the Promoters are set out in Section 5.1.2.

3.7 UTILISATION OF PROCEEDS

The gross proceeds arising from the Public Issue of approximately RM24.4 million shall accrue entirely to us and will be utilised in the following manner:

Utilisation of proceeds	Estimated timeframe for utilisation	RM'000	%
Machinery for Factory C	24 months ⁽¹⁾	17,550	71.9
General working capital	24 months ⁽²⁾	3,672	15.0
Estimated listing expenses	1 month ⁽²⁾	3,200	13.1
		24,422	100.0

Notes:

- (1) From the estimated commencement of construction of Factory C in July 2020.
 (2) From the date of listing of our Shares.

There is no minimum subscription to be raised from our IPO.

Detailed information on our utilisation of proceeds is set out in Section 4.10.

The gross proceeds arising from the Offer for Sale of approximately RM6.8 million shall accrue entirely to our Selling Shareholders.

3.8 FINANCIAL AND OPERATIONAL HIGHLIGHTS

3.8.1 Historical combined statements of profit or loss and other comprehensive income

The following table sets out the financial highlights of our historical audited combined statements of profit or loss and other comprehensive income for the FYEs 2015 to 2018 and FPE 2019:

	Audited			
	FYE 2015 RM'000	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000
Revenue	36,425	41,287	48,276	50,382
Cost of sales	(25,112)	(28,366)	(34,152)	(36,000)
GP	11,313	12,921	14,124	14,382
PBT	8,104	9,594	10,142	8,433
PAT	7,194	7,474	7,860	6,229
EBIT	8,301	9,694	10,184	8,673
EBITDA	9,578	11,296	12,034	10,577
GP margin (%)	31.1	31.3	29.3	28.5
PBT margin (%)	22.2	23.2	21.0	16.7
PAT margin (%)	19.8	18.1	16.3	12.4
Effective tax rate (%)	11.2	22.1	22.5	26.1

3. PROSPECTUS SUMMARY (Cont'd)

	Unaudited	Audited
	FPE 2018	FPE 2019
	RM'000	RM'000
Revenue	15,626	18,297
Cost of sales	(11,559)	(13,292)
GP	4,067	5,005
PBT	2,376	3,113
PAT	1,736	2,576
EBIT	2,406	3,192
EBITDA	2,927	3,707
GP margin (%)	26.0	27.4
PBT margin (%)	15.2	17.0
PAT margin (%)	11.1	14.1
Effective tax rate (%)	26.9	17.3

There were no exceptional or extraordinary items during the financial years/period under review. Our audited financial statements for the financial years/period under review were not subject to any audit qualifications.

3.8.2 Pro forma combined statements of financial position

The following table sets out a summary of the pro forma combined statements of financial position of our Group, to show the effects of the Acquisition of Spring Art, Public Issue and utilisation of IPO proceeds.

The pro forma combined statements of financial position is presented for illustrative purposes only and should be read in conjunction with the Reporting Accountants' report together with the notes and assumptions accompanying the Pro forma Combined Statements of Financial Position as set out in Section 13.

	Spring Art		I	II	III
	Holdings		After	After I and	After II and
	As at 30		Acquisition	Public	utilisation of
	April		of Spring Art	Issue	IPO proceeds
	2019		RM'000	RM'000	RM'000
	RM'000		RM'000	RM'000	RM'000
Equity attributable to owners of the Company					
Share capital	*	31,800	56,222	55,422	
Revaluation reserve	-	7,375	7,375	7,375	
Merger deficit	-	(31,300)	(31,300)	(31,300)	
(Accumulated losses)/Retained earnings	(60)	29,755	29,754	27,354	
Total equity	(60)	37,630	62,051	58,851	
Number of Shares in issue ('000)	^	318,000	415,687	415,687	
Net (liabilities)/asset per share (RM)	(301.22)	0.12	0.15	0.14	
Borrowings (All interest bearing debts)	-	6,878	6,878	12,678	
Gearing (times)	-	0.18	0.11	0.22	
Current ratio (times)	0.73	3.17	6.36	3.38	

3. PROSPECTUS SUMMARY (Cont'd)

Notes:

- * Representing RM20.00 only.
 ^ Representing 200 Shares only.

3.9 DIVIDENDS

Our Company does not have any formal dividend policy. As we are a holding company, our Company's income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiary, present or future. The payment of dividends or other distributions by our subsidiary will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

In respect of FYEs 2015 to FYE 2018 and FPE 2019, dividends declared by our subsidiary were as follows:

	<u>FYE 2015</u> <u>RM'000</u>	<u>FYE 2016</u> <u>RM'000</u>	<u>FYE 2017</u> <u>RM'000</u>	<u>FYE 2018</u> <u>RM'000</u>	<u>FPE 2019</u> <u>RM'000</u>
Dividends declared	5,500	1,800	4,500	-	1,000

Further details of our dividends are set out in Section 11.14.

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4. PARTICULARS OF OUR IPO

4.1 INTRODUCTION

This Prospectus is dated 16 October 2019. Our IPO is subject to the terms and conditions of this Prospectus.

We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms with the ROC. Neither the SC nor the ROC takes any responsibility for its contents.

We have obtained the approval from Bursa Securities vide its letter dated 18 April 2019, for, amongst others, our admission to the Official List of the ACE Market and for the listing of and quotation for our entire enlarged share capital on the ACE Market.

Our Shares will be admitted to the Official List of the ACE Market and an official quotation will commence after, amongst others, the receipt of confirmation from Bursa Depository that all of our IPO Shares have been duly credited into the respective CDS Accounts of the successful applicants and the notices of allotment have been issued and despatched to all the successful applicants.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as securities to be deposited into the CDS. Following this, we will deposit our Shares directly with Bursa Depository and any dealings in our Shares will be carried out in accordance with the SICDA and Depository Rules. We will not issue any share certificates to successful applicants.

Pursuant to the Listing Requirements, at least 25.0% of our enlarged share capital for which listing is sought must be in the hands of a minimum number of 200 public shareholders, each holding not less than 100 Shares each upon admission to the ACE Market. We expect to meet the public shareholding requirement at the point of our Listing. In the event we fail to meet the said requirement pursuant to our IPO, we may not be allowed to proceed with our Listing on the ACE Market. In such an event, we will return in full, without interest, all monies paid in respect of all applications. If any such monies are not repaid within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

You should rely only on the information contained in this Prospectus or any applicable supplemental Prospectus. Neither we nor our advisers have authorised anyone to provide you with information that is different and not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus. Nonetheless, should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of our Listing, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA.

We are not making any invitation to subscribe for our IPO Shares in any jurisdiction and in any circumstances in which such offer or invitation are not authorised or unlawful, or to any person to whom it is unlawful to make such an offer or invitation. As the distribution of this Prospectus and the sale of our IPO Shares in certain other jurisdictions may be restricted by law, persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. The distribution of this Prospectus and the making of our IPO in certain jurisdictions outside Malaysia may be restricted by law. The distribution of this Prospectus and the sale of any part of our IPO Shares are subject to the Malaysian laws and we, together with M&A Securities as our Adviser, Sponsor, Underwriter and Placement Agent, take no responsibility for the distribution of this Prospectus and the offer of any part of our IPO Shares outside Malaysia, which may be restricted by law in certain other jurisdictions.

4. PARTICULARS OF OUR IPO (Cont'd)

Applications for the Issue Shares may be made using either of the following:

Type of application form	Category of Investor
White Application Form or Electronic Share Application or Internet Share Application	Malaysian Public (for individuals)
White Application Form	Malaysian Public (for non-individuals, e.g. corporations, institutions etc)
Pink Form Applications	Our eligible Directors and employees as well as persons who have contributed to the success of our Group

You must have a CDS Account when applying for our IPO Shares. In the case of an application by way of Application Form, you must state your CDS Account number in the space provided in the Application Form. If you do not presently have a CDS Account, you should open a CDS Account at an ADA prior to making an application for our IPO Shares.

Please refer to Section 15 for further details on the procedures for application for our IPO Shares. Details of the ADAs that you may open a CDS Account can be obtained at the following link:

<http://www.bursamalaysia.com/market/securities/equities/brokers>

If you are an individual with a CDS Account, you may make an Application by way of Electronic Share Application. You are required to furnish your CDS Account number to the Participating Financial Institution by keying in your CDS Account number if the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so. A corporation or institution cannot apply for our IPO Shares by way of Electronic Share Application.

If you have a CDS Account and an existing account to their internet financial services of an Internet Participating Financial Institutions, you can make an Internet Share Application. You shall furnish your CDS Account number to the Internet Participating Financial Institutions by keying your CDS Account number into the online application form. A corporation or institution cannot apply for our IPO Shares by way of Internet Share Application.

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, our IPO Shares are expected to be allocated in the manner described below.

The SC and Bursa Securities assume no responsibility for the correctness of any statement made or of any opinion or report expressed in this Prospectus. Our admission to the Official List of the ACE Market shall not be taken as an indication of the merits of our Group, our Shares and/or our IPO exercise. This Prospectus can also be viewed or downloaded from the website of Bursa Securities at www.bursamalaysia.com.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR ANY OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

4. PARTICULARS OF OUR IPO (Cont'd)

4.2 OPENING AND CLOSING OF APPLICATION

The period for Application will open at 10.00 a.m. on 16 October 2019 and will remain open until at 5.00 p.m. on 24 October 2019. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

4.3 IMPORTANT TENTATIVE DATES

Events	Tentative Dates
Issuance of this Prospectus/Opening of Application for our IPO	16 October 2019
Closing Date	24 October 2019
Balloting of the Application for our IPO Shares	31 October 2019
Allotment of our IPO Shares to successful applicants	6 November 2019
Date of Listing	8 November 2019

In the event there is any change to the timetable, we will advertise the notice of the changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

4.4 DETAILS OF OUR IPO

4.4.1 Public Issue

A total of 97,687,000 Issue Shares, representing 23.5% of our enlarged share capital are offered at our IPO Price. The Issue Shares shall be allocated in the following manner:

(a) Malaysian Public

20,784,400 Issue Shares, representing 5.0% of our enlarged share capital, will be made available for application by the Malaysian Public, to be allocated via balloting process as follows:

- (i) 10,392,200 Issue Shares made available to public investors; and
- (ii) 10,392,200 Issue Shares made available to Bumiputera public investors.

(b) Our eligible Directors and employees as well as persons who have contributed to the success of our Group

4,156,800 Issue Shares, representing 1.0% of our enlarged share capital, will be reserved for our eligible Directors and employees as well as persons who have contributed to the success of our Group under the Pink Form Allocations. Further details of our Pink Form Allocations are set out in Section 4.4.3.

(c) Private placement to selected Bumiputera investors approved by MITI and selected investors

72,745,800 Issue Shares, representing 17.5% of our enlarged share capital, have been reserved for private placement in the following manner:

- (i) 41,569,000 Issue Shares made available for selected Bumiputera investors approved by MITI; and
- (ii) 31,176,800 Issue Shares made available for selected investors.

4. PARTICULARS OF OUR IPO (Cont'd)

The basis of allocation for the Issue Shares shall take into account our Board's intention to distribute the Issue Shares to a reasonable number of applicants to broaden our Company's shareholding base to meet the public spread requirements, and to establish a liquid and adequate market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Directors. There is no over-allotment or "greenshoe" option that will result in an increase in the number of our IPO Shares.

Our Public Issue is subject to the terms and conditions of this Prospectus.

4.4.2 Offer for Sale

A total of 27,019,000 Offer Shares, representing 6.5% of our enlarged share capital, are offered by our Selling Shareholders to selected investors by way of private placement at our IPO Price. Our Offer for Sale is subject to the terms and conditions of this Prospectus.

The details of our Selling Shareholders and their relationship with our Group are as follows:

Name / Address	Relationship with our Group	⁽¹⁾ Before IPO		Offer Shares offered		After IPO	
		No. of Shares	%	No. of Shares	⁽²⁾ %	No. of Shares	⁽²⁾ %
Lim Kok Eng / No 315, Jalan Selatan Bukit Bakri 84200 Muar Johor	Promoter, substantial shareholder and Managing Director	254,399,840	80.0	21,615,200	5.2	232,784,640	56.0
Kwan Chian Poh / No 315, Jalan Selatan Bukit Bakri 84200 Muar Johor	Promoter, substantial shareholder and Executive Director	63,599,960	20.0	5,403,800	1.3	58,196,160	14.0

Notes:

⁽¹⁾ As at the LPD, after completion of the Acquisition of Spring Art but before the Public Issue and Offer for Sale.

⁽²⁾ Based on our enlarged share capital of 415,687,000 Shares after the IPO.

Further details of our Selling Shareholders, who are also our substantial shareholders can be found in Section 5.1.

4. PARTICULARS OF OUR IPO (Cont'd)

4.4.3 Pink Form Allocations

We have allocated 4,156,800 Issue Shares to our eligible Directors and employees as well as persons who have contributed to the success of our Group under the Pink Form Allocations as follows:

Category	No. of eligible persons	Aggregate no. of Issue Shares allocated
Our Eligible Directors	3	900,000
Our Eligible employees	26	1,926,800
Persons who have contributed to the success of our Group	13	1,330,000
	42	4,156,800

The criteria for allocation to our eligible Directors are based on their anticipated contribution to our Group. Our Managing Director and Executive Director have opted not to participate in the Pink Form Allocations.

The criteria for allocation to our eligible employees (as approved by our Board) are based on the following factors:

- (a) The employee must be at least 18 years of age;
- (b) The employee must have his/her employment confirmed in writing; and
- (c) The employees' seniority, position, length of service and contribution to our Group.

The number of IPO Shares to be allotted to those persons who have contributed to the success of our Group shall be based on amongst others, the nature and terms of their business relationship with us, length of their relationship with us and the level of contribution and support to our Group. Persons who have contributed to the success of our Group are our suppliers.

Our Executive Directors have opted out of the Pink Form Allocations. Details of the allocation to our remaining Directors and key senior management are as follows:

Name	Designation	No. of Issue Shares allocated
Haji Ismail Bin Tunggak	Independent Non-Executive Chairman	300,000
Law Sang Thiam	Independent Non-Executive Director	300,000
Tan Meng Loon	Independent Non-Executive Director	300,000
Teo Miow Loo	Chief Financial Officer	300,000
Peter Teo Swee Chyang	Production Manager	260,000
Loo Soon Chuan	Marketing Manager	20,000
Lim Vivian	Assistant Purchasing Manager	89,000
Ahmad Mahdzir Bin Joffri	Assistant Design, Development and Quality Control Manager	22,000
		1,591,000

4. PARTICULARS OF OUR IPO (Cont'd)

Our Directors and key senior management intends to subscribe to their Issue Shares allocated under the Pink Form Allocations.

Pink Form Allocations which are not subscribed to will be re-allocated to the other eligible Directors mentioned in the table above, employees and business associates/persons who have contributed to the success of our Group at the discretion of our Board.

4.5 BASIS OF ARRIVING AT OUR IPO PRICE

Our IPO Price was determined and agreed upon by us and M&A Securities, as our Adviser, Sponsor, Underwriter and Placement Agent, after taking into consideration the following factors:

- (a) The PE Multiple of approximately 16.67 times based on our EPS of 1.50 sen for the FYE 2018 calculated based on our PAT for the FYE 2018 of RM6.23 million and our enlarged share capital of 415,687,000 Shares upon Listing;
- (b) Our pro forma combined NA per Share as at 30 April 2019 after our IPO of RM0.14 based on our combined NA as at 30 April 2019 of RM58.85 million (after the Public Issue and utilisation of IPO proceeds) and our enlarged share capital of 415,687,000 Shares upon Listing;
- (c) Our historical financial track record for the past FYEs 2015 to 2018 and FPE 2019 summarised as follows:

	Audited			
	FYE 2015	FYE 2016	FYE 2017	FYE 2018
	RM'000	RM'000	RM'000	RM'000
Revenue	36,425	41,287	48,276	50,382
GP	11,313	12,921	14,124	14,382
PAT	7,194	7,474	7,860	6,229
EPS (sen) ⁽¹⁾	2.3	2.4	2.5	2.0
	Unaudited	Audited		
	FPE 2018	FPE 2019		
	RM'000	RM'000		
Revenue	15,626	18,297		
GP	4,067	5,005		
PAT	1,736	2,576		
EPS (sen) ⁽¹⁾	0.5	0.8		

Note:

⁽¹⁾ Based on our share capital of 318,000,000 Shares before our IPO.

- (d) Our competitive strengths as set out in Section 6.8; and
- (e) Our Group's business strategies and prospects as further described in Section 6.19.

You should note that our market price upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares. You should form your own views on the valuation of our IPO Shares before deciding to invest in them. You are reminded to carefully consider the risk factors as set out in Section 8 before deciding to invest in our Shares.

4. PARTICULARS OF OUR IPO (Cont'd)**4.6 SHARE CAPITAL, CLASSES OF SHARES AND RANKING**

Upon completion of our IPO, our share capital would be as follows:

Details	No. of Shares	RM
Share capital		
As at the date of this Prospectus	318,000,000	31,800,000
To be issued pursuant to our Public Issue	97,687,000	24,421,750
Enlarged share capital upon our Listing	415,687,000	56,221,750
Offer for Sale⁽¹⁾	27,019,000	6,754,750
Market capitalisation⁽²⁾		103,921,750

Notes:

(1) Our Offer for Sale will not have any effect on our share capital.

(2) Based on our IPO Price and our enlarged number of shares upon Listing.

As at the date of this Prospectus, we have only 1 class of shares, being ordinary shares, all of which rank equally amongst one another.

The Issue Shares will, upon allotment and issue, rank equally in all respects with our existing ordinary shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of allotment of the Issue Shares.

The Offer Shares rank equally in all respects with our existing ordinary shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of transfer of the Offer Shares.

Subject to any special rights attaching to any Shares which may be issued by us in the future, our shareholders shall, in proportion to the amount of Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions and any surplus in the event of the liquidation of our Group, in accordance with our Constitution.

Each of our shareholders shall be entitled to vote at any of our general meeting in person, or by proxy or by attorney or by other duly authorised representative. Every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have 1 vote for each ordinary share held.

4. PARTICULARS OF OUR IPO (Cont'd)

4.7 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

- (a) To provide an opportunity for the Malaysian Public, our eligible Directors and employees as well as persons who have contributed to the success of our Group to participate in our equity;
- (b) To enable our Group to raise funds for the purposes specified in Section 4.10;
- (c) To enable us to tap into the equity capital market for future fund raising and to provide us the financial flexibility to pursue future growth opportunities as and when they arise; and
- (d) To gain recognition through our listing status which will enhance our Group's reputation in the marketing of our furniture products and to retain and attract new, skilled employees in the industry.

4.8 TOTAL MARKET CAPITALISATION UPON LISTING

Based on our IPO Price and our enlarged share capital of 415,687,000 Shares upon Listing, our total market capitalisation is estimated to be RM103,921,750 upon Listing.

4.9 DILUTION

Dilution is the amount by which our IPO Price exceeds the pro forma combined NA per Share immediately after our IPO.

Our pro forma combined NA per Share as at 30 April 2019 after the Acquisition of Spring Art is RM0.12. After giving effect to the Public Issue including adjustments for the estimated listing expenses, our pro forma combined NA per Share as at 30 April 2019 is RM0.14.

This represents an immediate increase in the pro forma combined NA per Share to our existing shareholders of RM0.02, and an immediate dilution in the pro forma combined NA per Share of RM0.11 to our new public investors. The following table illustrates such dilution on a per Share basis:

	RM
Pro forma combined NA per Share as at 30 April 2019 after taking into account the Acquisition of Spring Art	0.12
Pro forma combined NA per Share as at 30 April 2019 after taking into account the Acquisition of Spring Art and Public Issue	0.15
IPO Price	0.25
Pro forma combined NA per Share as at 30 April 2019 after taking into account the Acquisition of Spring Art, Public Issue and utilisation of IPO proceeds	0.14
Dilution in the pro forma combined NA per Share to our new public investors	(0.11)
Dilution in the pro forma combined NA per Share as a percentage of our IPO Price	44.0%

4. PARTICULARS OF OUR IPO (Cont'd)

Further details of our pro forma combined NA per Share as at 30 April 2019 is set out in Section 13.

The following table shows the average effective cost per Share paid by our existing shareholders for our Shares since our incorporation up to the date of this Prospectus:

Shareholders	⁽¹⁾No. of Shares	Total consideration	Average effective cost per Share
		RM	RM
Lim Kok Eng	254,399,840	25,439,984	0.10
Kwan Chian Poh	63,599,960	6,359,996	0.10
	317,999,800	31,799,980	0.10

Note:

(1) Issued pursuant to the Acquisition of Spring Art.

Save for the Shares received by our Promoters pursuant to the Acquisition of Spring Art, there has been no acquisition or subscription of any of our Shares by our Directors or key senior management, substantial shareholders or persons connected to them, or any transaction entered into by them which grants them the right to acquire any of our existing Shares, in the past 3 years up to the LPD.

4.10 UTILISATION OF PROCEEDS**4.10.1 Public Issue**

The estimated gross proceeds arising from the Public Issue of approximately RM24.4 million shall accrue entirely to us and will be utilised in the following manner:

Utilisation of proceeds	Reference	Estimated timeframe for utilisation	RM'000	%
Machinery for Factory C	(a)	24 months ⁽¹⁾	17,550	71.9
General working capital	(b)	24 months ⁽²⁾	3,672	15.0
Estimated listing expenses	(c)	1 month ⁽²⁾	3,200	13.1
			24,422	100.0

Notes:

(1) From the estimated commencement of construction of Factory C in July 2020.

(2) From the date of listing of our Shares.

Pending the utilisation of the proceeds to be raised from our Public Issue, the funds will be placed with licensed financial institutions as deposits.

4. PARTICULARS OF OUR IPO (Cont'd)

(a) Machinery for Factory C

We plan to construct a new factory, namely Factory C, with a total estimated factory built-up area of approximately 103,926 sq ft to undertake the manufacturing of office furniture, bedroom furniture, living room furniture and other furniture for export to North America and Europe.

To support our existing business and to expand our production capacity, we have allocated RM17.6 million from the proceeds of the IPO to acquire new machinery to set up 2 additional production lines in Factory C. The following machinery will be acquired to set up Factory C from the IPO proceeds of RM17.6 million:

	Units	Total estimated cost RM'000
CNC panel saw machines	2	2,164
Edge banding machines	6	6,998
CNC woodworking machines ⁽¹⁾	9	8,388
		17,550

Note:

⁽¹⁾ CNC woodworking machines to be purchased have the capability to automatically load and unload boards.

As at the LPD, our total annual production capacity is 337,016 units. Factory C is expected to increase our annual capacity to reach a combined manufacturing capacity of approximately 674,000 units per annum.

If the actual cost of machinery is higher than the amount budgeted, the deficit will be funded out of the portion allocated for our general working capital requirements and/or internally generated funds. Conversely, if the cost is lower than the amount budgeted, the excess will be utilised for our general working capital requirements.

Further details of the said new manufacturing line are set out in Section 6.19.1.

(b) General working capital requirements

Approximately RM3.7 million of the proceeds raised from our Public Issue has been earmarked to supplement the working capital requirements of our Group. The proceeds shall be used for the purchase of raw materials to support our manufacturing activities.

The raw materials to be purchased are boards, metal components, PVC edges and packing materials which will be used in the manufacturing of our furniture products.

(c) Estimated listing expenses

The amount of RM3.2 million is allocated to meet the estimated cost for our Listing. If our actual listing expenses are higher than the amount budgeted, the deficit will be funded out of the portion allocated for our general working capital requirements. Conversely, if our actual listing expenses are lower than the amount budgeted, the excess will be utilised for our general working capital requirements. The following summarises the estimated expenses incidental to our Listing to be borne by us:

4. PARTICULARS OF OUR IPO (Cont'd)

Description	RM'000
Fees payable to authorities	90
Printing and advertising fees	125
Professional fees ⁽¹⁾	1,860
Underwriting, placement and brokerage fees	1,033
Miscellaneous ⁽²⁾	92
	3,200

Notes:

- (1) Includes advisory fees for, amongst others, our Principal Adviser, Solicitors, Reporting Accountants, IMR and Issuing House.
- (2) Other incidental or related expenses in connection with our IPO.

4.10.2 Offer for Sale

The Offer for Sale is expected to raise gross proceeds of approximately RM6.8 million which will accrue entirely to our Selling Shareholders and we will not receive any of the proceeds.

The Selling Shareholders shall bear all of the expenses relating to the Offer Shares, the aggregate of which is estimated to be approximately RM0.2 million.

4.11 UNDERWRITING AND PLACEMENT ARRANGEMENT, COMMISSION AND BROKERAGE**4.11.1 Underwriting arrangement and commission**

Our Underwriter will underwrite 24,941,200 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. We are obliged to pay our Underwriter an underwriting commission of 3.0% of the total value of the underwritten Shares at our IPO Price.

Any of our Issue Shares which are not subscribed for by the Malaysian Public or Pink Form Allocations will be made available to selected investors via private placement. If all of our Issue Shares offered to the Malaysian Public are oversubscribed, shares not subscribed for under the Pink Form Allocations, if any, will be made available for application by the Malaysian Public. Thereafter, any remaining Issue Shares that are not subscribed for will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

There is no minimum subscription to be raised from our IPO. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of Issue Shares will be the number of Issue Shares required to be held by public shareholders to comply with the public spread requirements as set out in the Listing Requirements or as approved by Bursa Securities.

In the event of an over-subscription, acceptance of Applications by the Malaysian Public shall be subject to ballot to be conducted in a manner approved by our Board. Our Board will ensure that any excess Issue Shares will be allocated on a fair and equitable manner.

4. PARTICULARS OF OUR IPO (Cont'd)

4.11.2 Placement arrangement and commission

The balance 72,745,800 Issue Shares from the Public Issue and 27,019,000 Offer Shares available for application by selected investors and selected Bumiputera investors approved by MITI will not be underwritten and shall be placed out by our Placement Agent.

We are obliged to pay our Placement Agent a placement fee of 3.0% of the value of those Issue Shares to be placed out to selected Bumiputera investors and investors approved by MITI by our Placement Agent at our IPO Price. The placement fee of 3.0% of the value of those Offer Shares to be placed out to selected investors by our Placement Agent at our IPO Price will be borne entirely by the Selling Shareholders.

4.11.3 Brokerage fees

Brokerage is payable in respect of the Issue Shares at the rate of 1.00% of our IPO Price in respect of successful applicants which bear the stamp of member companies of Bursa Securities, member of the Association of Banks in Malaysia, members of the Malaysia Investment Banking Association in Malaysia or Issuing House.

4.12 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with M&A Securities, to underwrite 24,941,200 Issue Shares ("Underwritten Shares").

