

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF ECOMATE HOLDINGS BERHAD (“ECOMATE” OR THE “COMPANY”) DATED 15 OCTOBER 2021 (“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 Ecomate 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 15 October 2021 and will close at 5.00 p.m. on 25 October 2021.

In the event the Closing Date is extended, Ecomate will advertise the notice of the extension in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia prior to the original Closing Date.

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.



ECOMATE HOLDINGS BERHAD

(Registration No. 202001036445 (1392766-X))
(Incorporated in Malaysia under the Companies Act, 2016)

Factory B & Office

Lot PTD 7274, Kawasan Perindustrian Bakri Batu 7 1/2,
Jalan Bakri, 84200 Muar, Johor, Malaysia.

Contact Number : +606-986 8558 / +606-986 8668
Fax Number : +606-986 8787
Email : info@ecomate.com.my

www.welcome.ecomate.com.my

ECOMATE HOLDINGS BERHAD



PROSPECTUS



PROSPECTUS

ECOMATE HOLDINGS BERHAD

(Registration No. 202001036445 (1392766-X))
(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 49,000,000 NEW ORDINARY SHARES IN OUR COMPANY ("SHARES") IN THE FOLLOWING MANNER:

- 17,500,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- 8,750,000 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
- 22,750,000 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS

(II) OFFER FOR SALE OF 30,000,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS

AT AN ISSUE/OFFER PRICE OF RM0.33 PER SHARE, PAYABLE IN FULL UPON APPLICATION.

Adviser, Sponsor, Underwriter and Placement Agent



M & A SECURITIES SDN BHD

(Registration No. 197301001503 (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 137.

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 OR INVITATION FOR THE OFFERING IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SC UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007.

THIS PROSPECTUS IS DATED 15 OCTOBER 2021

Our Directors, Promoters (as defined herein) 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 our 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.

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 the Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the Prospectus or the conduct of any other person in relation to our Group (as defined herein).

Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning the offering, 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 11 May 2021. 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.

The Securities Commission Malaysia ("**SC**") has on 21 June 2021 approved the resultant equity structure of our Company under the equity requirements of public listed companies pursuant to our Listing (as defined herein).

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 Shares would be in compliance with the terms of our IPO as stated in our Prospectus and the Application Form 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, voidable 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 (as defined herein), 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 the 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 are not affiliated in any way with the Third Party Internet Sites and are 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, damages 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.

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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	15 October 2021
Closing of Application	25 October 2021
Balloting of the Application	28 October 2021
Allotment of our IPO Shares to successful applicants	5 November 2021
Date of Listing	8 November 2021

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 "Ecomate Holdings" and the "Company" in this Prospectus are to Ecomate Holdings Berhad (Registration No. 202001036445 (1392766-X)). 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;
- (c) Our future plans;
- (d) Our future earnings, cash flows and liquidity; and
- (e) 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 ongoing COVID-19 pandemic and possible similar future outbreak;
- (b) The economic, political and investment environment in Malaysia; and
- (c) 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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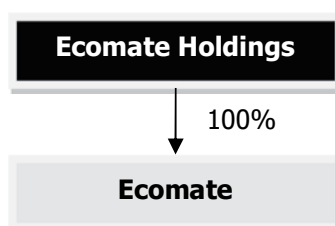
DEFINITIONS

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:

- "Ecomate" : Ecomate Sdn Bhd (Registration No. 201601006039 (1176965-X)), a wholly-owned subsidiary of Ecomate Holdings
- "Ecomate Holdings" or "Company" : Ecomate Holdings Berhad (Registration No. 202001036445 (1392766-X))
- "Ecomate Holdings Group" or "Group" : Ecomate Holdings and its subsidiary, Ecomate collectively

A diagrammatic illustration of our Group structure is as follows:



GENERAL:

- "ACE Market" : ACE Market of Bursa Securities
- "Act" : Companies Act, 2016 as amended from time to time and any re-enactment thereof
- "Acquisition of Ecomate" : Acquisition by Ecomate Holdings of the entire share capital of Ecomate for a purchase consideration of RM7,374,500 which was wholly satisfied by the issuance of 300,999,998 new Shares at an issue price of RM0.0245 per Share
- The Acquisition of Ecomate was completed on 9 June 2021 and resulted in Ecomate becoming a wholly-owned subsidiary of Ecomate Holdings
- "ADA" : Authorised Depository Agent
- "Adviser" or "Sponsor" or "Placement Agent" or "Underwriter" : M&A Securities
- "Application" : Application for Issue Shares by way of Application Form, Electronic Share Application or Internet Share Application
- "Application Form" : Printed application form for the application of Issue Shares accompanying this Prospectus
- "ATM(s)" : Automated Teller Machine(s)
- "Board" : Board of Directors of Ecomate Holdings

DEFINITIONS (Cont'd)

"Bursa Depository" or "Depository"	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (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
"CIFF"	:	China International Furniture Fair
"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 as amended from time to time and any re-enactment thereof
"Constitution"	:	Constitution of our Company
"COVID-19"	:	Novel coronavirus disease 2019, an infectious respiratory disease which first broke out in 2019
"Depository Rules"	:	Rules of Bursa Depository and any appendices thereto as they may be amended from time to time
"Director(s)"	:	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
"Factory A"	:	A single storey detached factory with an office within located at Lot 3611 (PTD 4447), Kawasan Perindustrian Bukit Bakri, 84200 Bakri, Muar, Johor
"Factory B"	:	A single storey detached factory with an annexed double storey office located at Lot PTD 7274, Jalan Kempas, Kawasan Perindustrian Bakri Batu 7 ½, Jalan Bakri 84200 Muar, Johor
"FPE 2021"	:	Financial period ended 31 May 2020

DEFINITIONS (Cont'd)

"FPE 2022"	:	Financial period ended 31 May 2021
"FYE"	:	Financial years ended/ending 28/29 February, as the case may be
"Government"	:	Government of Malaysia
"GP"	:	Gross profit
"IFRS"	:	International Financial Reporting Standards
"IMR" or "Providence"	:	Providence Strategic Partners Sdn Bhd (Registration No. 201701024744 (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
"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 RM0.33 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
"Issuing House"	:	Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))
"Issue Share(s)"	:	49,000,000 new Share(s) to be issued pursuant to our Public Issue
"Johor Corporation"	:	Johor Corporation, a statutory body established under the Johor Corporation Enactment No. 4, 1968 (as amended under Enactment No. 5, 1995)
"Land Administrator"	:	The land administrator or other officers appointed under the state land law with powers pursuant to the Land Acquisition Act, 1960
"Listing"	:	Listing of and quotation for our entire enlarged share capital of RM23,544,502 comprising 350,000,000 Shares on the ACE Market
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities, as amended from time to time
"Listing Scheme"	:	Comprising our Public Issue, Offer for Sale and Listing, collectively
"LPD"	:	17 September 2021, being the latest practicable date for ascertaining certain information contained in this Prospectus
"M&A Securities"	:	M&A Securities Sdn Bhd (Registration No. 197301001503 (15017-H))

DEFINITIONS (Cont'd)

"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
"MCO"	:	The nationwide Movement Control Order imposed by the Government under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967
"MFP SPAs"	:	The 4 sale and purchase agreements entered into between Ecomate and Johor Corporation in relation to the acquisition of the following lands: <ul style="list-style-type: none"> (i) PLO 42; (ii) PLO 70; (iii) PLO 68; and (iv) PLO 69, all located within Muar Furniture Park
"MFRS"	:	Malaysian Financial Reporting Standards
"MIDA"	:	Malaysian Investment Development Authority
"MIFF"	:	Malaysian International Furniture Fair
"MITI"	:	Ministry of International Trade and Industry Malaysia
"Muar Furniture Park"	:	A furniture hub which is developed on 986 acres of land at Bakri in Muar for medium and light industries related to wood trading, furniture manufacturing and support services
"NA"	:	Net assets
"NBV"	:	Net book value
"Offer for Sale"	:	The offer for sale by our Selling Shareholders of the Offer Shares at our IPO Price
"Offer Share(s)"	:	30,000,000 existing Share(s) 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
"Participating Financial Institutions"	:	Participating financial institutions for Electronic Share Application, as listed in Section 15 of this Prospectus
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"PE Multiple"	:	Price-to-earnings multiple

DEFINITIONS (Cont'd)

"Pink Form Allocations"	:	Allocation of 8,750,000 Issue Shares to our eligible Directors, employees and persons who have contributed to the success of the Group, which forms part of our Public Issue
"Pre-IPO Investors"	:	BYD Capital Sdn Bhd, Mamba Capital Sdn Bhd and Koda Capital Sdn Bhd, collectively who are our shareholders
"Promoters"	:	Koh Cheng Huat and Jason Koh Jian Hui, collectively
"Prospectus"	:	This prospectus dated 15 October 2021 in relation to our IPO
"Public Issue"	:	The public issue of 49,000,000 Issue Shares at our IPO Price
"ROC"	:	Registrar of Companies
"SC"	:	Securities Commission Malaysia
"Selling Shareholders"	:	Koh Cheng Huat and Jason Koh Jian Hui whom are undertaking the Offer for Sale
"Share(s)" or "Ecomate Holdings Share(s)"	:	Ordinary share(s) in Ecomate Holdings
"SICDA" or "Depository Act"	:	Securities Industry (Central Depositories) Act, 1991 as amended from time to time
"sq ft"	:	Square foot
"sqm"	:	Square metre
"SST"	:	Sales and Service Tax
"Underwriting Agreement"	:	The underwriting agreement dated 22 September 2021 entered into between our Company and M&A Securities pursuant to our IPO
"Vendors"	:	Koh Cheng Huat, Jason Koh Jian Hui, BYD Capital Sdn Bhd, Mamba Capital Sdn Bhd and Koda Capital Sdn Bhd, collectively

CURRENCIES:

"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"USD"	:	United States Dollar

TECHNICAL GLOSSARY

This glossary contains an explanation of certain terms used throughout this Prospectus in connection with our Group's business. The terminologies and their meanings may not correspond to the standard industry usage of these terms:

- "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
- "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 consumer 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 screwdriver or allen key

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name (Gender)	Designation	Residential address	Nationality
Tan Sri Datuk Hussin Bin Haji Ismail (M)	Independent Non-Executive Chairman	42, Jalan Ubin U8/19 A Seksyen U8 Bukit Jelutong 40150 Shah Alam Selangor	Malaysian
Jason Koh Jian Hui (M)	Managing Director	282-1 Lorong Dato Ahmad Jalan Khalidi 84000 Muar Johor	Malaysian
Koh Cheng Huat (M)	Executive Director	10, Jalan Kasturi Off Jalan Utara Bukit Bakri 84200 Muar Johor	Malaysian
Datuk Lee Ching Yong (M)	Independent Non-Executive Director	33-4, 1 st Floor Jalan Ali 84000 Muar Johor	Malaysian
Lim Yik Hui (F)	Independent Non-Executive Director	62, Jalan SL 9/9D Bandar Sungai Long 43000 Kajang Selangor	Malaysian
Ong Tian Soon (M)	Independent Non-Executive Director	3 Jalan 1/16 Taman Sri Kluang 86000 Kluang Johor	Malaysian

Notes:

M refers to male
F refers to female

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Lim Yik Hui	Chairwoman	Independent Non-Executive Director
Ong Tian Soon	Member	Independent Non-Executive Director
Datuk Lee Ching Yong	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY (Cont'd)

REMUNERATION COMMITTEE

Name	Designation	Directorship
Datuk Lee Ching Yong	Chairman	Independent Non-Executive Director
Ong Tian Soon	Member	Independent Non-Executive Director
Lim Yik Hui	Member	Independent Non-Executive Director

NOMINATING COMMITTEE

Name	Designation	Directorship
Ong Tian Soon	Chairman	Independent Non-Executive Director
Datuk Lee Ching Yong	Member	Independent Non-Executive Director
Lim Yik Hui	Member	Independent Non-Executive Director

REGISTERED OFFICE : 7 (1st Floor), Jalan Pesta 1/1
Taman Tun Dr. Ismail 1
Jalan Bakri
84000 Muar
Johor

HEAD OFFICE : Lot PTD 7274
Kawasan Perindustrian Bakri Batu 7 ½
Jalan Bakri
84200 Muar
Johor

Telephone number: 06-986 8558/06-986 8668

EMAIL ADDRESS AND WEBSITE : Email address: ir@ecomate.com.my
Website: <http://www.welcome.ecomate.com.my>

COMPANY SECRETARIES : Ng Mei Wan (MIA 28862)
SSM PC No. 201908000801
(Chartered Accountant, Malaysian Institute of Accountants)

Tan Hui Khim (LS 0009936)
SSM PC No. 201908000859
(Licenced Secretary)

7 (1st Floor), Jalan Pesta 1/1
Taman Tun Dr. Ismail 1
Jalan Bakri
84000 Muar
Johor

Telephone number: 06-954 1705

1. CORPORATE DIRECTORY (Cont'd)

- AUDITORS AND REPORTING ACCOUNTANTS FOR OUR IPO** : **Crowe Malaysia PLT**
(LLP number: 201906000005 (LLP0018817-LCA))
(Firm number: AF 1018)
- 8, Jalan Pesta 1/1
Taman Tun Dr. Ismail 1
Jalan Bakri
84000 Muar
Johor
- Telephone number: 06-952 4328
- Partner-in-charge: Ng Kim Hian
Approval number: 02506/04/2023 J
(Chartered Accountant, Malaysian Institute of Accountants, Association of Chartered Certified Accountants)
- PRINCIPAL ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT** : **M&A Securities Sdn Bhd**
(Registration No. 197301001503 (15017-H))
- Level 11, 45 & 47, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
- Telephone number: 03-2284 2911
- SOLICITORS FOR OUR IPO** : **Rosli Dahlan Saravana Partnership**
- Level 16, Menara 1 Dutamas
1, Jalan Dutamas 1
Solaris Dutamas
50480 Kuala Lumpur
- Telephone number: 03-6209 5400
- SHARE REGISTRAR AND ISSUING HOUSE** : **Tricor Investor & Issuing House Services Sdn Bhd**
(Registration No. 197101000970 (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

1. CORPORATE DIRECTORY (Cont'd)

**INDEPENDENT MARKET
RESEARCHER**

: **Providence Strategic Partners Sdn Bhd**
(Registration No. 201701024744 (1238910-A))

67-1, Block D, Jaya One

72A, Jalan Universiti

46200 Petaling Jaya

Selangor

Telephone number: 03-7625 1769

Executive Director's name: Elizabeth Dhoss

*(Bachelor of Business Administration from the
University of Malaya)*

LISTING SOUGHT

: ACE Market of Bursa Securities

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2. APPROVALS AND CONDITIONS

2.1 APPROVALS AND CONDITIONS

2.1.1 Bursa Securities

Bursa Securities had, vide its letter dated 11 May 2021, approved our admission to the Official List of the ACE Market and the Listing. The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
(a)	Submit the following information with respect to the moratorium on the shareholdings of the promoter to Bursa Depository: (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares.	Complied
(b)	Approvals from other relevant authorities have been obtained for implementation of the listing proposal;	Complied
(c)	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Notes 15 of the Listing Requirements;	To be complied
(d)	Furnish to Bursa Securities a copy of the schedule of distribution showing compliance with the public shareholding spread requirements based on the entire issued share capital of Ecomate on the first day of Listing;	To be complied
(e)	Ensure any director of the Company who has not attended the Mandatory Accreditation Programme must do so prior to the Listing;	Complied
(f)	In relation to the Public Issue to be undertaken by Ecomate Holdings, to announce at least 2 Market Days prior to the listing date, the result of the offering including the following: (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/allocation; (iii) A table showing the distribution for placement tranche; and (iv) Disclosure of placees who become substantial shareholders of Ecomate Holdings arising from the Public Issue, if any.	To be complied
(g)	Ecomate 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 Ecomate Holdings to the Official List of the ACE Market; and	To be complied
(h)	Ecomate Holdings is to obtain the Certificates of Accommodation for all its worker's accommodations prior to the issuance of the Prospectus of Ecomate.	Complied ⁽¹⁾

Note:

⁽¹⁾ We had on 17 August 2021 received the Certificates of Accommodation for all our workers accommodations. Please refer to Section 6.17.2 for further details of these premises.