The following are the salient terms contained in the Underwriting Agreement. The capitalised terms used in this section shall have the respective meanings as ascribed thereto in the Underwriting Agreement:

- 1.1 Our Company irrevocably appoints the Underwriter as the underwriter of the Underwritten Shares and the Underwriter accepts its appointment on the terms and conditions in the Underwriting Agreement.
- 1.2 The obligations of the Underwriter under the Underwriting Agreement shall further be conditional upon ("Conditions"):
 - (a) The Underwriter receiving a certificate issued by our Company, one dated the date of registration of the Prospectus and the other dated the Closing Date, both of which are to be signed by a director of our Company on behalf of our Board stating amongst others that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence to the representations, warranties and undertakings as set out in the Underwriting Agreement and being provided with the reports or confirmation and being satisfied at the date of registration of this Prospectus and on the Closing Date that:
 - (i) no material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of our Group from that subsequent to the date of the Underwriting Agreement; or
 - (ii) there has not occurred any event or the discovery of any facts or circumstances which would render any representations, warranties or undertakings as set out in the Underwriting Agreement materially untrue or inaccurate or result in a material breach of the Underwriting Agreement by our Company;

4. PARTICULARS OF OUR IPO (Cont'd)

- (b) The Underwriting Agreement being duly signed by all parties and stamped within the statutory time frame;
- (c) The registration of the Prospectus and such other documents as may be required in accordance with the CMSA in relation to the IPO with the SC and its lodgement with the ROC by the date of issuance of this Prospectus;
- (d) All the approvals of the Listing Scheme by Bursa Securities; the SC; and the directors and shareholders of our Company via a circular board resolution and general meeting, remain in full force and effect and all the conditions to said approvals in this clause (except for any which can only be complied with after the IPO has been completed) have been complied with;
- (e) The approval of Bursa Securities for the admission of our Company to the Official List and the listing of and quotation for its entire issued share capital on the ACE Market being obtained on terms acceptable to the Underwriter and the approvals of Bursa Securities remaining in full force and effect and that all conditions (except for any which can only be complied with after the IPO has been completed) have been complied with;
- (f) The Underwriter being satisfied that our Company will, following completion of the IPO be admitted to the Official List and its entire enlarged issued share capital listed and quoted on the ACE Market without undue delay;
- (g) The Underwriting Agreement having become unconditional in all respects (save for any condition requiring the Underwriting Agreement to be unconditional) and not having been terminated or rescinded pursuant to the provisions thereof and upon the Underwriter's (in this regard, in its capacity as the Placement Agent for the Placement Shares) receipt of the full subscription monies for the Placement Shares on or before the last date for payment of the Placement Shares;
- (h) The Underwriter receiving copies certified by a Director of our Company or secretary of our Company to be a true and accurate copy and in full force and effect of a resolution of the Directors:
 - (i) approving the Prospectus, the issuance of the Prospectus, the application forms, the Underwriting Agreement and the transactions contemplated by it; and
 - (ii) authorising a person to sign and deliver the Underwriting Agreement on behalf of our Company;
- (i) The IPO not being prohibited or impeded by any statute, order, rule, directive, guideline (whether or not having a force of law) or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia or any condition imposed by the regulators in approving the Issue Shares and all consents, approvals, authorisations or other orders required by our Company under such laws for or in connection with the IPO and/or listing of and quotation for the entire enlarged issued share capital of our Company on the ACE Market have been obtained and are in force up to the Closing Date;

4. PARTICULARS OF OUR IPO (Cont'd)

- (j) The Underwriter being satisfied that our Company has complied with and that the IPO is in compliance with the policies, guidelines and requirements of the SC and Bursa Securities and all revisions, amendments and/or supplements to it;
 - (k) All necessary consents, waivers, approvals, authorisations or other orders of all regulatory authorities, required for or in connection with the execution of the Underwriting Agreement and the issue of the Shares under the IPO and any other matters contemplated hereby:
 - (i) have been or will be unconditionally obtained by its due date;
 - (ii) or if granted subject to conditions, such conditions will be fulfilled to the reasonable satisfaction of the Underwriter by its due date; and
 - (iii) are or will remain in full force and effect;
 - (l) The FTSE Bursa Malaysia Kuala Lumpur Composite Index ("Index") being not lower than 90% of the level of the Index for at least 3 consecutive Market Days between the date of the Underwriting Agreement and the Closing Date, both dates inclusive;
 - (m) There being no occurrence of any event which occurs after the date of the Underwriting Agreement and on or prior to the date for acceptance, application for and payment of the subscriptions moneys in respect of the application for our Company's IPO Shares, which if it had occurred before the date of the Underwriting Agreement would have rendered any of the representations, warranties and undertakings provided in the Underwriting Agreement untrue or inaccurate;
 - (n) There being no breach of and/or failure, on or prior to the Closing Date by our Company to perform any of the terms and/or the undertakings as contained in the Underwriting Agreement;
 - (o) Our Company not being in any investigation, directions or actions by any judicial, governmental or regulatory authority in relation to the Listing or in connection with the Group which is still subsisting or unresolved to the satisfaction of the Underwriter; and
 - (p) The launching of Prospectus taking place within 3 months from the date of the Underwriting Agreement or such other later date as the Underwriter and our Company may from time to time agree in writing.
- 1.3 The Underwriter may waive all or any of the Conditions except for any required by a mandatory rule of law or a mandatory requirement of governmental, public or regulatory authorities in connection with the Underwriting Agreement.
- 1.4 If after the Conditions have been complied with and our Company decides not to proceed with the IPO, the Underwriter shall be entitled to terminate the Underwriting Agreement and in such event the provisions set out in item 1.6 below shall apply.

4. PARTICULARS OF OUR IPO (Cont'd)

- 1.5 If any of the conditions set out in item 1.2(b), (c), (d), (f), and / or (g) above to the extent not waived are not satisfied by the date of issuance of the Prospectus, the Underwriter after consultation with our Company shall be entitled to terminate the Underwriting Agreement pursuant to item 1.6 below and thereafter the parties shall be released and discharged from their obligations hereunder and the Underwriting Agreement shall become null and void and of no further force and effect and none of the parties shall have a claim against the other save for any antecedent breaches.
- 1.6 Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may at any time on or before the Closing Date, terminate its obligations under the Underwriting Agreement if:
- (a) the Conditions set out in item 1.2 above (save and unless waived by the Underwriter) are not duly satisfied by the Closing Date;
 - (b) there is any material breach by our Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement or which is contained in any certificate, statement or notice under or in connection with the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within 10 Market Days from the date our Company is notified by the Underwriter of such breach; or
 - (c) there is failure on the part of our Company to perform any of its obligations contained in the Underwriting Agreement; or
 - (d) there is withholding of material information by the Company which in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO, or the distribution or sale of the Shares issued or offered under the IPO; or
 - (e) the approval of Bursa Securities in respect of the IPO or the approval-in-principle of Bursa Securities for the listing and quotation of our entire issued share capital on the ACE Market is withdrawn; or
 - (f) there shall have occurred, or happened any material and adverse change in the business or financial condition of our Company or Group from that set out in this Prospectus which is material in the context of the offering of the Issue Shares and/or the Listing or any occurrence of any event rendering untrue or incorrect or misleading or not complied with to an extent which is material as aforesaid, any of the representations, warranties and undertakings contained in the Underwriting Agreement hereof as though given or made on such date; or
 - (g) the closing date of the application of the IPO Shares does not occur within 3 months from the date of the Underwriting Agreement, subject to the extension of Closing Date which is approved by the Underwriter; or
 - (h) our Company or any of our subsidiary becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as they fall due or enters into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors; or
 - (i) the occurrence of any *force majeure* event including, but not limited to the following:

4. PARTICULARS OF OUR IPO (Cont'd)

- (i) any material adverse change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or exchange control or currency exchange rate (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regards to inter-bank offer or interest rates both in Malaysia and overseas) or the occurrence of any combination of any of the foregoing; or
- (ii) any new law or any change in the existing laws, regulations, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority; or
- (iii) any event or series of events beyond the reasonable control of the Underwriter (including but not limited to, acts of government, strikes, national disorder, declaration of a state of emergency, lockouts, fire, explosion, flooding, landslide, civil commotion, hurricanes/typhoons, tsunami, widespread diseases, acts of war, sabotage, acts of God etc); or
- (iv) any imposition of any moratorium, suspension or material restriction on trading on ACE Market due to exceptional financial circumstances or otherwise; or
- (v) any material adverse change in financial conditions as stated in item 1.6(i)(i) above to include stock market conditions and interest rates. A material adverse change in the stock market condition under this item shall mean the Index is, at the close of normal trading on Bursa Securities, on any Market Day on or after the date of the Underwriting Agreement and prior to the allotment of the Issue Shares, lower than 90% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least 3 Market Days, which may materially prejudice the success of the IPO; or
- (vi) there is any government requisition or occurrence of any other nature which materially and adversely affects or will materially and adversely affect the business and/or financial position of our Company and/or our Group; or
- (vii) in the event that the listing of and quotation for the entire enlarged issued share capital of our Company on the ACE Market is withdrawn or not procured or procured but subject to conditions not acceptable to the Underwriter;

which would have or can reasonably be expected to have, in the reasonable opinion of the Underwriter, a material adverse effect on, and/or materially prejudice the business or the operations of our Company or Group, the success of the IPO, or the distribution or sale of the Issue Shares or which has or is reasonably likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

4. PARTICULARS OF OUR IPO (Cont'd)

- 1.7 Upon the notice as described in item 1.6 above being given, the Underwriter shall be released and discharged of its obligation without prejudice to its rights under the Underwriting Agreement, and where the Underwriter has terminated or withdrawn its Underwriting Commitment pursuant to item 1.5 or item 1.6, the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other parties in respect of the Underwriting Agreement, except the following:
- (a) our Company shall pay the Underwriting Commission and any SST, tax, duties or levies chargeable in respect of the Underwriting Commission in accordance with the Underwriting Agreement; and
 - (b) our Company shall continue to be liable to indemnify the Underwriter and the its affiliates and each of their (the Underwriter and its affiliates) directors, employees, agents, subsidiaries and each person who controls the Underwriter and affiliates, in such manner as set out in the Underwriting Agreement.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters' and substantial shareholders' shareholdings

The shareholdings of our Promoters and substantial shareholders in our Company before and after our IPO are set out below:

Name/ Nationality	Before IPO ⁽¹⁾				After IPO ⁽²⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lim Kok Eng/ Malaysian	254,399,840	80.0	⁽⁴⁾ 63,599,960	20.0	⁽³⁾ 232,784,640	56.0	⁽⁴⁾ 58,196,160	14.0
Kwan Chian Poh/ Malaysian	63,599,960	20.0	⁽⁴⁾ 254,399,840	80.0	⁽³⁾ 58,196,160	14.0	⁽⁴⁾ 232,784,640	56.0

Notes:

- (1) Based on the share capital of 318,000,000 Shares after the Acquisition of Spring Art.
- (2) Based on the enlarged share capital of 415,687,000 Shares after the IPO.
- (3) After the Offer for Sale.
- (4) Deemed interested by virtue of his/her spouse's shareholdings in our Group.

Our Promoters and substantial shareholders do not have different voting rights from the other shareholders of our Group.

5.1.2 Profiles of Promoters and substantial shareholders

The profiles of Lim Kok Eng and Kwan Chian Poh are set out below:

(a) Lim Kok Eng

Lim Kok Eng, a Malaysian, aged 53, is our Promoter and Managing Director. He is responsible for our Company's strategic planning as well as overseeing the overall operations for Spring Art. He was appointed to our Board on 19 November 2018.

Lim Kok Eng graduated with Bachelor of Business Administration from Fu Jen Catholic University, Taipei, Taiwan in 1989. He has more than 20 years of experience in the furniture industry encompassing design and development, manufacturing as well as marketing and sales of furniture products.

Upon graduation, he started his career in 1989 in Spring Circle Computer Inc, Taiwan as an Export Sales Coordinator where he was responsible for the sales of computers and computer hardware in the European and Asian markets. In 1991, he left Spring Circle Computer Inc, Taiwan and returned to Malaysia. In 1992, he incorporated Deltaspring Computer Sdn Bhd together with other shareholders to sell personal computers to retail customers. In addition to selling personal computers, he also sells computer desks. He disposed his equity stake in Deltaspring Computer Sdn Bhd in 1997 and ceased to be a shareholder.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

In 1996, Lim Kok Eng together with his wife, Kwan Chian Poh incorporated Spring Art Marketing Sdn Bhd to pursue opportunities in the furniture business. They started their business by way of trading and distributing ready-to-assemble computer desks in Muar, Johor. In 1999, Spring Art Marketing Sdn Bhd's name was changed to Spring Art Industries Sdn Bhd to reflect its manufacturing activities.

Save for our Group, he does not hold any directorships in any other public listed companies.

He presently holds directorship in a number of private limited companies.

(b) Kwan Chian Poh

Kwan Chian Poh, a Malaysian, aged 51, is our Promoter and Executive Director. She is responsible for the purchasing, design, development and QC functions of Spring Art. She was appointed to our Board on 19 November 2018.

She completed Sijil Tinggi Persekolahan Malaysia in Institute Maharani, Muar in 1988. She has more than 20 years of experience in the furniture industry encompassing design and development, manufacturing as well as marketing and sales of furniture products.

In 1989, Kwan Chian Poh started her career in Customer Support in Zhang Tai Computer Sdn Bhd in the software department. She left Zhang Tai Computer Sdn Bhd in 1991. In 1992, she joined Panaaudio Industries Sdn Bhd as an Accounts Clerk where she was responsible for preparation of the accounts of the company. In 1995, she left Panaaudio Industries Sdn Bhd to set up Simple Software House, a sole proprietorship, to sell computers and computer parts to retail customers.

In 1996, Kwan Chian Poh and her husband, Lim Kok Eng incorporated Spring Art Marketing Sdn Bhd to pursue opportunities in the furniture business. In 1999, Spring Art Marketing Sdn Bhd's name was changed to Spring Art Industries Sdn Bhd to reflect its manufacturing activities.

Save for our Group, Kwan Chian Poh does not hold any directorships in any other public listed companies.

She presently holds directorship in a number of private limited companies.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)**5.1.3 Changes in the Promoters' and substantial shareholders' shareholdings**

The changes in our Promoters and substantial shareholders' respective shareholdings since our incorporation on 25 April 2018 are as follows:

Promoters/ Substantial Shareholders	⁽¹⁾ As at incorporation				⁽²⁾ After the Acquisition of Spring Art				⁽³⁾ After IPO			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lim Kok Eng	-	-	-	-	254,399,840	80.0	⁽⁴⁾ 63,599,960	20.0	⁽³⁾ 232,784,640	56.0	⁽⁴⁾ 58,196,160	14.0
Kwan Chian Poh	-	-	-	-	63,599,960	20.0	⁽⁴⁾ 254,399,840	80.0	⁽³⁾ 58,196,160	14.0	⁽⁴⁾ 232,784,640	56.0
Abdul Hadi Bin Nordin	100	50.0	-	-	100	-*	-	-	100	-*	-	-
Majelis Bin Majid	100	50.0	-	-	100	-*	-	-	100	-*	-	-

Notes:

* Negligible.

(1) Comprising 200 subscriber shares.

(2) Based on the share capital of 318,000,000 Shares after the Acquisition of Spring Art.

(3) Based on the enlarged share capital of 415,687,000 Shares after the IPO.

(4) Deemed interested by virtue of his/her spouse's shareholdings in our Group.

5.1.4 Persons exercising control over the corporation

Save for our Promoters, namely Lim Kok Eng and Kwan Chian Poh, there is no other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)**5.1.5 Benefits paid or intended to be paid**

Save for the dividends paid to our Promoters as disclosed in Section 11.14 and our Directors' remuneration and benefits as disclosed in Section 5.2.4, there is no amount and benefit that has been or is intended to be paid or given to our Promoters, Directors and/or substantial shareholders within the 2 years preceding the date of this Prospectus.

5.2 DIRECTORS**5.2.1 Directors' shareholdings**

The shareholdings of our Directors in our Company before and after our IPO assuming that our Directors will fully subscribe for their respective entitlements under the Pink Form Allocations are set out below:

Name	Designation/ Nationality	Before IPO ⁽¹⁾			After IPO ⁽²⁾		
		Direct No. of Shares	%	No. of Shares	Direct No. of Shares	%	Indirect No. of Shares
Haji Ismail Bin Tunggak	Independent Non-Executive Chairman / Malaysian	-	-	-	300,000	0.07	-
Lim Kok Eng	Managing Director / Malaysian	254,399,840	80.00 ⁽⁴⁾	63,599,960	20.00 ⁽³⁾	232,784,640 ⁽⁴⁾	58,196,160 ⁽⁴⁾
Kwan Chian Poh	Executive Director / Malaysian	63,599,960	20.00 ⁽⁴⁾	254,399,840	80.00 ⁽³⁾	58,196,160 ⁽⁴⁾	232,784,640 ⁽⁴⁾
Law Sang Thiam	Independent Non-Executive Director / Malaysian	-	-	-	300,000	0.07	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

Name	Designation/ Nationality	Before IPO ⁽¹⁾				After IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tan Meng Loon	Independent Non- Executive Director / Malaysian	-	-	-	-	300,000	0.07	-	-

Notes:

(1) Based on the share capital of 318,000,000 Shares after the Acquisition of Spring Art.

(2) Based on the enlarged share capital of 415,687,000 Shares after the IPO.

(3) After the Offer for Sale.

(4) Deemed interested by virtue of his/her spouse's shareholdings in our Group.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

5.2.2 Profiles of Directors

The profiles of our Directors are as follows:

(i) Haji Ismail Bin Tunggak

Haji Ismail Bin Tunggak, a Malaysian, aged 69, is our Independent Non-Executive Chairman. He was appointed to our Board on 19 November 2018, and is also the chairman of our Remuneration Committee and member of our Audit Committee and Nomination Committee.

Haji Ismail Bin Tunggak completed High School Certificate in Sekolah Menengah Kebangsaan Tinggi Batu Pahat, Johor in 1970.

In 1970, he started working in his family's grocery business, where he worked as a helper. In 1972, he left his family's grocery business and joined the Johor Bahru branch of Postal Services Department (now known as POS Malaysia & Services Holdings Berhad) as a Cashier. In 1976, he was promoted to the Head of Branch in Bukit Tangkak. In 1976, he was transferred to Sungai Mati as Head of Branch. As Head of Branch, he was in-charge of overseeing the entire operations of these respective branches.

In 1987, he resigned from the Postal Services Department (now known as POS Malaysia & Services Holdings Berhad). He was subsequently appointed as the Penghulu of Mukim Sri Menanti from 1987 to 1997, the Penghulu of Mukim Tangkak from 1997 to 2000, and the Penghulu of Mukim Parit Bakar from 2000 to 2007. In addition, he was appointed as a committee member of the National Anti-Drug Agency from 2000 to 2005.

Haji Ismail Bin Tunggak sat on the Board of SWS Capital Berhad as an Independent Non-Executive Director from 2003 to 2016.

Haji Ismail Bin Tunggak sat on the Board of Muar Ban Lee Group Berhad, a company listed on the Main Market of Bursa Securities as an Independent Non-Executive Director from 2009 to February 2019.

He presently holds directorship in a number of private limited companies.

(ii) Law Sang Thiam

Law Sang Thiam, a Malaysian, aged 43, is our Independent Non-Executive Director. He was appointed to our Board on 19 November 2018, and is also the chairman of our Audit Committee and member of our Remuneration Committee and Nomination Committee.

Law Sang Thiam graduated with Bachelor of Accounting from the University of Malaya in 2000. He is a member of Malaysian Institute of Accountants since 2003 and Malaysian Institute of Certified Public Accountants since 2004. Law Sang Thiam has over 18 years of experience in audit and assurance, tax and advisory, as well as corporate advisory services.

Upon graduating, Law Sang Thiam joined Messrs Arthur Andersen & Co in 2000 as an Audit Assistant where he was responsible for audit assignments of the firm's clients. In 2002, he left Messrs Arthur Andersen & Co and joined Messrs Ernst & Young as an Audit Associate where he was involved in audit assignments of companies in various industries as well as facilitating clients in corporate exercises such as initial public offering, secondary listing and merger and acquisition in the capacity of reporting accountant for the aforementioned corporate exercises.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

In 2016, Law Sang Thiam left Messrs Ernst & Young and established an accounting firm, namely Messrs Ivan Law & Co where he is presently the Managing Partner. In 2017, he established a tax advisory firm, namely Messrs Taxavenue Advisory PLT where he is presently a Managing Partner.

(iii) Tan Meng Loon

Tan Meng Loon, a Malaysian, aged 34, is our Independent Non-Executive Director. He was appointed to our Board on 19 November 2018, and is also the chairman of our Nomination Committee and member of our Audit Committee and Remuneration Committee.

He graduated with Bachelor of Law (Hons) from University of Liverpool, United Kingdom in 2007. He was admitted as an Advocate and Solicitor of High Court of Malaya in 2009.

In 2008, Tan Meng Loon chambered under Messrs Gooi & Azura and was retained as a litigation lawyer in the areas of civil and criminal litigation as well as conveyancing matters. In 2011, he left Messrs Gooi & Azura and joined Messrs K.H. Tan & Co as a partner where he handled various litigation and conveyancing matters.

In 2012, Tan Meng Loon left Messrs K.H. Tan & Co and established Messrs Alan Tan & Associates where he is presently the Managing Partner. Since the establishment of Messrs Alan Tan & Associates, Tan Meng Loon has been representing individual and corporate clients in the areas of litigation, conveyancing, employment and corporate governance.

He presently holds directorship in a number of private limited companies.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)**5.2.3 Principal business performed outside our Group**

Save as disclosed below, none of our Directors has any other principal directorship and/or principal business activities performed outside our Group in the past 5 years up to the LPD:

(i) Haji Ismail Bin Tunggak

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	shareholdings held (Direct)	% of shareholdings held (indirect)
<u>Present involvement</u>						
1. Asas Tegap Development Sdn Bhd	Housing development and provision of construction works	Director	30 January 2017	-	50.0	-
2. Setia Mega Development Sdn Bhd	Housing development and provision of construction works	Director	13 December 2010	-	1.0	-
3. Junjung Bersatu Setia Sdn Bhd	Housing development and property investment	Director	7 April 2017	-	50.0	-
<u>Past Involvement</u>						
1. SWS Capital Berhad	Investment holding. Its subsidiaries are involved in the manufacturing and sale of furniture products; lamination of veneer and paper; trading of boards, polythylene, pneumatic fasteners, nails and others; manufacturing and trading of plasticwares, utensils and goods; marketing and distribution of plasticware and household products	Independent Non-Executive Director	30 November 2003	29 January 2016	-	-
2. Muar Ban Lee Group Berhad	Investment holding. Its subsidiaries are involved in the provision of engineering services for the palm oil industry	Independent Non-Executive Director	30 June 2009	1 March 2019	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)**(ii) Lim Kok Eng**

Company	Principal activities	Involvement/ Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
<u>Present involvement</u>						
1. Kejora Bitara Sdn Bhd	Property investment holding and cultivation of agarwood	Director	12 September 2000	-	50.0	50.0 ⁽¹⁾
2. Senhucy Biological Technology (M) Sdn Bhd	Provision of research and development on biotechnology of agarwood	Director	9 February 2018	-	20.0	-

Note:⁽¹⁾ Deemed interested by virtue of his spouse's shareholding in Kejora Bitara Sdn Bhd.**(iii) Kwan Chian Poh**

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
<u>Present involvement</u>						
1. Kejora Bitara Sdn Bhd	Property investment holding and cultivation of agarwood	Director	12 September 2000	-	50.0	50.0 ⁽¹⁾
2. Zillion Access Sdn Bhd	Cultivation of rubber trees	Director	26 July 2010	-	33.3	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

Note:

(1) Deemed interested by virtue of her spouse's shareholding in Kejora Bitara Sdn Bhd.

(iv) Law Sang Thiam

Partnership	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
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Present involvement

1. Ivan Law & Co	Accounting firm	Managing Partner	19 February 2016	-	-	-
2. Taxavenue Advisory PLT	Tax advisory firm	Managing Partner	9 June 2017	-	-	-

(v) Tan Meng Loon

Company / Partnership	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
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Present involvement

1. Alan Tan & Associates	Legal firm	Managing Partner	9 July 2012	-	-	-
2. Music Concert Sdn Bhd	Management and operations of family entertainment karaoke centre	Director	20 June 2013	-	23.0	-
3. S H Tay Realty Sdn Bhd	Property investment holding and cultivation of tropical fruits	Director	26 November 2014	-	33.3	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

Company/ Partnership	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	shareholdings held (direct)	% of shareholdings held (indirect)
4. Brilliant World Ventures Sdn Bhd	Property investment holding and leasing of properties	Director	20 June 2018	-	20.0	-
5. Two Hills Sdn Bhd	Property investment holding and cultivation of tropical fruits	Director	26 November 2018	-	50.0	50.0 ⁽¹⁾
<u>Past involvement</u>						
1. Hexar Property Venture Berhad ⁽²⁾	Dormant	Director	15 December 2016	1 April 2018	-	-

Notes:

⁽¹⁾

Deemed interested by virtue of his spouse's shareholding in Two Hills Sdn Bhd.

⁽²⁾

Non-listed company.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

The involvement of our Directors in those business activities outside our Group does not give rise to any conflict of interest situation with our business. The involvement of our Executive Directors in those business activities does not require significant amount of time, and hence does not affect their ability to perform their executive roles and responsibilities to our Group.

In order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nomination Committee and our Board, their interests in other companies at the onset and as and when there are changes in their respective interests in the companies outside our Group. Our Nomination Committee will first evaluate if such Director's involvement give rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest, our Nomination Committee will then:

- (a) Immediately inform our Board of the conflict of interest situation;
- (b) Make recommendations to our Board to direct the conflicted Director to:
 - (i) Withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and
 - (ii) Abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b) above, the conflicted Director shall be absent from any Board discussion relating to the recommendation of our Nomination Committee and the conflicted Director shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of our Board, be present at our Board meeting for the purposes of answering any questions.

It is the Director's fiduciary duty to avoid conflict. Our Directors are required to attend courses which provide guidelines to them on their fiduciary duties.

In relation to matters or transactions requiring the approval of our Board, the relevant Directors who are deemed interested or conflicted in such matters or transactions shall be required to declare their interests and abstain from deliberations and voting on the resolutions relating to these matters or transactions.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

5.2.4 Directors' and key senior management's remuneration and benefits

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYEs 2018 and 2019 are as follows:

FYE 2018	Directors' fees	Salaries	Bonuses	Benefits-in-kind and allowance	Total
Director	RM'000	RM'000	RM'000	RM'000	RM'000
Non-Executive Directors					
Haji Ismail Bin Tunggak	-	-	-	1	1
Law Sang Thiam	-	-	-	1	1
Tan Meng Loon	-	-	-	1	1
Executive Directors					
Lim Kok Eng	-	480	-	16	496
Kwan Chian Poh	-	420	-	17	437

Proposed for FYE 2019	Directors' fees	Salaries	Bonuses ⁽¹⁾	Benefits-in-kind and allowance	Total	Amount paid from 1 January 2019 to 30 June 2019
Director	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-Executive Directors						
Haji Ismail Bin Tunggak	36	-	-	2	38	13
Law Sang Thiam	36	-	-	3	39	13
Tan Meng Loon	36	-	-	2	38	13
Executive Directors						
Lim Kok Eng	-	480	-	30	510	240
Kwan Chian Poh	-	420	-	20	440	215

Note:

- (1) The bonuses for FYE 2019 are not included. Such bonuses, if any, will be determined later depending on the performance of our Group, subject to the recommendation of the Remuneration Committee and approved by our Board.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our key senior management for services rendered in all capacities to our Group for FYEs 2018 and 2019 are as follows:

FYE 2018		Remuneration band (in bands of RM50,000)		
Key senior management		Remuneration	Benefits-in-kind	Total
		RM	RM	RM
	Teo Miow Loo*	200,000 – 250,000	-	200,000 – 250,000
	Peter Teo Swee Chyang	50,000 – 100,000	-	50,000 – 100,000
	Loo Soon Chuan	50,000 – 100,000	-	50,000 – 100,000
	Lim Vivian	1 - 50,000	-	1 - 50,000
	Ahmad Mahdzir Bin Joffri	1 - 50,000	-	1 - 50,000

Proposed for FYE 2019		Remuneration band (in bands of RM50,000)			Amount paid from
Key management	senior management	Remuneration	Benefits-in-kind	Total	1 January 2019 to
		RM	RM	RM	30 June 2019[^]
					RM'000
	Teo Miow Loo	200,000 – 250,000	-	200,000 – 250,000	142
	Peter Teo Swee Chyang	50,000 – 100,000	-	50,000 – 100,000	51
	Loo Soon Chuan	50,000 – 100,000	-	50,000 – 100,000	42
	Lim Vivian	1 - 50,000	-	1 - 50,000	29
	Ahmad Mahdzir Bin Joffri	1 - 50,000	-	1 - 50,000	28

Notes:

* Teo Miow Loo was appointed as our Chief Financial Officer during FYE 2018.

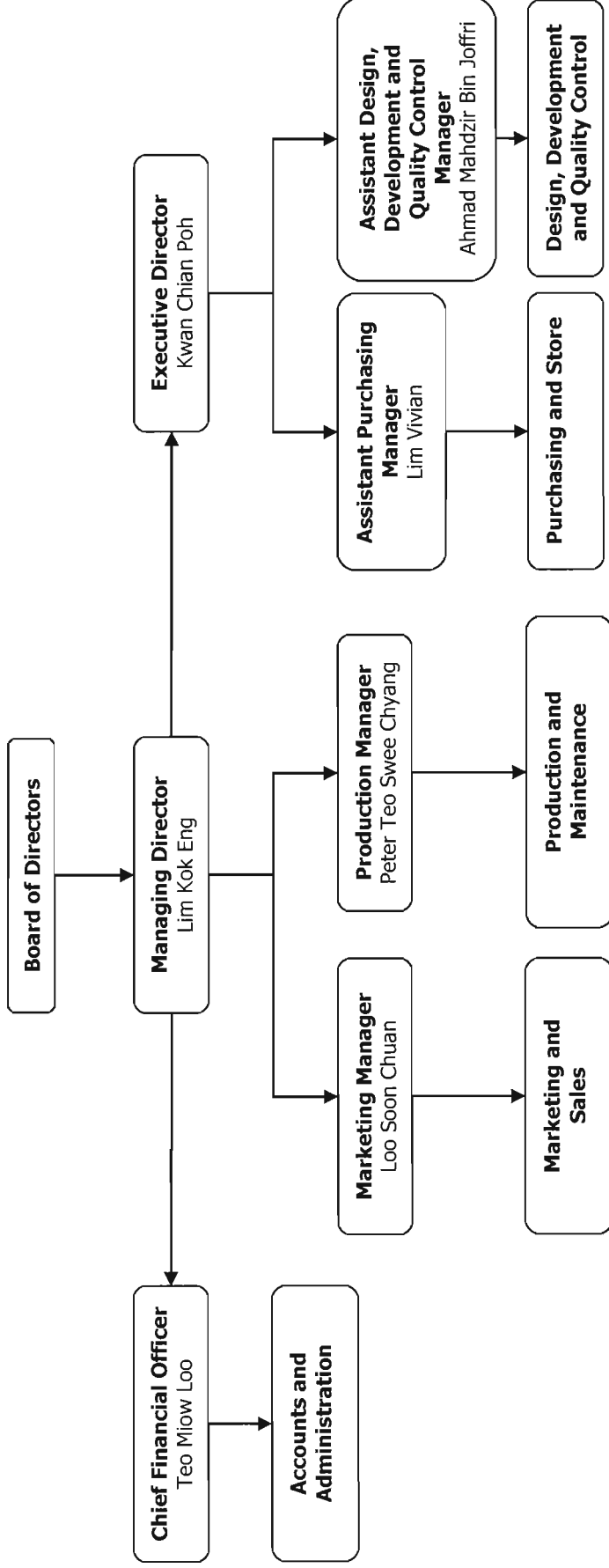
[^] Including bonus.

The remuneration which includes our Directors' salaries, bonus, fees and allowances as well as other benefits, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board. Any change in Director's fees as set out in our Constitution must be approved by our shareholders pursuant to an ordinary resolution passed at a general meeting where appropriate notice of the proposed changes should be given. Please refer to Section 14.2 for further details.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

5.3 KEY SENIOR MANAGEMENT

5.3.1 Management Structure



5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)**5.3.2 Key senior management's shareholdings**

The shareholdings of our key senior management (other than Lim Kok Eng and Kwan Chian Poh) in our Company before and after our IPO assuming that our key senior management will fully subscribe for their respective entitlements under the Pink Form Allocations are set out below:

Name	Designation/ Nationality	Before IPO			After IPO ⁽¹⁾				
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Teo Miow Loo	Chief Financial Officer / Malaysian	-	-	-	-	300,000	0.07	-	-
Peter Teo Swee Chyang	Production Manager / Malaysian	-	-	-	-	260,000	0.06	-	-
Loo Soon Chuan	Marketing Manager / Malaysian	-	-	-	-	20,000	0.01	-	-
Lim Vivian	Assistant Purchasing Manager / Malaysian	-	-	-	-	89,000	0.02	-	-
Ahmad Mahdzir Bin Joffri	Assistant Design, Development and Quality Control Manager / Malaysian	-	-	-	-	22,000	0.01	-	-

Note:

⁽¹⁾ Based on the enlarged share capital of 415,687,000 Shares after the IPO.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

5.3.3 Profiles of key senior management

Save for the profiles of our Directors, which are disclosed in Section 5.1.2, the profiles of our other key senior management are as follows:

(i) Teo Miow Loo

Teo Miow Loo, Malaysian, aged 38, is our Chief Financial Officer. She is responsible for managing our Group's finances, including financial planning, financial reporting and administration.

She graduated with Bachelor of Accounting from the University of Malaya in 2006. She is a member of Malaysian Institute of Accountants since 2010. She has over 13 years of experience in internal control matters, cost management as well as financial reporting.

Upon graduation, Teo Miow Loo joined Messrs PricewaterhouseCoopers in 2006 as an Audit Associate. During her tenure in PricewaterhouseCoopers, she was involved in audit assignments of companies in various industries as well as assisting clients in corporate exercises such as initial public offering in the capacity of reporting accountant. In 2009, Teo Miow Loo left Messrs PricewaterhouseCoopers and joined Micron Semiconductor Malaysia Sdn Bhd as an Accountant where she was responsible for internal control matters and management costing.

In 2011, she left Micron Semiconductor Malaysia Sdn Bhd as Senior Accountant and joined SWS Capital Berhad as Group Financial Controller. In 2016, she was re-designated as Chief Financial Officer and was appointed as an Executive Director in 3 subsidiaries in SWS Capital Berhad, namely SWS Industries Sdn Bhd, U.D. Panelform Sdn Bhd and U.D. Wood Products Sdn Bhd. She was responsible for the overall operations in the finance department for all the subsidiaries of SWS Capital Berhad. In addition, she was involved in overseeing the manufacturing operations in the aforementioned 3 subsidiaries.

In January 2018, she left SWS Capital Berhad and its related companies and joined our Group as Chief Financial Officer in February 2018.

(ii) Peter Teo Swee Chyang

Peter Teo Swee Chyang, Malaysian, aged 44, is our Production Manager. He is responsible for managing the production and maintenance operations of our Group.

He finished his primary education in Sekolah Jenis Kebangsaan (C) Yu Jern in Muar, Johor, in 1987. He has over 31 years of experience in furniture manufacturing.

Between 1988 and 1997, he assisted in his family's furniture manufacturing business. In 1997, he joined Poh Huat Woodwork (M) Sdn Bhd as a Production Operator. He was promoted to Production Supervisor in 2000 where he was responsible for overseeing the cutting department.

In 2006, he left Poh Huat Woodwork (M) Sdn Bhd and worked as a freelance cabinet installer until 2008.

In 2008, he joined Spring Art as a Production Supervisor. He was promoted to Production Controller in 2009 and subsequently to Production Manager in 2018.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

(iii) Loo Soon Chuan

Loo Soon Chuan, Malaysian, aged 54, is our Marketing Manager. He is responsible for marketing and sales functions of our Group's furniture products.

He graduated with Bachelor of Management with Honours from Universiti Sains Malaysia in 1992.

Upon graduation, he joined D&C Bank in 1992 as a Credit Officer. He left D&C Bank in 1994 and subsequently joined Public Bank Berhad in 1995 as a Credit Officer. In 1996, he left Public Bank Berhad and joined T.A. Furniture Industries Sdn Bhd as a Human Resource Administrator. In 1998, he was then transferred to the Marketing Department and took on the role of Marketing Manager where he managed the marketing and sales activities of furniture products. In 2006, he left T.A. Furniture Industries Sdn Bhd and joined Mountrose (Malaysia) Sdn Bhd as Marketing Manager where he was responsible for managing the company's marketing and promotional activities.

In 2016, he left Mountrose (Malaysia) Sdn Bhd and joined Spring Art as a Marketing Manager.

(iv) Lim Vivian

Lim Vivian, Malaysian, aged 31, is our Assistant Purchasing Manager. She is responsible for the purchasing and storage of raw materials for our Group.

She graduated with an International Diploma in Business Management from Camford International College, Singapore in 2010.

Upon graduation, she joined Spring Art in 2010 as a Purchasing Assistant where she was involved in scheduling material purchases from suppliers. In 2014, she was promoted to Purchasing Executive. In January 2017, she was promoted to Assistant Purchasing Manager where her responsibilities include sourcing new suppliers and ensuring the preparation and processing of purchasing orders in accordance with Spring Art's policies and procedures.

(v) Ahmad Mahdzir Bin Joffri

Ahmad Mahdzir Bin Joffri, Malaysian, aged 40, is our Assistant Design, Development and Quality Control Manager. He is responsible for overseeing the design, development and QC activities of our Group's furniture products.

He completed his Sijil Pelajaran Malaysia in Sekolah Menengah Paduka Tuan, Segamat, Johor in 1996.

Upon completing secondary school, he took on several part time jobs between 1996 and 1999. In 1999, he joined Banhong Furniture Industries Sdn Bhd as a machine operator. In 2000, he decided to further his studies at Institut Kemahiran Belia Negara Jitra, Kedah. He completed the Latihan Kemahiran Jurusan Pembuat Perabot dan Hiasan Dalaman at Institut Kemahiran Belia Negara Jitra in 2001.

He then joined LY Furniture Sdn Bhd in 2002 as an Assembly Operator. In 2003, he resumed his studies at Majlis Latihan Vokasional Kebangsaan Malaysia and completed the Program Persijilan Kemahiran Kebangsaan (SKM) Dalam Bidang Pelukis Pelan Senibina in 2005. He subsequently joined Shantawood Manufacturing Sdn Bhd as Draughtsman where he was responsible for technical drawings of wooden furniture produced by the company.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

In 2008, he left Shantawood Manufacturing Sdn Bhd and joined Spring Art as Draughtsman where he was responsible to produce design blueprints of wooden furniture. In 2016, he was promoted to the position of Design and Development Executive where he participated in Spring Art's design and development activities. In January 2017, he was promoted to Assistant Design, Development and Quality Control Manager.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)**5.3.4 Principal business performed outside our Group**

Save as disclosed below, none of our key senior management (other than Lim Kok Eng and Kwan Chian Poh) has any other principal directorship and/or principal business activities performed outside our Group as at the LPD:

(i) Teo Miow Loo

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
<u>Past involvement</u>						
1. Ee-Lian Industries Sdn Bhd (formerly known as SWS Industries Sdn Bhd) ⁽¹⁾	Trading of MDF boards	Director	16 November 2016	31 January 2018	-	-
2. U.D. Panelform Sdn Bhd ⁽¹⁾	Manufacturing and sale of laminated MDF boards	Director	23 November 2016	31 January 2018	-	-
3. U.D. Wood Products Sdn Bhd ⁽¹⁾	Manufacturing and sale of veneered MDF boards	Director	23 November 2016	31 January 2018	-	-
4. Heywood Marketing Sdn Bhd	Trading of laminated veneer plywood, veneer, hardware, equipment and furniture parts	Director	5 June 2015	28 April 2016	-	-

Note:

⁽¹⁾ Subsidiaries of SWS Capital Berhad.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)**(ii) Loo Soon Chuan**

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
<u>Past involvement</u>						
1. Mountrose (Malaysia) Sdn Bhd	Dormant	Director	30 December 2005	The company was dissolved on 3 November 2017	10.0	-
2. Star Quality Furniture (M) Sdn Bhd	Dormant	Director	16 June 2006	The company was dissolved on 19 January 2018	-	-

5.4 RELATIONSHIPS AND/OR ASSOCIATIONS

Save as disclosed below, there are no family relationships or association between or amongst our Promoters, substantial shareholders, Directors and key senior management:

- (i) Lim Kok Eng and Kwan Chian Poh, both of whom are our Promoters, substantial shareholders and Executive Directors are husband and wife; and
- (ii) Lim Vivian, our Assistant Purchasing Manager, is the niece of Lim Kok Eng.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

5.5 BOARD PRACTICE

5.5.1 Board

Our Board has adopted the following responsibilities for effective discharge of its functions:

- (a) To provide leadership and oversee the overall conduct of our Group's businesses to ensure that our businesses are being properly managed;
- (b) To review and adopt strategic plans for our Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;
- (c) To review and adopt corporate governance best practices in relation to risk management, legal and compliance management and internal control systems to safeguard our Group's reputation, and our employees and assets and to ensure compliance with applicable laws and regulations;
- (d) To ensure that our Group has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the Malaysian Code of Corporate Governance 2017;
- (e) To review and approve our Group's annual business plans, financial statements and annual reports;
- (f) To monitor the relationship between our Group and our management, shareholders and stakeholders, and to develop and implement an investor relations programme or shareholders' communications policy for our Group; and
- (g) To appoint our Board committees, to delegate powers to such committees, to review the composition, performance and effectiveness of such committees, and to review the reports prepared by our Board committees and deliberate on the recommendations thereon.

As at the LPD, the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in office are as follows:

Name	Date of appointment as Director	Date of expiration of the current term in office	Approximate no of years in office as at the LPD
Haji Ismail Bin Tunggak	19 November 2018	At the first Annual General Meeting of our Company	Less than 1 year
Law Sang Thiam	19 November 2018	At the first Annual General Meeting of our Company	Less than 1 year
Tan Meng Loon	19 November 2018	At the first Annual General Meeting of our Company	Less than 1 year
Lim Kok Eng	19 November 2018	At the first Annual General Meeting of our Company	Less than 1 year
Kwan Chian Poh	19 November 2018	At the first Annual General Meeting of our Company	Less than 1 year

In accordance with our Constitution, at the first annual general meeting of our Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third (1/3) of the Directors for the time being or, if their number is not 3 or a multiple of 3, then the number nearest to one-third (1/3) shall retire from office and be

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

eligible for re-election PROVIDED ALWAYS that all Directors shall retire from office at least once every 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires. An election of directors shall take place each year.

The members of our Board are set out in Sections 1 and 5.2.

5.5.2 Audit Committee

The main function of our Audit Committee is to assist our Board in fulfilling its responsibility to oversee our Group's accounting and financial reporting matters. The Audit Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

- (a) To review the engagement, compensation, performance, qualifications and independence of our external auditors, its conduct of the annual statutory audit of our financial statements, and the engagement of external auditors for all other services;
- (b) To review and approve our quarterly and annual financial statements for recommendation to our Board, focusing in particular on any changes in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (c) To review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group;
- (d) To consider the major findings of internal investigations and management's response; and
- (e) To perform such other functions as may be requested by our Board.

The recommendations of our Audit Committee are subject to the approval of our Board.

The members of our Audit Committee as at the LPD are as follows:

Name	Designation	Directorship
Law Sang Thiam	Chairman	Independent Non-Executive Director
Haji Ismail Bin Tunggak	Member	Independent Non-Executive Chairman
Tan Meng Loon	Member	Independent Non-Executive Director

Our Nomination Committee and Board will review the composition, performance and effectiveness of our Audit Committee annually.

5.5.3 Remuneration Committee

The main function of our Remuneration Committee is to assist our Board in fulfilling its responsibility on matters relating to our Group's compensation, bonuses, incentives and benefits. The Remuneration Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

- (a) To establish and recommend to our Board, the remuneration package for Executive Directors such as the terms of employment or contract of employment/service, benefit, pension, incentive scheme, bonuses, fees, expenses, compensation payable on termination of the service contract by our Company and/or our Group;
- (b) To review and recommend to our Board the remuneration packages of Non-Executive Directors for shareholders' approval at the Annual General Meeting; and
- (c) To consider other remunerations or rewards to retain and attract Directors.

The recommendations of our Remuneration Committee are subject to the approval of our Board.

The members of our Remuneration Committee as at the LPD are as follows:

Name	Designation	Directorship
Haji Ismail Bin Tunggak	Chairman	Independent Non-Executive Chairman
Law Sang Thiam	Member	Independent Non-Executive Director
Tan Meng Loon	Member	Independent Non-Executive Director

5.5.4 Nomination Committee

The Nomination Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

- (a) To review the composition and size of our Board and determine the criteria for membership on our Board, which may include, among other criteria, issues of character, judgment, independence, diversity, age, expertise, corporate experience, length of service and other commitments;
- (b) To identify, consider and select, or recommend for the selection of our Board, candidates to fill new positions or vacancies on our Board, and review any candidates recommended by stockholders, provided that such recommendations are submitted in writing to the Secretary of our Company, and include, among other things, the recommended candidate's name, biographical data and qualifications, and that such recommendations are otherwise made in compliance with our Company's Constitution and its shareholder nominations and recommendations policy;
- (c) To identify and nominate for the approval of our Board, candidates to fill Board vacancies or strengthen our Board's composition as and when they arise. Before any appointment is made by our Board, evaluate the balance of skills, knowledge, experience and diversity on our Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment;
- (d) To assist our Board to assess and evaluate circumstances where a Director involvement outside our Group may give rise to a potential conflict of interest with our Group's businesses, upon receiving the declaration of the same from our Director and thereafter, to inform the Audit Committee of the same. After deliberation with the Audit Committee, to recommend to our Board on the necessary actions to be taken in the circumstances where there is a conflict of interest;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

- (e) In identifying suitable candidates, the Nomination Committee shall:
- (i) consider open advertising or the services of external advisers to facilitate the search;
 - (ii) consider candidates from a wide range of backgrounds; and
 - (iii) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on our Board, including gender and availability of time to devote to the position.
- (f) To evaluate the performance of individual members of our Board eligible for re-election, and select, or recommend for the selection of our Board, the director nominees for election to our Board by the stockholders at the annual meeting;
- (g) To assess the independence of the Independent Directors annually, and when any new interest or relationship develops and confirm the conduct of this assessment in the annual report of our Company and in any notice convening a general meeting seeking approval for the appointment or re-appointment of Independent Directors;
- (h) To review the fulfilment of Directors' training and disclose details in the annual report as appropriate;
- (i) To review with the Managing Director and the Executive Director, their goals and objectives and to assess their performance against these objective as well as their contribution to the corporate strategy;
- (j) To give full consideration to succession planning for Directors and key senior management, taking into account the challenges and opportunities faced by our Company, and the required skills and expertise that are needed by our Board in future;
- (k) To review periodically the composition of each committee of our Board and make recommendations to our Board for the creation of additional committees or the change in mandate or dissolution of committees; and
- (l) To review the term of office and performance of all our Board Committees, particularly the Audit Committee and each of its members annually to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

The recommendations of our Nomination Committee are subject to the approval of our Board.

The members of our Nomination Committee as at the LPD are as follows:

Name	Designation	Directorship
Tan Meng Loon	Chairman	Independent Non-Executive Director
Haji Ismail Bin Tunggak	Member	Independent Non-Executive Chairman
Law Sang Thiam	Member	Independent Non-Executive Director

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

5.6 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at the LPD, there are no existing or proposed service agreements (contracts for services) entered into between the companies within our Group, with our Directors or key senior management personnel.

5.7 DECLARATION FROM PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, none of our Promoters, Directors or key senior management is or has been involved in any of the following events (whether within or outside Malaysia):

- (a) In the last 10 years, a petition under any bankruptcy or insolvency law filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a Director or a member of key senior management;
- (b) Disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (c) In the last 10 years, charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (d) In the last 10 years, any judgment that was entered against him, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (e) In the last 10 years, was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;
- (f) Being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity;
- (g) Being the subject of any current investigation or disciplinary proceeding, or in the last 10 years has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or
- (h) Has any unsatisfied judgment against such person.

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6. INFORMATION ON OUR GROUP

6.1 INCORPORATION AND HISTORY

Our Company was incorporated in Malaysia on 25 April 2018 under the Act as a public limited company under the name Spring Art Holdings Berhad (Company No. 1278159-A). We were incorporated as a special purpose vehicle to facilitate the listing of our subsidiary, Spring Art, on the ACE Market.

We are an investment holding company. Through our subsidiary, we are involved in the manufacturing of ready-to-assemble furniture products, where we undertake the design and development, manufacturing as well as marketing and sales of office furniture, bedroom furniture, living room furniture as well as other types of furniture.

We had undertaken the Acquisition of Spring Art prior to our Listing, details of which are as set out in Section 6.2. Pursuant to the Acquisition of Spring Art, Spring Art became our wholly-owned subsidiary.

On 28 December 1996, Spring Art Marketing Sdn Bhd was incorporated by Lim Kok Eng and Kwan Chian Poh. Prior to the incorporation of Spring Art Marketing Sdn Bhd, our Managing Director, Lim Kok Eng, had been involved in the business of selling personal computers to retail customers and computer trading businesses from 1992 to 1997. In addition to selling personal computers, he also sells computer desks. In 1996, Lim Kok Eng and Kwan Chian Poh incorporated Spring Art Marketing Sdn Bhd to trade and distribute ready-to-assemble computer desks to local computer trading businesses in Muar, Johor.

In 1997, we set up our initial factory with a built-up area of approximately 5,600 sq ft on a rented property located in Muar, Johor and commenced operations as a furniture manufacturer. We started to design, develop and manufacture our own ready-to-assemble computer desks, thus eliminating our dependency on our suppliers who had previously supplied us with computer desks.

In 1998, we participated in the Index Exhibition in Dubai, UAE to exhibit our self-designed computer desks. In the same trade fair, we secured orders for the supply of computer desks from customers in Middle East comprising trade buyers such as importers and traders. This marked our foray into the export market.

On 13 April 1999, we changed Spring Art Marketing Sdn Bhd's name to Spring Art Industries Sdn Bhd to reflect our manufacturing activities. In the same year, through the Malaysian Furniture Export Exhibition in Kuala Lumpur, we secured orders from chain store buyers and distributors in Japan, Europe and India for the supply of our computer desks.

On 28 July 2000, Lim Kok Eng and Kwan Chian Poh acquired Kejora Bitara Sdn Bhd which owns Land 1, measuring approximately 117,002 sq ft. Land 1 was then leased to Spring Art to set up 2 new production lines to expand our furniture manufacturing business. In 2003, we commenced the construction works for the new factory, namely Factory A1 with completion in 2004.

In 2004, we relocated our manufacturing facilities and office to Factory A1 upon its completion and commenced operations in Factory A1 with 2 production lines.

In 2005, we extended our product range to include office furniture comprising office workstations, filing cabinets and pedestals to complement our existing computer desk products.

We further expanded our manufacturing operations in 2006 by setting up our second factory, namely Factory A2, adjacent to Factory A1, to cater to the growing demand for office furniture and computer desks. The construction works for Factory A2 was completed in 2007.

6. INFORMATION ON OUR GROUP (Cont'd)

In 2007, Factory A2 commenced operations with 1 production line, thus increasing the manufacturing capacity of our existing products.

In 2008, in an effort to widen our customer and product base, we expanded the range of our furniture products to include bedroom and living room furniture, such as beds, night stands, wardrobes, dressing tables, dressing stools, television consoles, bookshelves and study desks.

On 10 November 2009, we purchased a parcel of land, namely Land 2 which is located next to Land 1, measuring approximately 122,646 sq ft, with the intention of setting up an additional manufacturing factory in line with the increase in our product range.

In 2010, we further diversified our geographical reach and made our foray into the furniture market in the USA and Canada through the Malaysian International Furniture Fair in Kuala Lumpur. We secured orders from an e-commerce company from the USA and a distributor from Canada to supply our computer desks and office furniture respectively.

In 2013, we set up an additional manufacturing factory on Land 2 to further increase our manufacturing capacity. The construction work for the new factory, namely Factory B, was completed in 2014.

In 2014, Factory B commenced operations with 2 production lines to cater for increase in demand for our products particularly due to the increase in orders from customers in India and Middle East markets for bedroom and living room furniture.

In June 2016, we added 1 production line which allowed us to increase our production.

On 6 February 2018, we completed the acquisition of Land 3 measuring approximately 217,800 sq ft, with the intention of setting up a new factory to undertake the manufacturing of office furniture, bedroom furniture, living room furniture and other furniture for export to North America and Europe.

On 13 March 2018, Spring Art acquired Land 1 from Kejora Bitara Sdn Bhd. The acquisition of Land 1 from Kejora Bitara Sdn Bhd allowed us to consolidate the properties and assets from which Spring Art operates, under our Group. Please refer to Sections 6.16(d) and 9.1(a) for further details on the acquisition of Land 1.

As at the LPD, we occupy 3 buildings (namely Factory A1, A2 and B) and operate 6 production lines with a total annual production capacity of 337,016 units of furniture.

6. INFORMATION ON OUR GROUP (Cont'd)

6.1.1 Major achievements, milestones and awards

Our key achievements and milestones since incorporation are as follows:

Year	Key milestones
1996	<ul style="list-style-type: none"> Incorporated Spring Art Marketing Sdn Bhd Commenced trading and distributing ready-to-assemble computer desks
1997	<ul style="list-style-type: none"> Commenced design, develop and manufacture of ready-to-assemble computer desks
1998	<ul style="list-style-type: none"> Secured orders from customers in Middle East
1999	<ul style="list-style-type: none"> Adopted the name Spring Art Industries Sdn Bhd Secured orders from customers in Japan, Europe and India
2005	<ul style="list-style-type: none"> Extended product range to include office furniture
2008	<ul style="list-style-type: none"> Extended product range to include bedroom and living room furniture
2010	<ul style="list-style-type: none"> Secured orders from customers in USA and Canada

6.1.2 Share capital

As at LPD, our share capital is RM31,800,000 comprising 318,000,000 Shares. The movements in our share capital since the date of our incorporation are set out below:

Date of allotment	No. of Shares allotted	Consideration	Cumulative share capital
		RM	RM
25 April 2018	200	20	20
19 June 2019	317,999,800	31,799,980	31,800,000

6.2 ACQUISITION OF SPRING ART

In preparation for our Listing, we have undertaken the Acquisition of Spring Art. On 16 November 2018, we entered into a conditional share sale agreement with the Vendors to acquire the entire equity interest in Spring Art comprising 500,000 ordinary shares for a total purchase consideration of RM31,799,980. The total purchase consideration of RM31,799,980 for the Acquisition of Spring Art was arrived after taking into consideration the audited NA of Spring Art as at 30 June 2018 of RM31,800,372.

The purchase consideration for the Acquisition of Spring Art was satisfied by the issuance of 317,999,800 new Shares to the Vendors at an issue price of RM0.10 each.

The details of the Vendors and the number of Shares issued to them pursuant to the Acquisition of Spring Art are as follows:

Vendors	No. of Spring Art shares acquired	% of share capital in Spring Art	Purchase consideration RM	No. of Shares issued
Lim Kok Eng	400,000	80.00	25,439,984	254,399,840
Kwan Chian Poh	100,000	20.00	6,359,996	63,599,960
	500,000	100.00	31,799,980	317,999,800

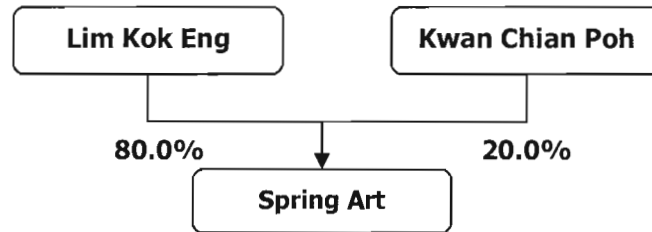
The Acquisition of Spring Art was completed on 31 July 2019. Thereafter, Spring Art became our wholly-owned subsidiary.

6. INFORMATION ON OUR GROUP (Cont'd)

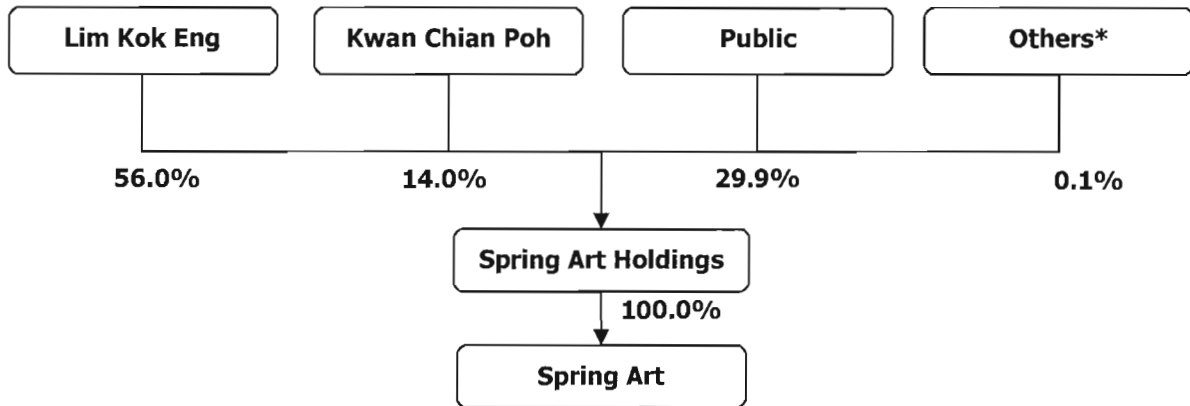
The new Shares issued pursuant to the Acquisition of Spring Art rank equally in all respects with our existing Shares.

Our Group structure before and after the Acquisition of Spring Art is as follows:

Before the Acquisition of Spring Art



After the Acquisition of Spring Art, Public Issue and Offer for Sale



Note:

* Comprising shareholdings of our Independent Non-Executive Chairman and Independent Non-Executive Directors after the subscription of Issue Shares under the Pink Form Allocations.