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 21 June 2021, approved the resultant equity structure of Ecomate 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
1.	Ecomate Holdings to make available at least 50% of the balloting portion for subscription by Bumiputera public investors at the point of listing;	To be complied
2.	Ecomate Holdings to allocate at least 12.5% of its enlarged number of issued shares to Bumiputera investors to be approved by the MITI within one (1) year after achieving the profit requirement for companies seeking listing on the Main Market of Bursa Malaysia Securities Berhad, or five (5) years after being listed on the ACE Market of Bursa Malaysia Securities Berhad, whichever is earlier (" Compliance Date ");	To be complied
3.	Ecomate Holdings to submit to the SC a proposal to comply with the equity condition stated in paragraph 2 above, at least six (6) months prior to the Compliance Date; and	To be complied
4.	M&A Securities or Ecomate Holdings to submit Ecomate Holdings' equity structure to the SC upon completion of the Listing.	To be complied

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 Shares held by our Promoters as follows:

- (a) The moratorium applies to the entire shareholdings of our Promoters 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 45.0% of the total number of issued ordinary 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 1/3 per annum (on a straight line basis) of those Shares held under moratorium.

2. APPROVALS AND CONDITIONS (Cont'd)

Details of our Selling Shareholders and Pre-IPO Investors and their Shares which will be subject to the abovementioned moratorium, are set out below:

Selling Shareholders	Year 1		Year 2		Year 3	
	Moratorium shares during the First 6-Month Moratorium ⁽¹⁾		Moratorium shares during the Second 6-Month Moratorium		Moratorium shares	
	(1) No. of Shares	(2)%	(1) No. of Shares	(2)%	No. of Shares	(2)%
Koh Cheng Huat	115,746,875	33.1	(3)78,750,000	22.5	(3)52,500,000	15.0
Jason Koh Jian Hui	115,746,875	33.1	(3)78,750,000	22.5	(3)52,500,000	15.0
	231,493,750	66.2	157,500,000	45.0	105,000,000	30.0
					52,500,000	15.0
					52,500,000	15.0
					52,500,000	15.0
Pre-IPO Investors						
BYD Capital Sdn Bhd	10,158,750	2.9	10,158,750	2.9	-	-
Mamba Capital Sdn Bhd	14,673,750	4.2	14,673,750	4.2	-	-
Koda Capital Sdn Bhd	14,673,750	4.2	14,673,750	4.2	-	-
	39,506,250	11.3	39,506,250	11.3	-	-

Notes:

(1) After the Offer for Sale.

(2) Based on the enlarged share capital of 350,000,000 Shares.

(3) Assuming our Selling Shareholders comply with the moratorium in proportion to their shareholdings.

The Pre-IPO Investors, whom are also our shareholders, have also provided written undertakings not to sell, transfer or assign their shareholdings in our Company during the period of 12 months from the date of our admission to the ACE Market.

The moratorium has been fully accepted by our Selling Shareholders and Pre-IPO Investors, who have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during their moratorium period.

The moratorium restrictions are specifically endorsed on the share certificates representing the Shares under moratorium held by the Selling Shareholders and Pre-IPO Investors to ensure that our Share Registrar does not register any transfer that contravenes with such restrictions.

Separately, the ultimate shareholders of the Pre-IPO Investors have also undertaken not to sell, transfer or assign their respective shareholdings in the Pre-IPO Investors during their moratorium period.

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:

Allocation	No. of Shares	% ⁽¹⁾
Public Issue		
Malaysian Public ⁽²⁾	17,500,000	5.0
Eligible Directors and employees as well as persons who have contributed to the success of our Group	8,750,000	2.5
Private placement to selected investors	22,750,000	6.5
Offer for sale		
Private placement to selected investors	30,000,000	8.6
Enlarged number of Shares upon Listing	350,000,000	
IPO Price per Share	RM0.33	
Market capitalisation (calculated based on our IPO Price and enlarged no. of Shares upon Listing)	RM115,500,000	

Notes:

- (1) Based on our enlarged share capital of 350,000,000 Shares after our IPO.
- (2) 8,750,000 Shares will be set aside for Bumiputera public investors.

In compliance with the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters. Separately, the Pre-IPO Investors have also provided undertakings not to sell, transfer or assign their shareholdings in our Company during the period of 12 months from the date of our admission to the ACE Market. Further details of the moratorium are set out in Section 2.2. Save for the abovesaid moratorium, there is no other moratorium imposed on our Shares.

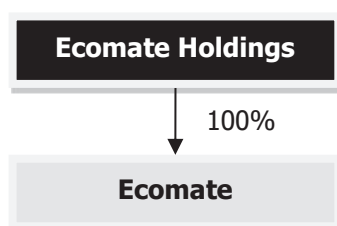
Further details of our IPO are set out in Section 4.

3.2 GROUP STRUCTURE AND BUSINESS MODEL

Our Company was incorporated in Malaysia on 11 November 2020 under the Act as a private limited company under the name of Ecomate Holdings Sdn Bhd. Subsequently, our Company was converted to a public limited company on 15 December 2020. We were incorporated as a special purpose vehicle to facilitate the listing of our subsidiary, Ecomate, on the ACE Market.

Our products are mainly sold overseas, to various countries in Asia and Europe. The breakdown of revenue contribution from these regions is set out in Section 3.9.3.

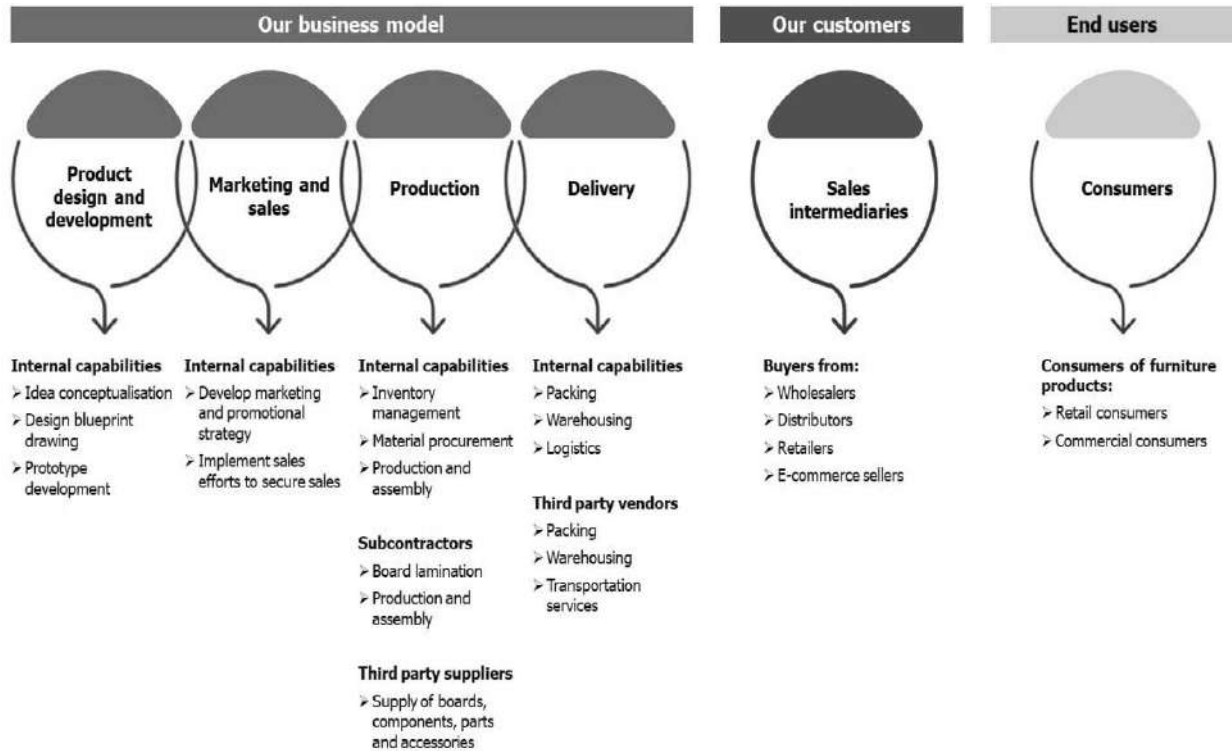
Our Group structure as at LPD is as follows:



3. PROSPECTUS SUMMARY (Cont'd)

We are an investment holding company. Through our subsidiary, we are principally engaged in the production of ready-to-assemble furniture products, where we undertake design and development, production as well as marketing and sales of living room furniture, bedroom furniture as well as other types of furniture, which may be tailored to our customer's specifications.

Our business model is as illustrated below:



Further details of our Group and our business model are set out in Section 6.

3.3 IMPACT OF THE COVID-19 PANDEMIC OUTBREAK

Due to the outbreak of COVID-19, the Government imposed an MCO which impacted most economic sectors and activities, especially those operating in non-essential services. We had temporarily ceased operations from 18 March 2020 to 31 March 2020 as a result of the imposition of MCO. On 1 April 2020, our Group resumed operations at 50% workforce capacity and subsequently on 2 May 2020, our Group commenced operating at full workforce capacity after receiving approval from MITI, subject to compliance with the standard operating procedures, rules and guidelines set forth by MITI from time to time.

During the initial MCO period from 18 March 2020 to 30 April 2020, we experienced production backlogs, which resulted in delays in fulfilling selected orders during this period. In respect of these delayed deliveries, there are no contractual terms for the customers to claim any delay charges.

Nevertheless, we did not experience any cancellation in sales orders or claims arising from delayed delivery during this period. Additionally, there are no positive COVID-19 cases reported at their respective workplaces, hence there is no other operational impact towards our supply chain.

Following the imposition of a more restrictive MCO and the declaration of state of emergency in January 2021 ("MCO 2.0"), there has been no disruption to our operations as our business is categorised under essential services by MITI, and we have obtained approval from MITI to operate as usual with requisite operating procedures in place.

3. PROSPECTUS SUMMARY (Cont'd)

There was no significant impact to our business and operations arising from MCO 2.0. Subsequently, as the MCO transitioned into a third phase ("MCO 3.0") from 12 May 2021. During this period, the workforce attendance capacity for the private sector was set at 100% for management and operations/support services. As such, our Group was able to operate without disruptions during MCO 3.0. Further, we did not experience any material impact towards our profitability and cash flows for FPE 31 May 2021 arising from the COVID-19 pandemic.

Following the imposition of the first phase of a full closure of Malaysia's social and economic sectors which took effect on 1 June 2021 ("FMCO"), we ceased production activities and factory operations. Nonetheless, during this period, our marketing, management and administrative employees continued to work from home and we also continued to receive orders. We received approval from Polis Diraja Malaysia to resume loading operations from 16 June 2021 to 12 July 2021 for finished products that are intended for export. This approval was further extended on 14 July 2021 for the remaining period of FMCO and the subsequent National Recovery Plan period.

On 15 August 2021, the Government of Malaysia announced the inclusion of the furniture sector as essential services under Phase 1 of the National Recovery Plan ("NRP Phase 1"). On 16 August 2021, Johor transitioned into NRP Phase 1. On 27 August 2021, our Group received approval from MITI to resume factory operations at 60%, 80% and 100% workforce capacity under all phases of the National Recovery Plan upon achieving vaccination rates of 40%, 60% and 80% respectively among our employees. As at LPD, all of our employees have received their first vaccination dose, while majority have received 2 vaccine doses. We decided to resume factory and production operations on 10 September 2021 upon achieving the relevant vaccination rates set out in MITI's approval, and subsequently operated at full workforce capacity by 20 September 2021 in line with the observation of the 14-day post vaccination period.

Since the NRP Phase 1, a total of RM14.6 million of orders were delayed. As production was not allowed since the FMCO on 1 June 2021, the delivery of the delayed orders during our period of shutdown in FMCO would be gradually fulfilled after our factory operations resumed since 10 September 2021. For the NRP Phase 1 up to LPD, there was no material disruption to our supply chain.

Save as presently disclosed, there was no other operational or financial impact towards our Group from the MCO and all its subsequent phases up to LPD.

Please refer to Section 6.7.1 for further information on the impact of the COVID-19 pandemic on our Group, and Section 8 for the risk factor in relation to the prolonged COVID-19 pandemic.

3.4 COMPETITIVE STRENGTHS

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

(a) We adopt a flexible cost-based business model

Our Group operates a "made-to-order" business model under which, other than display models, furniture products are only manufactured once a customer order has been placed. As such, our Group does not invest in raw material inventories or finished goods inventories other than display models, and we have limited exposure to "fashion" risk as we do not carry stocks which may cease to be saleable because of changing fashion or consumer preference. As customer orders are paid before delivery while suppliers are paid in accordance with agreed terms, our Group is able to maintain healthy working capital.

3. PROSPECTUS SUMMARY (Cont'd)

(b) We have a wide range of furniture products and we innovate to meet the needs and preference of the market

We specialise in living room furniture as well as bedroom furniture. Our living room furniture category includes a wide range of coffee tables, console tables, multi-function cabinets, shoe cabinets, side tables and television cabinets. Our bedroom furniture category includes a wide range of bed frames, bookshelves, drawer chests, dressing tables, night stands, wardrobes and writing tables. To date, we have launched over 700 designs primarily across both categories. Furthermore, customers are also able to customise our furniture products in terms of design and dimension specifications.

(c) We adopt automation in our production process

The sustainability of our furniture production operations is largely dependent on production costs such as cost of raw materials and cost of labour. Through incorporating automation in our production process, we are able to realise the benefits of consistent and improved levels of product quality as well as output volume, in comparison to fully relying on manual labour for production activities.

(d) We manufacture ready-to-assemble furniture products in flat packed format

The flat packed format makes ready-to-assemble furniture more space efficient for shipping than conventional fully assembled furniture. Thus, transportation is less complicated and less expensive. We have been able to market and ship our furniture products to various export markets globally due to the affordability and compactness of flat packed furniture.

(e) We are able to leverage on the growth of e-commerce to reach a wider market

Owing to the global COVID-19 pandemic, e-commerce has become a major sales channel for ready-to-assemble furniture. In FPE 2022, we secured increased sales orders from several customers due to increased demand from end consumers through e-commerce platforms. Although we do not sell directly to end consumers, through our customers' deployment of e-commerce platforms, our furniture products are now accessible to end consumers worldwide, thereby allowing us to reach a wider market.