6.3 SUBSIDIARY

As at the LPD, we only have 1 subsidiary, Spring Art and we do not have any associated companies. Details of our subsidiary are set out below:

Company	Company No.	Date / Place of incorporation	Principal place of business	Effective equity interest %	Principal activities
Spring Art	415155-P	28 December 1996/Malaysia	Malaysia	100.0	Manufacturing of ready-to-assemble furniture products

6. INFORMATION ON OUR GROUP (Cont'd)**6.4 MATERIAL INVESTMENTS AND DIVESTITURES**

Save as disclosed below, there were no other material investment made by us for the past 4 FYEs 2015 to 2018, FPE 2019 and up to the LPD:

Description	FYE	FYE	FYE	FYE	FPE	Up to
	2015	2016	2017	2018	2019	the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment comprising:						
Freehold buildings	326	96	144	29	-	-
Leasehold buildings	-	-	-	1	-	-
Freehold land ⁽¹⁾	-	-	2,086	6,451	-	-
Leasehold land ⁽²⁾	-	-	-	2,173	-	-
Furniture, fittings and office equipment	56	50	49	112	45	49
Motor vehicles	-	310	-	83	-	-
Plant and equipment ⁽³⁾	1,143	1,425	1,380	412	415	3,573
Signboard	-	-	-	70	-	15
Renovation works	-	-	-	148	30	30
Building-in-progress ⁽⁴⁾	-	-	-	16	328	329
	1,525	1,881	3,659	9,495	818	3,996

Notes:

- (1) For the purchase of the Investment Land in 2017 and Land 3 in 2018.
- (2) For the purchase of Land 1 in 2018.
- (3) For the purchase of:
- (i) 2 units of CNC woodworking machines with conveyor belt and the capability to process mortise and tenon joints in 2015;
 - (ii) 2 units of CNC woodworking machines with the capability of double-sided processing of boards in 2016;
 - (iii) 3 units of edge banding machines and 1 unit of CNC panel saw machine in 2017;
 - (iv) 1 unit of air dryer machine, 3 units of boring machines and 1 unit of CNC panel saw machine in 2018; and
 - (v) 8 units of boring machines, 3 units of CNC panel saw machine, 4 units of edge bending machines in 2019.
- (4) Being consultant fees and application fees paid for the planning permit of Land 3.

The above material investments were primarily financed by a combination of hire purchase financing, term loans and internally generated funds.

6. INFORMATION ON OUR GROUP (Cont'd)

Save as disclosed below, there were no other material capital divestitures and write-offs (including interest in other corporations) made by our Group for the past FYEs 2015 to 2018, FPE 2019 and up to the LPD:

Description	FYE	FYE	FYE	FYE	FPE	Up to
	2015	2016	2017	2018	2019	the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment comprising:						
Freehold buildings	-	-	-	(2) 520	-	-
Freehold land	-	-	-	(2) 842	-	-
Motor vehicles	-	-	-	-	-	-
Plant and equipment	(1) 180	-	-	(3) 62	-	-
	180	-	-	1,424	-	-

Notes:

- (1) For the sale of 1 unit of edge banding machine.
- (2) For the sale of the hostel and land held under GM 1612 Lot 1849 situated in the Mukim of Sungai Raya, District of Muar, State of Johor.
- (3) For the sale of 1 unit of air compressor and 1 unit of air dryer machine.

Kindly refer to Section 11.6.1 for details of our material capital commitments as at the LPD.

6.5 PUBLIC TAKE-OVERS

Since our incorporation up to the LPD, there were:

- (a) no public take-over offers by third parties in respect of our Shares; and
- (b) no public take-over offers by our Company in respect of other companies' shares.

As at LPD, we have not identified any other companies' shares for acquisition.

6.6 PRINCIPAL BUSINESS ACTIVITIES AND PRODUCTS

Our Group is involved in the manufacturing of ready-to-assemble furniture products, where we undertake the design and development, manufacturing as well as marketing and sales of office furniture, bedroom furniture, living room furniture as well as other types of furniture.

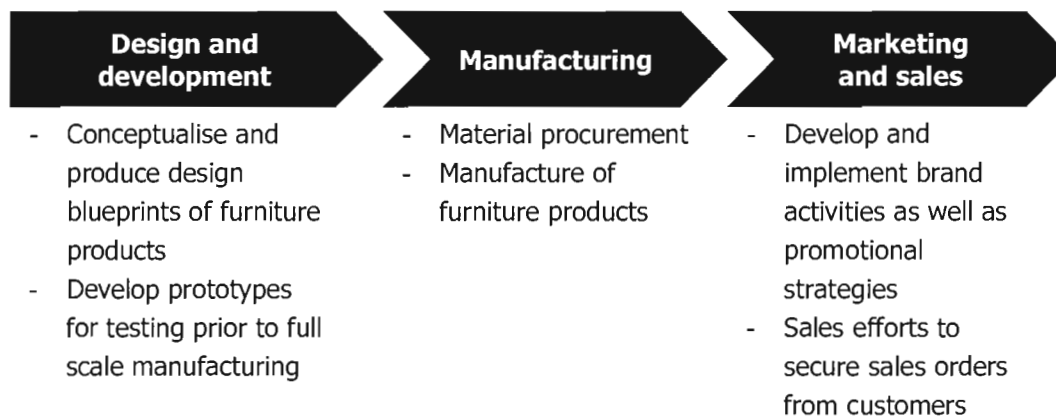
Our Group's ready-to-assemble furniture products comprise:

- (a) office furniture such as office workstations, filing cabinets and pedestals;
- (b) bedroom furniture such as beds, night stands, wardrobes, dressing tables, dressing stools and study desks;
- (c) living room furniture such as computer desks, television consoles, sideboards, shoe cabinets, bookshelves and drawer chests; and

6. INFORMATION ON OUR GROUP (Cont'd)

- (d) other furniture which includes customised complementary furniture products manufactured as and when ordered by customers, such as dining tables and kitchen cabinets.

Our business activities at each stage of the furniture industry value chain can broadly be described as below:



6.6.1 Design and development activities

Our design and development activities comprise the conceptualisation and prototyping phases as follows:

(a) Conceptualisation phase

The conceptualisation phase is initiated by our design and development team that works closely with our marketing and sales as well as production teams to produce the blueprints for new product designs and enhancements of existing designs. The ideas for new product designs and enhanced existing designs come from our management, customers as well as marketing and sales teams.

During this conceptualisation phase, our design and development team collects and analyses historical sales information as well as market intelligence such as market trends and customers' lifestyle requirements from various countries. We gather market information from our participation in furniture trade fairs which enable us to assess current trends and consumer preferences, thereby identifying designs with commercial appeal. All the information gathered will be used to generate new design ideas. Thereafter, our design and development team will incorporate these new ideas to produce design blueprints.

(b) Prototyping phase

During the prototyping phase, we assess the marketability of new designs based on factors such as functionality, aesthetic look and feel, practicability and safety. In addition, we also assess the production feasibility of new designs.

The prototype of new designs will be produced and reviewed by the relevant teams in our Group. We obtain feedback from our production department on these prototypes relating to its production feasibility, and our marketing and sales team relating to the marketability of these design prototypes.

The prototypes may then be re-designed and/or modified based on feedback from the relevant teams. Thereafter, a final sample is produced and tested again before the new designs are commercially launched.

6. INFORMATION ON OUR GROUP (Cont'd)

6.6.2 Manufacturing of ready-to-assemble furniture products

Our ready-to-assemble furniture products are made of particle boards and MDF boards. The production of our ready-to-assemble furniture products is an automation manufacturing process. Since assembly is not required and the machinery is automated, ready-to-assemble furniture is produced with less labour than conventional furniture.

Ready-to-assemble furniture is shipped unassembled to minimise shipping costs and total furniture costs. This saving and the assembly are passed on to consumers. We provide detailed instructions for assembly to the end consumer. Shipping losses are less with ready-to-assemble furniture as the flat packaged furniture is less vulnerable to damage during transportation.

Our furniture products are manufactured based on standard specifications and customised specifications. Standard specification furniture is manufactured based on designs generated by our design and development team in standard sizes and dimensions. Customised specification furniture is manufactured with adjustments and alterations in dimensions made according to customers' requirements.

We adopt stringent quality assurance and control practices to ensure the quality of the products that we manufacture. This ensures that we have greater control over the quality of our ready-to-assemble furniture products. The details on the manufacturing processes that we carry out are as set out in Section 6.7.1, while details of our quality assurance and control practices are as set out in Section 6.10.

For the past 4 FYEs 2015 to 2018 and FPE 2019, all manufacturing processes, excluding lamination, are carried out at our own manufacturing factories located in Muar, Johor.

As at the LPD, our total annual production capacity is 337,016 units. For the past 4 FYEs 2015 to 2018 and FPE 2019, the utilisation rates for our manufacturing factories were between 91.8% to 94.9%. As such, we have been limited by our annual production capacity in increasing our annual production volume.

While we intend to set up a new manufacturing factory to expand our current manufacturing capacity, we only expect to commence operations in this new manufacturing factory in July 2022.

We have in May 2019 appointed Bright Showcase Sdn Bhd ("Bright Showcase") a subcontractor to undertake the manufacturing of our furniture products ("manufacturing arrangement"). The manufacturing arrangement is an interim measure to supplement our current production volume to fulfil the sales orders from existing and potential customers while we await the completion of Factory C.

Under the terms of the manufacturing arrangement, we purchased a total of 6 units of boring machines, 3 units of CNC panel saw machine and 4 units of edge bending machines in 2019 for a total cost of RM1.9 million. These machines shall form 1 production line and has been placed at our subcontractor's factory.

Under the manufacturing arrangement, we shall pay a pre-agreed manufacturing fee to our subcontractor for each piece of furniture produced by them on our behalf. The manufacturing fee is negotiated between us and the subcontractor and the fee is dependent on the size and complexity of the furniture to be manufactured. Once the fee and number of pieces to be manufactured is agreed, we shall purchase and deliver the required raw materials to our subcontractor's factory.

Our subcontractor shall then manufacture the furniture products as per our specifications, package it and the products shall be delivered directly to our customers.

6. INFORMATION ON OUR GROUP (Cont'd)

The manufacturing arrangement shall be for a term of 3 years and the production of furniture has commenced in June 2019. Upon the expiry of the 3 years term, it is our intention to renew the subcontractor agreement. However, if the manufacturing arrangement is not renewed, the machinery currently placed at our subcontractor's factory shall be relocated to Factory C to supplement our future production.

The manufacturing arrangement does not affect us operationally as the subcontractor is responsible for its own factory operations without our involvement. Financially, the manufacturing arrangement is expected to impact us in the following manner:

- (i) allow us to increase the volumes of furniture products that we can supply to our customers by 49,158 units per annum. Hence, our combined sales volume is expected to increase to 386,174 units per annum which is expected to increase our revenue; and
- (ii) the GP margin for furniture products manufactured our subcontractor is expected to be similar to the GP margin for furniture products manufactured by us. As such, our overall GP margin is expected to be maintained. However, our GP is expected to improve due to the increase in total sales volumes.

The purchase order (in terms of volume by units) that has been sub-contracted since the commencement of the manufacturing arrangement up to the LPD is as follows:

<u>Purchase order (month)</u>	<u>No. of units</u>
June 2019	940
July 2019	2,670
August 2019	3,770
September 2019	3,541
Total	10,921

Bright Showcase is incorporated on 12 September 2018 under the Act as a shelf company. It commenced its operation on 20 June 2019 to undertake the manufacturing of our furniture products for sales orders that we are unable to manufacture at our manufacturing factories. Bright Showcase is principally involved in the manufacturing of ready-to-assemble furniture products.

As at the LPD, Bright Showcase has an issued share capital of RM100,000 comprising 100,000 ordinary shares. The Directors and shareholders of Bright Showcase are Chong Wen Li (holding 66,667 ordinary shares) and Gan Ka Choon (holding 33,333 ordinary shares).

Kindly refer to Section 6.16(b) for details of the subcontractor agreement.

6.6.3 Marketing and sales of ready-to-assemble furniture products

We undertake marketing and sales activities for all of our ready-to-assemble furniture products. Our marketing process entails the development and implementation of branding strategies as well as marketing and promotional activities. We market our furniture products to distributors, furniture showroom retailers, home furnishing chain stores and e-commerce companies in foreign markets who generally resell our products to consumers through their respective retail networks.

Trade fairs are an important medium for our Group to market our ready-to-assemble furniture products. We participate in the Malaysian International Furniture Fair and selected international trade fairs. We also advertised our furniture products in trade fair magazines to showcase our furniture products. These international trade fairs and advertisements further

6. INFORMATION ON OUR GROUP (Cont'd)

provide us with a platform to meet with potential customers. The details of the trade fairs we have participated are as set out in Section 6.12(i).

Our sales process entails securing sales orders with distributors, furniture showroom retailers, home furnishing chain stores and e-commerce companies to strengthen our global presence. Our marketing and sales staffs are responsible for liaising with customers, providing customers with information on our furniture products, taking sales orders and addressing customer enquiries on sales and delivery logistics. In addition, they also gather feedback from customers on our furniture products to keep us abreast with market trends and consumer preferences. Such feedback will be conveyed to our design and development team.

The details on the breakdown of our Group's revenue by our principal markets for the past 4 FYEs and FPE are as set out in Section 6.6.5.

6.6.4 Our products

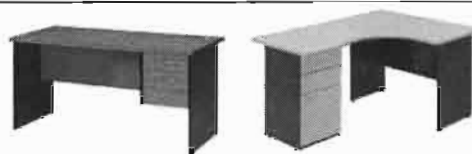
Our ready-to-assemble furniture products include the following:

Furniture product category	Description
Office furniture	Furniture for office use such as office workstations, filing cabinets and pedestals.
Bedroom furniture	Furniture for bedroom use such as beds, night stands, wardrobes, dressing tables, dressing stools and study desks.
Living room furniture	Furniture for living room use such as computer desks, television consoles, sideboards, shoe cabinets, bookshelves and drawer chests.
Other furniture	Customised complementary furniture products manufactured as and when ordered by customers, such as dining tables and kitchen cabinets.

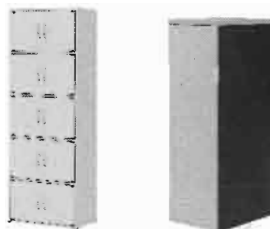
The types of furniture products that we produce under each category are as follows:

Office furniture

Office workstations



Filing cabinets



Pedestals



6. INFORMATION ON OUR GROUP (Cont'd)

Bedroom furniture

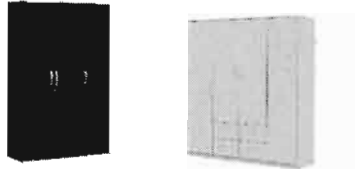
Beds



Night stands



Wardrobes



Dressing tables



Dressing stools



Study desks



Living room furniture

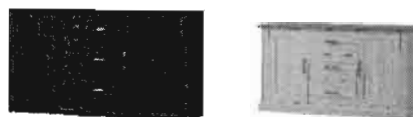
Computer desks



Television consoles



Sideboards



6. INFORMATION ON OUR GROUP (Cont'd)

Shoe cabinets



Bookshelves

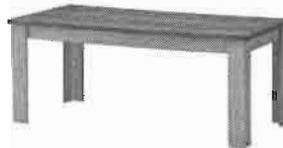


Drawer chests



Other furniture

Dining tables



Kitchen cabinets



6.6.5 Principal markets for our products

For the past 4 FYEs 2015 to 2018 and FPE 2019, all our sales were all derived from overseas markets/region as follows:

Countries	Region	Audited							
		FYE 2015		FYE 2016		FYE 2017		FYE 2018	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
India	Asia Pacific	9,464	26.0	11,792	28.6	15,716	32.6	17,520	34.8
Japan	Asia Pacific	7,013	19.3	5,802	14.1	4,368	9.0	3,164	6.3
UAE	Middle East	5,969	16.4	15,535	37.6	18,473	38.3	13,622	27.0
Saudi Arabia	Middle East	4,136	11.4	475	1.2	1,801	3.7	8,059	16.0
Canada	North America and Latin America	2,256	6.2	1,570	3.8	2,738	5.7	2,308	4.6
Bahrain	Middle East	2,124	5.8	1,737	4.2	2,983	6.2	3,708	7.4
Others	-	5,463	14.9	4,376	10.5	2,197	4.5	2,001	3.9
		36,425	100.0	41,287	100.0	48,276	100.0	50,382	100.0

6. INFORMATION ON OUR GROUP (Cont'd)

Countries	Region	Unaudited		Audited	
		FPE 2018		FPE 2019	
		RM'000	%	RM'000	%
India	Asia Pacific	5,604	35.9	5,042	27.5
Japan	Asia Pacific	1,559	10.0	982	5.4
UAE	Middle East	2,617	16.7	4,248	23.2
Saudi Arabia	Middle East	3,388	21.7	6,049	33.1
Canada	North America and Latin America	740	4.7	392	2.1
Bahrain	Middle East	1,051	6.7	1,348	7.4
Others	-	667	4.3	236	1.3
		15,626	100.0	18,297	100.0

Other countries include:

Region	Countries
Asia Pacific	Singapore, Hong Kong, Taiwan, Vietnam, and Philippines, Australia and New Zealand
North America and Latin America	USA and Panama
Africa	Algeria, Ethiopia, Tanzania, Benin, Kenya, Malawi, Uganda, Ghana, Zambia, Rwanda and Nigeria
Europe	Republic of Ireland, United Kingdom and Greece

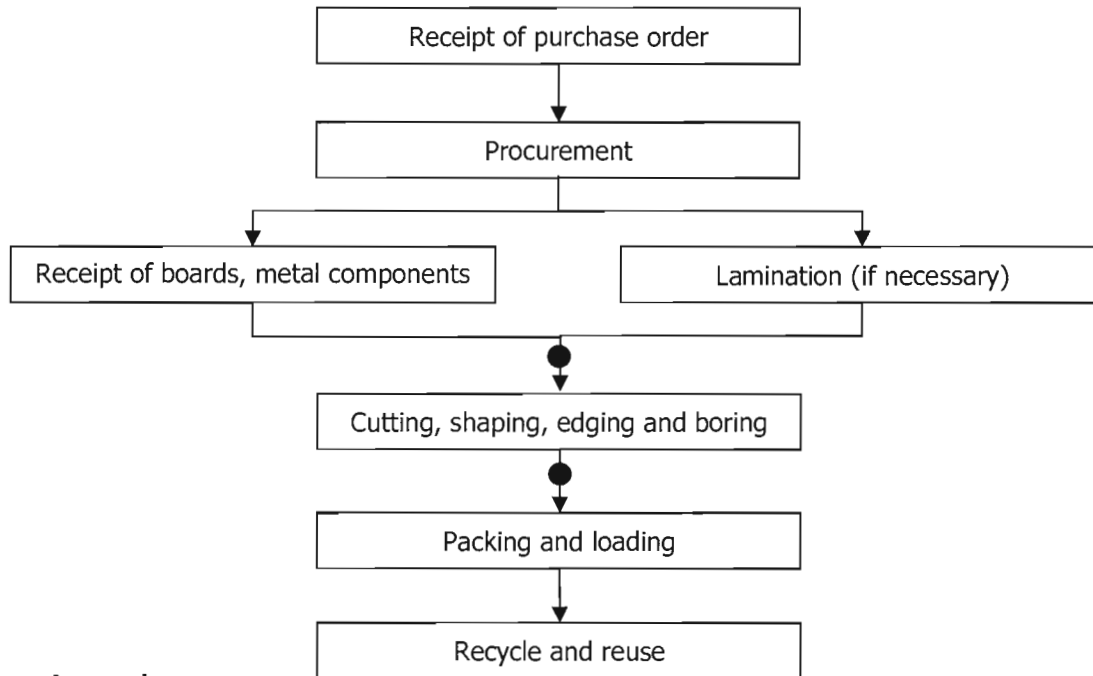
6.7 DESCRIPTION OF OUR BUSINESS**6.7.1 Our production processes**

Currently, our manufacturing processes, save for lamination activities, are carried out at our manufacturing factories which are located in Muar, Johor.

The following flow chart illustrates the principal steps involved in the production processes of our furniture products:

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6. INFORMATION ON OUR GROUP (Cont'd)



Legend

● QC inspection

(a) Receipt of purchase order

Our marketing and sales team secures purchase orders with distributors, furniture showroom retailers, home furnishing chain stores and e-commerce companies.

(b) Procurement

Upon receiving purchase orders from our marketing and sales team, we proceed to procure the necessary raw materials for subsequent manufacturing processes.

(c) Receipts of boards, metal components and PVC edges

Upon receiving supply of boards and PVC edges from our suppliers, we conduct visual inspection to assess factors such as surface defects and colour; and measurement inspection to assess factors such as dimensions and thickness. This ensures that the boards and PVC edges supplied meet our specifications.

We further source metal components which are necessary in the assembly of our furniture components, such as screws, nuts and mounting brackets. We conduct measurement inspection on the metal components to ensure that the dimensions comply to specifications.

If any defects are found, we will return the defective boards, metal components and PVC edges to our suppliers for replacement or rework.

(d) Lamination

Lamination is the process of bonding adhesive decorative paper foils or melamine tops onto boards. Melamine tops are used for the study desk tops.

6. INFORMATION ON OUR GROUP (Cont'd)

This process is sub-contracted to an external party located in the same vicinity of our manufacturing factories. Depending on our requirements for a specific appearance in the final furniture product in terms of desired colour and woodgrain, these boards are sent to an external party for lamination. Upon receiving the laminated boards, we will conduct a visual inspection and if any defects are detected, we will return defective laminated boards for replacement or rework.

(e) Cutting, shaping, edging and boring

A visual and measurement inspection is conducted again when the boards are received from the previous production stage. If any defect is found or any specifications are not met, such defective boards will be returned to the previous production stage for rework.

Subsequent to the inspection, the boards are then sent for cutting, shaping, edging and boring processes, where:

- (i) Cutting involves the use of CNC panel saw machines to cut boards into desired sizes based on specifications;
- (ii) Shaping involves the use of CNC woodworking machines to shape boards into desired shapes based on specifications;
- (iii) Edging involves the process of bonding PVC edges on the exposed sides of boards; and
- (iv) Boring involves the drilling of holes to facilitate the insertion of screws and the boring of holes for panels, bed posts and table legs with the purpose of enabling the assembly of various furniture parts.

A visual and measurement inspection is conducted on these processed furniture parts before they are sent to next stage for packing.

(f) Packing and loading

The ready-to-assemble furniture parts are flat packed individually by product type along with the necessary metal components and assembly instructions. Prior to delivery for shipment and loading into containers, our in-house QC team performs a final round of inspection on our furniture products.

(g) Recycle and reuse

We strive to reduce the environmental impact of our production processes. We recycle excess board materials from our production activities. These excess boards will be converted into pallets for use in our factories and also used as packaging materials to protect furniture components during transportation. We also engage third party waste companies for the disposal of sawdust, which is a by-product of our production processes.

6. INFORMATION ON OUR GROUP (Cont'd)

6.7.2 Operating capacities and output

Our annual capacity, actual production volumes and utilisation rates for the past 4 FYEs 2015 to 2018 and FPE 2019 are as depicted below:

	Available annual capacity units	Actual production units	Utilisation rate %
FYE 2015	280,734 ^(a)	258,174	92.0
FYE 2016	313,565 ^(b)	292,771	93.4
FYE 2017	337,016 ^(c)	309,546	91.8
FYE 2018	337,016 ^(c)	311,894	92.5
FPE 2019	112,339 ^(d)	106,567	94.9

Notes:

Assumptions based on:

- (a) Available machinery operating hours for 5 furniture manufacturing lines operating on 16-hour shifts daily over 26 working days a month annually in FYE 2015.
- (b) Available machinery operating hours for 5 furniture manufacturing lines operating on 16-hour shifts daily over 26 working days a month for the period of January - May and 6 furniture manufacturing lines operating on 16-hour shifts daily over 26 working days a month for the period of June - December in FYE 2016.
- (c) Available machinery operating hours for 6 furniture manufacturing lines operating on 16-hour shifts daily over 26 working days a month annually in FYE 2017 and FYE 2018.
- (d) Available machinery operating hours for 6 furniture manufacturing lines operating on 16-hour shifts daily over 26 working days a month for the first 4 months in FPE 2019.

6.7.3 Key machinery and equipment

A summary of the key machinery and equipment owned and used by us are set out below:

Machinery and equipment	Function	No of units	Average lifespan⁽¹⁾ (years)	Average age⁽²⁾ (years)	NBV as at 30 April 2019 RM'000
Boring machines	Drilling of holes to facilitate the insertion of screws and the boring of holes for panels, bed posts and table legs with the purpose of enabling the assembly of various furniture parts	29	20	8.8	512
CNC woodworking machines	Shaping boards into desired shapes based on specifications	18	20	10.4	455
Edge banding machines	Bonding PVC edges on the exposed sides of boards	24	20	10.5	291
CNC panel saw machines	Cutting boards into desired sizes based on specifications	8	20	7.9	290
					1,548

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

- (1) Average lifespan of machinery and equipment is computed based on the average economic useful life of all machinery. New machineries purchased by our Group are given a life span of 20 years.
- (2) Average age of machinery and equipment is computed based on the average age of all our machinery. The age is computed based on the year of purchase.

6.7.4 Interruptions to business and operations

Our Group has not experienced any interruption in our operations which had a significant effect on our operations during the past 12 months preceding the LPD.

6.8 COMPETITIVE STRENGTHS

6.8.1 We automate our manufacturing processes

In the furniture industry, flexibility in the manufacturing process coupled with low production costs are important factors for sustainable operations.

Automation allows us to produce standard specification furniture based on designs generated by our design and development team in standard sizes and dimensions. Nonetheless, our automated production line is flexible and thus, also able to produce customised furniture with adjustments and alterations in dimensions made according to customers' requirements.

We achieve consistent product quality by maintaining the quality of materials used and adopting QC inspections throughout production to maintain close tolerances in the manufacturing process. This is made possible through the use of automated machinery that is configured to ensure the accuracy of the dimension of boards, drilling of holes for the insertion of screws and boring of holes for panels, bed posts and table legs.

Since assembly is not required and the machinery is automated, ready-to-assemble furniture is produced with less labour than conventional furniture. Our initial investment in machinery is recovered through reduced production and labour costs.

6.8.2 We are able to design and develop our own products

We commenced operations in 1996 by way of trading and distributing ready-to-assemble computer desks to local computer trading businesses in Muar, Johor. Over the years, we have evolved to undertake the design and development, manufacturing as well as marketing and sales of office furniture, bedroom furniture, living room furniture and other furniture. Details on the design and development as well as production processes that we adopt are as set out in Sections 6.6.1 and 6.7.1 respectively.

We collect and analyse historical sales information as well as market data such as market trends and consumer lifestyle requirements from various countries. The gathered information is conveyed to our design and development team as part of our design and development process. In addition, this information allows us to better understand consumer preferences and keep up with current trends, thus allowing us to be responsive towards changing market trends and the evolving needs of consumers. As a result, we are able to incorporate elements of design and functionality in our furniture products, based on market trends and consumer lifestyles.

Our Group's emphasis on design and development has contributed to our revenue growth and expansion to-date. Our design and development efforts will allow us to widen our range of furniture products as we seek to further expand our global presence.

6. INFORMATION ON OUR GROUP (Cont'd)

6.8.3 We manufacture ready-to-assemble furniture product in flat pack format

Our ready-to-assemble furniture is sold unassembled in flat pack format that include assembly instructions for the end consumer.

We have been able to market and ship our furniture products to export markets due to the inherent benefit of the flat pack format. By shipping our furniture products unassembled in flat packs, we are able to reduce the volume and cost of shipping, thereby making our furniture products cost competitive. Further, shipping losses are less with ready-to-assemble furniture as the flat packaged furniture is less vulnerable to damage during transportation.

By adopting the flat pack format, we have been able to target different categories of customers, comprising distributors, furniture showroom retailers, home furnishing chain stores in our export markets, who resell our products to consumers through their respective retail networks. Our customers also include e-commerce companies in foreign markets who resell our products to consumers through their respective e-commerce platforms. The flat pack format further makes it easier for e-commerce companies to manage the storage and subsequently, delivery of our furniture products to consumers, as the furniture has been prepacked in easy to transport boxes.

6.8.4 We place emphasis on our QC processes to ensure consistent quality of furniture products

We implement stringent QC processes throughout the design and development as well as manufacturing processes in order to ensure that our furniture products meet predefined quality standards, thereby meeting the demands and expectations of our customers.

Should there be any defects in our products, we have a replacement policy to replace these defected products at no cost to our customers. Further, with the key manufacturing processes being carried out at our own manufacturing factories, we are able to have better control over the quality of furniture products that we produce. Further details on the QC processes that we adopt are as set out in Section 6.10.

We have implemented the following QC measures to maintain consistent quality of the furniture products that we supply; ensure that our furniture products meet customer specifications; and minimise incidents of rejects, reworks, defects and wastage arising from the various production processes. QC is carried out at several stages in our manufacturing process, namely on:

- (a) incoming raw materials and components from suppliers are subject to inspection for, among others, colour consistency and board defect checks before they are despatched for manufacturing;
- (b) the quality of work-in-progress is monitored and examined at each stage of the manufacturing process to ensure quality consistency of the final output; and
- (c) finished goods are inspected for defects and quality inconsistency before final packaging. Defective products or furniture parts identified are separated for remedial works.

Our QC processes have contributed to our Group's ability to secure repeat orders from our customers.

Furniture products manufactured at the manufacturing premise of our subcontractor undergo similar stringent QC inspections. Our QC team conducts a visual and measurement inspection on the finished furniture products at the manufacturing premise of our subcontractor prior to the packing of the furniture products. Once the QC inspection is completed, the furniture

6. INFORMATION ON OUR GROUP (Cont'd)

products are flat packed individually by product type along with the necessary metal components and assembly instructions. Prior to delivery for shipment and loading into containers, our QC team performs a final round of inspection on these furniture products.

6.8.5 We have a diversified revenue base

Our diversified base consists of customers from 35 countries comprising distributors, furniture showroom retailers, home furnishing chain stores and e-commerce companies. Combining our understanding of region-specific market trends and our expertise in manufacturing furniture products, we are able to design our products to cater to varied consumer preferences, thus enabling us to expand our revenue over a wide geographical area.

By diversifying our revenue base across several regions globally, we are able to capture growth opportunities in various overseas markets while at the same time reducing our business concentration risk from unanticipated downturn in a particular overseas market.

Our revenue base by region is set out in Section 6.6.5.

6.8.6 We maintain long-term business relationships with our customers and suppliers

With our presence in the furniture business for over 23 years, we have developed our customer and supplier base. These business relationships that we have established with our customers and suppliers play a pivotal role in supporting our business growth.

The long-term business relationships that we have established with our existing customers have allowed us to sustain our business growth. Over the years, our established track record in maintaining consistent product quality has enabled us to retain our existing customers, thereby securing repeat orders and developing our reputation in the furniture manufacturing industry.

As at the FYE 2018, the duration of business relationships with our customers are classified as follows:

Business relationship years ⁽¹⁾	Number of customers	Percentage of customers %	Revenue contribution for FYE 2018	
			RM'000	%
Less than 2 years	2	6.5	178	0.4
2 – 5	10	32.3	5,259	10.4
6 – 10	9	29.0	28,515	56.6
11 – 15	5	16.1	9,274	18.4
> 16	5	16.1	7,156	14.2
	⁽²⁾ 31	100.0	50,382	100.0

Notes:

⁽¹⁾ The duration of business relationship with our customers is computed starting from the year in which these customers first purchased furniture products from our Group.

⁽²⁾ Based on the number of customers who purchased from our Group in the FYE 2018. We sold our products to 31 customers in the FYE 2018.

Further, we recognise the importance of maintaining long-term business relationships with our suppliers. The business relationships cultivated with our suppliers ensure stable supply of our raw materials in a timely manner.

6. INFORMATION ON OUR GROUP (Cont'd)

In the FYE 2018, the duration of business relationships with our suppliers are classified as follows:

Business relationship years ⁽¹⁾	Number of suppliers	Percentage of suppliers %	Purchases contribution for FYE 2018	
			RM'000	%
Less than 2 years	5	9.1	482	1.8
2 – 5	16	29.1	12,964	47.5
6 – 10	11	20.0	3,545	13.0
11 – 15	11	20.0	5,788	21.2
> 16	12	21.8	4,505	16.5
	(2) 55	100.0	27,284	100.0

Notes:

- (1) The duration of business relationship with our suppliers is computed starting from the year in which our Group first purchased raw materials from these suppliers.
- (2) Based on the number of suppliers from whom we purchased in the FYE 2018. We purchased raw materials from 55 suppliers in the FYE 2018.

6.8.7 We have an experienced key senior management team

We have an experienced key senior management team with operational expertise and in-depth knowledge of the furniture manufacturing industry. Our Managing Director, Lim Kok Eng and Executive Director, Kwan Chian Poh have played a pivotal role in establishing and growing our business over the years. They are responsible for determining the overall strategic direction and management of our Group.

Lim Kok Eng together with Kwan Chian Poh incorporated Spring Art (then known as Spring Art Marketing Sdn Bhd) in 1996. They started this business by way of trading and distributing ready-to-assemble computer desks to local computer trading businesses in Muar, Johor. Under their leadership, Spring Art has become an export-oriented furniture manufacturer.

Lim Kok Eng and Kwan Chian Poh are supported by a qualified key senior management team comprising:

Name	Designation	Years of relevant working experience
Teo Miow Loo	Chief Financial Officer	13 years
Peter Teo Swee Chyang	Production Manager	31 years
Loo Soon Chuan	Marketing Manager	21 years
Lim Vivian	Assistant Purchasing Manager	9 years
Ahmad Mahdzir Bin Joffri	Assistant Design, Development and Quality Control Manager	20 years

Their collective experience and knowledge in the furniture manufacturing industry have enabled our Group to develop sustainable business strategies as well as implement risk management strategies to ensure the continued growth of our Group.

In addition, our Directors and key senior management have enhanced our Group's growth opportunities with their combined experience and knowledge.

6. INFORMATION ON OUR GROUP (Cont'd)

6.9 SEASONAL OR CYCLICAL EFFECTS

Our operations are not significantly affected by seasonal or cyclical patterns as our furniture products are exported to several regions globally, where the differing sales and promotion period of furniture sales in different regions allow us to benefit from consistent sales throughout the year.

6.10 QUALITY CONTROL PROCESSES

We have established QC procedures to perform quality checks at all stages of our production processes to ensure our furniture products satisfy our customers' requirements. Quality checks are carried out, and monitored by every employee involved in all stages of production and our in-house QC team.

Workers in every stage of the production process will perform quality checks on boards / furniture parts that they process. Each production stage is led by a supervisor responsible for overseeing the quality of the boards / furniture parts processed before these boards / furniture parts are sent to the next production stage.

As at the LPD, we have a QC team consisting of 4 staffs that are led by Ahmad Mahdzir Bin Joffri. Our QC team is tasked to perform final quality checks before the furniture products are delivered for shipment.

The QC processes that we adopt throughout our manufacturing process are as follows:

Stage	QC processes
Pre-manufacturing	<ul style="list-style-type: none"> • Visual inspection on boards to ensure no appearance of surface defects such as dents and scratches; and the colour of boards meets our specification. • Measurement inspection on boards to ensure the dimension of boards meets our specification. • Measurement inspection on metal components to ensure the correct length of screw and mounting brackets; and no shortfall in volume of screw accessories.
Manufacturing	<ul style="list-style-type: none"> • Inspection during the production process to ensure no appearance of surface defects such as dents and scratches. • Technical specifications such as hole positioning, length, thickness and width of boards / furniture parts meet specification.
Post manufacturing	<ul style="list-style-type: none"> • Inspection on the end products to ensure that all end products meet the required standards such as shape, width, length, thickness as well as number and position of drilled holes. • Inspection during the packaging process to ensure the quantity and weight meets the requirements; necessary metal components and assembly instructions are attached and in good condition; and products are packed well and labelled correctly. • Inspection during the delivery stage to ensure that products are packed and stacked properly.

6. INFORMATION ON OUR GROUP (Cont'd)

6.11 TYPES, SOURCES AND AVAILABILITY OF MATERIALS

The main raw materials used in the manufacturing of our furniture products and the principal sources of these raw materials are as set out below:

- (i) Boards comprising:
 - (a) Particle boards which are sourced from Malaysia and Thailand; and
 - (b) MDF which is sourced from Malaysia.
- (ii) Metal components such as screws, nuts and mounting brackets which are sourced from Malaysia.
- (iii) PVC edges which are sourced from Malaysia.
- (iv) Packaging materials comprising corrugated cartons and packing tapes which are sourced from Malaysia.

The prices of our boards are subject to price fluctuations as a result of demand and supply conditions. The boards and metal components that we use in our manufacturing processes are generally widely available.

We have developed policies and procedures that guide our selection of suppliers. All selected suppliers are evaluated in terms of pricing, production capacities, range and technical specifications of raw materials, ability to meet our quality requirements, and ability to deliver in a timely manner.

The breakdown of the raw materials purchased by our Group for the past 4 FYEs 2015 to 2018 and FPE 2019 is as follows:

Raw materials	Audited							
	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Boards	13,364	65.5	13,405	63.3	16,800	63.3	16,120	59.1
Metal components	3,400	16.7	2,815	13.3	3,494	13.2	4,093	15.0
Packaging materials	2,247	11.0	2,711	12.8	3,242	12.2	3,824	14.0
PVC edges	930	4.6	898	4.2	1,171	4.4	1,309	4.8
Others ⁽¹⁾	452	2.2	1,339	6.4	1,844	6.9	1,938	7.1
	20,393	100.0	21,168	100.0	26,551	100.0	27,284	100.0

Raw materials	Unaudited		Audited	
	FPE 2018		FPE 2019	
	RM'000	%	RM'000	%
Boards	4,464	56.3	6,724	58.4
Metal components	1,258	15.9	1,816	15.8
Packaging materials	1,235	15.6	1,466	12.7
PVC edges	377	4.7	408	3.5
Others ⁽¹⁾	601	7.5	1,102	9.6
	7,935	100.0	11,516	100.0

Note:

- ⁽¹⁾ Others comprise cushions and glass panels.

6. INFORMATION ON OUR GROUP (Cont'd)

6.12 MARKETING AND DISTRIBUTION CHANNELS

Our Group's marketing and sales team is led by Loo Soon Chuan. Our marketing and sales efforts serve to expand our distribution network to new geographical regions and to increase market penetration in our existing geographical regions.

Our sales process entails sales efforts by securing sales orders with our customers to strengthen our global presence. Our marketing and sales staffs are responsible for liaising with customers, providing customers with information on our furniture products, taking sales orders and addressing customer enquiries on sales and delivery logistics. In addition, they also gather feedback from customers on our furniture products to keep us abreast with market trends and consumer preferences. Such feedback will be conveyed to our design and development team.

We adopt the following marketing methods:

(i) Participation in trade fairs

Over the years, we have participated in various international furniture trade fairs to showcase our furniture products. These international trade fairs provide us a platform to meet with potential customers and keep us abreast with market trends and consumer preferences.

The major trade fairs that we participated in the past are as follows:

<u>Year</u>	<u>Trade fairs</u>	<u>Organiser</u>	<u>Location</u>
2016	Furniture China	Shanghai UBM Sinoexpo Int'l Exhibition Co Ltd	Shanghai, China
	Malaysian International Furniture Fair	Malaysian International Furniture Fair and United Business Media plc ("UBM plc")	Putra World Trade Centre, Kuala Lumpur
2017	Malaysian International Furniture Fair	Malaysian International Furniture Fair and UBM plc	Putra World Trade Centre, Kuala Lumpur
2018	Malaysian International Furniture Fair	Malaysian International Furniture Fair and UBM plc	Putra World Trade Centre, Kuala Lumpur
2019	Malaysian International Furniture Fair	Malaysian International Furniture Fair and United Business Media (M) Sdn Bhd	Putra World Trade Centre, Kuala Lumpur

(ii) Advertisement in trade directory

We advertise our furniture products in the Malaysia Furniture Manufacturers and Exporters Directory annually to create awareness of our products. We believe that these advertisements will allow us to reach our target customers and assist us to secure orders from potential customers.

6. INFORMATION ON OUR GROUP (Cont'd)

(iii) Publication of product catalogues / brochures

We prepare product catalogues / brochures featuring our furniture products. These product catalogues / brochures are distributed to our existing and potential customers at trade fairs and when they visit our manufacturing factories in order to generate their interest and awareness in our furniture products.

(iv) Corporate website

We have established a corporate website at <http://www.springart.com> which provides immediate searchable information on our Group, including our range of furniture products.

6.13 DESIGN AND DEVELOPMENT

Our Group's design and development team consists of 2 staffs that are led by Ahmad Mahdzir Bin Joffri. Our design and development activities focus on new product designs or enhancements of existing designs. Under our current design and development portfolio, we adopt contemporary designs for our range of furniture products to cater to the demands of our foreign customers. Our design and development capabilities have been proven successful as evidenced by the growth in the demand for our furniture products in the past financial years/period under review.

We aim to achieve the following with our design and development activities:

- (i) to create new product designs with the introduction of new range of furniture products; and
- (ii) to enhance and modify our existing furniture products.

6.14 INTELLECTUAL PROPERTIES

Save for the industrial design disclosed below, we have not registered any brand names, patents, trademarks or other intellectual property rights with the Intellectual Property Corporation of Malaysia:

Registration no. / Class	Design	Registered owner	Description/ Product name	Issuance date/ Expiry date
97006450 / 20		Spring Art Industries Sdn Bhd	Furniture and its parts and fittings; all included in Class 20.	26 March 2014 /16 May 2024

6. INFORMATION ON OUR GROUP (Cont'd)

6.15 LICENCES AND PERMITS

Save as disclosed below, there are no other licences and permits which our Group is materially dependent on for our business or profitability as at the LPD:

Licencee Issuing authority Registration no.	/	Date of issue Date of expiry	/	Nature of approval of licences	Material conditions imposed	Compliance status
(a) Spring MITI 019642	Art / A	12 June 2014 / -		Manufacturing License pursuant to Industrial Co-ordination Act 1975	(i) Any sale of shares of the company shall be notified to MITI and MIDA. (ii) The company shall train Malaysian employees so that the technology and expertise can be transferred across all levels of positions. (iii) The company shall implement its project as approved and in accordance with the relevant laws and regulations of Malaysia.	Complied
(b) Spring Malaysian Timber Industry Board / Exporter: T/E – 2757/06/2006 / Supplier: T/S – 2665/06/2014	Art /	9 July 2019 / 30 June 2020		Certificate of Registration with Malaysian Timber Industry Board pursuant to Section 14 of Malaysian Timber Industry Board (Incorporation) Act 1973	-	-
(c) Spring Johor Forestry Department (downstream processing)	Art / State	1 January 2018 / 31 December 2019		Wood-Based Industry License pursuant to Rule 6(1) of Wood-Based Industries Enactment 1986	(i) License holder shall not: (a) transfer this license; (b) rent, lease, lend, operate or sell the entire factory or any part thereof or any equipment thereof or any part and any equipment in the factory; or (c) make any changes in the shareholdings of the entire factory or any part thereof; without written approval from the state authority. (ii) The license shall at all times subject to a valid Inspection Report/Certificate of Competency prescribed under the Factories and Machinery Act 1967 ("the FMA") or written approval by the inspectors of the factories and machinery	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

Licencee Issuing authority / Registration no.	Date of issue / Date expiry	Nature of approval licences	of or Material conditions imposed	Compliance status
			<p>under the FMA which is enforceable in respect of the wood-based / furniture factory.</p> <p>(iii) The wood-based / furniture factory shall consist of the machineries stated in Annexure B of the license and no machinery can be added or to be removed from the factory without the written approval by State Director of Forestry.</p> <p>(iv) The wood-based / furniture factory shall be erected in accordance with the floor plan, site plan, layout plan and building plan approved by the State Director of Forestry and no changes shall be made without the written approval by the State Director of Forestry.</p> <p>(v) This licence together with the approved plans shall be displayed at conspicuous place of the factory premises.</p> <p>(vi) Every forest officer shall at all times be accessible to all parts of the building and factory and for the inspection purpose, any operating machineries shall be ceased when requested by the forestry officer.</p> <p>(vii) The wood-based / furniture factory shall be operated to manufacture finished or semi-finished timber products from sawn wood, rattan wood, reed wood and other forest products. It is not permissible to log from any kind, including logs that have been split into four or two, brought into or processed in the factory area.</p> <p>(viii) Rough saws are not permissible to be sold either directly or indirectly in the export or local market.</p> <p>(ix) License holder shall maintain a record showing that the timber and other forest products that brought</p>	

6. INFORMATION ON OUR GROUP (Cont'd)

Licencee Issuing authority / Registration no.	Date of issue / Date expiry	Nature of approval licences	of or	Material conditions imposed	Compliance status
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into the factory for processing, and the production of finished or semi-finished products from the factory every day.

- (x) The wood-based / furniture factory shall be kept clean at all times and all the emission, discharge, deposit or disposal or noise pollution and odour release shall conform to the standards prescribed under the Environmental Quality Act 1974.

6.16 MATERIAL CONTRACTS

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Company or our subsidiary during the past financial years/period under review and up to the date of this Prospectus:

- (a) The underwriting agreement dated 4 September 2019 entered into between our Company and M&A Securities for an underwriting of 24,941,200 Issue Shares for an underwriting commission of 3.0% of the IPO Price multiplied by the number of Issue Shares being underwritten.
- (b) The subcontractor agreement dated 16 May 2019 entered into between Spring Art and Bright Showcase, whereby Bright Showcase is appointed as a subcontractor to manufacture and complete products in accordance to the design and specifications as required by Spring Art for a term of 3 years from the date of the agreement and subject to extension and further terms to be mutually agreed by Spring Art and Bright Showcase.

Under the subcontractor agreement, Spring Art shall:

- (i) invest in 1 production line for the manufacturing of our furniture products by Bright Showcase. The said production line will be placed at the manufacturing factory of Bright Showcase;
- (ii) furnish our design blueprints as well as production volume requirements to Bright Showcase; and
- (iii) supply raw materials to Bright Showcase for the production of our furniture products.

6. INFORMATION ON OUR GROUP (Cont'd)

Under the subcontractor agreement, Bright Showcase shall:

- (i) serve Spring Art as its sole customer; and
 - (ii) undertake the manufacturing of furniture products for Spring Art based on the design blueprints, production volume requirements and quality standards required by Spring Art; and
 - (iii) deliver the finished products within the agreed delivery period.
- (c) The share sale agreement dated 16 November 2018 ("SSA") entered into between our Company (as purchaser) and Lim Kok Eng and Kwan Chian Poh (the Vendors) for the Acquisition of Spring Art. On 21 June 2019, the parties have mutually agreed to an extension of 6 months from 24 May 2019, being the unconditional date for the SSA, to enable the parties to complete the SSA. The Acquisition of Spring Art was completed on 31 July 2019.
- (d) Spring Art and Kejora Bitara Sdn Bhd entered into the following agreements to implement a land swap arrangement:
- (i) The sale and purchase agreement dated 13 March 2018 between Spring Art (as vendor) and Kejora Bitara Sdn Bhd (as purchaser) for a hostel and land held under GM 1612 Lot 1849 situated in the Mukim of Sungai Raya, District of Muar, State of Johor ("Hostel Land") measuring approximately 0.9308 hectares at the consideration price of RM2,100,000 ("Hostel SPA"). This agreement was completed on 30 May 2018;
 - (ii) Supplemental Agreement in relation to the Hostel SPA dated 27 June 2018 whereby Kejora Bitara Sdn Bhd has irrevocably and unconditionally undertaken to reimburse Spring Art all the costs and expenses incurred for the application of an access road leading to the Hostel Land, as well as the consultation fees and processing fees incurred. This agreement is not completed as at the LPD. Further details are set out in Section 9.1 Note (b).

In addition, Kejora Bitara Sdn Bhd had vide its letter dated 25 January 2019 irrevocably and unconditionally granted the following to Spring Art:

- (a) an easement to Spring Art to access the Investment Land via the Hostel Land in perpetuity at no costs*;
- (b) the first right of refusal for Spring Art to acquire the Hostel Land at the prevailing market value as determined by an independent valuer. In the event Spring Art does not exercise the first right of refusal, the Hostel Land shall only be sold on the condition that the purchaser agrees to grant a perpetual easement to Spring Art to access the Investment Land via the Hostel Land at no cost.

Note:

- * In the event that Kejora Bitara Sdn Bhd refuses to grant an easement to Spring Art, Spring Art may apply to the Malaysian courts to seek the legal remedy of specific performance provided under Specific Relief Act 1950 to compel Kejora Bitara Sdn Bhd to grant an easement over the Investment Land.

6. INFORMATION ON OUR GROUP (Cont'd)

- (iii) The sale and purchase agreement dated 13 March 2018 between Kejora Bitara Sdn Bhd (as vendor) and Spring Art (as purchaser) to purchase Land 1 at the consideration price of RM2,100,000 ("Land 1 SPA"). This agreement was completed on 20 June 2018; and
- (iv) The set-off agreement dated 13 March 2018 between Kejora Bitara Sdn Bhd and Spring Art to contra the sum of RM2,100,000 being the purchase consideration for the Hostel SPA and Land 1 SPA. This agreement was completed on 20 June 2018.

Further details on the abovementioned agreements are set out in Section 9.1.

- (e) The sale and purchase agreement dated 23 October 2017 between Tee Her Choon (as vendor) and Spring Art (as purchaser) to purchase Land 3 at the consideration price of RM6,098,400. This agreement was completed on 6 February 2018.
- (f) The sale and purchase agreement dated 16 January 2017 between Lim Lian Huat (as vendor) and Spring Art (as purchaser) to purchase the Investment Land at the consideration price of RM2,000,000. This agreement was completed on 27 April 2017.

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6. INFORMATION ON OUR GROUP (Cont'd)**6.17 MATERIAL PROPERTIES OF OUR GROUP****6.17.1 Properties owned by our Group**

Details of the properties owned by us as at the LPD are as follows:

(i) Land 1, Factory A1 and Factory A2

Particulars of title	:	PTD 1553, Mukim of Sungai Raya, District of Muar, Johor Darul Takzim held under Title No. HSD 23831
Registered proprietor	:	Spring Art
Land area based on titles	:	2.686 acres (117,002 sq ft)
Tenure / land use	:	Leasehold for 60 years expiring on 16 September 2059 with a remaining leasehold period of approximately 41 years / Industrial
Description, existing use and age of building	:	The property comprises 3 units of detached factory/office identified as Factory A1 and Factory A2, a pump house, a Tenaga Nasional Berhad substation and a guard house. Factory A1 Factory A1 is a single storey factory with a single storey integral office building. The age of Factory A1 is approximately 15 years old and the main floor area of approximately 36,980 sq ft and ancillary floor area of 4,320 sq ft. As at the LPD, it is used as furniture manufacturing factory. Factory A2 Factory A2 is an extended single storey factory with an annexed 3 storey office building. The age of Factory A2 is approximately 12 years old and it has total main floor area of 43,018 sq ft and total ancillary floor area of 10,856 sq ft. As at the LPD, it is used as furniture manufacturing factory and office building.
Net book value	:	RM8,819,473 as at 30 April 2019
Building compliance	:	(i) Approved building plans by the Muar Municipal Council, Reference Number MPM(PB)119/2000/C dated 21 November 2003; (ii) Approved building plans by the Muar Municipal Council, Reference Number (1A)MPM(PBT)2/06/SGR dated 25 September 2007; (iii) Certificate of Fitness for Occupation by the Muar Municipal Council, Certificate Number 2/04/SGR bearing File Reference Number MPM(PB) 119/2000/C dated 12 April 2004; and

6. INFORMATION ON OUR GROUP (Cont'd)

	(iv) Certificate of Practical Completion by Perunding Kejuruteraan Mahir dated 8 October 2007.
Encumbrances	: Charged to Hong Leong Bank Berhad

(ii) Land 2, Factory B

Particulars of title	: PTD 2626, Mukim of Sungai Raya, District of Muar, Johor Darul Takzim held under Title No. HSM 1587
Registered proprietor	: Spring Art
Land area based on titles	: 2.8156 acres (122,646 sq ft)
Tenure / land use	: Freehold / Industrial
Description, existing use and age of building	: The property comprises a single storey detached factory identified as Factory B and a guard house. Factory B Factory B is an extended single storey detached factory. The age of Factory B is approximately 5 years old and the main floor area of approximately 85,017 sq ft and ancillary floor area of 25,909 sq ft. As at the LPD, it is used as furniture manufacturing factory.
Net book value	: RM11,849,123 as at 30 April 2019
Building compliance	: (i) Approved building plans by the Muar Municipal Council, Reference Number MPM(PB)4/2010/SGR dated 16 March 2014; (ii) Approved building plans by the Muar Municipal Council, Reference Number MPM(PBT)3/2018/SGR dated 3 April 2018; (iii) Certificate of Completion and Compliance by Ir Tee Swee Hock, Certificate No. LJM/J/0914 dated 12 November 2014; and (iv) Certificate of Practical Completion by Ir Tee Swee Hock dated 30 April 2018.
Encumbrances	: Charged to HSBC Amanah Malaysia Berhad and HSBC Bank Malaysia Berhad

6. INFORMATION ON OUR GROUP (Cont'd)**(iii) Land 3**

Particulars of title	:	Lot 343, Mukim of Sungai Raya, District of Muar, Johor Darul Takzim held under Title No. GM 231
Registered proprietor	:	Spring Art
Land area based on titles	:	5 acres (217,800 sq ft)
Tenure / land use	:	Freehold / Agriculture ⁽¹⁾
Description and intended use	:	A parcel of land planted with mature oil palm. This land is intended for the construction of Factory C.
Net book value	:	RM5,018,119 as at 30 April 2019
Building compliance	:	Not applicable
Encumbrances	:	Charged to AmBank Islamic Bank Berhad

Note:

⁽¹⁾ The express condition set out in the issue document of title states that the land shall be used for cultivation of oil palm. We had on 17 January 2018 submitted an application to convert the land use of Land 3 to industrial.

(iv) Investment Land

Particulars of title	:	Lot 1850, Mukim of Sungai Raya, District of Muar, Johor Darul Takzim held under Title No. GM 1527
Registered proprietor	:	Spring Art
Land area based on titles	:	2.5375 acres (110,534 sq ft)
Tenure / land use	:	Freehold / Agriculture ⁽¹⁾
Description and intended use	:	A parcel of land planted with mature oil palm. The land is held for investment purposes. ⁽²⁾
Net book value	:	RM2,000,000 as at 30 April 2019
Building compliance	:	Not applicable
Encumbrances	:	Not applicable

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

- (1) The express condition set out in the issue document of title states that the land shall be used for cultivation of rubber whereas the land is currently planted with mature oil palm and as such is not in compliance with the land use condition. Additional information on risks associated with this non-compliance is set out in Section 8.1.5(ii).
- (2) Currently, the Investment Land does not have any access road. However, the Investment Land may be accessed via the Hostel Land. Kejora Bitara Sdn Bhd had vide its letter dated 25 January 2019 irrevocably and unconditionally granted the following to Spring Art:
- (i) an easement to Spring Art to access the Investment Land via the Hostel Land in perpetuity at no costs; and
- (ii) the first right of refusal for Spring Art to acquire the Hostel Land at the prevailing market value as determined by an independent valuer. In the event Spring Art does not exercise the first right of refusal, the Hostel Land shall only be sold on the condition that the purchaser agrees to grant a perpetual easement to Spring Art to access the Investment Land via the Hostel Land at no cost.

Save for the Investment Land, none of the above properties has breached any land use condition or permissible land use.

6.17.2 Properties rented by our Group

Details of properties rented by us as at the LPD are set out below:

No.	Description	Owner / Tenant	Existing Use	Built-up area	Period of tenancy / Rental per annum
1.	24 units of 2-bedroom hostel located at Block A1, Lot 1647, Jalan Parit Karang, Kesang Laut, 84000 Muar, Johor	Teh Ah Kow and Ku Swi Chu / Spring Art	Workers' hostel	13,356.06 sq ft	1 April 2019 to 31 March 2020 / RM80,640
2.	2 units of 2-bedroom hostel at Block A2, Lot 1647, Jalan Parit Karang, Kesang Laut, 84000 Muar, Johor	Teh Ah Kow and Ku Swi Chu / Spring Art	Workers' hostel	1,113.00 sq ft	1 April 2019 to 31 March 2020 / RM6,720

The properties rented by our Group are not in breach of any land use or regulatory requirements.

6. INFORMATION ON OUR GROUP (Cont'd)

6.18 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

Save as disclosed in Section 6.15, there are no other regulatory requirements and/or major environmental issues which may materially affect our operations and utilisation of our property, plant and equipment.

6.19 BUSINESS STRATEGIES AND PROSPECTS

6.19.1 We intend to set up a new manufacturing factory to expand our current manufacturing capacity

On 6 February 2018, we completed a sale and purchase agreement for the acquisition of a parcel of land, namely Land 3 which is located in close proximity to our existing factories. We intend to set up a new manufacturing factory to increase our manufacturing capacity.

We plan to construct the new factory, namely Factory C, with a total estimated factory built-up area of approximately 103,926 sq ft to undertake the manufacturing of office furniture, bedroom furniture, living room furniture and other furniture for export to North America and Europe and for our existing customers. Factory C shall also include 2-storey office and a 2-storey hostel.