(f) We have stringent QC processes to ensure consistent quality

We are committed to meet our customers' satisfaction and continuously seek to provide good quality and value to our customers. We adopt strict QC processes throughout the design, development and production processes in order to strictly adhere to predefined quality standards, thereby meeting the demands and expectations of our customers.

(g) We have a diversified network of customers

Our Group constantly strives to develop and strengthen our customer base since our establishment. As at LPD, our diversified network consists of customers from 32 countries comprising distributors, wholesalers, retailers and e-commerce sellers.

Our export markets primarily comprise countries in Asia, Europe and North America. Asia (excluding Malaysia) contributed to 23.4%, 45.2%, 36.4% and 19.2% of our revenue in FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. Europe contributed to 42.4%, 24.3%, 13.7% and 11.2% of our revenue in FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. North America contributed to 7.0%, 11.1%, 17.2% and 14.9% of our revenue in FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

3. PROSPECTUS SUMMARY (Cont'd)

(h) We have an experienced management team

We have an experienced management team with expertise in design and development, production, finance as well as marketing and sales.

Our co-founder and Executive Director, Koh Cheng Huat has in-depth knowledge of the furniture industry whereas our other co-founder and Managing Director, Jason Koh Jian Hui brings with him business development experience from his prior employment. Together, they are responsible for spearheading our business direction and implementing our Group's overall business strategies. Under their leadership, our Group has successfully grown and positioned ourselves as an export-oriented furniture producer. They are supported by a qualified key senior management team.

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

3.5 BUSINESS STRATEGIES

A summary of our business strategies are set out below:

(a) We intend to expand our production facilities

We plan to expand and increase our current production capacity as follows:

- (i) Rental of a new warehouse and acquisition of additional machinery and equipment for Factory A

We have entered into a tenancy agreement to secure a warehouse space measuring approximately 19,200 sq ft, with the tenancy period to commence on 1 November 2021 for a period of 2 years with an option to extend for an additional 1 year. This new warehouse will free up the current storage space in Factory A, thereby allowing us to increase our production capacity in Factory A. We currently have 4 production lines in Factory A with a total capacity of 376,320 units per year (with the use of subcontractors), and we intend to install 1 additional production line and ancillary machinery in 2021 which will provide additional production of 79,200 units per year (with the use of subcontractors).

- (ii) Construction of a new factory and acquisition of new machinery and equipment

In addition to our expansion of capacity in Factory A, we intend to construct our future production plant in Muar Furniture Park in phases. Our Phase 1 construction will comprise 1 block of single storey factory building with a total built-up area of 60,000 sq ft and 1 block of four-storey detached hostel. Subject to the timely vacant possession of the land by the developer, the construction of the factory will commence in the fourth quarter of 2022 and we anticipate its commissioning in the first quarter of 2024. We expect to install 3 additional production lines with a total capacity of 237,600 (with the use of subcontractors) in this factory.

(b) We intend to intensify our marketing and sales efforts to expand market reach and capture more sales

We plan to further intensify our marketing and sales efforts to capture more sales. Furniture trade fairs are an important avenue for us to showcase our ready-to-assemble furniture products and meet new potential customers. These furniture fairs have traditionally attracted buyers from all over the world due to the scale of the events and range of exhibitors attending such events.

3. PROSPECTUS SUMMARY (Cont'd)

(c) We intend to further expand our range of product designs

We will emphasise on living room furniture and bedroom furniture through on-going design and development efforts. To identify and adapt to the fast-changing trends and preferences, we have dedicated our marketing and sales team together with our design and development team to keep abreast of the changing market trends.

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

3.6 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 Section 8.

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

(a) Our business and operations are exposed to unanticipated disruptions caused by outbreak of pandemics

Our business and operations in Malaysia were affected by the MCO imposed by the Government, which resulted in delays in fulfilling selected sales orders during the initial MCO period from 18 March 2020 to 30 April 2020 as well as the period since 1 June 2021 to 9 September 2021.

The COVID-19 pandemic had also affected our business transactions overseas. Many governments of these countries have taken precautionary measures such as closure of transportation hubs to curb the spread of COVID-19 which may lead to further delays or interruptions to the delivery of our products to these countries.

Prolonged disruption to our business and operations will materially affect our order fulfilment which will subsequently adversely affect our revenue recognition and financial performance. Further, our sales and marketing activities were also affected. This may affect our outreach to potential new customers to grow our customer base in the near term and would temporary slowdown our expansion and growth rate.

(b) Absence of long term agreements with our customers may result in fluctuation of our financial performance

We do not have long term agreements with our customers. The absence of long term agreements may result in the fluctuation of our Group's revenue and overall financial performance as the orders from our customers are generally on a purchase order basis. There can be no assurance that there will be no termination of business relationship or reduced orders from any of our customers.

(c) We experience concentration of customer base

Some of our major customers have contributed significantly to our revenue for the financial years/period under review. As such, we may be materially and adversely affected if we were to lose one or 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)

(d) We may be affected by price fluctuations of our raw materials

The prices of certain raw materials used in our production process 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 price fluctuation may adversely affect both our Group's operations and financial performance.

(e) We are exposed to fluctuations in foreign exchange rates

Our furniture products are primarily exported, with more than 76.7%, 84.9%, 80.1% and 54.8% of our revenue in FYE 2019, FYE 2020, FYE 2021 and FPE 2022 being derived from export sales. Our export sales are denominated in USD. Our export market primarily comprises customers from the Asia (excluding Malaysia), Europe and North America. This inherently subjects us to foreign exchange rates risks which are affected by various factors that are beyond our control, including but not limited to political and economic climates of Malaysia and the world. Therefore, any significant change in foreign exchange rates may affect our Group's financial results.

(f) We are dependent on our key senior management

The continued success and growth of our business is dependent on our ability to retain our key management personnel, in particular our Managing Director, Jason Koh Jian Hui and our Executive Director, Koh Cheng Huat. The loss of such experienced management personnel without suitable and timely replacements may have a material impact on our competitiveness, business and operations.

(g) We are subject to subcontracting risks

We leverage on our subcontractors for parts of our production process and are therefore dependent on them to a certain extent. There can be no assurance that the processes performed by our subcontractors will always be satisfactory or will always meet our requirements and specifications.

In addition, we may be liable for any losses or damages which arise from the delays in the fulfilment of orders and delivery by our subcontractors. These risks may have a material impact on our business, results of operations and financial performance.

(h) Inability to keep abreast with developments in the furniture industry

The marketability of our furniture products depends significantly on consumer preferences and spending trends. The changes in these trends are influenced by factors including, amongst others, the state of the economy and market demographic profiles, which are all beyond our control. The lower consumer spending due to economic downturn would create a material impact on our business and financial performance, as consumers will become more cost conscious and selective in spending.

(i) We may be exposed to major or sustained disruptions in our operations

Major or sustained disruptions to our operations will result in a longer lead time for the production of our furniture products. Such risks include, amongst others, fire hazards, power shortage, mechanical failure or operational difficulties. Failure to meet delivery deadlines as a consequence of such disruptions may in turn result in the loss of business or claims against us and such incidents may affect our business relationships with our customers thereby affecting our profitability.

3. PROSPECTUS SUMMARY (Cont'd)**(j) We may be exposed to potential product liability claims**

The nature of our business exposes us to the risk of product liability claims that is inherent in the production and sale of furniture products. We are exposed to potential product liability if our products are found to be unfit for use or defective.

If our customers suffer losses or damages, we may be liable to product liability claims. As a result, we may have to incur significant legal costs and divert our management resources regardless of the outcome of the claims. Any successful product liability claim against us will adversely affect our business and reputation.

Further details on our risk factors are set out in Section 8.

3.7 DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

Our Directors and key senior management are as follows:

Name	Designation
Directors	
Tan Sri Datuk Hussin Bin Haji Ismail	Independent Non-Executive Chairman
Jason Koh Jian Hui	Managing Director
Koh Cheng Huat	Executive Director
Datuk Lee Ching Yong	Independent Non-Executive Director
Lim Yik Hui	Independent Non-Executive Director
Ong Tian Soon	Independent Non-Executive Director
Key Senior Management	
Tei Kwee Lan	General Manager
Yau Chwan Shy	Chief Financial Officer
Tey Foo Yee	Factory Manager
Tan Mei Hwa	Purchasing Manager
M. Farouk Bin Abdullah	Quality Control Assistant 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	%
Koh Cheng Huat/ Malaysian	130,746,875	43.4	15,000,000	4.3	115,746,875	33.1
Jason Koh Jian Hui/ Malaysian	130,746,875	43.4	15,000,000	4.3	115,746,875	33.1

Notes:

(1) Based on the share capital of 301,000,000 Shares after the Acquisition of Ecomate.

(2) Based on our enlarged share capital of 350,000,000 Shares after the IPO.

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

3.8 UTILISATION OF PROCEEDS

The gross proceeds arising from the Public Issue of approximately RM16.2 million shall accrue entirely to us and will be utilised in the following manner:

3. PROSPECTUS SUMMARY (Cont'd)

Utilisation of proceeds	Estimated timeframe for utilisation	RM'000	%
Machinery and equipment	12 months ⁽¹⁾	6,000	37.1
Factory and hostel construction	24 months ⁽¹⁾	2,000	12.4
Purchase of raw material	6 months ⁽¹⁾	5,270	32.6
Estimated listing expenses	Immediate	2,900	17.9
		16,170	100.0

Note:

⁽¹⁾ 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 RM9.9 million shall accrue entirely to our Selling Shareholders.

3.9 FINANCIAL AND OPERATIONAL HIGHLIGHTS**3.9.1 Historical financial information**

The following table sets out the financial highlights of our historical audited combined financial statements for FYE 2019 to 2021 and FPE 2021 to 2022:

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	24,141	42,398	56,342	5,899	18,794
Cost of sales	(17,379)	(29,544)	(38,665)	(4,054)	(13,787)
GP	6,762	12,854	17,677	1,845	5,007
PBT	3,534	6,642	10,119	638	3,148
PAT	3,341	5,827	8,519	672	2,398
EBIT	3,656	6,985	10,504	708	3,273
EBITDA	4,298	8,319	11,868	1,229	3,655
GP margin (%)	28.0	30.3	31.4	31.3	26.6
PBT margin (%)	14.6	15.7	18.0	10.8	16.8
PAT margin (%)	13.8	13.7	15.1	11.4	12.8
Effective tax rate (%)	5.5	12.3	15.8	(5.3)	23.8
Total borrowings	4,991	9,880	15,496	11,030	13,450
Gearing ratio (times)	2.2	1.2	1.3	1.8	0.9
Net gearing ratio (times)	1.1	0.3	0.7	0.6	0.4

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

3.9.2 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 Ecomate, Public Issue and utilisation of 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.

3. PROSPECTUS SUMMARY (Cont'd)

	Ecomate Holdings	I	II
	As at 31 May 2021	After Public Issue	After I and utilisation of proceeds
	RM'000	RM'000	RM'000
Equity attributable to owners of the Company			
Share capital	3,926	23,545	22,731
Merger reserve	-	(3,449)	(3,449)
Retained earnings	10,461	10,461	9,512
Total equity	14,387	30,557	28,794
Number of Shares in issue ('000)	2,000	350,000	350,000
NA per share (RM)	7.19	0.09	0.08
Borrowings (All interest bearing debts)	13,450	13,450	13,450
Gearing ratio (times)	0.9	0.4	0.5
Current ratio (times)	1.4	2.3	2.2

3.9.3 Operational highlights

As at LPD, we occupy 2 factories and operate 5 production lines with a total annual production capacity of 470,400 units of furniture. Since our incorporation, we have also launched over 700 designs, primarily across the living room and bedroom furniture categories.

We have also positioned ourselves as an export-oriented furniture producer. Our products are sold to a diversified network of customers from foreign countries comprising distributors, wholesalers, retailers and e-commerce sellers.

Export sales accounted for 76.7%, 84.9%, 80.1% and 54.8% of our Group's revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. Our export markets are varied and primarily comprise countries in Asia (excluding Malaysia), Europe and North America as follows:

- (a) Asia (excluding Malaysia) contributed to 23.4%, 45.2%, 36.4% and 19.2% of our revenue in FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively;
- (b) Europe contributed to 42.4%, 24.3%, 13.7% and 11.2% of our revenue in FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively; and
- (c) North America contributed to 7.0%, 11.1%, 17.2% and 14.9% of our revenue in FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

3.10 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 board of directors deem relevant.

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

4. PARTICULARS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATION

The period for Application will open at 10.00 a.m. on 15 October 2021 and will remain open until 5.00 p.m. on 25 October 2021. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

4.2 INDICATIVE TIMETABLE

Events	Tentative Dates
Issuance of this Prospectus/Opening of Application for our IPO	15 October 2021
Closing Date	25 October 2021
Balloting of the Application for our IPO Shares	28 October 2021
Allotment of our IPO Shares to successful applicants	5 November 2021
Date of Listing	8 November 2021

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.

4.3 DETAILS OF OUR IPO

4.3.1 Public Issue

A total of 49,000,000 Issue Shares, representing 14.0% of our enlarged share capital are offered at our IPO Price. The Issue Shares shall be allocated in the following manner:

(a) Malaysian Public

17,500,000 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) 8,750,000 Issue Shares made available to public investors; and
- (ii) 8,750,000 Issue Shares made available to Bumiputera public investors.

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

8,750,000 Issue Shares, representing 2.5% of our enlarged share capital, will be reserved for our eligible employees and 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 4.3.3.

(c) Private placement to selected investors

22,750,000 Issue Shares, representing 6.5% of our enlarged share capital, have been reserved for private placement to selected investors.

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. PARTICULARS OF OUR IPO (Cont'd)

4.3.2 Offer for Sale

A total of 30,000,000 Offer Shares, representing 8.6% 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	⁽³⁾ %
Jason Koh Jian Hui / 282-1	Promoter, substantial shareholder and Managing Director	130,746,875	43.4	15,000,000	5.0	115,746,875	33.1
Lorong Dato Ahmad Jalan Khalidi 84000 Muar Johor							
Koh Cheng Huat / 10, Jalan Kasturi Off Jalan Utara Bukit Bakri 84200 Muar Johor	Promoter, substantial shareholder and Executive Director	130,746,875	43.4	15,000,000	5.0	115,746,875	33.1

Notes:

- (1) As at LPD, after completion of the Acquisition of Ecomate but before the Public Issue and Offer for Sale.
- (2) Based on the share capital of 301,000,000 Shares before the IPO.
- (3) Based on our enlarged share capital of 350,000,000 Shares after the IPO.

Further details of Jason Koh Jian Hui and Koh Cheng Huat, who are also our Promoters and substantial shareholders can be found in Section 5.1.

4. PARTICULARS OF OUR IPO (Cont'd)

4.3.3 Pink Form Allocations

We have allocated 8,750,000 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	4	800,000
Our eligible employees	41	2,684,000
Persons who have contributed to the success of our Group	28	5,266,000
	73	8,750,000

Entitlements which are not accepted by our eligible Directors, eligible employees and persons who have contributed to the success of our Group will be re-allocated to the other eligible Directors as set out in the table below and other eligible employees and persons who have contributed to the success of our Group at the discretion of our Board.

(a) Allocation to our eligible Directors

The criteria for allocation to our eligible Directors are based on their anticipated contribution to our Group. Jason Koh Jian Hui (our Group Managing Director) and Koh Cheng Huat (our Executive Director) have opted not to participate in the Pink Form Allocations as they are already our substantial shareholders and Selling Shareholders.

Details of the proposed allocation to our other Directors are as follows:

Name	Designation	No. of Issue Shares allocated
Tan Sri Datuk Hussin Bin Haji Ismail	Independent Non-Executive Chairman	200,000
Datuk Lee Ching Yong	Independent Non-Executive Director	200,000
Lim Yik Hui	Independent Non-Executive Director	200,000
Ong Tian Soon	Independent Non-Executive Director	200,000
		800,000

(b) Allocation to our eligible employees

The criteria of allocation to our eligible employees (as approved by our Board) are based on, inter-alia, the following factors:

- (i) Our employees must be an eligible and confirmed employee and on the payroll of our Group;
- (ii) The number of shares allocated to our eligible employees are based on their seniority, position, their length of service and their respective contribution made to our Group as well as other factors deemed relevant to our Board; and
- (iii) Full time employee of at least 18 years of age.

4. PARTICULARS OF OUR IPO (Cont'd)

Included in the allocation to our eligible employees are the proposed allocations to our key senior management:

Name	Designation	No. of Issue Shares allocated
Yau Chwan Shy	Chief Financial Officer	300,000
Tey Foo Yee	Factory Manager	300,000
Tan Mei Hwa	Purchasing Manager	150,000
M. Farouk Bin Abdullah	Quality Control Assistant Manager	100,000
		850,000

Tei Kwee Lan, our General Manager has opted not to participate in the Pink Form Allocations as she is the spouse of Koh Cheng Huat (our Executive Director) who is already our substantial shareholder and Selling Shareholder.

(c) Allocation to persons who have contributed to the success of 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.

4.4 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 13.56 times based on our EPS of 2.43 sen for FYE 2021, calculated based on our PAT for FYE 2021 of RM8.5 million, and our enlarged share capital of 350,000,000 Shares upon Listing;
- (b) Our pro forma combined NA per Share as at 31 May 2021 after our IPO of RM0.08 based on our combined NA as at 31 May 2021 of RM28.8 million (after the Public Issue and utilisation of IPO proceeds) and our enlarged share capital of 350,000,000 Shares upon Listing;
- (c) Our historical financial track record for FYE 2019 to 2021 and FPE 2022 summarised as follows:

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Revenue	24,141	42,398	56,342	18,794
GP	6,762	12,854	17,677	5,007
PAT	3,341	5,827	8,519	2,398

- (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.

4. PARTICULARS OF OUR IPO (*Cont'd*)

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.

4.5 SHARE CAPITAL, CLASSES OF SHARES AND RANKING

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

Details	No. of Shares	RM
As at the date of this Prospectus	301,000,000	7,374,502
To be issued pursuant to our Public Issue	49,000,000	16,170,000
Enlarged share capital upon our Listing	350,000,000	23,544,502

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

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.

4.6 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 4.9;

4. PARTICULARS OF OUR IPO (Cont'd)

- (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 furniture industry.

4.7 TOTAL MARKET CAPITALISATION UPON LISTING

Based on our IPO Price and our enlarged share capital of 350,000,000 Shares upon Listing, our total market capitalisation is estimated to be RM115,500,000 upon Listing.

4.8 DILUTION

Dilution is the amount by which our IPO Price exceeds the pro forma combined NA per Share immediately after our IPO. The following table illustrates such dilution on a per Share basis:

	RM
IPO Price	0.33
Pro forma combined NA per Share as at 31 May 2021 after taking into account the Acquisition of Ecomate and before Public Issue	0.05
Pro forma combined NA per Share as at 31 May 2021 after taking into account the Acquisition of Ecomate, Public Issue and utilisation of IPO proceeds	0.08
Increase in pro forma combined NA per Share to existing shareholders	0.03
Dilution in the pro forma combined NA per Share to our new public investors	(0.25)
Dilution in the pro forma combined NA per Share as a percentage of our IPO Price	(75.8%)

Further details of our pro forma combined NA per Share as at 31 May 2021 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
Jason Koh Jian Hui	⁽²⁾ 130,746,875	3,203,299	0.02
Koh Cheng Huat	⁽²⁾ 130,746,875	3,203,299	0.02
BYD Capital Sdn Bhd	10,158,750	248,889	0.02
Mamba Capital Sdn Bhd	14,673,750	359,507	0.02
Koda Capital Sdn Bhd	14,673,750	359,507	0.02
	301,000,000	7,374,502	0.02

4. PARTICULARS OF OUR IPO (Cont'd)

Notes:

- (1) Issued pursuant to the Acquisition of Ecomate.
 (2) Includes 2 subscriber shares allotted to them upon the incorporation of our Company.

Save as disclosed above and the Pink Form Allocations to our eligible Directors and key senior management, 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 LPD.

4.9 UTILISATION OF PROCEEDS

4.9.1 Public Issue

The estimated gross proceeds arising from the Public Issue of approximately RM16.2 million shall accrue entirely to us and will be utilised in the following manner, which is estimated based on the latest prices and quotations where available, as well as management estimates based on its experience.

Utilisation of proceeds	Reference	Estimated timeframe for utilisation from date of Listing	RM'000	%
Machinery and equipment	(a)	12 months	6,000	37.1
Factory and hostel construction	(b)	24 months	2,000	12.4
Purchase of raw material	(c)	6 months	5,270	32.6
Estimated listing expenses	(d)	Immediate	2,900	17.9
			16,170	100.0

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

(a) Machinery and equipment

We have allocated RM6.0 million for the acquisition of new machinery and equipment for Factory A, to be funded by proceeds from the IPO. The said machinery and equipment will provide us an incremental capacity of 79,200 units per year details as follows:

Type of machinery	No. of units	Total estimated cost RM million
Production line comprising: - edge banding machine - panel saw - CNC machine - air compressor - dust collection system and including installation and commission works	1	5.4
Screw packing machinery	2	0.4
Forklifts	2	0.2
		6.0

4. PARTICULARS OF OUR IPO (Cont'd)

The aforementioned machinery and equipment are to be used in Factory A after we have freed up the needed space of approximately 13,000 sq ft by renting a new warehouse measuring approximately 19,200 sq ft, in line with our future plans, which are further detailed in Section 6.19.1. As at LPD, there is insufficient space in Factory A to fit such machinery and equipment. With the new rented warehouse made available in November 2021, some of the raw materials and finished products will be shifted there, leaving Factory A sufficient space for these new machinery and equipment.

The new line comprises machinery and equipment with more automated components, particularly auto-conveyors, which have more functionality such as 90-degrees turning, and newer features such as corner-rounding which will allow the Group to produce different variations of furniture with less manual labour. As such, these machinery and equipment to be acquired are more expensive.

All the above machinery and equipment will be purchased locally.

(b) Factory and hostel construction

We have allocated RM2.0 million for the construction of a third factory ("**Factory C**") under the first phase of our future production plant in Muar Furniture Park. The construction of Factory C is expected to cost a total of RM9.0 million for 1 block of single storey factory building with a total built-up area of 60,000 sq ft which is expected to house up to 3 additional production lines and 1 block of four-storey detached hostel. This is to continue expanding our production capacity to sustain our growth.

As at LPD, Ecomate has paid 80% of the purchase price of the 4 plots of lands acquired in Muar Furniture Park (as disclosed in Section 6.17.3) as progress payment for the completion of site clearing, earthworks, drainage works and road works. The remaining 20% will be paid upon completion of water reticulation, electricity and infrastructure works.

Based on the MFP SPAs, vacant possession of the lands is to be delivered to Ecomate within 36 months by Johor Corporation as the vendor. However, it is subject to any fair and reasonable extensions of time by the vendor's consultants (i.e. the consultants from the real estate and infrastructure division of Johor Corporation), if such delay is caused by, among others, any reason or cause beyond the vendor's control. In light of the various MCO imposed by the Government, the vendor's consultants have extended the date of vacant possession by 250 days from the dates of the MFP SPAs in which case it will be latest by November 2022 (PLO 42 and PLO 70) and December 2022 (PLO 68 and PLO 69) subject to the payment of the entire purchase price. Nonetheless, we are allowed access to the lands to commence the construction of Factory C and the hostel even though the titles of these lands has yet to transfer. It is our intention to commence the construction of Factory C and the hostel as soon as practicable and we expect to do so in the fourth quarter of 2022 as a result of the 250 day extension of delivery of vacant possession of the lands. The delay of the commencement of construction of Factory C will delay the expansion of our production capacity, which may in turn limit our growth. Meanwhile, we will endeavour to maximise production capacity with the use of subcontractors where available to meet growing demand. For reference, our production capacity for FYE 2021 and FPE 2022 as disclosed in Section 6.6.2 have included the use of subcontractors. Further details of the timeline for the construction of Factory C is set out in Section 6.19.1.

4. PARTICULARS OF OUR IPO (Cont'd)

We will finance the balance construction cost of Factory C not funded by the proceeds of the Public Issue via bank borrowings and/or internally-generated funds.

(c) Purchase of raw material

Approximately RM5.3 million of the proceeds raised from our Public Issue has been earmarked for the purchase of raw materials to support our production activities.

Our main raw materials are particle boards and MDF which will be used in the production of our furniture products. During FYE 2021, our total purchase of particle boards and MDF was RM17.3 million.

(d) Estimated listing expenses

The amount of RM2.9 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 purchase of raw materials. Conversely, if our actual listing expenses are lower than the amount budgeted, the excess will be utilised to purchase raw materials. The following summarises the estimated expenses incidental to our Listing to be borne by us:

Description	RM'000
Printing and advertising fees	130
Professional fees ⁽¹⁾	1,900
Underwriting, placement and brokerage fees	500
Miscellaneous ⁽²⁾	370
	2,900

Notes:

⁽¹⁾ Includes advisory fees for, amongst others, our Principal Adviser, Solicitors, Reporting Accountants, IMR and Issuing House.

⁽²⁾ Other incidental or related expenses, including contingencies in connection with our IPO.

4.9.2 Offer for Sale

The Offer for Sale is expected to raise gross proceeds of approximately RM9.9 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.

4.10 UNDERWRITING AND PLACEMENT ARRANGEMENT, COMMISSION AND BROKERAGE**4.10.1 Underwriting arrangement and commission**

Our Underwriter will underwrite 26,250,000 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.

4. PARTICULARS OF OUR IPO (Cont'd)

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.

4.10.2 Placement arrangement and commission

The balance 22,750,000 Issue Shares from the Public Issue and 30,000,000 Offer Shares available for application by selected investors 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 2.5% of the value of those Issue Shares to be placed out to selected investors by our Placement Agent at our IPO Price. The placement fee of 2.5% 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.

4.10.3 Brokerage fees

Brokerage is payable in respect of the Issue Shares at the rate of 1.0% 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.

4.10.4 Minimum and over-subscription

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 IPO Shares will be the number of IPO 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 Directors.

Under 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 of 200 public shareholders, each holding not less than 100 Shares upon our admission to the ACE Market. We expect to meet the public shareholding requirement at the point of our Listing. If we fail to meet the said requirement, 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 subsection 243(2) of the CMSA shall apply accordingly.

4.11 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with M&A Securities, to underwrite 26,250,000 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:

4. PARTICULARS OF OUR IPO (*Cont'd*)

- 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;
 - (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;

4. PARTICULARS OF OUR IPO (*Cont'd*)

- (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;
- (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;

4. PARTICULARS OF OUR IPO (Cont'd)

- (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.
- 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

4. PARTICULARS OF OUR IPO (Cont'd)

- (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:
 - (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

4. PARTICULARS OF OUR IPO (*Cont'd*)

- (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.

- 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.

4.12 TRADING AND SETTLEMENT IN SECONDARY MARKET

Our Shares will be admitted to the Official List of the ACE Market and an official quotation will commence after, inter-alia, 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.

4. PARTICULARS OF OUR IPO (*Cont'd*)

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.

Upon our Listing, transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS Account being debited with the number of Shares sold and the buyer's CDS Account being credited with the number of Shares acquired.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares will trade under the odd lot board. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the second Market Day following the transaction date, and payment for the securities is generally settled on the second Market Day following the transaction date.

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

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⁾		Offer Shares offered ⁽²⁾		After IPO ⁽²⁾	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Koh Cheng Huat / Malaysian	130,746,875	43.4	15,000,000	4.3	115,746,875	33.1
Jason Koh Jian Hui/ Malaysian	130,746,875	43.4	15,000,000	4.3	115,746,875	33.1

Notes:

(1) Based on the share capital of 301,000,000 Shares after the Acquisition of Ecomate.

(2) Based on our enlarged share capital of 350,000,000 Shares after the IPO.

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 Jason Koh Jian Hui and Koh Cheng Huat are set out below:

(a) Jason Koh Jian Hui

Jason Koh Jian Hui, a Malaysian, aged 29, is our Promoter and Managing Director. He is responsible for setting the strategic direction for our Group and overseeing the overall operations of our Group. He also leads our marketing and sales efforts, including maintaining business relationships with our customers. He was 1 of the first 2 Directors of our Company since our incorporation.

Jason Koh Jian Hui completed his education and obtained an International General Certificate of Secondary Education from Melaka International School in 2011.

Upon completing his studies, Jason Koh Jian Hui joined Kerapjaya Development Sdn Bhd, a property developer which was his family business, as a director in 2011. He built his experience supporting his family through participation in business development and oversaw the completion of residential and commercial property development projects in Muar. He ceased active participation in the company in 2016 when he co-founded Ecomate with his cousin, Koh Cheng Huat.

Notwithstanding his past experience not being in furniture industry, he has accumulated useful general business management skill sets through his involvement in property development business. As a businessman, he was instrumental in growing Ecomate's furniture business into its current state.

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

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

(b) Koh Cheng Huat

Koh Cheng Huat, a Malaysian, aged 44, is our Promoter and Executive Director. He is responsible for managing the design and development as well as production operations of our Group. He was 1 of the first 2 Directors of our Company since our incorporation.

Koh Cheng Huat completed Penilaian Menengah Rendah in Sekolah Menengah Bakri in 1993. He has more than 20 years of experience in the furniture industry involving design and development, production as well as marketing and sales of furniture products.

In 1993, Koh Cheng Huat started his career as an apprentice in Yang Ah Kang & Sons Pte Ltd, a Singapore-based custom-made furniture and interior fittings company. In 1996, he returned to Malaysia and ventured into business with a business partner. During the period from 1996 to 2014, he pursued the following business ventures with the same business partner:

- (a) In 1996, he co-founded and became a partner at Chin Decoration and Interior Design, which was involved in interior design, where he was responsible for project management of renovation works undertaken by the firm for its clients. Chin Decoration and Interior Design ceased operations in 1998 and the partnership was subsequently terminated in 2001;
- (b) In 1998, he co-founded and was appointed as a director of Surplus Creations Sdn Bhd, a MDF furniture production company. As director, he oversaw product design and development as well as production activities. Surplus Creations Sdn Bhd primarily produced furniture for the local market. The company ceased operations in 2006, and was subsequently dissolved in 2017;
- (c) In 2001, he co-founded and became a partner at Surplus Furniture Enterprise, which was involved in the business of spray painting of furniture products. The business ceased operations in 2006;
- (d) In 2006, he co-founded and was appointed as director of Jian Gian Industries (M) Sdn Bhd, a chipboard furniture manufacturer where he oversaw product design and development as well as production activities; and
- (e) In 2009, he co-founded and was appointed as director of Timber Art Design Sdn Bhd, a chipboard furniture manufacturer, to focus primarily on the export markets. He was responsible for product design and development as well as production activities.