The construction cost of Factory C is estimated at RM7.0 million of which RM5.8 million shall be funded via bank borrowings and the remaining RM1.2 million shall be funded via internally generated funds. We have received an indicative loan offer letter from AmBank Islamic Berhad for RM5.8 million.

The detailed breakdown of our allocation for the construction of Factory C is as follows:

Description	Built-up area sq ft	Total estimated cost RM'000
Civil works:		
(i) Single-storey factory	103,926	3,741
(ii) 2-storey office	4,801	264
(iii) 2-storey hostel	8,331	458
Infrastructural works		700
Mechanical and electrical works		1,300
Other expenses ⁽¹⁾		500
		6,963

Note:

⁽¹⁾ Other expenses comprise payments to the authorities (including land conversion premium of RM200,000), legal fees and construction project management consulting fees.

6. INFORMATION ON OUR GROUP (Cont'd)

The approvals required to be obtained from the authorities for the construction of Factory C are as follows:

- (a) The conversion of the land use of Land 3 from agriculture to industrial from Pejabat Pengarah Tanah Dan Galian Johor. The application was submitted on 17 January 2018;
- (b) The planning permit was obtained from the Majlis Perbandaran Muar on 8 August 2019; and
- (c) The approval for our building plan to be obtained from Majlis Perbandaran Muar. Our appointed consultant is in the midst of preparing the building plan submission. We target to submit the application in December 2019.

We target to receive the conversion of the land use and approval for building plan in July 2020 and thereafter commence the construction of Factory C. We target to commence operations in this new manufacturing factory in July 2022.

Further, we have allocated RM17.6 million from the proceeds of the IPO to acquire new machinery to set up 2 additional production lines in Factory C. We intend to acquire the following machinery to set up Factory C:

	Units	Total estimated cost RM'000
CNC panel saw machines	2	2,164
Edge banding machines	6	6,998
CNC woodworking machines ⁽¹⁾	9	8,388
		17,550

Note:

- (1) CNC woodworking machines to be purchased have the capability to automatically load and unload boards.

As at the LPD, our total annual production capacity is 337,016 units. Factory C is expected to increase our annual capacity to reach a combined manufacturing capacity of approximately 674,000 units per annum.

The indicative timeline for the setting up of Factory C is targeted to be as follows:

Timeframe	Details
T	<ol style="list-style-type: none"> (i) Conversion of land use of Land 3 and receipt of approved building plan (ii) Commence the construction of Factory C (iii) Commence procurement of equipment and machinery
T + 12 months	(i) Completion of factory construction
T + 14 months	(i) To obtain approval from the state government
T + 15 months	(ii) To obtain approval from MITI/MIDA for manufacturing licence

6. INFORMATION ON OUR GROUP (Cont'd)

Timeframe	Details
T + 22 months	(i) To obtain approval from Department of Occupational Safety and Health (ii) To obtain approval from Department of Environment
T + 23 months	(i) To obtain CCC for the factory (ii) Installation of equipment and machinery
T + 24 months	(i) Commissioning of factory

6.19.2 We aim to further increase the sales of our furniture products to the North America and European markets

Our Group has been focusing on export markets since 1998. Over the past FYEs/FPE, we exported our furniture products to 35 countries. Given our track record in penetrating these foreign markets, we will continue to focus on export markets to grow our business.

We plan to further increase the sales of our furniture products to North America and Europe. Our revenue contribution from the North America and European markets for the past FYEs/FPE are as shown below:

Regions	Audited							
	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
North America	2,760	7.6	1,658	4.0	2,816	5.8	2,408	4.8
European countries	578	1.6	651	1.6	310	0.6	401	0.8
Others	33,087	90.8	38,978	94.4	45,150	93.6	47,573	94.4
	36,425	100.0	41,287	100.0	48,276	100.0	50,382	100.0
Regions	Unaudited				Audited			
	FPE 2018		FPE 2019		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
North America	740	4.7	392	2.1				
European countries	311	2.0	-	-				
Others	14,575	93.3	17,905	97.9				
	15,626	100.0	18,297	100.0				

We aim to further increase our presence in the North America and European markets. To achieve this, we intend to attend trade fairs in North America and Europe to increase the awareness of our products and to better understand the current market trends and developments in these regions.

6. INFORMATION ON OUR GROUP (Cont'd)

USA's furniture consumption in 2018 stood at USD90.9 billion, making USA the largest consumer in North America. Canada was the 2nd largest furniture consumer in the region in 2018, with consumption at USD11.5 billion in 2018.

Furniture consumption in Europe was largely driven by the top furniture consuming nations in the region, namely Germany, United Kingdom, and France. Germany was the largest consumer of furniture in Europe, with USD24.1 billion in furniture consumption in 2018. The United Kingdom was the second largest furniture consumer in the region with USD14.6 billion, followed by France with USD13.8 billion.

Source: Providence

6.19.3 We aim to expand our product range

We recognise that innovation and continuous improvement are pivotal to remain competitive in the furniture business. Thus, we aim to expand our product range by releasing 4 new collections annually, with a focus on living room furniture and bedroom furniture every year, to appeal to changing consumer preferences.

With our design and development capabilities, we believe that our variety of choice in product range will contribute to increased sales for our Group.

6.20 EMPLOYEES

As at the LPD, we have a total workforce of 284 employees, of which 31 are permanent employees and 253 are contractual workers, which are all based in our existing factories in Muar, Johor. The following depicts the breakdown of our employees in our Group as at the LPD:

Department/Division	Number of employees
Executive Directors / Key senior management	7
Accounts	4
Administration	4
Maintenance	3
Marketing	3
Production	252
Purchasing	4
Store	2
Design, development and quality control	5
TOTAL	284

As at the LPD, local employees accounted for approximately 10.9% of total workforce while the remaining 89.1% were foreign workers.

As at the LPD, we have 253 foreign workers, and all our foreign workers have valid working permits. Our Group's foreign workers have been individually issued with temporary employment visit passes (Pas Lawatan Kerja Sementara, "PLKS") with a condition stated

6. INFORMATION ON OUR GROUP (Cont'd)

therein that the holder of the pass must not remain in West Malaysia longer than the period stipulated therein. Such period usually does not exceed 1 year.

Each PLKS issued is in the form of a sticker and stuck onto the respective foreign workers' passports. Our Group constantly monitors the validity period of the PLKS to ensure that our foreign workers' permit is valid. It is also stated in the PLKS that such workers are employed as factory workers with our Group.

None of our employees belong to any labour union. During the past FYEs 2015 to 2018, FPE 2019 and up to the LPD, there is no industrial dispute pertaining to our employees.

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6. INFORMATION ON OUR GROUP (Cont'd)**6.21 MAJOR CUSTOMERS**

Our top 5 major customers for each of the past 4 FYEs 2015 to 2018 and FPE 2019 are as follows:

FYE 2015

No	Customers	Country of export/ Region	Business activities	Category of products sold*	Revenue contribution in FYE 2015		Length of relationship as at the LPD Years
					RM'000	%	
1	Nitori Co Ltd	Japan / Asia Pacific	Furniture and home furnishing chain store operator	(a) and (c)	6,999	19.2	20
2	RNA Resources Group Ltd	UAE and Saudi Arabia / Middle East	Home furnishing chain store operator	(b) and (c)	5,679	15.6	7
3	Godrej & Boyce Mfg Co	India / Asia Pacific	Retail chain operator	(a) and (c)	3,215	8.8	19
4	House Full International Ltd	India / Asia Pacific	Home furnishing e-commerce platform operator	(b) and (c)	3,129	8.6	10
5	Landamarh Arabia	Saudi Arabia / Middle East	Retail chain operator	(b) and (c)	2,226	6.1	6
					21,248	58.3	

FYE 2016

No	Customers	Country of export/ Region	Business activities	Category of products sold*	Revenue contribution in FYE 2016		Length of relationship as at the LPD Years
					RM'000	%	
1	RNA Resources Group Ltd	UAE and Saudi Arabia / Middle East	Home furnishing chain store operator	(b) and (c)	15,240	36.9	7
2	Nitori Co Ltd	Japan / Asia Pacific	Furniture and home furnishing chain store operator	(a) and (c)	5,681	13.8	20
3	Future Retail Limited	India / Asia Pacific	Retail stores operator	(b) and (c)	3,828	9.3	14
4	Godrej & Boyce Mfg Co	India / Asia Pacific	Retail chain operator	(a) and (c)	3,277	7.9	19
5	Al Rashid Group	Bahrain / Middle East	Retail stores operator	(b) and (c)	2,580	6.3	7
					30,606	74.2	

6. INFORMATION ON OUR GROUP (Cont'd)**FYE 2017**

No	Customers	Country of export/ Region	Business activities	Category of products sold*	Revenue contribution in FYE 2017		Length of relationship as at the LPD Years
					RM'000	%	
1	RNA Resources Group Ltd	UAE and Saudi Arabia / Middle East	Home furnishing chain store operator	(b) and (c)	20,104	41.6	7
2	Future Retail Limited	India / Asia Pacific	Retail stores operator	(b) and (c)	8,469	17.5	14
3	Nitori Co Ltd	Japan / Asia Pacific	Furniture and home furnishing chain store operator	(a) and (c)	4,211	8.7	20
4	Al Rashid Group	Bahrain / Middle East	Retail stores operator	(b) and (c)	3,071	6.4	7
5	Godrej & Boyce Mfg Co	India / Asia Pacific	Retail chain operator	(a) and (c)	2,059	4.3	19
					37,914	78.5	

FYE 2018

No	Customers	Country of export/ Region	Business activities	Category of products sold*	Revenue contribution in FYE 2018		Length of relationship as at the LPD Years
					RM'000	%	
1	RNA Resources Group Ltd	UAE and Saudi Arabia / Middle East	Home furnishing chain store operator	(b) and (c)	21,236	42.1	7
2	Praxis Home Retail Limited	India / Asia Pacific	Furniture and home furnishing chain store operator	(b) and (c)	3,997	7.9	2
3	Al Rashid Group	Bahrain / Middle East	Retail stores operator	(b) and (c)	3,859	7.7	7
4	Future Retail Limited	India / Asia Pacific	Retail stores operator	(b) and (c)	3,842	7.6	14
5	Godrej & Boyce Mfg Co	India / Asia Pacific	Retail chain operator	(a) and (c)	3,254	6.5	19
					36,188	71.8	

6. INFORMATION ON OUR GROUP (Cont'd)**FPE 2019**

No	Customers	Country of export/ Region	Business activities	Category of products sold*	Revenue contribution in FPE 2019		Length of relationship as at the LPD Years
					RM'000	%	
1	RNA Resources Group Ltd	UAE and Saudi Arabia / Middle East	Home furnishing chain store operator	(b) and (c)	11,646	63.7	7
2	Praxis Home Retail Limited	India / Asia Pacific	Furniture and home furnishing chain store operator	(b) and (c)	2,089	11.4	2
3	Nitori Co Ltd	Japan / Asia Pacific	Furniture and home furnishing chain store operator	(a) and (c)	982	5.4	20
4	Godrej & Boyce Mfg Co	India / Asia Pacific	Retail chain operator	(a) and (c)	932	5.1	19
5	Seamless Venture	India / Asia Pacific	Furniture retailer	(a), (b) and (c)	866	4.7	1
					16,515	90.3	

Note:

* Categories of products sold:

- (a) Office furniture
- (b) Bedroom furniture
- (c) Living room furniture

For the past 4 FYEs 2015 to 2018 and FPE 2019, our top 5 customers of each FYEs/FPE contributed the majority of our revenue, representing 58.3% to 90.3% of our total sales. Although the majority of our revenue is contributed by our major customers, we have a total of 31 customers for FYE 2018.

Our Group has direct business relationship with all our major customers. All sales orders from our major customers, and ultimately payments for orders from our major customers, are made directly to our Group. We do not have any long-term agreements or arrangements with any of our major customers and our furniture products are manufactured based on purchase orders. While we are not dependent on any single customer, we may be materially and adversely affected if we were to lose one of more of our major customers without securing new customers in a timely manner to replace the loss of business, or if we were to encounter difficulties in collecting payment from these major customers.

In addition, we have established long term relationships with some of our major customers. For FPE 2019, 3 of our top 5 customers have been buying from us for the past 7 years. We have good business relationships with our major customers and we have not encountered any major problems in our past dealings with them.

6. INFORMATION ON OUR GROUP (Cont'd)

If we cease to secure sales from any one of our major customers, we believe we will be able to secure additional sales from other customers to compensate from the loss of sales. We have a diversified customer base comprising distributors, furniture showroom retailers, home furnishing chain stores and e-commerce companies from 35 countries.

For the past 4 FYEs 2015 to 2018 and FPE 2019, our utilisation rate is between 91.8% to 94.9% and as such, we were not able to increase our customer base due to our limited annual production capacity. For FPE 2019, our sales to RNA Resources Group Ltd increased to 63.7% of our total sales as RNA Resources Group Ltd had increased the number of its retail stores from 22 to 26 during 2018 with the opening of 3 new stores in Saudi Arabia and 1 new store in UAE. In addition, we are able to achieve higher GP margins by selling large quantities of the same product to RNA Resources Group Ltd. In order to increase our annual production capacity, we intend to construct the new factory, namely Factory C which will increase our total annual production capacity from 337,016 units to 674,000 units. With the additional production capacity, we will be able to increase our exports to North America and Europe as well as to our existing customers and hence, increasing our customer base. We plan to increase our presence in the North America and Europe by attending trade fairs in North America and Europe to increase the awareness of our products.

Based on the above, the contribution of the existing top 5 customers for future FYEs is expected to reduce.

6.22 MAJOR SUPPLIERS

Our top 5 major suppliers for each of the 4 FYEs 2015 to 2018 and FPE 2019 are as follows:

FYE 2015

No	Suppliers	Country of origin	Products sourced	Value of purchases in FYE 2015		Length of relationship as at the LPD
				RM'000	%	
1	Imax Resources Sdn Bhd	Malaysia	Particle and MDF boards	7,622	37.4	16
2	Jawah Trading Company Sdn Bhd	Malaysia	Particle and MDF boards	2,705	13.3	6
3	Jacksing Deco-Board Sdn Bhd	Malaysia	Board laminating service	1,961	9.6	15
4	SJ Polyplas Marketing Sdn Bhd	Malaysia	Metal components	1,018	5.0	19
5	Naga Kirana Packaging Sdn Bhd	Malaysia	Packaging materials	831	4.0	23
				14,137	69.3	

6. INFORMATION ON OUR GROUP (Cont'd)**FYE 2016**

No	Suppliers	Country of origin	Products sourced	Value of purchases in FYE 2016		Length of relationship as at the LPD	
				RM'000	%	Years	Years
1	Mieco Manufacturing Sdn Bhd	Malaysia	Particle boards	6,341	30.0	4	4
2	Jacksing Deco-Board Sdn Bhd	Malaysia	Board laminating service	2,451	11.6	15	15
3	Hua Joo Success Industry Sdn Bhd	Malaysia	Laminated, particle and MDF boards	1,994	9.4	7	7
4	Green River Panels (Thailand) Co Ltd	Thailand	Particle boards	1,366	6.4	4	4
5	Tyonn Industries Sdn Bhd	Malaysia	Packaging materials	958	4.5	19	19
				13,110	61.9		

FYE 2017

No	Suppliers	Country of origin	Products sourced	Value of purchases in FYE 2017		Length of relationship as at the LPD	
				RM'000	%	Years	Years
1	Mieco Manufacturing Sdn Bhd	Malaysia	Particle boards	6,312	23.8	4	4
2	Green River Panels (Thailand) Co Ltd	Thailand	Particle boards	5,972	22.5	4	4
3	Jacksing Deco-Board Sdn Bhd	Malaysia	Board laminating service	3,059	11.5	15	15
4	Naga Kirana Packaging Sdn Bhd	Malaysia	Packaging materials	1,298	4.9	23	23
5	Tyonn Industries Sdn Bhd	Malaysia	Packaging materials	1,049	3.9	19	19
				17,690	66.6		

FYE 2018

No	Suppliers	Country of origin	Products sourced	Value of purchases in FYE 2018		Length of relationship as at the LPD	
				RM'000	%	Years	Years
1	Green River Panels (Thailand) Co Ltd	Thailand	Particle boards	6,611	24.2	4	4
2	Mieco Manufacturing Sdn Bhd	Malaysia	Particle boards	4,753	17.4	4	4
3	Jacksing Deco-Board Sdn Bhd	Malaysia	Board laminating service	3,559	13.1	15	15
4	Naga Kirana Packaging Sdn Bhd	Malaysia	Packaging materials	1,538	5.7	23	23
5	SJ Global Marketing Sdn Bhd	Malaysia	Metal components	1,398	5.1	12	12
				17,859	65.5		

6. INFORMATION ON OUR GROUP (Cont'd)**FPE 2019**

No	Suppliers	Country of origin	Products sourced	Value of purchases in FPE 2019		Length of relationship as at the LPD	
				RM'000	%	Years	Years
1	Green River Panels (Thailand) Co Ltd	Thailand	Particle boards	3,262	28.3	4	4
2	Jacksing Deco-Board Sdn Bhd	Malaysia	Board laminating service	1,353	11.8	15	15
3	Mieco Manufacturing Sdn Bhd	Malaysia	Particle boards	1,099	9.5	4	4
4	Naga Kirana Packaging Sdn Bhd	Malaysia	Packaging materials	599	5.2	23	23
5	Tyonn Industries Sdn Bhd	Malaysia	Packaging materials	426	3.7	19	19
				6,739	58.5		

Our raw materials are sourced from local and overseas manufacturers, selected based on the availability of raw material, the pricing and lead time for delivery. Our main raw materials include MDF, particle boards, screws, nuts, mounting brackets, corrugated cartons and packing tapes. We do not have any long-term agreements or arrangements with any of our major suppliers. During the financial years/period under review, we have not faced any material supply disruptions or delays by our major suppliers.

We are not dependent on any single major supplier. Materials such as boards and metal components are readily available from various local and foreign suppliers and there is no major difference in its selling price. If we were to purchase boards and metal components from another supplier, our profitability will not be materially affected.

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7. INDEPENDENT MARKET RESEARCH REPORT



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25 SEP 2019

The Board of Directors
SPRING ART HOLDINGS BERHAD
Lot Plo 49 Jalan Rami 4
Kawasan Perindustrian Bukit Pasir
84600 Bukit Pasir
Muar, Johor Darul Takzim
Malaysia.

Dear Sirs,

Independent Market Research Report on the Outlook of Malaysia's Furniture Industry and the Global Furniture Market in conjunction with the Listing of SPRING ART HOLDINGS BERHAD on the ACE Market of Bursa Malaysia Securities Berhad

PROVIDENCE STRATEGIC PARTNERS SDN BHD ("PROVIDENCE") has prepared this independent market research report on the Outlook of Malaysia's Furniture Industry and the Global Furniture Market for inclusion in the Prospectus of SPRING ART HOLDINGS BERHAD.

PROVIDENCE has taken prudent measures to ensure reporting accuracy and completeness by adopting an independent and objective view of these industries within the confines of secondary statistics, primary research and evolving industry dynamics.

For and on behalf of PROVIDENCE:



ELIZABETH DHOSS
EXECUTIVE DIRECTOR

About PROVIDENCE STRATEGIC PARTNERS SDN BHD:

PROVIDENCE is an independent research and consulting firm based in Petaling Jaya, Selangor, Malaysia. Since our inception in 2017, PROVIDENCE has been involved in the preparation of independent market research reports for capital market exercises. Our reports aim to provide an independent assessment of industry dynamics, encompassing aspects such as industry performance, demand and supply conditions, competitive landscape and government regulations.

About ELIZABETH DHOSS:

Elizabeth Dhoss is the Executive Director of PROVIDENCE. She has more than 10 years of experience in market research for capital market exercises. Elizabeth Dhoss holds a Bachelor of Business Administration from the University of Malaya, Malaysia.

7. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



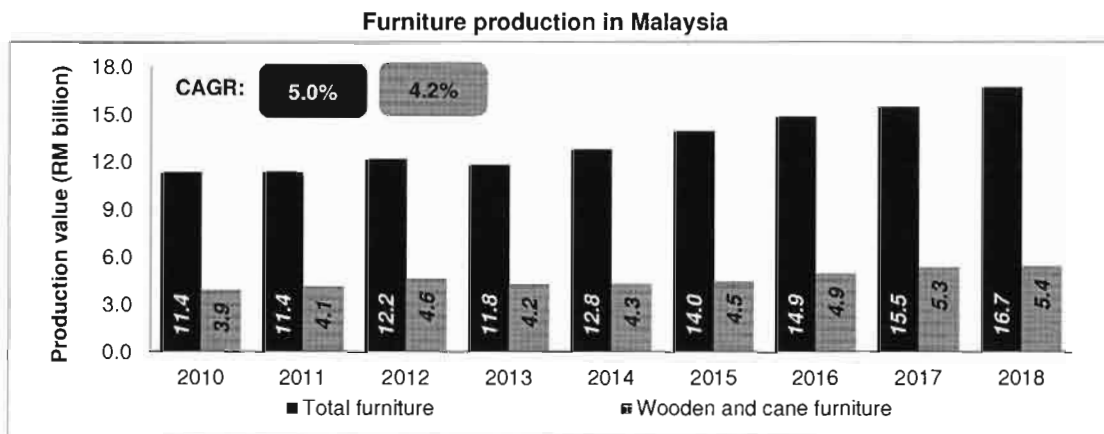
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1 FURNITURE INDUSTRY IN MALAYSIA

1.1 INDUSTRY SIZE AND GROWTH POTENTIAL

Malaysia's furniture industry, based on the furniture industry gross domestic product ("GDP"), grew from RM2.6 billion in 2010 to RM4.8 billion in 2018 at a compound annual growth rate ("CAGR") of 8.0%. Over the same period, the furniture industry consistently contributed to 0.3% to 0.4% of the country's GDP. Malaysia manufactures several types of furniture products, including but not limited to, wooden and cane furniture as well as metal furniture. However, in terms of value of the gross output of the furniture industry, the manufacture of wooden and cane furniture is the largest segment. This is due to the abundance of tropical wood found in Malaysia, where approximately 80.0% of furniture exports are manufactured from rubberwood.¹ Between 2010 and 2018, the production of furniture in Malaysia grew from RM11.4 billion to RM16.7 billion at a CAGR of 5.0%. Over the same period, the production of wooden and cane furniture, as indicated by the manufacturing sales value of wooden and cane furniture, grew from RM3.9 billion to RM5.4 billion at a CAGR of 4.2%.

Malaysia's furniture manufacturers are primarily located in the states of Johor and Selangor,² with the Muar district considered to be the country's major production base, producing about two-thirds of Malaysia's furniture exports.³ Muar's proximity to rubberwood resources (such as the districts of Segamat and Batu Pahat, and the states of Melaka and Negeri Sembilan), as well as its proximity to the Johor Port and Singapore has contributed to the growth and expansion of the furniture industry in the district.



Source: Centre for Industrial Studies ("CSIL"), Department of Statistics Malaysia, PROVIDENCE analysis

Between 2010 and 2018, Malaysia's furniture exports increased from RM8.0 billion to RM9.8 billion at a CAGR of 2.7%. Malaysia's furniture imports also witnessed growth over the same period, increasing from RM1.3 billion to RM2.8 billion at a CAGR of 9.9%. Despite the higher growth rate in Malaysia's furniture imports, Malaysia is still a net exporter of furniture. Further, a significant volume of Malaysia's locally manufactured furniture is exported. Furniture exports constituted between 62.0% and 70.5% of manufactured furniture between 2010 and 2017. In 2018, Malaysia was ranked the 11th largest furniture exporter globally. Malaysia's home and office furniture exports accounted for approximately 44.4% of total furniture exports in 2018. Between 2010 and 2018, Malaysia's home and office furniture exports increased from RM2.8 billion to RM4.4 billion at a CAGR of 5.5%.

Laws and regulations imposed by other countries may also have an effect on Malaysia's furniture exports. In July 2018, the United States of America ("USA") begin imposing tariffs on the People's Republic of China ("China") for the latter's alleged unfair trade practices, thus sparking the ongoing USA-China trade war. As a result of the imposed tariffs by the USA, China has also imposed its own tariffs on the USA. With the USA-China trade war dispute being in motion, export-oriented furniture manufacturers have the potential to benefit from the 10% tariff imposed by the USA on more than 5,000 new Chinese imports worth USD200.0 billion, which includes furniture. While it is unclear how long the USA-China trade war is going to last, and the extent of its implications, the trade war may result in increased demand for Malaysian

¹ Malaysian Investment Development Authority ("MIDA")

² MIDA

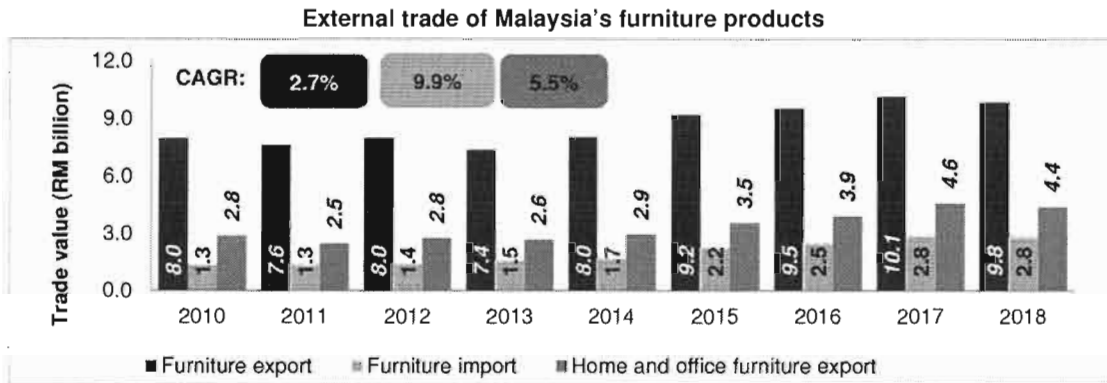
³ Furniture manufacturers target RM12b exports by 2020, 4 August 2017, The Malaysian Reserve

7. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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furniture as furniture manufactured in China becomes more expensive, and thus less competitive due to the tariffs, which may then have an adverse impact on imports of furniture from China.



Source: United Nations Commodity Trade Statistics Database, Department of Statistics Malaysia, PROVIDENCE

The Malaysia External Trade Development Corporation (“**MATRADE**”) estimates that the furniture industry in Malaysia is expected to generate RM12.0 billion in revenue by 2020, and continue contributing to the nation’s exports earning. While the Sales and Service Tax (“**SST**”) was re-introduced in Malaysia on 1 September 2018, this is not expected to affect the country’s furniture exports as SST is not imposed on export items.

1.2 DEMAND CONDITIONS: KEY GROWTH DRIVERS

Rising demand for Malaysian furniture products globally will boost the furniture industry in Malaysia

Global consumption of furniture increased from USD340.2 billion in 2010 to USD453.0 billion in 2018 at a CAGR of 2.9%. Demand for furniture is expected to further grow on the back of a global growth in population, urbanisation, disposable incomes, and real estate. An increase in furniture demand globally signifies growth opportunities for the furniture industry in Malaysia, as consumers may opt to purchase imported furniture due to factors such as product pricing, design and quality. In line with the increasing furniture demand globally, demand for Malaysian furniture products has also increased globally, as depicted by Malaysia’s growth in furniture exports. Between 2010 and 2018, Malaysia’s furniture exports increased from RM8.0 billion to RM9.8 billion at a CAGR of 2.7%. Malaysia primarily exported its furniture to the USA in 2018, where Malaysia’s furniture exports to the USA formed approximately 35.4% (RM3.5 billion) of Malaysia’s total furniture exports in that year. This was followed by Singapore (8.1%, RM797.5 million), Japan (7.6%, RM742.8 million), Australia (6.5%, RM641.5 million), and the United Kingdom (4.5%, RM443.9 million). The rising demand for Malaysian furniture products globally will continue to boost the furniture industry in Malaysia.

Implementation of plans, policies and initiatives will help propel the furniture industry in Malaysia

Several plans, policies and initiatives have been implemented by the Government and / or various trade bodies to help propel the furniture industry in Malaysia. These initiatives may boost the country’s furniture industry in terms of labour supply as well as global recognition. Initiatives specific to the furniture industry’s labour supply include:

- **Furniture Technology Certification Course**

A free course launched by the Malaysian Furniture Council (“**MFC**”) in collaboration with VTAR Institute which aims to produce skilled manpower for the furniture industry. The Furniture Technology Certification Course provides graduates with employment opportunities in the furniture industry, where potential roles include furniture production technician, production supervisor, and quality control / quality analysis roles.