In 2014, he disposed his equity in Jian Gian Industries (M) Sdn Bhd and Timber Art Design Sdn Bhd to his business partner and another individual, and ceased being a director in these companies.

In 2015, he founded and was appointed as director of De Wings Sports Gallery Sdn Bhd, a retailer of sports equipment. The company ceased operations in 2018.

In 2016, Koh Cheng Huat and his cousin, Jason Koh Jian Hui, incorporated Ecomate to pursue opportunities in the furniture production business.

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

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (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 11 November 2020 are as follows:

Name	⁽¹⁾ As at incorporation			⁽²⁾ After the Acquisition of Ecomate			⁽³⁾ After IPO		
	Indirect		No. of Shares	Direct		No. of Shares	Indirect		No. of Shares
	%	No. of Shares		%	No. of Shares		%	No. of Shares	
Jason Koh Jian Hui	1	50.0	-	130,746,875	43.4	-	115,746,875	33.1	-
Koh Cheng Huat	1	50.0	-	130,746,875	43.4	-	115,746,875	33.1	-

Notes:

- (1) Comprising 2 subscriber shares.
- (2) Based on the share capital of 301,000,000 Shares after the Acquisition of Ecomate.
- (3) Based on the enlarged share capital of 350,000,000 Shares after the IPO.

5.1.4 Persons exercising control over the corporation

Save for our Promoters, namely Jason Koh Jian Hui and Koh Cheng Huat, there is no other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company.

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

5.2 DIRECTORS

Our Board takes note of the recommendations under the Malaysian Code of Corporate Governance released in April 2021 and intends to have our Group adhere to its recommendations. Specifically on Practice Note 5.9, where it is recommended that the Board comprises 30% female members. As at LPD, our Board comprises 1 female out of 6 members, which is a departure from Practice Note 5.9. We undertake to secure the appointment of additional female Directors within a year after Listing to meet the recommendation of 30% female Board members. Save for Practice Note 5.9, the composition of our Board presently adheres to the other recommendations of the MCGG.

5.2.1 Directors' shareholdings

The shareholdings of our Directors in our Company before and after our IPO assuming that they 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	%	Indirect No. of Shares	Direct No. of Shares	%	Indirect No. of Shares
Tan Sri Datuk Hussin Bin Haji Ismail	Independent Non- Executive Chairman/ Malaysian	-	-	-	200,000	0.1	-
Jason Koh Jian Hui	Managing Director/ Malaysian	130,746,875	43.4	-	115,746,875	33.1	-
Koh Cheng Huat	Executive Director/ Malaysian	130,746,875	43.4	-	115,746,875	33.1	-
Datuk Lee Ching Yong	Independent Non- Executive Director/ Malaysian	-	-	-	200,000	0.1	-
Lim Yik Hui	Independent Non- Executive Director/ Malaysian	-	-	-	200,000	0.1	-
Ong Tian Soon	Independent Non- Executive Director/ Malaysian	-	-	-	200,000	0.1	-

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

Notes:

- (1) Based on the share capital of 301,000,000 Shares after the Acquisition of Ecomate.
- (2) Based on the enlarged share capital of 350,000,000 Shares after the IPO.

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

5.2.2 Profiles of Directors

The profiles of Jason Koh Jian Hui and Koh Cheng Huat who are also our Promoters and substantial shareholders are set out in Section 5.1.2. The profiles of our other Directors are as follows:

(a) **Tan Sri Datuk Hussin Bin Haji Ismail**

Tan Sri Datuk Hussin Bin Haji Ismail, aged 68 a Malaysian, was appointed to our Board on 21 December 2020 as our Independent Non-Executive Chairman.

Tan Sri Datuk Hussin Bin Haji Ismail graduated with a Diploma in Police Science from University Kebangsaan Malaysia in 1998. He subsequently obtained a Master of Occupational Safety and Health Risk Management from Open University Malaysia in 2016.

Tan Sri Datuk Hussin Bin Haji Ismail began his career in the Royal Malaysia Police ("**RMP**") in 1971. During his tenure with RMP for over 39 years, he held various positions including Head of Special Branch of Perlis (1989-1992) and Officer in Charge of Police District of Shah Alam (2000-2002). He was seconded to the Ministry of Foreign Affairs and served in Moscow, Russia as a security liaison officer from 1992 to 1994.

In 2002 he was appointed as the Head of Special Branch of Perak before taking on the position of Chief of Police for Terengganu in 2004. In 2006, he was appointed as the Chief of Police for Johor. In 2008 he was made the Director of Internal Security and Public Order Department in Bukit Aman. Subsequently, he was promoted to the rank of Deputy Inspector General ("**DIG**") in 2010 before his retirement in 2011. As DIG, his key responsibilities included assisting the Inspector General of Police ("**IGP**") in the process of achieving the vision, missions and objectives of the RMP. While holding the position of DIG, he also worked closely with the IGP in formulating policies and the guiding principles in ensuring the preservation of peace and security of the nation.

He is presently an Independent Non-Executive Chairman of JAKS Resources Berhad. He is also an Independent Non-Executive Director of EP Manufacturing Berhad. Tan Sri Datuk Hussin Bin Haji Ismail was previously the Chairman of Koperasi Polis DiRaja Malaysia (2016-2018). Currently, he is the Deputy Chairman of Yayasan Pengaman Malaysia. He holds directorships in several private companies.

(b) **Datuk Lee Ching Yong**

Datuk Lee Ching Yong, aged 45, a Malaysian, was appointed to our Board on 21 December 2020 as our Independent Non-Executive Director.

Datuk Lee Ching Yong graduated with a Bachelor of Laws from the University of Malaya in 2001. In the same year, he commenced studies for his Master of Laws and completed a thesis titled "Towards a Single Competition Legislation for Malaysia". He was awarded the Master of Laws in 2005 from the University of Malaya.

Datuk Lee Ching Yong began his career upon graduation in 2001 as a pupil in EH Lim Lee & Partners where he supported the legal team in providing legal advice to clients of the firm. In March 2002, he was admitted as an advocate and solicitor of the High Court of Malaya upon completion of his pupillage. He subsequently joined PC Low & Co in 2002 as paralegal. He has also contributed to the publication of a book entitled "Remedi-Remedi Bagi Kemungkiran Kontrak Di Malaysia (*Remedies For Breaches of Contracts in Malaysia*)" authored by Cheong May Fong, which was published in 2004.

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

In 2004, he founded Chris Lee & Partners, a legal firm based in Muar, in which he has since been actively practicing law as Partner. As Partner, he is responsible for leading the firm and providing strategic direction.

Concurrently with his legal practice, he was appointed as Special Officer to the Chief Minister of Johor from 2008 to 2013 and was instrumental in supporting the Chief Minister of Johor in attending to issues faced by the population of Muar. In 2014, he was appointed as Muar Town Councillor, a position he held until 2018 and thereafter he returned to practice under his legal firm, Chris Lee & Partners.

(c) Lim Yik Hui

Lim Yik Hui, aged 43, a Malaysian, was appointed to our Board on 21 December 2020 as our Independent Non-Executive Director.

Lim Yik Hui graduated with a Bachelor of Business in Accounting from Charles Sturt University, Australia in 2000. In 2004, she was registered as a member of Certified Practising Accountant (Australia) and was also registered as a member of the Malaysian Institute of Accountants.

Lim Yik Hui began her career upon graduation in 2000 as an audit assistant at Ng & Co where she supported the audit team in carrying out audit assignments. She then joined Mustapha Khoo & Co in 2001 as an audit assistant where she participated in audit assignments carried out by the firm. She left Mustapha Khoo & Co in 2007 as an audit supervisor and subsequently joined SC Lim, Ng & Co as Audit Assistant Manager where she led a team of auditors on audit assignments for clients across various industries. In 2009, she joined Nam Cheong Dockyard Sdn Bhd, a wholly owned subsidiary of Nam Cheong Limited listed on the Mainboard of Singapore Exchange (SGX), as Corporate Accountant. Her responsibilities comprised preparing consolidated financial statements, quarterly and annual results as well as financial result of annual reports. She also oversees all accounting functions of the company, including liaising with external parties such as auditors, tax agents, local authorities and statutory bodies. Since 2019, her job function was realigned to oversee group operational finance and tax matters of Nam Cheong group as a result of the group's business expansion.

(d) Ong Tian Soon

Ong Tian Soon, aged 41, a Malaysian, was appointed to our Board on 7 July 2021 as our Independent Non-Executive Director.

Ong Tian Soon completed Technician Level C of the Association of Chartered Certified Accountants examinations in 2002. He then graduated with a Bachelor of Arts (Second Class Honours) in Accounting and Finance from the University of Greenwich, United Kingdom in 2012. In 2016, he obtained a Master of Science in Accounting and Financial Management from London Metropolitan University, United Kingdom. In 2019, he was registered as a member of Chartered Global Management Account (CGMA) and fellow of the Chartered Institute of Management Accountants (FCMA) and chartered accountant with the Malaysian Institute of Accountants. In 2020, he was registered as an associate member of the Chartered Tax Institute of Malaysia.

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

Ong Tian Soon began his career in 2002 as an Associate (Performance Improvement) with PricewaterhouseCoopers Singapore where he participated in performance improvement assignments for clients of the firm. He left PricewaterhouseCoopers Singapore in 2004 to join the British Chamber of Commerce in Singapore as an Accounts Executive where he was responsible for audit related matters. Upon leaving the British Chamber of Commerce in 2007, he joined Ewe, Loke & Partners, an audit firm based in Singapore, as Manager – Internal Audit. While at this firm he led a team of auditors on audit engagements.

In 2009, he left Ewe, Loke & Partners and joined Raffles Music College Singapore as an Operations Director where he was responsible for reviewing monthly management accounts and preparing budgets.

He left Raffles Music College Singapore in 2010 and incorporated his own business in Singapore, ASAP Management Services Pte Ltd, a registered filling agent, corporate services, tax agent and advisory firm. In 2015, his business expanded and this led to him founding ASAP Management Services, a sole proprietorship based in Malaysia which provides bookkeeping services. In 2018, he founded ASAP Advisory PLT with his wife to provide training and internal audit services. In 2021, he founded, TS Ong & Co, a sole proprietorship, which offers business valuation services. He is involved in the day-to-day management of the ASAP Management Services Pte Ltd, ASAP Advisory PLT and TS Ong & Co.

Ong Tian Soon is presently an Independent Non-Executive Director and Chairman of the Audit Committee of Nexgram Holdings Berhad.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (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 LPD:

(a) Tan Sri Datuk Hussin Bin Haji Ismail

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	shareholdings held (direct)	% of shareholdings held (indirect)
<u>Present involvement</u>						
1. EP Manufacturing Bhd	Investment holding and its subsidiaries are involved in the manufacturing of automotive components	Director	27 April 2015	-	-	-
2. TML Consumer Credit (M) Sdn Bhd	Money lending services	Director	31 December 2013	-	-	-
3. First Avenue Recovery Consolidated Sdn Bhd	Provision of debt recovery services	Director	28 February 2014	-	-	-
4. Medinah Group Sdn Bhd	Investment holding of properties	Director	10 November 2011	-	-	-
5. JAKS Resources Berhad	Investment holding and its subsidiaries are involved in trading of steel and construction related products and general contractor	Director	28 June 2011	-	-	-
6. TML Remittance Center Sdn Bhd	Provision of money remittance services	Director	18 July 2011	-	-	-

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

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
7. 3H Hotels Sdn Bhd	Hotels operator	Director/ Shareholder	16 August 2017	-	40.0	-
8. Lamina Tours & Services Sdn Bhd	Rental of cars, travel agency activities, tour operator activities	Director/ Shareholder	18 August 2017	-	30.0	-
9. TML Healthcare Services Sdn Bhd	Wholesale of pharmaceutical products	Director	28 January 2019	-	-	-
10. Green HHR Sdn Bhd	Manufacturing and trading of animal bedding	Shareholder	2 May 2017	28 August 2018	30.6	-
<u>Past Involvement</u>						
1. Express Solutions Sdn Bhd	Provision of debt recovery services	Director	12 April 2019	4 October 2019	-	-
2. First Avenue Partners (Asia) Sdn Bhd	Provision of debt recovery services	Director	12 March 2019	3 October 2019	-	-
3. Kop Construction Services (Malaysia) Sdn Bhd	General contractor	Director	1 November 2016	20 February 2017	-	-
4. Kop Security Agency Sdn Bhd	Provision of security services, private investigation and security training	Director	1 November 2016	20 February 2017	-	-

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

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	shareholdings held (direct)	% of shareholdings held (indirect)
5. Rohas Tecnic Berhad	Investment holding and its subsidiaries are mainly involved in the design, supply and construction of telecommunication infrastructure	Director	16 August 2011	16 August 2017	-	-
6. Proclass & Partners Sdn Bhd	Provision of debt recovery services	Director	29 July 2011	25 January 2018	-	-
7. Sovereign Maritime Services (M) Sdn Bhd	Provision of maritime management services	Director	22 March 2013	31 October 2017	-	-
8. KLI Hotel Management Sdn Bhd	Hotels and restaurants operator	Director	4 May 2017	28 August 2018	-	-
9. Hussin Unggul Cemerlang Sdn Bhd ⁽¹⁾	General trading	Shareholder	-	-	50.0	-
10. IHG Plantation Sdn Bhd ⁽²⁾	Dormant	Director/ Shareholder	16 October 2012	-	33.3	-
11. Hi A Force Sdn Bhd ⁽³⁾	Dormant	Director/ Shareholder	28 September 2012	-	51.0	-

Notes:

- ⁽¹⁾ Hussin Unggul Cemerlang Sdn Bhd has been dissolved on 18 January 2019.
- ⁽²⁾ IHG Plantation Sdn Bhd has been dissolved on 9 May 2016.
- ⁽³⁾ Hi A Force Sdn Bhd has been dissolved on 7 February 2017.

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

(b) Jason Koh Jian Hui

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	shareholdings held (direct)	% of shareholdings held (indirect)
<u>Present involvement⁽¹⁾</u>						
1. Kerapjaya Development Sdn Bhd	Property developer	Director/ Shareholder	1 July 2011	-	1.0	-
2. TM Engineering Services Sdn Bhd	Dealing of fire protector products and provision of related services	Director/ Shareholder	11 January 2016	-	65.0	-
3. Kurnia Jaya Hasil Sdn Bhd	Building construction works and related services	Director/ Shareholder	21 August 2015	-	1.0	-
4. Top Factory Construction Sdn Bhd	Construction of buildings	Director/ Shareholder	21 May 2015	-	79.0	-
5. Pembinaan Dragon Point Sdn Bhd	Property developer	Director/ Shareholder	1 July 2011	-	1.0	-
6. Mega Contractor Sdn Bhd	Construction contractor	Director/ Shareholder	17 December 2014	-	1.0	-
7. Grand United Development Sdn Bhd	Property development	Director/ Shareholder	1 July 2011	-	*-	-
8. Teemac Engineering & Service Sdn Bhd	Fire protection contractor and provision of related services	Director/ Shareholder	23 September 2015	-	65.0	-

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

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	shareholdings held (direct)	% of shareholdings held (indirect)
9. Maxgain Products Sdn Bhd	Dormant (no intended activities in the future)	Director/ Shareholder	13 July 2018	-	50.0	-
10. Perniagaan SLI Jaya Sdn Bhd	Service and repair fire extinguisher, service and maintenance on firefighting system and piping	Director/ Shareholder	14 November 2016	-	65.0	-
<u>Past involvement</u>						
1. Z Metal Sdn Bhd	Manufacture of metal furniture components	Director	26 April 2018	16 May 2019	-	-
2. JC Victory Sdn Bhd	Provision of water piping, plumbing and other related services	Director	17 May 2016	20 June 2019	-	-
3. SS Metal Roofing Sdn Bhd	General contractor for roofing	Director	1 December 2015	20 June 2019	-	-
4. SS Plumbing Sdn Bhd	General contractor for plumbing	Director	16 August 2012	20 June 2019	-	-
5. MKH Hardware Sdn Bhd ⁽²⁾	Dormant	Director/ Shareholder	9 February 2015	-	25.0	-
6. SKPK Plantation Sdn Bhd ⁽³⁾	Forest plantation	Director/ Shareholder	20 March 2014	-	50.0	-

Notes:

- (1) He is involved in these companies as passive investor and he is not actively involved in the day-to-day operations of these companies. His role as one of the directors in these companies is only to discharge his fiduciary duties in these companies which does not occupy a significant amount of his time and will therefore not affect his daily commitment to our Group. In this respect, the other directors of these companies are actively involved in managing the day-to-day operations.

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

(2) MKH Hardware Sdn Bhd was struck off on 30 November 2017

(3) SKPK Plantation Sdn Bhd was struck off on 24 May 2016

* Less than 0.1%

(c) Koh Cheng Huat

Company	Principal activities	Involvement/ Position held	Date of appointment	Date of resignation	shareholdings held (direct)	% of shareholdings held (indirect)
<u>Present involvement</u>						
1. Maxgain Products Sdn Bhd	Dormant (no intended activities in the future)	Director/ Shareholder	13 July 2018	-	50.0	-
2. De Wings Sports Gallery Sdn Bhd	Ceased operations	Director/ Shareholder	07 July 2015	-	50.0	-
<u>Past involvement</u>						
1. Surplus Creations Sdn Bhd ⁽¹⁾	Manufacturers of furniture and furniture parts	Director/ Shareholder	11 April 1998	-	50.0	-
2. Z Metal Sdn Bhd	Manufacture of metal furniture components	Director	26 April 2018	16 May 2019	-	-

Note:

(1) The company has been struck off.

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

(d) Datuk Lee Ching Yong

Company/ Partnership	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
<u>Present involvement</u>						
1. Titan Builder Sdn Bhd ⁽¹⁾	Dormant (no intended activities in the future)	Director/ Shareholder	1 March 2016	-	33.0	-
2. Smasis Services Sdn Bhd	Coffee shops operator	Director/ Shareholder	09 December 2014	-	99.0	-
3. Smasis Online Sdn Bhd	Trading of furniture and fittings online ⁽²⁾	Director/ Shareholder	1 November 2016	-	50.0	-
4. Save Mines Services Sdn Bhd	Dormant (no intended activities in the future)	Director/ Shareholder	2 November 2015	-	10.0	-
5. Muarich Properties Sdn Bhd	Property investment	Director/ Shareholder	29 July 2020	-	45.0	-
6. Muar Mega Supply Sdn Bhd	Property investment	Director/ Shareholder	10 March 2017	-	50.0	-
7. Muar Film Production Sdn Bhd	Film production	Director/ Shareholder	1 December 2015	-	45.0	-
8. Muar Art Advertising Sdn Bhd	Provision of advertising, printing and other services	Shareholder	-	-	20.0	-

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

Company/ Partnership	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
9. Mualand Development Sdn Bhd	Property investment	Director/ Shareholder	12 December 2018	-	25.0	-
10. Momentum Realty Sdn Bhd	Property developer and contractor	Shareholder	-	-	15.0	-
11. M3 Development Sdn Bhd	Property developer	Director/ Shareholder	17 March 2017	-	25.0	-
12. Cosmines Mega Sdn Bhd	Investment holding of shares and properties ⁽³⁾	Director/ Shareholder	15 June 2016	-	51.0	-
13. Clp Wealth Malaysia Sdn Bhd	Investment holding of shares and properties ⁽⁴⁾	Shareholder	4 September 2014	6 June 2018	100.0	-
14. Aphelion Grandeur Sdn Bhd	Retail sale of household furniture	Shareholder	-	-	2.9	-
15. Aid Asia Capital Sdn Bhd ⁽¹⁾	Insurance consultancy services	Shareholder	-	-	33.3	-
16. Chris Lee & Partners LLP	Provision of legal services	Partner	-	-	-	-
<u>Past involvement</u>						
1. Shahj Resort Sdn Bhd	Food and beverage outlet operator	Director	18 December 2015	5 March 2018	-	-

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

Company/ Partnership	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
2. I Home Mou Sdn Bhd	Trading and retail sale of household furniture	Director	29 March 2017	8 November 2019	-	-
3. Finsource Solution Sdn Bhd (formerly known as Save Solution Sdn Bhd)	Money lending services	Director/ Shareholder	1 December 2015	2 June 2021	10.0	-
4. Cosmines Assets Sdn Bhd	Investment holding of shares and properties	Director/ Indirect shareholder	1 November 2016	5 August 2021	-	43.4

Notes:

(1) The company is in the process of striking off.

(2) The principal products sold by the company are upholstered furniture, which are mainly sofas and mini chairs, which are not the type of furniture we produce. The company also sells upholstered bedframes and mattresses.

(3) The company's furniture products are upholstered while ours are not and hence, appeal to different target markets. Furthermore, we do not produce sofas and mini chairs.

(4) The company invests mostly in shares of development, medical, technology and telecommunication companies and does not invest in any similar business with our Group.

(5) The company invests mostly in technology and telecommunication companies and do not invest in any similar business with our Group.

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

(e) Ong Tian Soon

Company/ Partnership	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	shareholdings held (direct)	% of shareholdings held (indirect)
<u>Present involvement</u>						
1. ASAP Management Services Pte Ltd	Registered filling agent and corporate services provider under Accounting and Corporate Regulatory Authority, tax agent and advisory	Director/ Shareholder	17 August 2010	-	100.0	-
2. TS Ong & Co	Business valuation services	Sole proprietor	5 January 2021	-	100.0	-
3. Nexgram Holdings Berhad	Investment holding and its subsidiaries are mainly involved in information technology services, property investment, logistics and healthcare	Independent Non-Executive Director / Audit Committee's Chairman	1 October 2019	-	-	-
4. Topmix Laminate Pte Ltd	Trading on the high pressure laminate product	Director/ Secretary	18 March 2015	-	-	-
5. Wontex Trading Pte Ltd	Trading on electronic component	Director/ Secretary	6 September 2016	-	-	-
6. Kryptonite International Pte Ltd	Trading on computer accessories	Secretary	28 February 2017	-	-	-
7. Orchid Dynasty Pte Ltd	Travel agent	Director	26 May 2017	-	-	-

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

Company/ Partnership	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
8. HB Global Limited	Investment holding and its subsidiaries are mainly involved in the design, research and development of Ready-To-Serve products, rearing and trading of livestock	Secretary	18 September 2019	-	-	-
9. PTL Music Pte Ltd	Music learning centre	Secretary	1 January 2013	-	-	-
10. Asap Advisory PLT	Business and other consultancy services	management Partner	8 February 2018	-	-	-
11. Phoenix Corporate Advisory PLT	Business management consultancy services	Partner	22 February 2018	-	-	-
<u>Past involvement</u>						
1. ASAP Management Services	Accounting and Advisory firm	Managing Partner	1 April 2015	3 January 2018	-	-

The involvement of our Directors in the abovementioned 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.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (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 FYE 2020 to 2022 are as follows:

FYE 2020	Directors' fees	Salaries	Bonuses	Benefits-in-kind and allowance	Total
Directors	RM'000	RM'000	RM'000	RM'000	RM'000
Jason Koh Jian Hui	-	360	300	100	760
Koh Cheng Huat	-	360	300	98	758

FYE 2021	Directors' fees	Salaries	Bonuses	Benefits-in-kind and allowance	Total
Director	RM'000	RM'000	RM'000	RM'000	RM'000

Non-Executive Directors

Tan Sri Datuk Hussin Bin Haji Ismail	15	-	-	-	15
Datuk Lee Ching Yong	12	-	-	-	12
Lim Yik Hui	12	-	-	-	12

Executive Directors

Jason Koh Jian Hui	-	360	150	112	622
Koh Cheng Huat	-	360	150	108	618

Proposed for FYE 2022	Directors' fees	Salaries	Bonuses⁽¹⁾	Benefits-in-kind and allowance	Total
Director	RM'000	RM'000	RM'000	RM'000	RM'000

Non-Executive Directors

Tan Sri Datuk Hussin Bin Haji Ismail	60	-	-	-	60
Datuk Lee Ching Yong	48	-	-	-	48
Lim Yik Hui	48	-	-	-	48
Ong Tian Soon	32 ⁽²⁾	-	-	-	32 ⁽²⁾

Executive Directors

Jason Koh Jian Hui	-	360	(1)	112	472
Koh Cheng Huat	-	360	(1)	108	468

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

Notes:

(1) The bonuses for FYE 2022 are not included. Such bonuses, if any, will be determined later depending on the performance of our Group, subject to the recommendation of our Remuneration Committee and approved by our Board.

(2) Ong Tian Soon joined our Group in July 2021.

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 FYE 2021 and 2022 are as follows:

FYE 2021	Remuneration band (in bands of RM50,000)		
	Remuneration RM	Benefits-in-kind RM	Total RM
Key senior management			
Tei Kwee Lan	150,001 – 200,000	0 – 50,000	150,001 – 200,000
Yau Chwan Shy	⁽¹⁾ 50,001 – 100,000	-	50,001 – 100,000
Tey Foo Yee	150,001 – 200,000	0 – 50,000	150,001 – 200,000
Tan Mei Hwa	50,001 – 100,000	-	50,001 – 100,000
M. Farouk Bin Abdullah	50,001 – 100,000	-	50,001 – 100,000

Proposed for FYE 2022	Remuneration band (in bands of RM50,000)		
	Remuneration RM	Benefits-in-kind RM	Total RM
Key senior management			
Tei Kwee Lan	150,001 – 200,000	0 – 50,000	150,001 – 200,000
Yau Chwan Shy	100,001 – 150,000	-	100,001 – 150,000
Tey Foo Yee	150,001 – 200,000	0 – 50,000	150,001 – 200,000
Tan Mei Hwa	50,001 – 100,000	-	50,001 – 100,000
M. Farouk Bin Abdullah	50,001 – 100,000	-	50,001 – 100,000

Note:

(1) Yau Chwan Shy joined our Group in August 2020.

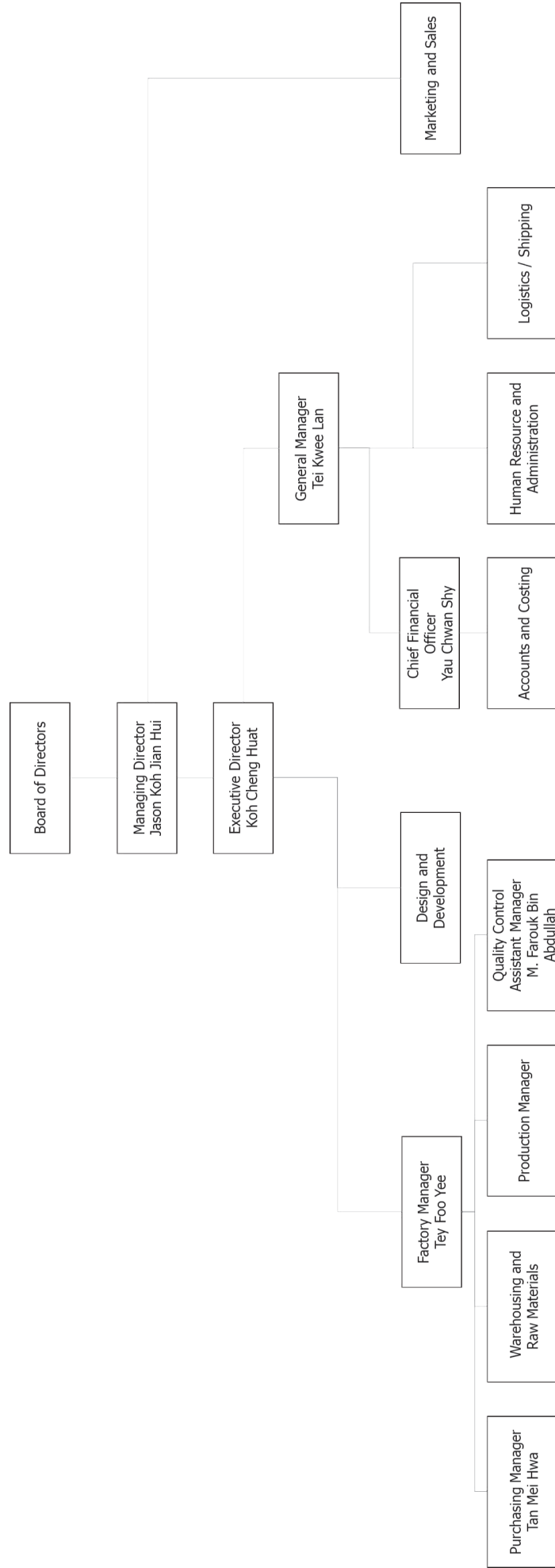
The remuneration which includes our Directors' salaries, bonus, fees and allowances as well as other benefits, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board. Any change in Director's fees as set out in our Constitution must be approved by our 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.

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

5.3 KEY SENIOR MANAGEMENT

5.3.1 Management Structure



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

The Executive Director oversees the respective departments in the reporting structure mainly to grasp the overall condition of its operations.

However, to ensure the independence from the spousal relationship between Koh Cheng Huat and Tei Kwee Lan, there are:

- (i) authority limits set by the Board whereby key decisions in the administrative, logistics and finance departments would require the approval of the executive committee, which comprises Koh Cheng Huat, Yau Chwan Shy, Tei Kwee Lan and Jason Koh Jian Hui; and
- (ii) internal controls in place through the approval of banking transactions where the signatories of Jason Koh Jian Hui and Koh Cheng Huat are required.

The shareholdings of our key senior management (save for Jason Koh Jian Hui and Koh Cheng Huat) 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 as set out below:

Name	Designation/ Nationality	Before IPO		After IPO ⁽¹⁾				
		Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%
Tei Kwee Lan	General Manager / Malaysian	-	-	-	-	-	-	-
Yau Chwan Shy	Chief Financial Officer / Malaysian	-	-	-	-	300,000	0.09	-
Tey Foo Yee	Factory Manager / Malaysian	-	-	-	-	300,000	0.09	-
Tan Mei Hwa	Purchasing Manager / Malaysian	-	-	-	-	150,000	0.04	-
M. Farouk Bin Abdullah	Quality Control Assistant Manager / Malaysian	-	-	-	-	100,000	0.03	-

Note:

⁽¹⁾ Based on the enlarged share capital of 350,000,000 Shares after the IPO.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*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:

(a) Tei Kwee Lan

Tei Kwee Lan, a Malaysian, aged 41, is our General Manager. She supports our Executive Director in overseeing the finance, human resource and administration as well as logistics functions of our Group. She has accumulated 21 years of experience in the furniture industry.