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▪ Wood Industry Skills Development Centre ("WISDEC")

Under the Sixth Malaysia Plan (1991 – 1995), the Government established WISDEC as a centre to hold programmes and courses to train skilled workers in the wood-based industry. Furniture-related courses offered at WISDEC include 'Wood-based Industry Apprentice Scheme', Certificate in Furniture Design and Making', 'Basic Furniture Making', 'Furniture Making (Build-in Furniture)', 'Furniture Quality Control', 'Furniture Entrepreneur Business Coaching', and 'Furniture Making – Display Cabinet'.

There are also several furniture-related events and exhibitions held annually in Malaysia which serve as a platform for furniture industry players to showcase their products and to help boost the reputation of Malaysia's furniture industry as a manufacturer as well as designer. These events and exhibitions include:

• Export Furniture Exhibition ("EFE")

The EFE, which was first launched in 2005, is an annual furniture trade exhibition that is organised by the MFC. Beginning from 2018, the Malaysian Furniture Creativity Award will be awarded at the EFE. The Malaysian Furniture Creativity Award was initiated by the MFC to recognise product innovation and quality to encourage furniture designers to move towards original design manufacturers, thereby gaining recognition in terms of product design and branding.

• Professional Designers Programme ("PDP")

The PDP, which was launched by the Malaysian Timber Industry Board ("MTIB"), is aimed at showcasing furniture designs by Malaysian and international designers, where the prototypes are manufactured by selected Malaysian furniture factories. As such, the PDP helps boost the reputation of Malaysia as a manufacturer as well as a designer of furniture.

• Malaysian Furniture & Furnishings Fair

The Malaysian Furniture & Furnishings Fair which was first launched in 2008 and organised by the Kuala Lumpur and Selangor Furniture Industry Association, is a home furniture fair that enables furniture industry players in Malaysia to showcase their products and services to consumers, thus boosting the country's furniture industry.

• Malaysian International Furniture Fair

First launched in 1995, the Malaysian International Furniture Fair is an annual furniture fair that attracts local and international furniture exhibitors and buyers. The Malaysian International Furniture Fair helps to create business and networking opportunities for local and international furniture industry players.

Further, in 2016, the then Chief Minister of Johor, Datuk Seri Mohamed Khaled Nordin, launched the Roadmap for the Development of Johor's Wood Furniture Industry (2015 – 2020). The roadmap was developed by the MTIB in collaboration with the Johor State Government and Muar Furniture Association to ensure that the Johor furniture industry continues to play an active role in helping the Government achieve its target of increasing Malaysia's timber exports to RM53.0 billion (under the National Industry Timber Policy) by 2020. There are five strategic thrusts under the roadmap, namely, the relocation of the furniture industry, solution to the labour shortage in Johor's furniture industry, the development of entrepreneurs, branding and promotion for the furniture industry, and the supply of raw materials. The state of Johor is a key contributor to Malaysia's furniture exports, and thus, the Roadmap for the Development of Johor's Wood Furniture Industry (2015 – 2020) will help boost the country's furniture industry.

These initiatives, which are aimed at increasing the labour supply of Malaysia's furniture industry, providing branding and promotion as well as developing entrepreneurs in the industry, will help propel the furniture industry in Malaysia.

Malaysia's favourable foreign currency exchange rates will facilitate the growth of the country's furniture exports

In 2018, Malaysia's furniture exports stood at RM9.8 billion, with the USA being Malaysia's top export destination. Malaysia's furniture exports to the USA in 2018 was approximately 35.4% (RM3.5 billion) of total furniture exports. This was followed by Singapore (8.1%, RM797.5 million), Japan (7.6%, RM742.8 million), Australia (6.5%, RM641.5 million), and the United Kingdom (4.5%, RM443.9 million).

Malaysia's favourable foreign currency exchange rates will help boost the country's furniture exports as consumers from other countries are more inclined to purchase furniture from Malaysia due to the cheaper product prices. However, it is important to note that China has a lower exchange rate compared to Malaysia, and this has contributed to its position as the largest furniture exporter globally. Nevertheless, Malaysia is still a large furniture exporter, and was ranked the 11th largest furniture exporter globally in 2018. A

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significant portion of Malaysia's locally manufactured furniture is exported, where between 2010 and 2018, Malaysia exported between 58.0% and 70.5% of its locally manufactured furniture.

The implementation of free trade agreements in Malaysia will have a positive effect on the country's furniture exports

Free trade agreements ("FTA") are generally aimed at providing the means to achieve quicker and higher levels of liberalisation that would create effective market access between the participants of the FTA. To date, Malaysia has implemented seven FTAs and six regional FTAs. The seven bilateral FTAs are the Malaysia-Japan Economic Partnership Agreement, Malaysia-Pakistan Closer Economic Partnership Agreement, Malaysia-New Zealand Free Trade Agreement, Malaysia-India Comprehensive Economic Cooperation Agreement, Malaysia-Chile Free Trade Agreement, Malaysia-Australia Free Trade Agreement, and the Malaysia-Turkey Free Trade Agreement. The six regional FTAs that have been implemented are the ASEAN-China FTA, ASEAN-Korea FTA, ASEAN-Japan Comprehensive Economic Partnership, ASEAN-Australia-New Zealand FTA, ASEAN-India FTA, and the ASEAN Trade in Goods Agreement. Malaysia's total export value stood at RM998.0 billion in 2018, where FTA partner countries contributed to 61.7% (RM615.3 billion) of Malaysia's total exports.⁴

Malaysia is still continuing efforts to increase trade through the implementation of additional FTAs. Currently, Malaysia has two FTAs which have been signed but are pending ratification and entry into force. These two FTAs are the ASEAN-Hong Kong FTA which was signed on 12 November 2017 with a target entry into force in 2019, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP") that was signed on 8 March 2018. The CPTPP is a renegotiated trade deal that resulted from the USA pulling out of the Trans-Pacific Partnership Agreement. However, the Government is currently reviewing the CPTPP as it believes the terms need to be renegotiated so that smaller countries are given due consideration to compete against more developed nations.⁵

Further, Malaysia is also currently undertaking four FTA negotiations, namely the Regional Comprehensive Economic Partnership, Malaysia-Iran Preferential Trade Agreement, Malaysia-European Free Trade Area Economic Partnership Agreement, and the Malaysia-European Union FTA. These FTAs provide exporters in Malaysia with market access, cost savings from elimination or reduction of customs duties and from mutual recognition agreements, trade facilitating customs procedures and removal of onerous regulations. This will have a positive effect on Malaysia's furniture exports due to the increased trade facilitation.

1.3 INDUSTRY DYNAMICS

1.3.1 Supply conditions

The furniture industry is dependent on the availability of labour and raw materials used in the production of furniture. As a low technology, labour-intensive industry, it is important for furniture manufacturers to be able to attract and retain talent to ensure that the manufacturing of furniture is completed in a timely manner.

Between 2010 and 2018, the production of wooden and cane furniture in Malaysia, measured by manufacturing sales value, increased from RM3.9 billion to RM5.4 billion at a CAGR of 4.2%. Despite the growth in Malaysia's furniture industry, the number of employees in the country's furniture industry decreased by 1.8% from 33,305 employees in 2010 to 28,713 employees in 2018. This has resulted in labour shortage which has hampered the growth of the country's furniture industry.

According to the Roadmap for the Development of Johor's Wood Furniture Industry (2015 – 2020), the local workforce prefers to work in the retail and services sectors in Malaysia rather than the country's furniture industry. As such, Malaysia's furniture industry has a certain degree of dependency on foreign labour,⁶ and the freeze on the hiring of foreign workers imposed by the Government in February 2016 has further exacerbated the labour shortage faced by the industry.^{7, 8} However, the freeze was then lifted for the manufacturing, construction, plantation and furniture-making industries⁹ on the condition that the employers are required to prove that they were unable to find suitable candidates from the local population.¹⁰ To help

⁴ Ministry of International Trade and Industry ("MITI")

⁵ Malaysia still weighing pros and cons of trade pact, says Dr M, 27 September 2018, Free Malaysia Today

⁶ Malaysia labour shortage needs fixing, 11 September 2017, Furniture Today

⁷ Malaysia freezes recruitment of all foreign workers including those from Bangladesh, 19 February 2016, The Straits Times

⁸ Four sectors allowed to hire foreign workers, 12 May 2016, The Star

⁹ Four sectors allowed to hire foreign workers, 12 May 2016, The Star

¹⁰ Malaysia to partially lift ban on hiring foreigners, 10 May 2016, The Straits Times

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mitigate the labour shortage in Malaysia, the Government launched the Temporary Enforcement Card (“e-card”) for Foreign Workers Programme from 15 February 2017 to 30 June 2017. The e-card functions as a temporary confirmation of employment for illegal foreign workers, which replaces valid travel documents from their respective countries.

According to the MFC, the furniture industry in Malaysia is still short of foreign workers.¹¹ This labour shortage has not only resulted in longer lead time, but has also caused furniture manufacturers to be unable to expand their manufacturing facilities in a timely manner to meet growing furniture demand. While furniture manufacturers have moved towards adopting automation in their manufacturing process to reduce dependency on labour, automated production lines require high investments and do not completely eliminate the use of labour. Further, Malaysian furniture has the potential to fetch premium prices if the furniture is handmade.¹² As such, the furniture industry in Malaysia continues to be reliant on labour, thus making it crucial for furniture industry players to have sufficient labour supply.

In September 2018, the Government announced that a standardised minimum wage of RM1,050 a month, or RM5.05 an hour, which was implemented throughout the country from January 2019. The decision was based on recommendations from the National Wage Consultative Council following its review of the 2016 Minimum Wage Order. The Minimum Wage Order 2016 had provided for minimum wage rates of RM1,000 a month for Peninsular Malaysia and RM920 a month for Sabah, Sarawak and Labuan. This increase in minimum wages will result in higher operating costs for furniture industry players.

The availability of raw materials is also critical in the production of furniture. Manufacturers that are able to secure a steady and reliable supply of raw materials that meet the required quality standards in a cost effective and timely manner will be able to remain sustainable and competitive in the long term. Raw materials for furniture manufacturing include, but are not limited to, wood, plastic, and metal. As Malaysia primarily manufactures wooden and cane furniture, a large proportion of Malaysia’s furniture is made from rubberwood¹³, with the country’s furniture manufacturers requiring high volumes of rubberwood at competitive prices in order to meet furniture demand. However, local sawmillers typically export rubberwood due to the higher price of rubberwood in the export market.¹⁴ Between 2010 and 2017, Malaysia’s export value of rubberwood increased from RM66.6 million to RM310.9 million at a CAGR of 24.6%. The export of rubberwood to countries such as China, Japan, Vietnam, and the Republic of China, has resulted in a shortage of rubberwood locally. In order to ensure that there is an adequate supply of raw materials for the furniture industry in Malaysia, the Government imposed a ban of rubberwood exports in July 2017,¹⁵ and is also conducting research to look into alternative materials such as oil palm trees as a long-term solution.¹⁶

1.3.2 Product / service substitution and reliance and vulnerability to imports

There are no direct substitutes for furniture. In addition, as the furniture manufacturing industry in Malaysia is mainly for exports, it is therefore not vulnerable to foreign imports.

1.3.3 Relevant policies, laws and regulations

Relevant policies, laws and regulations pertaining to the furniture industry in Malaysia include the following:

- **Wood-Based Industries (State Legislatures Competency) Act 1984**

Under the Wood-Based Industries (State Legislatures Competency) Act 1984 which came into force upon the adoption of the National Forestry Act 1984, State Governments have the authority to pass laws with respect to the establishment and operation of wood-based industries. In Johor, according to the Johor Wood-Based Industries Enactment 1986, no person shall site, construct, erect, establish, operate or maintain a wood-based industry, except under and in accordance with a licence issued to him by the State Authority and signed by the State Director of Forestry.

- **Malaysian Timber Certification Scheme**

The Malaysian Timber Certification Scheme was developed by the Malaysian Timber Certification Council. It is a voluntary scheme that aims to fulfil the demand for certified timber products as well as to ensure the long-term sustainability of Malaysia’s forest resources. This is done by providing independent

¹¹ Furniture industry lacks 35,000 foreign workers, 14 operators forced to cease operation, says Cai Chun Cai, 11 April 2016, Malaysian Chinese News

¹² Muar furniture sector short of 10,000 workers, 17 August 2017, The Sun Daily

¹³ MIDA

¹⁴ Rubberwood export ban: RM12b target for furniture makers by 2020, 3 July 2017, New Straits Times

¹⁵ Govt steps in to address shortage of rubber wood, 29 June 2017, The Sun Daily

¹⁶ Oil palm trunks can be an alternative to rubberwood, 7 April 2017, The Malaysian Reserve

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assessment for forest management and chain of custody certification to ensure the sustainable management of Malaysia's Permanent Reserved Forests.

- **Industrial Co-ordination Act 1975**

The Industrial Co-ordination Act 1975 aims to provide for the co-ordination and orderly development of manufacturing activities in Malaysia. It requires manufacturing companies with shareholders' funds of RM2.5 million and above or companies with 75 full-time employees and above to apply for a manufacturing licence for approval by MITI. Applications for the manufacturing licence are submitted to MIDA, and subsequently approved and issued by MITI.

- **Employment Act 1955**

The Employment Act 1955 stipulates employee rights and welfare benefits which are to be complied by employers. The Ministry of Human Resource is responsible for monitoring and ensuring compliance. Under the Employment Act 1955, an employer is required to obtain a licence to import legal foreign workers under the contract of services, and ensure that their welfare and rights such as their wages, hours of work, rest days, and sick and annual leaves, are fulfilled.

- **Occupational Safety and Health Act 1994**

The Occupational Safety and Health Act 1994 aims to provide for employee health and safety while at work. As such, employers are required to ensure that work site facilities and systems are practicable, safe and without risks or hazard to employees' health and safety. In addition, employers are also required to provide employees with the training, knowledge, information and supervision, in providing a safe working environment without risks to their health, safety and welfare. The Department of Occupational Safety and Health is authorised to ensure that companies have taken proper steps to ensure a safe working environment for their employees.

- **Sales Tax Act 2018**

The Sales Tax Act 2018 provides for the charging, levying and collecting of sales tax. A sales tax is charged and levied on all taxable goods manufactured in Malaysia by a registered manufacturer and sold, used or disposed by him; or imported in Malaysia by any person.

- **Service Tax Act 2018**

The Service Tax Act 2018 provides for the charging, levying and collecting of service tax. A service tax is charged and levied on any taxable services provided in Malaysia by a registered person in carrying on his business. Under the Service Tax Act 2018, the Minister of Finance may prescribe any service to be a taxable service.

1.4 COMPETITIVE LANDSCAPE

The furniture industry in Malaysia is fragmented, and predominantly consists of small and medium enterprises.¹⁷ Spring Art Holdings Berhad is involved in the manufacturing of ready-to-assemble furniture products through its wholly-owned subsidiary, Spring Art Industries Sdn Bhd, which undertakes the design and development, manufacturing as well as marketing and sales of office furniture, bedroom furniture, living room furniture as well as other types of furniture. In 2018, Malaysia's home and office furniture exports stood at RM4.4 billion. In the same year, Spring Art Holdings Berhad recorded RM50.4 million in revenue for its furniture products. Based on Spring Art Holdings Berhad's revenue relative to Malaysia's home and office furniture exports, Spring Art Holdings Berhad registered a market share of 1.1% in 2018.

¹⁷ Technological innovations in Malaysia's wooden furniture industry: Knowledge and linkages, 2011, Ng Boon-Kwee and K. Thiruchelvam

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Financial performance of selected furniture manufacturers

The following sets out the latest available revenues of private and public listed furniture industry players that are involved in the manufacturing and export of home and / or office furniture, with segmental revenues for furniture between RM50.0 million and RM120.0 million. The private and public listed furniture industry players listed below are ranked based on Group revenue.

Industry player	Latest available financial year ended	Segmental revenue for furniture ^e (RM)	Group revenue (RM)	Profit before tax (RM)	Profit after tax (RM)	Gearing ratio (times)	Current ratio (times)	Return on asset (%)	Return on equity (%)
Sern Kou Resources Berhad ^a	30 June 2018	57,785,169	172,995,568	11,824,316	9,119,320	0.84	1.65	6.00	11.93
Seng Yip Furniture Sdn Bhd	31 July 2018		148,817,483	2,745,097	1,909,677	0.94	1.41	0.92	1.79
SWS Capital Berhad ^a	31 August 2018	52,286,788	130,666,305	647,237	-923,205	0.99	1.27	-0.49	-0.93
Technental Sdn Bhd ^b	31 December 2018		127,513,318	8,564,289	6,878,216	0.58	1.84	8.66	16.24
SHH Resources Holdings Berhad ^a	30 June 2018	119,082,113	119,082,113	-12,133,250	-10,340,315	0.38	2.70	-10.75	-13.85
Samling Housing Products Sdn Bhd	30 June 2018		97,824,671	7,984,427	6,037,040	0.34	4.36	8.90	11.94
Wegmans Holdings Berhad ^c	31 December 2018	94,984,839	94,984,839	11,605,237	12,476,952	0.94	1.65	10.22	17.10
Green River Wood & Lumber MFG Sdn Bhd	31 December 2018		93,093,324	29,062,097	23,610,821	0.63	1.77	1.13	1.45
AX Furniture Sdn Bhd ^d	30 April 2018		69,405,665	1,051,332	929,205	1.56	0.90	1.74	4.97
Eurospan Holdings Berhad ^a	31 May 2018	60,241,427	60,241,427	-1,676,079	-1,382,637	0.23	3.22	-2.40	-2.96
Value Plus Industries Sdn Bhd	31 December 2018		58,191,756	765,610	588,411	1.55	0.82	1.35	5.46
Spring Art Industries Sdn Bhd	31 December 2018	50,381,862	50,381,862	8,474,103	6,270,106	0.74	3.61	12.50	17.37

Notes:

^a Listed on the Main Market of Bursa Malaysia Securities Berhad

^b Subsidiary of Technental International Ltd, a company listed on Taipei Exchange

^c Listed on the ACE Market of Bursa Malaysia Securities Berhad

^d Audited financial statement for the financial year ended 30 April 2019 is not publicly available from the Companies Commission of Malaysia as at 17 September 2019

^e Save for Spring Art Industries Sdn Bhd, the segmental revenue for furniture is disclosed for public listed companies as the segmental revenues for private companies are not publicly available from the Companies Commission of Malaysia

Latest available as at 17 September 2019

Source: Various annual reports, MATRADE, Companies Commission of Malaysia, PROVIDENCE

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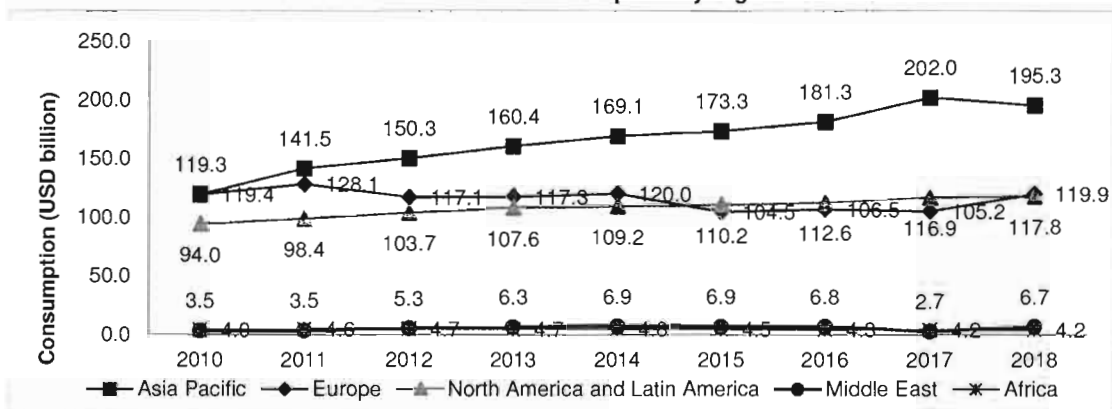
2 GLOBAL FURNITURE MARKET

2.1 INDUSTRY SIZE AND GROWTH POTENTIAL

Between 2010 and 2018, global exports of furniture decreased from USD111.5 billion to USD107.3 billion at a rate of 0.5%. While exports declined, the global import of furniture witnessed growth over the same period, increasing from USD113.0 billion to USD162.4 billion at a CAGR of 4.6%. In 2018, China was the largest furniture exporter, accounting for approximately 34.5% of furniture exports globally. While Germany was the 2nd largest furniture exporter globally at 7.6%, China has a significant lead on Germany and the other major furniture exporting countries. With regards to global furniture imports, the USA was the largest furniture importer in 2018, with the country's furniture imports comprising approximately 26.7% of global furniture imports. The USA's furniture import is significantly greater than that of Germany (9.6%), which was the 2nd largest furniture importer globally in 2018. Malaysia, a net exporter of furniture, was the 11th largest furniture exporter globally. The global furniture market is expected to further grow on the back of an increasing population, growing urbanisation, rising disposable incomes, and a growing real estate industry globally.

Global consumption of furniture increased from USD340.2 billion in 2010 to USD453.0 billion in 2018 at a CAGR of 2.9%. Globally, China was the largest consumer of furniture in 2018, recording USD130.1 billion in terms of furniture consumption, and comprising 28.7% of global furniture consumption. This was followed by the USA (USD90.9 billion, 20.1%) and Germany (USD24.1 billion, 5.3%). On a regional basis, the Asia Pacific region was the top consuming region in 2018, recording USD195.3 billion in consumption, and forming approximately 43.1% of global furniture consumption in the same year. Between 2010 and 2018, the regions of Middle East and Asia Pacific recorded furniture consumption growth rates that were higher than the global growth rate of 2.9%. The Middle East region witnessed the highest growth, with furniture consumption increasing from USD3.5 billion to USD6.7 billion at a rate of 8.6%. This was followed by Asia Pacific (6.3%), North America and Latin America (2.9%), Africa (0.6%) and Europe (0.1%).

Global furniture consumption by region



Source: CSIL, United Nations Commodity Trade Statistics Database, PROVIDENCE

Furniture consumption in Asia Pacific was primarily driven by China, which was the largest furniture consuming nation in the region in 2018. India was the 2nd largest furniture consumer in the region in 2018, with USD14.9 billion, followed by Japan with USD14.7 billion. The economic growth, increasing disposable income, population growth, and increased urbanisation rates recorded by the top furniture consuming nations in the Asia Pacific have contributed to the growth in furniture consumption in the region. Based on furniture import value, Malaysia was ranked the 14th largest furniture importer to China with USD53.2 million.

The USA's furniture consumption in 2018 stood at USD90.9 billion, and thus, the USA represented the largest consumer in the North America and Latin America region. Canada was the 2nd largest furniture consumer in the region in 2018 at USD11.5 billion, followed by Brazil at USD7.5 billion. Furniture consumption in the North America and Latin America region is primarily driven by the USA, whose furniture consumption comprised 75.8% of regional furniture consumption.

In 2018, the USA primarily imported furniture from China, Canada and Vietnam, while Canada primarily imported furniture from China, the USA and Mexico, and Brazil primarily imported furniture from China Mexico and Italy. Based on furniture import value, Malaysia was ranked the 6th largest furniture importer to

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the USA with USD0.9 billion in 2018, and the 8th largest furniture importer to Canada with USD87.8 million. The close ties between the USA and Malaysia on trade and investment issues as well as the favourable exchange rates have had a positive effect on the USA's import of furniture from Malaysia.

Furniture consumption in Europe was largely driven by the top furniture consuming nations in the region, namely Germany, the United Kingdom, and France. Germany was the largest consumer of furniture in Europe, with USD24.1 billion in furniture consumption in 2018. The United Kingdom was the 2nd largest furniture consumer in the region with USD14.6 billion, followed by France with USD13.8 billion. The economic growth, increasing disposable income, population growth, and increased urbanisation rates recorded by the top furniture consuming nations in Europe have contributed to the growth in furniture consumption in the Europe region. In 2018, Germany primarily imported furniture from Poland, China, and the Czech Republic, while France primarily imported furniture from China, Italy and Germany, and the United Kingdom primarily imported furniture from China, Italy and Poland. Based on furniture import value, Malaysia was ranked the 36th largest furniture importer to Germany with USD26.7 million, and the 28th largest furniture importer to France with USD17.5 million. In comparison, Malaysia was the 9th largest furniture importer (USD136.9 million) to the United Kingdom.

2.2 FURNITURE ELECTRONIC COMMERCE MARKET

Furniture can be purchased via offline sales channels such as traditional brick-and-mortar stores, or through online sales channels such as electronic commerce ("e-commerce") websites. E-commerce refers to the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the Internet. E-commerce transactions may take place between enterprises, households, individuals, governments, and other public or private organisations. The method of payment and delivery of the e-commerce goods or services may be done through a computer network / internet or traditionally through the exchange of payment at the point of delivery.

Retail businesses (e-commerce businesses and traditional retail stores) today, including furniture businesses, are increasingly adopting omni-channel retailing. Omni-channel retailing involves the convergence of e-commerce businesses and traditional retail stores (brick-and-mortar stores) as merchants aim to provide customers with a seamless experience whether shopping online via a desktop or mobile device or at a traditional retail store. This has resulted in e-commerce businesses opening brick-and-mortar extensions to establish a physical presence, while businesses with brick-and-mortar stores have started adopting electronic channels to market and sell their products. Businesses who have adopted this convergence of brick-and-mortar stores and online businesses to create a physical and digital presence are commonly referred to as bricks-and clicks.

Between 2012 and 2016, global furniture e-commerce sales registered an average annual growth rate of 15.0%. Furniture e-commerce sales in China and India were higher than the global average growth of 15.0%, recording average annual growth rates of 22.0% and 17.0% respectively over the same period.¹⁸ In 2016, global furniture e-commerce sales stood at USD28.6 billion, and accounted for 4.0% of global furniture sales. Global furniture e-commerce sales then increased to USD32.8 billion in 2017, and is expected to further grow to USD50.0 billion in 2020 at a CAGR of 15.1%. The furniture e-commerce industry is a growing industry due to the rapid growth in the number of Internet users and the corresponding rise in Internet usage as consumers are increasingly leveraging on the Internet to shop. This is evidenced by the growing number of individuals using the Internet worldwide, which increased from 34.3% in 2012 to 45.9% in 2016, before further increasing to 48.0% in 2017 and subsequently 51.2% in 2018. The increased accessibility and connectivity provided by the Internet is expected to continue having a positive effect on global furniture e-commerce sales, as consumers opt to shop online. The percentage of consumers which prefer to purchase furniture online rather than in-store increased from 27.0% in 2016 to 30.0% in 2017.

Further, Asia is expected to be a major region for online retail sales, with India, China, and Malaysia ranking in the top three positions in A.T. Kearney's 2017 Global Retail Development Index. Online retail in India is projected to grow by approximately 30.0% annually and reach USD48.0 billion by 2020, while the integration of online and offline shopping remains as a core theme of China's retail market today as it shifts towards adopting omni-channel retailing. This has resulted in retail businesses adopting business models such as click-and-collect where orders made online are collected from a collection point. Online retail in Malaysia is also expected to witness positive growth, where with government intervention, Malaysia's e-commerce industry is projected to grow at a CAGR of 20.8% between 2015 and 2020.

¹⁸ CSIL

8. RISK FACTORS

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

8.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

8.1.1 Fluctuations in foreign exchange rates

Our revenue is denominated in USD and SGD as all of our furniture products are exported to foreign markets. Our export market comprises among others, UAE, India, Japan, Bahrain, Canada, Saudi Arabia and Singapore. Any significant change in foreign exchange rates may affect our Group's financial results. For the past financial years/period under review, the currency breakdown of our revenue is as follows:

	Audited							
	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sales transacted in USD	35,794	98.3	40,853	98.9	47,792	99.0	49,822	98.9
Sales transacted in SGD	631	1.7	434	1.1	484	1.0	560	1.1
	36,425	100.0	41,287	100.0	48,276	100.0	50,382	100.0

	Unaudited		Audited	
	FPE 2018		FPE 2019	
	RM'000	%	RM'000	%
Sales transacted in USD	15,522	99.3	18,180	99.4
Sales transacted in SGD	104	0.7	117	0.6
	15,626	100.0	18,297	100.0

Further, we have been purchasing particle boards from a supplier based in Thailand, Green River Panels (Thailand) Co Ltd since FYE 2016. Particle board purchases from the aforesaid supplier amounted to USD0.3 million, USD1.4 million, USD1.6 million and USD0.6 million for FYE 2016, FYE 2017, FYE 2018 and FPE 2019 respectively, which represented 6.4%, 22.5%, 24.2% and 28.3% of total purchases for those respective FYEs/FPE. Apart from purchases from Green River Panels (Thailand) Co Ltd, all our other purchases are transacted in RM.