Tei Kwee Lan obtained a London Chamber of Commerce and Industry (LCCI) certificate from Tey Commercial College, Muar, in 2000.

Tei Kwee Lan began her career in 2000 in Muar Cigarettes Distribution Sdn Bhd, a distributor of tobacco products, where she briefly worked as a general clerk undertaking administration works, clerical works as well as inventory monitoring. In the same year, she joined Chuanheng Furniture Products Sdn Bhd, a furniture manufacturing company, as an Accounts Executive overseeing and processing accounting entries, cash flow and payroll matters. In 2006, she joined Feng Yuan Industries Sdn Bhd, a furniture manufacturing company, as an Accounts Executive overseeing and processing accounting entries, cash flow and payroll matters. She subsequently joined GET Furniture Sdn Bhd, a furniture trading company, as an Accounts Executive in 2011. As an Accounts Executive, her role included supporting the finance department in performing accounting entries, preparing bank reconciliation, handling the accounts and performing month end closings. She left GET Furniture Sdn Bhd in July 2015. She did not take up employment between August 2015 and March 2016.

Tei Kwee Lan joined Ecomate as Accounts and Administrative Manager in April 2016. As one of our pioneer key senior management, her role encompasses overseeing human resource and logistics. She was subsequently promoted to the position of General Manager in August 2020. Tei Kwee Lan is the spouse of Koh Cheng Huat.

Tei Kwee Lan does not hold any Shares and is not deemed interested in the shareholdings of Koh Cheng Huat by virtue of Section 8 of the Act and as she is not a Director, Section 59 of the Act is not applicable.

(b) Yau Chwan Shy

Yau Chwan Shy, a Malaysian, aged 43, is our Chief Financial Officer. She is responsible for the overall finance and accounting functions of our Group. She has 6 years of experience in the furniture industry.

Yau Chwan Shy graduated from the University of Malaya with a Bachelor of Accounting in 2002. She became a member of the Malaysian Institute of Accountants in July 2020. She has more than 10 years of experience in the fields of finance and accounting.

Yau Chwan Shy began her career upon graduation at Thong and Associates in 2002 as an Audit Assistant where she supported the firm's auditors in carrying out audit assignments on clients of the firm. Upon leaving Thong and Associates in March 2004, she joined SC Lim & Co in April 2004 as an Audit Assistant before being promoted to Audit Senior in February 2007, during which she was exposed to audit engagements for clients in various industries. In December 2007, she left SC Lim & Co and subsequently joined Home Upholstery Industries Sdn Bhd in January 2008 as an Accountant, where she oversaw the accounting functions of the company and was involved in the listing of its holding company, namely Homeritz Corporation Berhad. She was attached to Home Upholstery Industries Sdn Bhd until October 2013. She was not in employment from November 2013 until August 2017 due to family commitments.

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

In September 2017, she co-founded and was appointed director of Wawasan Sukses Sdn Bhd, a laundry and dry-cleaning business. Subsequently in November 2017, she also co-founded a gymnasium partnership business, Tangkak Fitness. Together with her business partners, she was involved in the daily management and operations of these 2 businesses since their incorporation until July 2020. Since commencement of employment in Ecomate in August 2020 as Chief Financial Officer, she is no longer actively involved in the daily management and operations of these 2 businesses and therefore her contribution to our Group will not be affected. Before she joined us, our finance department was overseen by Ms Tei Kwee Lan who was supported by 2 accounts staff.

(c) Tey Foo Yee

Tey Foo Yee, a Malaysian, aged 43, is our Factory Manager. He is responsible for managing the daily operations of our production activities, including our quality control efforts. He has 20 years of experience in the furniture industry.

Tey Foo Yee graduated from Stamford College in 2000 with a Bachelor of Arts in International Business Administration.

Tey Foo Yee began his career upon graduation in January 2001 in Kimble Furniture Corporation (M) Sdn Bhd, a furniture manufacturing company, as a Marketing Executive where he was involved in promoting the company's furniture products. In May 2001, he joined T.A. Furniture Industries Sdn Bhd as Production Supervisor monitoring the packing activities of the company's office furniture products. In 2005, his responsibilities were expanded to include overseeing boring activities. In 2014, he was promoted to Assistant Production Manager and he was then tasked with the responsibility of overseeing furniture production activities in one of the company's factories.

Tey Foo Yee left T.A. Furniture Industries Sdn Bhd and joined Ecomate in June 2017 as Production Executive and was promoted to Operations Manager in September 2017. He was subsequently promoted to Factory Manager in July 2020.

(d) Tan Mei Hwa

Tan Mei Hwa, a Malaysian, aged 31, is our Purchasing Manager. She is responsible for managing our procurement activities and maintaining business relationships with our suppliers. She has 11 years of experience in the furniture industry.

Tan Mei Hwa left school during her Form 3 education at Sekolah Menengah Kebangsaan Tun Dr. Ismail, Muar, in 2006. She did not take up employment until 2010.

Tan Mei Hwa began her career in 2010 as an Accounts Assistant at Poh Huat Furniture Industries (M) Sdn Bhd, a furniture manufacturing company. As Accounts Assistant, she was involved in the processing of supplier invoices and recording of supplier payments. After a brief stint at Poh Huat Furniture Industries (M) Sdn Bhd, she joined Li Ding Furniture Enterprise, a furniture manufacturing subcontractor, in the same year as a general clerk where she was responsible for clerical tasks. In 2013, she joined Synergy Wood Products Sdn Bhd, a furniture parts manufacturer, as a Purchasing Assistant where she supported the purchasing department in monitoring inventory, ordering supplies and scheduling raw material deliveries. She then joined Masmi Wood Sdn Bhd, a rubberwood furniture manufacturing company, in 2014 as a general clerk and was responsible for managing and processing purchasing, accounts and payments documentation. Between May and August 2017, she briefly joined VS Concept Furniture Sdn Bhd, a furniture manufacturing company, as a Purchasing Executive and was tasked to manage the purchasing of raw materials.

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

Tan Mei Hwa joined Ecomate in August 2017 as Purchasing Executive where she was tasked to identify and source for quotations from existing and potential suppliers. She was promoted to the position of Purchasing Manager in July 2020.

(e) M. Farouk Bin Abdullah

M. Farouk Bin Abdullah, a Malaysian, aged 46 is our Quality Control Assistant Manager. He has 20 years of experience in the furniture industry.

M. Farouk Bin Abdullah graduated with a Bachelor of Accounting from Universiti Putra Malaysia in 1999.

M. Farouk Bin Abdullah began his career upon graduation in 2000 as a Production Planner at T.A. Furniture Industries Sdn Bhd where he was responsible for coordinating production workflow activities to meet sales orders. He was promoted to Production Control and Raw Material Executive in 2007 where he was tasked to manage the department as well as oversee and coordinate production schedules for furniture manufacturing. He was subsequently promoted to Production Planner in 2016 where he then began focusing on ISO matters, including documentation control as well as performing ISO audit on production activities.

Upon leaving T.A. Furniture Industries Sdn Bhd, M. Farouk Bin Abdullah joined Ecomate in May 2019 as ISO and Document Controller and he was also tasked to spearhead the adoption of 5S Kaizen concept, a Japanese-based workplace organisation method, in production activities. He was promoted to Quality Control Assistant Manager in November 2020, where he oversees the QC processes conducted by the QC team during the pre-production, production and post-production stage respectively to ensure that the standards of quality of Ecomate's products meet the specifications before packing and shipment to its customers.

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

5.3.4 Principal business performed outside our Group

Save as disclosed below, none of our key senior management (save for Jason Koh Jian Hui and Koh Cheng Huat) have any other principal directorship and/or principal business activities performed outside our Group as at LPD:

(a) Tei Kwee Lan

<u>Company / Partnership</u>	<u>Principal activities</u>	<u>Involvement / Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>% of shareholdings held (direct)</u>	<u>% of shareholdings held (indirect)</u>
<u>Present involvement</u>						
1. De Wings Sports Gallery Sdn Bhd	Ceased operations	Director/ Shareholder	1 August 2018	-	50.0	-
<u>Past involvement</u>						
1. Perfect Design Furniture Trading	Partnership terminated	Partner	-	-	50.0	-

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

(b) Yau Chwan Shy

Company / Partnership	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
<u>Present involvement</u>						
1. Wawasan Sukses Sdn Bhd	Laundrying and dry-cleaning of clothes	Director/ Shareholder	8 September 2017	-	50.0	-
2. Tangkak Fitness	Gym	Partner	-	-	50.0	-

She is no longer actively involved in the daily management and operations of these 2 businesses after she joined Ecomate.

(c) M. Farouk Bin Abdullah

Company / Partnership	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
<u>Present involvement</u>						
1. Epixmind Resources	Supply laboratory equipment and chemicals	Sole proprietorship	9 October 2018	-	100.0	-

He is no longer actively involved in the daily management and operations of this business after he joined Ecomate.

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

5.4 RELATIONSHIPS AND/OR ASSOCIATIONS

Jason Koh Jian Hui (our Managing Director) and Koh Cheng Huat (our Executive Director) are cousins. They are both our Promoters and substantial shareholders.

Koh Cheng Huat and Tei Kwee Lan (our key senior management) are husband and wife.

Save as disclosed above, there are no family relationships (as defined under Section 197 of the Act) or association between or amongst our Promoters, substantial shareholders, Directors and key senior management as at LPD.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(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, values and standards 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 Company 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;
- (e) To review and approve our Group's annual business plans, financial statements and annual reports;
- (f) To supervise and assess management performance to determine whether the business is being properly managed;
- (g) 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;
- (h) To ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board and senior management;
- (i) To ensure the integrity of our Company's financial and non-financial reporting; and
- (j) 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 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:

<u>Name</u>	<u>Date of appointment as Director</u>	<u>of</u>	<u>Date of expiration of the current term in office</u>	<u>Approximate no. of years in office as at LPD</u>
Jason Koh Jian Hui	11 November 2020		At our fourth annual general meeting	Less than 1 year
Koh Cheng Huat	11 November 2020		At our third annual general meeting	Less than 1 year

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

Name	Date of appointment as Director	of	Date of expiration of the current term in office	Approximate no. of years in office as at LPD
Tan Sri Datuk Hussin Bin Haji Ismail	21 December 2020		At our second annual general meeting	Less than 1 year
Datuk Lee Ching Yong	21 December 2020		At our second annual general meeting	Less than 1 year
Lim Yik Hui	21 December 2020		At our third annual general meeting	Less than 1 year
Ong Tian Soon	7 July 2021		At our second annual general meeting	Less than 1 year

The Directors shall have power at any time and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the maximum number fixed in accordance with this Constitution. Any Director so appointed shall hold office only until the next annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Save for Ong Tian Soon, who is newly appointed and shall retire pursuant to Clause 103 of our Constitution at our second annual general meeting, all our remaining Directors retired from office in accordance with Clause 95 of our Constitution and re-elected at the first annual general meeting of our Company duly held on 11 May 2021. 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 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 Section 5.2.

5.5.2 Audit and Risk Management Committee

The main function of our Audit and Risk Management Committee is to assist our Board in fulfilling its oversight responsibilities. Our Audit and Risk Management Committee has full access to both internal and external auditors who in turn have access at all times to the Chairman of our Audit and Risk Management Committee.

The key duties and responsibilities of our Audit and Risk Management Committee include, amongst others, the following:

- (a) to review the engagement, compensation, performance, qualification 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 recommend our quarterly and annual financial statements for approval by our Board before announcement to regulatory bodies, focusing in particular on any changes in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from our audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;

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

- (c) to conduct periodic review of the involvements of our Managing Director and Executive Director in the companies outside of our Group, in which they have executive functions to ensure that it does not affect their role and responsibilities within our Group;
- (d) to review and monitor any related party transaction/business dealings entered into by our Group and any conflict of interest situation that may arise within our Group to ensure that they are conducted on arms' length basis and based on terms that are fair to our Group;
- (e) to oversee and recommend the risk management policies and procedures of our Group;
- (f) to review and recommend changes as needed to ensure that our Group has in place at all times a risk management policy which address the strategies, operational, financial and compliance risk;
- (g) to implement and maintain a sound risk management framework which identifies, assesses, manages and monitors our Group's business risks;
- (h) to set reporting guidelines for our Management to report to the committee on the effectiveness of our Group's management of its business risks;
- (i) to review the risk profile of our Group and to evaluate the measure taken to mitigate the business risks;
- (j) to review the adequacy of our Management's response to issues identified to risk registers, ensuring that our risks are managed within our Group's risk appetite;
- (k) to perform the oversight function over the administration of whistleblowing policy that is approved and adopted by our Board and to protect the values of transparency, integrity, impartiality and accountability where our Group conducts its business and affairs;
- (l) to enhance our accountability in preserving our integrity and to withstand public scrutiny which in turn enhances and builds our Group's credibility to all our stakeholders;
- (m) to consider the major findings of internal investigations and our Management's response; and
- (n) to do the following:
 - (i) consider and approve the appointment of internal auditors, internal audit fee and any question of designation or dismissal;
 - (ii) review the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - (iii) review the internal audit plan and results of the internal audit assessments and investigation undertaken, and ensure that the appropriate action is taken on the recommendation of the internal auditors;

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

- (iv) consider the internal audit reports and findings by the internal auditors, fraud investigation and actions and steps taken by our Management in response to audit findings;
 - (v) review and decide on the budget allocated to the internal audit function;
 - (vi) appraise or assess the performance of members of the internal audit function; and
 - (vii) monitor the overall performance of our Company's internal audit function.
- (o) to verify the allocation of Employees' Share Option Scheme ("**ESOS**") in compliance with the criteria as stipulated in the by-laws of ESOS of our Company, if any; and
 - (p) to perform such other functions as may be requested by our Board.

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

The members of our Audit and Risk Management Committee as at LPD are as follows:

Name	Designation	Directorship
Lim Yik Hui	Chairwoman	Independent Non-Executive Director
Ong Tian Soon	Member	Independent Non-Executive Director
Datuk Lee Ching Yong	Member	Independent Non-Executive Director

Our Nominating Committee and Board will review the composition, performance and effectiveness of our Audit and Risk Management 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 the remuneration, fee and other benefits of our Board and key senior management. The terms of reference of our Remuneration Committee include the following:

- (a) to recommend a framework of remuneration for our Managing Director, Executive Director and key senior management for our Board's approval. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain our Directors of calibre, and yet not excessive. The framework should cover all aspects of remuneration including Director's fee, salaries, allowance, bonuses, options and benefit-in-kind;
- (b) to recommend specific remuneration packages for our Managing Director, Executive Director and key senior management. The remuneration package should be structured such that it is competitive. Salary scales drawn up should be within the scope of the general business policy and not be dependent on short-term performance to avoid incentives for excessive risk-taking. As for our Non-Executive Director and Independent Directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of our Board;

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

- (c) to formulate and periodically review policies and procedures to determine the remuneration of our Managing Director and Executive Director and key senior management;
- (d) to implement the policies and procedures on remuneration including recommending letters relating to the remuneration of our Board and key senior management;
- (e) to ensure the levels of remuneration be sufficiently attractive and be able to retain Directors needed to run our Company successfully;
- (f) to structure the component parts of remuneration so as to align with the business strategy and long-term objectives of our Company and to link rewards to our Company's strategy and performance;
- (g) to ensure that the remuneration and incentives for Independent Non-Executive Directors do not conflict with their obligations to bring objective and independent judgment to our Board;
- (h) to act in line with the directions of our Board;
- (i) to consider and examine such other matters as our Remuneration Committee considers appropriate; and
- (j) to consider any other relevant matters as delegated by our Board.