For illustrative purpose, if the exchange rate between USD against RM in FYE 2018 increased by 5%, this would result in particle board purchases to increase by approximately RM0.3 million. Similarly, if the exchange rate between USD against RM in FPE 2019 increased by 5%, this would result in particle board purchases to increase by approximately RM0.2 million.

We maintain foreign currency accounts arising from our sales to settle our purchases in foreign currency. Additionally, we also enter into foreign currency forward exchange contracts with banking institutions to sell the USD received from our customers at agreed exchange rates for fixed periods of time to reduce the exposure of our receivables.

8. RISK FACTORS (Cont'd)

With the use of foreign currency forward exchange contracts, the foreign exchange gain/(loss) recorded is as follows:

Based on audited financial statements

	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FPE 2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain/(loss)	(106)	301	(234)	(233)	(56)

For illustrative purposes, the foreign exchange gain/(loss) recorded without the use of foreign currency forward exchange contracts is as follows:

For illustration only

	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FPE 2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain/(loss)	(498)	(522)	(466)	(420)	(104)

Any adverse fluctuation in foreign exchange rates will have a negative impact on our financial performance.

Kindly refer to Section 11.10.1 for further details relating to impact of foreign exchange rates.

8.1.2 Customer concentration risk

Our major customers who have contributed significantly to our revenue for the past financial years/period under review are as follows:

	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FPE 2019	Length of business relationship years
	%	%	%	%	%	
RNA Resources Group Ltd	15.6	36.9	41.6	42.1	63.7	7
Praxis Home Retail Limited	-	-	-	7.9	11.4	2
Nitori Co Ltd	19.2	13.8	8.7	6.0	5.4	20
Godrej & Boyce Mfg Co	8.8	7.9	4.3	6.5	5.1	19
Total	43.6	58.6	54.6	62.5	85.6	

For the past FYEs and FPE, the major customers above contributed between 43.6% to 85.6% of our total revenue. Our single largest customer for FPE 2019 is RNA Resources Group Ltd, who contributed 63.7% of our total revenue.

8. RISK FACTORS (Cont'd)

Our Group has not entered into any long term contract with any of our customers and it is not our business practice to do so. While we are not dependent on any single customer, we may be materially and adversely affected if we were to lose one of more of our major customers without securing new customers in a timely manner to replace the loss of business, or if we were to encounter difficulties in collecting payment from these major customers.

Further details of our major customers and their respective revenue contribution are set out in Section 6.21.

8.1.3 Dependence on foreign production workers

We rely on foreign workers in our operations. Our foreign workers are primarily from Bangladesh and Nepal. As at the LPD, we have 252 foreign workers, representing 89.1% of our employees.

As the standard of living in Malaysia improves over time, we have found it increasingly difficult to hire local production workers for our manufacturing operations. In addition, the costs of foreign labour may continue to increase in the future. A new levy rate for foreign workers was also implemented effective 18 March 2016 for Peninsular Malaysia only, where the levy rate for the manufacturing, construction and services sectors increased by RM600 to RM1,850.

Currently, we obtain 1-year working permit for our foreign workers, which are renewed annually. If visa policies on foreign workers in Malaysia were to change in any way resulting in difficulties for our Group to maintain a sufficient foreign labour workforce, our business, financial condition and results of operations could be materially and adversely affected. In addition, our Group's business strategies which will involve expansion in our manufacturing operations, would require a corresponding increase in labour to meet increased manufacturing activities.

8.1.4 Volatility in prices of raw materials

The main raw materials used in our furniture products are particle boards and MDF which collectively comprised approximately 65.5%, 63.3%, 63.3%, 59.1% and 58.4% respectively of our purchases in RM for the last 4 FYEs and FPE 2019.

The prices of certain raw materials used in our manufacturing processes such as particle boards and MDF may fluctuate due to demand and supply conditions. As such, any shortage or disruption in the supply of raw materials which results in fluctuation in the prices of raw materials may adversely affect both our Group's operations and financial performance.

8.1.5 Compliance with land use conditions**(i) Land 3**

On 6 February 2018, we completed the acquisition of Land 3. We plan to set up our new factory, namely Factory C, on this parcel of land.

The land use for Land 3 as set out in the land title is agriculture with the express condition that the land shall be used for cultivation of oil palm. We had, on 17 January 2018, submitted an application to convert the land use of Land 3 to industrial. The application is currently pending approval from Pejabat Pengarah Tanah Dan Galian Johor.

8. RISK FACTORS (Cont'd)

We may face delays in obtaining the land use conversion approval or even fail to obtain such approval. In such event, we will not be able to commence the construction of our new factory and increase our manufacturing capacity in the manner and timing that we have disclosed in Section 6.19.1 of this Prospectus.

In addition, we will have to source for alternative sites to set up our new factory thereby incurring additional land acquisition or rental costs. If we are unable to do so, we will not be able to increase our manufacturing capacity and increase our revenue.

(ii) Investment Land

On 27 April 2017, we completed the acquisition of the Investment Land. At the point of acquisition, the said land was planted with mature oil palms. The express condition set out in the land title states that the land shall be used for cultivation of rubber. As such, the current land use is in breach of the land use condition.

In view of the breach, the State Authority may serve us a notice requiring us to show cause why a fine should not be imposed. If the State Authority is not satisfied with the reply for the show cause given by us, the State Authority may impose a fine of not less than RM500, and in the case of a continuing breach, a further fine of not less than RM100 for each day during which the breach continues.

If such breach continues, the State Authority may then issue a notice to specify the remedial actions (i.e. to clear the mature oil palms) and timeframe. The State Authority shall then endorse on the register document of title that the land is subject to an action for breach of condition.

When the breach has been remedied, the State Authority shall cancel any note endorsed on the register document of title that the land is subject to an action for breach of condition.

If we fail to carry out remedial actions within the specified timeframe, the State Authority shall take temporary possession of the land or in the absence of such direction, the State Authority may make an order declaring the land forfeited. In such event, our Group will record a loss of RM2.0 million, being the net book value of the Investment Land as at 30 April 2019.

We have no immediate plans to develop or utilise this land and it is currently held for investment purposes. If a notice is served onto us requiring us to undertake remedial actions (i.e. to clear the mature oil palms), we will proceed to undertake the specified remedial actions within the stipulated timeframe.

8.1.6 Dependence on key senior management

Our present success and achievements are largely attributable to, amongst others, the capability and continued efforts of our key senior management. Our Directors, namely Lim Kok Eng and Kwan Chian Poh, have been instrumental in the development our corporate strategy and the establishment of business relationships with our Group's customers and suppliers. Combining the concerted efforts with our key senior management team, they collectively form the foundation to enable us to remain competitive in the furniture industry in the markets that we participate, thereby ensuring the continued success of our Group.

8. RISK FACTORS (Cont'd)

As such, our continued success and growth is dependent on the retention of the aforesaid Directors and our ability to continue to attract, retain and motivate other key management personnel. Thus, any loss of the services of one or more of these individuals without suitable and timely replacement may have a material adverse impact on our business operations and competitiveness.

8.1.7 Inability to keep abreast with changes in the sentiments of the furniture industry, consumer preference and spending trends in export markets

The demand for our furniture products is largely dependent on consumer preferences and spending trends. Consumer preferences and spending trends are influenced by various factors including, amongst others, the state of the economy and market demographic profiles. These changes could have a significant impact on the sales of our furniture products. A weak economy would, in general, lead to poor market sentiment, resulting in lower consumer spending. This may, in turn, lead to lower demand for our furniture products from our customers, thereby adversely affecting our financial performance.

Our prospects and financial performance may be materially and adversely affected if we are unable to respond promptly to the changing preferences of end consumers or if we do not respond appropriately to changing consumer preferences.

8.1.8 Disruption in the operations of our manufacturing facilities

Our manufacturing flow could be disrupted or delayed due to unforeseeable circumstances. Such risks which are inherent in furniture manufacturing include, amongst others, fire hazards and power shortage.

Any disruption at our manufacturing facilities will result in longer lead time for the production of our furniture products. Consequently, this may lead to a delay in delivery to our customers. Such failure to meet delivery deadlines may result in the loss of business or claims against us, thereby affecting our financial performance and reputation.

8.1.9 Product liability claims

The nature of our Group's business exposes us to the risk of product liability claims that is inherent in the manufacturing of our furniture products. We may be subject to product liability claims due to product defects. A substantial claim or a substantial number of claims relating to our furniture products could have a material and adverse impact on our business, operating results and financial position.

If our products prove to be defective and consequently our customers suffer loss or damages, we may be liable to product liability claims under Malaysian law or the laws of other jurisdictions which we may be subject to. As a result, we may have to incur significant legal costs and divert our administrative resources regardless of the outcome of the claims. Any successful product liability claim against our Group will adversely affect our Group's business and reputation. Even if our Group is able to successfully defend such claim, there can be no assurance that customers will not lose confidence in our products.

8.1.10 Delay in the construction of Factory C

We plan to construct a new factory, namely Factory C, on Land 3 which is located in close proximity to our existing factories. This will allow us to undertake the manufacturing of office furniture, bedroom furniture, living room furniture and other furniture at Factory C for export to North America and Europe and for our existing customers.

8. RISK FACTORS (Cont'd)

Our ability to implement our future plan for increasing production capacity within time and budget is subject to the following risks and uncertainties:

- (a) our ability to obtain the requisite approvals, licenses and/or permits for us to operate a new manufacturing facility, namely:
 - (i) The conversion of the land use of Land 3 from agriculture to industrial from Pejabat Pengarah Tanah Dan Galian Johor. The application was submitted on 17 January 2018; and
 - (ii) The approval for our building plan to be obtained from Majlis Perbandaran Muar. Our appointed consultant is in the midst of preparing the building plan submission. We target to submit the application in December 2019.
- (b) the risk of construction delays and delays in machinery and equipment procurement; and
- (c) our ability to timely recruit sufficient staff to support the increase in our production capacity.

Delays in the construction of Factory C may lead to higher than anticipated construction costs. In such event, we may be required to utilise our internally generally funds which will reduce our available working capital or utilise additional bank borrowings which will increase our interest cost to fund the increase in construction costs.

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 We are subject to competition from local and foreign manufacturers

Our Group faces competition from both existing and new players in local and foreign countries with lower cost of production and labour cost, such as Indonesia, Vietnam, Thailand and China. Some of our competitors may have longer operating histories, more customers, greater brand name recognition and greater financial, technical, marketing and public relations resources than we do. As a result, our competitors may be in a better position to respond more quickly to the changing demands of the furniture industry or offer a range of products at lower prices.

Any increase in competition from these countries could exert a negative impact on our pricing, thereby resulting in lower sales and profit margins for our Group. If we are unable to compete effectively with our existing and future competitors and adapt quickly to changing market trends and consumer preferences, our business and financial performance will be adversely affected.

8.2.2 Political, economic, legal or social conditions of the countries where we transact business

While our sales are derived from export sales, we operate in Malaysia and thus are subject to political and economic developments that occur in Malaysia. In 2018, the Government of Malaysia announced that Malaysia would revert from GST to SST, with sales tax of 5% and 10% being imposed on the manufacturing sector as governed by the Sales Tax Act 2018 while service tax is imposed on selected service sectors. The SST is not imposed on exports and as such, our revenue is not subject to SST. Nonetheless, our Group incurs SST for our purchases from our local suppliers. While our Group has accounted for SST in the selling price of our furniture products, there can be no assurance that we will be continuously be able to pass on the impact of SST on our production cost to our customers.

8. RISK FACTORS (Cont'd)

In September 2018, the Government of Malaysia announced an implementation of standardisation of minimum wage to RM1,050 per month or RM5.05 per hour nationwide commencing 1 January 2019. This is an increase from the RM1,000 a month minimum wage that has been implemented in Peninsular Malaysia under the Minimum Wage Order 2016. The impending increase in minimum wage will result in an increase in our cost of sales which may adversely affect our financial performance if we are unable to factor this increase in the pricing of our furniture products.

We derive a significant portion of our revenue from our export markets including, amongst others, India, Japan, UAE, Saudi Arabia, Canada and Bahrain, that collectively contributed between 85.1% to 95.9% of our revenue for the past 4 FYEs and FPE 2019.

Our sales for the past 4 FYEs 2015 to 2018, FPE 2019 to overseas markets/region are as follows:

		Audited							
Countries	Region	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
India	Asia Pacific	9,464	26.0	11,792	28.6	15,716	32.6	17,520	34.8
Japan	Asia Pacific	7,013	19.3	5,802	14.1	4,368	9.0	3,164	6.3
UAE	Middle East	5,969	16.4	15,535	37.6	18,473	38.3	13,622	27.0
Saudi Arabia	Middle East	4,136	11.4	475	1.2	1,801	3.7	8,059	16.0
Canada	North America and Latin America	2,256	6.2	1,570	3.8	2,738	5.7	2,308	4.6
Bahrain	Middle East	2,124	5.8	1,737	4.2	2,983	6.2	3,708	7.4
Others	-	5,463	14.9	4,376	10.5	2,197	4.5	2,001	3.9
		36,425	100.0	41,287	100.0	48,276	100.0	50,382	100.0

		Unaudited		Audited	
Countries	Region	FPE 2018		FPE 2019	
		RM'000	%	RM'000	%
India	Asia Pacific	5,604	35.9	5,042	27.5
Japan	Asia Pacific	1,559	10.0	982	5.4
UAE	Middle East	2,617	16.7	4,248	23.2
Saudi Arabia	Middle East	3,388	21.7	6,049	33.1
Canada	North America and Latin America	740	4.7	392	2.1
Bahrain	Middle East	1,051	6.7	1,348	7.4
Others	-	667	4.3	236	1.3
		15,626	100.0	18,297	100.0

Other countries include:

Region	Countries
Asia Pacific	Singapore, Hong Kong, Taiwan, Vietnam, and Philippines, Australia and New Zealand
North America and Latin America	USA and Panama
Africa	Algeria, Ethiopia, Tanzania, Benin, Kenya, Malawi, Uganda, Ghana, Zambia, Rwanda and Nigeria
Europe	Republic of Ireland, United Kingdom and Greece

8. RISK FACTORS (Cont'd)

We export our furniture products mainly to 6 countries, namely India, Japan, UAE, Saudi Arabia, Canada and Bahrain. The political, legal or social risks of these countries are as follows:

- (a) In India, higher oil prices and the rupee depreciation are putting pressure on demand, inflation, the current account and public finances. India's inflation rose to a seven-month high of 3.05% in May 2019 (from 2.92% in April 2019) on rising food prices. The Reserve Bank of India cut interest rates for a third time in a row, bringing the borrowing rate to a nine-year low of 5.75%. Food prices have steadily risen since March after contracting from October 2018-February 2019. Food prices constitute nearly half of India's inflation basket. But core inflation, which excludes volatile components like food and energy, has been on a downward trajectory since February 2019, suggesting weakness in economic activity. In the January - March quarter, India's economic growth slowed more sharply than expected to 5.8% raising the prospect of fiscal stimulus and further policy easing.
- (b) Japan's economy experienced periods of recession alongside the slowdown in the global economy. Natural disasters have furthered the recessionary trend in the country. The average annual economic growth of Japan since 2012 has been around 1%. Further, Japan also faces an ageing and declining population, indicating that demand and consumption of selected discretionary items may be affected over the long term. The Government of Japan has announced plans to increase consumption tax from the current 8% to 10% in October 2019.
- (c) The UAE has been experiencing slow growth in the private sector, due to rising interest rates following the tightening of USA monetary policy and has also been affected by slumping property prices. Situated in the Middle East, the UAE is also exposed to the unrest that affects its neighbours in the region. Political tensions have affected ties between UAE and Iran following the move by USA to renew its sanctions on Iran in a bid to limit its oil and shipping industries. Since 2017, the UAE has been involved in a diplomatic crisis with Qatar that has led to the severance of ties between these 2 countries. Over the long term, the geopolitical climate in the Middle East could potentially impact foreign investments in this region and bilateral trade flows, thereby affecting economic performance and disposable income of the population.
- (d) In Saudi Arabia, businesses have been affected by higher electricity and fuel prices and a 5% value-added tax ("VAT") introduced in 2018. Unemployment in Saudi Arabia remained at a high of 12.5% in the first quarter of 2019. Saudi Arabia introduced new quotas and fees on foreign workers which triggered a departure of more than 900,000 expatriates from the country between 2017 and 2018. This caused the labour market to contract, leaving gaps that the local population is unable to fill due to a mismatch in skills and training. Saudi Arabia is also exposed to regional unrests affecting its neighbours, as well as economic fallout following the assassination of an American journalist at the Saudi consulate in Turkey.
- (e) Rising costs of living and interest rates in Canada have affected the disposable income and spending power of the population. Rising interest rates coupled with high levels of indebtedness indicates a challenging socioeconomic period for Canada in 2019.
- (f) Bahrain's economy is vulnerable to oil price volatility given that it has less oil reserves compared to its neighbours in the Middle East. A VAT which was implemented commencing 1 January 2019 and the elimination or reduction of subsidies will also increase inflation. Presently, Bahrain faces rising levels of public debt, growing fiscal

8. RISK FACTORS (Cont'd)

deficits, and declining reserve levels. Further, there are tensions domestically between the ruling family and the general population which increases the likelihood of civil unrest. Bahrain is also exposed to the geopolitical unrests affecting other nations in the Middle East.

A significant drop in the demand for our furniture products arising from periods of economic recession, geopolitical unrests, natural disasters, declining population and rise in taxes in any one or more of the abovementioned countries that impact the discretionary spending power of the population will impact our sales and financial performance.

8.3 RISK RELATING TO THE INVESTMENT IN OUR SHARES

8.3.1 There has been no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Listing or, if developed, that such market will be sustained. Our IPO Price was determined after taking into consideration a number of factors including but not limited to our historical earnings, our competitive strengths, our business strategies and prospects as well as our financial and operating history. There can be no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing or that an active market for our Shares will develop and continue upon or subsequent to our Listing.

The price at which our Shares will trade on the ACE Market may be influenced by a number of factors including, amongst others, the depth and liquidity of the market for our Shares, investors' individual perceptions of our Group, market and economic conditions.

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

Our Listing is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:

- (a) The selected investors fail to subscribe for the IPO Shares;
- (b) Our Underwriter in exercising its rights pursuant to the Underwriting Agreement discharges itself from its obligations therein; and
- (c) We are unable to meet the public shareholding spread requirement as determined by Bursa Securities, whereby at least 25.00% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

In this respect, we will exercise our best endeavours to comply with the various regulatory requirements, including, amongst others the public shareholding spread requirement in paragraph (c) above for our successful Listing. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or non-implementation of our Listing.

Upon the occurrence of any of these events, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of any application for our Shares within 14 days, failing which the provisions of sub-sections 243(2) and 243(6) of the CMSA will apply accordingly and we will be liable to repay the monies with interest at the rate of

8. RISK FACTORS (Cont'd)

10.00% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

In the event our Listing is aborted and/or terminated, and our Shares have been allotted to the shareholders, a return of monies to all holders of our Shares can only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation requires, among others, the sanction of our shareholders by special resolution in a general meeting and consent of our creditors (if required). There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

8.3.3 The trading price of our Shares following our Listing may be volatile

The trading price of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, 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. Sentiments are 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 witnessed on Bursa Securities, thus adding risks to the market price of our listed shares.

8.4 OTHER RISKS

8.4.1 Our Promoters will be able to exert significant influence over our Company

Our Promoters will collectively hold 70% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have significant influence on the outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

8.4.2 Forward-looking/prospective statements in this Prospectus may not be achievable

Certain statements in this Prospectus are based on historical data which may not be reflective of future results. Forward-looking statements in this Prospectus are based on assumptions and subject to uncertainties.

There can be no assurance such prospective statements will materialise and actual results may deviate significantly and have a material and adverse effect on our business and financial performance.

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9. RELATED PARTY TRANSACTIONS**9.1 RELATED PARTY TRANSACTIONS**

Save as disclosed below, we have not entered into any related party transactions with our Directors, substantial shareholders, key senior management personnel and/or persons connected with them for the past 4 FYEs 2015 to 2018, FPE 2019 and up to the LPD.

Transacting parties	Interested persons	Nature of transaction	Value of transactions (Expense)/Income											
			FYE 2015 RM'000	%	FYE 2016 RM'000	%	FYE 2017 RM'000	%	FYE 2018 RM'000	%	FPE 2019 RM'000	%	Up to the LPD RM'000	%
Kejora Bitara Sdn Bhd and Spring Art	(i) Lim Kok Eng, our Promoter, substantial shareholder and Managing Director, is also the substantial shareholder and Director of Kejora Bitara Sdn Bhd	(i) Rental of Land 1 paid by Spring Art to Kejora Bitara Sdn Bhd	(84)	(0.3) ⁽ⁱ⁾	(168)	(0.6) ⁽ⁱ⁾	(168)	(0.5) ⁽ⁱ⁾	-	-	-	-	-	-
	(ii) Kwan Chian Poh, our Promoter, substantial shareholder and Executive Director, is also the substantial shareholder and Director of Kejora Bitara Sdn Bhd	(ii) Sale of a hostel and land held under GM 1612 Lot 1849 situated in the Mukim of Sungai Raya, District of Muar, State of Johor by Spring Art to Kejora Bitara Sdn Bhd ^(a)	-	-	-	-	-	-	2,100	6.6 ⁽ⁱⁱ⁾	-	-	-	-
	(ii) Kwan Chian Poh, our Promoter, substantial shareholder and Executive Director, is also the substantial shareholder and Director of Kejora Bitara Sdn Bhd	(iii) Purchase of Land 1 by Spring Art from Kejora Bitara Sdn Bhd ^(a)	-	-	-	-	-	-	(2,100)	(6.6) ⁽ⁱⁱ⁾	-	-	-	-
	(iv) Reimbursement of cost and expenses by Kejora Bitara Sdn Bhd to Spring Art ^(b)	(iv) Reimbursement of cost and expenses by Kejora Bitara Sdn Bhd to Spring Art ^(b)	-	-	-	-	-	-	-	-	-	(b)	-	(b)

Notes:

(i) Calculated based on our Group's cost of sales for each of the respective financial years.

(ii) Calculated based on our Group's net assets for FPE 2018.

9. RELATED PARTY TRANSACTIONS (Cont'd)**(a) Land swap arrangement**

Spring Art and Kejora Bitara Sdn Bhd had implemented a land swap arrangement as follows:

Properties	Details	Owner as at 31 December 2017	Owner as at 31 December 2017 and the LPD
Land 1	Land 1 houses the Factory A1 and Factory A2 and is hence a property deemed material to our Group. As a precursor to the Proposed Listing, Spring Art had acquired Land 1 from Kejora Bitara Sdn Bhd.	Kejora Bitara Sdn Bhd	Spring Art
Hostel and land ("Hostel")	The Hostel* was used by Spring Art to house its production workers. However, the land that the Hostel is constructed on is for agriculture use and as such, the Hostel does not comply with the land use conditions. As a precursor to the Proposed Listing, Spring Art had disposed the Hostel to Kejora Bitara Sdn Bhd. Concurrent with the disposal, the production workers employed by Spring Art were moved to a rented hostel.	Spring Art	Kejora Bitara Sdn Bhd

Note:

* The Hostel comprises of 4 blocks of single-storey building with a total of 24 units of hostel dormitories.

To facilitate the land swap arrangement, Spring Art and Kejora Bitara Sdn Bhd had entered into the following agreements:

- (i) The sale and purchase agreement dated 13 March 2018 between Spring Art (as vendor) and Kejora Bitara Sdn Bhd (as purchaser) to dispose the Hostel at the consideration price of RM2,100,000 ("Hostel SPA"). This agreement was completed on 30 May 2018;
- (ii) The sale and purchase agreement dated 13 March 2018 between Kejora Bitara Sdn Bhd (as vendor) and Spring Art (as purchaser) to purchase Land 1 at the consideration price of RM2,100,000 ("Land 1 SPA"). This agreement was completed on 20 June 2018; and
- (iii) The set-off agreement dated 13 March 2018 between Kejora Bitara Sdn Bhd and Spring Art to contra the sum of RM2,100,000 being the purchase price in the SPA for the Hostel SPA and Land 1 SPA. This agreement was completed on 20 June 2018.

9. RELATED PARTY TRANSACTIONS (cont'd)

(b) Reimbursement of cost and expenses by Kejora Bitara Sdn Bhd to Spring Art

The land on which the Hostel is located does not have an access road. On 18 June 2017, Spring Art had via its consultant submitted an application to the Pejabat Tanah Muar to apply for an access road.

The Pejabat Tanah Muar had vide its letter dated 27 July 2017 notified that the cost for the access road is RM520,000, of which a deposit of RM260,000 is payable in order for the application to proceed. Spring Art had on 22 August 2017 made the payment to the Pejabat Tanah Muar.

On 13 March 2018, Spring Art had entered into the Hostel SPA to dispose the Hostel to Kejora Bitara Sdn Bhd. As such, Spring Art no longer has a need for the access road as the Hostel is not owned by it anymore.

In view of the above, Kejora Bitara Sdn Bhd and Spring Art entered into a Supplemental Agreement dated 27 June 2018 whereby Kejora Bitara Sdn Bhd has irrevocably and unconditionally undertaken to reimburse Spring Art all the costs and expenses incurred for the application of the access road as well as the consultation fees and processing fees incurred. The Supplemental Agreement is not completed as at the LPD. It shall be deemed completed when the application of the access road is successful and after all costs and expenses incurred for the application is reimbursed by Kejora Bitara Sdn Bhd to Spring Art.

As at the LPD, save as disclosed in Note (b) above, there are no related party transactions entered into but not yet effected.

Our Directors are of the view that the above related party transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties.

Moving forward, if there are potential related party transactions, the related parties must first inform our Audit Committee on their interests in the transaction and the nature of the transaction before the transaction is entered into.

Our Audit Committee is responsible for the review of all related party transactions to ensure that there is no conflict of interest. Our Audit Committee shall deliberate and determine if the related party transactions (if any) are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(a) Recurrent related party transactions

- (i) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered by all related parties are fair and reasonable and comparable to those offered by third parties; or
- (ii) In the event that quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at general meetings of our Company. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

9. RELATED PARTY TRANSACTIONS *(Cont'd)*

(b) Other related party transactions

- (i) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (ii) The rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transaction that requires prior approval of shareholders, the Directors, major shareholders and/or persons connected to them, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transaction, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regards to any related party transaction entered into by us.

9.1.1 OTHER TRANSACTIONS

(a) Transactions which are unusual in their nature or conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party during the financial years/period under review and up to the LPD.

(b) Loans and guarantees

There were no outstanding loans made to/by us to or for the benefit of any related party for the financial years/period under review and up to the LPD.

Our Promoters, Lim Kok Eng and Kwan Chian Poh had extended guarantees for banking facilities extended to our Group as at the LPD. In conjunction with the Listing, the respective banks had agreed to discharge the said personal guarantees upon the completion of the Listing.

(c) Financial assistance provided for the benefit of a related party

There were no financial assistance provided by us for the benefit of any related party for the financial years/period under review and up to the LPD.

10. CONFLICT OF INTERESTS

10.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND OUR SUPPLIERS

As at the LPD, none of our Directors or substantial shareholders has any interest, direct or indirect, in other businesses or corporations which are:

- (a) carrying on a similar or related trade as our Group; or
- (b) customers and/or suppliers of our Group.

Our Directors will declare to our Nomination Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nomination Committee will then evaluate if such Director's involvement gives rise to a potential conflict of interest situation with our Group's business. If our Directors are involved in similar business as our Group or business of our customers and our suppliers, our Nomination Committee shall inform our Audit Committee of such involvement. When a determination has been made that there is a conflict of interest of a Director, our Nomination Committee will:

- (aa) Immediately inform our Board of the conflict of interest situation after deliberating with the Audit Committee;
- (bb) Make recommendations to our Board to direct the conflicted Director to:
 - (i) Withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and
 - (ii) Abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (bb) above, the conflicted Director shall abstain from any Board discussion relating to the recommendation of our Nomination Committee and the conflicted Director shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of the Board, be present at the Board meeting for the purposes of answering any questions.

10.2 DECLARATIONS OF CONFLICT OF INTERESTS BY OUR ADVISERS

- (a) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Adviser, Sponsor, Underwriter and Placement Agent for our Listing;
- (b) Messrs Ben and Partners has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors for our Listing;
- (c) Messrs Grant Thornton Malaysia has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing; and
- (d) Providence Strategic Partners Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the IMR for our Listing.