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

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

Name	Designation	Directorship
Datuk Lee Ching Yong	Chairman	Independent Non-Executive Director
Ong Tian Soon	Member	Independent Non-Executive Director
Lim Yik Hui	Member	Independent Non-Executive Director

5.5.4 Nominating Committee

The main function of our Nominating Committee is to assist our Board in fulfilling its responsibility in nominating new nominees to our Board and Board committees and ensure that their composition meets the need of our Company. The terms of reference of our Nominating Committee include the following:

- (a) to formulate and review the policy on Board composition having regard to the mix of skills, independence and diversity (including gender diversity) required to meet the needs of our Company;
- (b) to source, identify, review and recommend candidates for appointment to our Board and Board committees, which is led by the Chairman of our Nominating Committee, picking into consideration the optimum and effective size of our Board and the candidates':
 - (i) Character/ competency/ knowledge and experience;

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

- (ii) Professionalism;
 - (iii) Integrity and credibility;
 - (iv) Time commitment, particularly his number of other directorships; and
 - (v) In the case of the candidates for the position of Independent Non-Executive Directors, our Nominating Committee would also evaluate the candidates' ability to discharge such responsibilities or functions as expected from Independent Non-Executive Directors;
- (c) To recommend the re-election of Directors who are due to retire in accordance with our Constitution;
 - (d) To assess the independence of Independent Non-Executive Directors annually;
 - (e) To consider, in making its recommendation, candidates for directorships and, within the bounds of practicability, by any other senior executive or any Director or major shareholder and to take steps to ensure that women candidates are sort as part of our recruitment exercise;
 - (f) To establish and review the performance criteria to evaluate the performance of our Board, Board committees and each individual Director;
 - (g) To recommend to our Board the nominees to fill the seats on Board committees;
 - (h) To assess the effectiveness of our Board and the committees of our Board as a whole and each individual Director of our Board;
 - (i) To ensure that orientation and education programmes are provided for new members of our Board;
 - (j) To ensure that all Directors receive appropriate continuous training programmes in order to broaden their perspective and to keep abreast with developments in the market place and with changes in new statutory and regulatory requirements;
 - (k) To review the terms of office and performance of our Audit and Risk Management Committee and each of its members annually to determine whether such Audit Committee and its members have carried out their duties in accordance with the terms of reference;
 - (l) To formulate and review the nomination, selection and succession policies and plans for members of our Board, Board committees and key senior management;
 - (m) To assist our Board to assess and evaluate circumstances where a Director's involvement outside our Group may give rise to a potential conflict of interest with our Group's business, upon receiving declaration of the same from all Directors and thereafter, to inform our Audit and Risk Management Committee of the same. After deliberation with our Audit and Risk Management Committee, to recommend to our Board the necessary action to be taken in circumstances where there is a conflict of interest;
 - (n) To act in line with the directions of our Board;

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

- (o) To consider and examine such other matters as our Nominating Committee considers appropriate; and
- (p) To consider any other relevant matters as delegated by our Board.

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

The members of our Nominating Committee as at LPD are as follows:

Name	Designation	Directorship
Ong Tian Soon	Chairman	Independent Non-Executive Director
Datuk Lee Ching Yong	Member	Independent Non-Executive Director
Lim Yik Hui	Member	Independent Non-Executive Director

5.6 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at 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.

5.7 DECLARATION FROM PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

As at 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) In the last 10 years 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.

6. INFORMATION ON OUR GROUP

6.1 INCORPORATION AND HISTORY

Our Company was incorporated in Malaysia on 11 November 2020 under the Act as a private limited company under the name of Ecomate Holdings Sdn Bhd. Subsequently, our Company was converted to a public limited company on 15 December 2020. We were incorporated as a special purpose vehicle to facilitate the listing on the ACE Market.

We are an investment holding company. Through our subsidiary, we are principally engaged in the production of ready-to-assemble furniture products, where we undertake design and development, production as well as marketing and sales of living room furniture, bedroom furniture as well as other types of furniture, which may be tailored to our customer's specifications.

Prior to the incorporation of our Company, our Executive Director, Koh Cheng Huat had been involved in the furniture industry from 1996 to 2014 where he oversaw furniture design and production operations. In 2016, he decided to leverage on his past experience to pursue a new furniture venture together with his cousin, Jason Koh Jian Hui. This led to the incorporation of Ecomate in February 2016, with Koh Cheng Huat appointed as our Executive Director and Jason Koh Jian Hui appointed as our Managing Director. Ecomate was established with the intention to produce and distribute ready-to-assemble furniture for the local and export markets.

In March 2016, we rented a portion of Factory A to set up our first factory. Our rented space in Factory A had a built-up area of approximately 34,229 sq ft. We commenced production operations in Factory A in April 2016 with 2 production lines. Koh Cheng Huat and Jason Koh Jian Hui each provided RM1.3 million in advances for operations startup, including machinery acquisition. Koh Cheng Huat raised this capital from the prior sale of his equity stake in a furniture company while Jason Koh Jian Hui raised his share of the capital from his personal savings and borrowings.

Upon commencement of operations, we began to design, develop and produce our own ready-to-assemble furniture. We launched our first living room furniture series in 2016, marketed as the *Nostalgia* series and secured orders from local furniture wholesalers. During the same year, we further secured our first export sales from a furniture retailer in Singapore.

In September 2016, we participated in the CIFI 2016 in Shanghai, China to showcase our living room furniture. We received positive response for our furniture products, which led to us securing orders from customers in Australia and New Zealand who are mainly involved in the distribution, wholesale and retail of furniture products.

In an effort to broaden our customer and product base, we expanded the range of our furniture products to include bedroom furniture in 2017. This led to the design and development as well as production of bed frames, drawer chests, dressing tables and night stands which were marketed under the *Nostalgia* and *Aster* series.

In the same year, we launched the *Mona* series of living room furniture products and began developing designs incorporating metal elements to capture the demands of consumers in Europe. During the year, we attended the MIFF 2017 in Kuala Lumpur to continue promoting our range of furniture products. We further diversified our geographical reach and penetrated the furniture market in the USA upon securing orders from foreign buyers representing furniture distributors, wholesalers and retailers. We also attended CIFI 2017 in Shanghai, China and secured orders for living room and bedroom furniture products from buyers from Belgium, India, Saudi Arabia and South Africa. These foreign buyers are primarily involved in the distribution, wholesale and retail of furniture products.

6. INFORMATION ON OUR GROUP (Cont'd)

Our customer base continued to grow in 2018 after attending MIFF 2018 and CIFF 2018, particularly through Europe. In line with our business growth, we expanded our production area in Factory A by renting the remaining available built-up area, measuring approximately 37,555 sq ft, in 2018 and commissioned 1 additional production line in Factory A. In the same year, we further rented a second factory, Factory B, with built-up area measuring approximately 11,200 sq ft, and purchased 1 production line to commercialise operations at Factory B.

In 2019, we attended the MIFF 2019 in Kuala Lumpur and CIFF 2019 in Shanghai, China. This expanded our customer base to include Kenya and Germany. In addition, we secured strong demand from customers from the Middle East and North America. In tandem with the anticipated increase in sales volume, we further commissioned 1 production line in Factory A in September 2019. Separately, we also entered into the MFP SPAs to acquire 4 parcels of leasehold lands measuring a total 48,562.28 sqm in Muar Furniture Park, Johor, which will provide space for our future production expansion.

In 2020, owing to the global COVID-19 pandemic, e-commerce has become a major sales channel for ready-to-assemble or flat-packed furniture. During FPE 2022, we secured increased sales orders from several customers due to increased demand from end consumers through e-commerce platforms. Through e-commerce platforms, our furniture products are now accessible to end consumers worldwide.

In November 2020, our subsidiary Ecomate was certified compliant to ISO 9001:2015 by VE International Certification Group of Companies ("VE") for the scope of manufacture of furnitures.

In January 2021, Ecomate was certified compliant to ISO 9001:2015 by ACM-CCAS Limited ("ACM") for the scope of manufacturing of furnitures.

The certificate issued in November 2020 was awarded by VE and the certificate issued in January 2021 was awarded ACM.

The ISO 9001:2015 is a globally accepted standard. However, we viewed the certificate that was issued by VE in collaboration with the Institute of Quality Malaysia ("IQM") as more recognised in Malaysia. IQM is a professional body established to promote the advancement of quality and its application to industry and business in Malaysia. On the other hand, the certificate awarded by ACM is viewed as more internationally recognised.

Therefore, having taken into the account the fact that we have customers worldwide, Ecomate decided to obtain another certificate from ACM catering to their international customers.

As at LPD, we occupy 2 factories and operate 5 production lines with a total annual production capacity of 470,400 units of furniture. We have also launched over 700 designs, primarily across the living room and bedroom furniture categories.

6.1.1 Major achievements, milestones and awards

Our key achievements and milestones since incorporation are as follows:

Year	Key milestones
2016	<ul style="list-style-type: none"> • Incorporation of Ecomate and commencement of operations in Factory A • Launched living room range of furniture products • Secured first local sales and export sales to Singapore, Australia and New Zealand
2017	<ul style="list-style-type: none"> • Expanded to bedroom range of furniture products

6. INFORMATION ON OUR GROUP (Cont'd)

Year	Key milestones
2018	<ul style="list-style-type: none"> Secured orders from customers in USA, Belgium, India, Saudi Arabia and South Africa
2019	<ul style="list-style-type: none"> Secured orders from customers in Chile, France, Middle East and Spain Expanded production area of Factory A Commercialised operations in Factory B
2020	<ul style="list-style-type: none"> Acquired 4 parcels of leasehold land in Muar Furniture Park, Johor
2021	<ul style="list-style-type: none"> Ecomate was certified compliant to ISO 9001:2015 by VE International Certification Group of Companies Ecomate was certified compliant to ISO 9001:2015 by ACM-CCAS Limited

6.1.2 Share capital

As at LPD, our share capital is RM7,374,502 comprising 301,000,000 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/ Type of issue	Cumulative share capital
		RM	RM
11 November 2020	2	2/ Subscribers' shares	2
9 June 2021	300,999,998	7,374,500/ Consideration for the Acquisition of Ecomate	7,374,502

As at LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

Upon completion of our IPO, our enlarged share capital will increase to RM23.5 million comprising 350,000,000 Shares from the issuance of 49,000,000 Issue Shares.

The movements in the share capital of our subsidiary Ecomate is set out in Section 14.4.

6.2 GROUP STRUCTURE**6.2.1 Pre-IPO investment in Ecomate**

On 21 June 2019 (and supplemented on 30 November 2019), Jason Koh Jian Hui and Koh Cheng Huat entered into binding term sheets with the Pre-IPO Investors for the subscription of 262,500 new ordinary shares in Ecomate for a subscription consideration of RM2,187,570. This represents a price to earnings multiple of 5.0 times on Ecomate's profit after tax for financial year ended 28 February 2019 of RM3.3 million.

The PE multiple of 5.0 times was derived on willing-buyer-willing-seller basis after taking into the following factors:

- reference to Guidelines on Stamp Duty for Share Transfer Instruments for Unlisted Shares in Bursa Malaysia Berhad for PE multiple of 5.0 times assigned to manufacturing sector;
- a shorter track record period since business commencement;
- profit guarantee element as explained in the salient terms below; and
- Ecomate shares being unquoted shares.

6. INFORMATION ON OUR GROUP (Cont'd)**Salient Terms of the Pre-IPO Investors' subscription**

Share subscribed	Name	No. of new shares	Consideration⁽¹⁾ (RM)	Eventual equity interest (%)
	Tajul Ariffin Bin Mohd Tahir	67,500	562,514	3.375
	Low Wei Chen	97,500	812,520	4.875
	Tey Lan Nee	97,500	812,520	4.875
	Total	262,500	2,187,554	

Bonus Issue and Subscription	After the Pre-IPO Investors' deposit of share application monies but prior to the allotment of new shares, Ecomate shall carry out a bonus issue of 237,500 new ordinary shares to Jason Koh Jian Hui and Koh Cheng Huat (" Existing Shareholders ") by capitalising the retained profits of Ecomate.
Company Valuation	The agreed valuation of Ecomate shall be RM16,667,080 arrived at a price-earnings multiple of 5 times over the profit after tax of RM3,333,416 based on audited financial statements of Ecomate for FYE 2019.
Utilisation of proceeds	Proceeds received shall be used for listing expenses and/or working capital for the proposed initial public offering and listing on the ACE Market of Bursa Securities (" Proposal "). The Existing Shareholders undertake to cause Ecomate to make an initial listing application for the Proposal as soon as the principal advisers find it suitable for such exercise whereas the Pre-IPO Investors undertake to provide their full cooperation in respect of such exercise, including, if necessary, the disposal of all their shares in Ecomate in exchange for the shares in the Company at the price and valuation determined by the Existing Shareholders on the advice of the principal advisers.
Future Share Capital Changes	Subsequent to the completion of shares subscription, any change in share capital or any issuance of shares or convertible securities involving any third party shall require the approval from shareholders with at least 90% voting rights except for the Proposal where a simple majority shall suffice. In the event of a rights issue of shares or convertible securities, each shareholder shall have the pre-emptive right to subscribe for such allotment in proportion to their respective shareholdings for the time being in Ecomate.
Profit Guarantee	The Existing Shareholders guarantee that the audited net profit of Ecomate for FYE 2020 shall be no less than the PAT for FYE 2019, failing which the Pre-IPO Investors are entitled to sell their subscribed shares to the Existing Shareholders at the original price plus an interest of 8% per annum from the date of share application monies deposited by the Pre-IPO Investors to the date of full settlement of shares buy-back by the Existing Shareholders.
Dividend Entitlement	The Pre-IPO Investors shall not be entitled to any dividend in respect of FYE 2020 and any dividend for FYE 2020 shall be declared and/or approved before the allotment of ordinary shares to the Pre-IPO Investors.

6. INFORMATION ON OUR GROUP (Cont'd)**Note:**

(1) Adjustments were subsequently made to the actual consideration by mutual agreement as set out in Section 6.2.1 of the Prospectus where the investors used their wholly owned companies to subscribe their respective shares in Ecomate.

Prior to the entry of these new investors, Jason Koh Jian Hui and Koh Cheng Huat each held 868,750 ordinary shares or 50.0% equity interest in Ecomate.

On 30 June 2020, 262,500 new ordinary shares in Ecomate were allotted to the following investors:

Name	No. of Ecomate shares allotted	% of enlarged share capital	Subscription consideration
			RM
BYD Capital Sdn Bhd	67,500	3.4	562,518
Mamba Capital Sdn Bhd	97,500	4.9	812,526
Koda Capital Sdn Bhd	97,500	4.9	812,526
	262,500	13.1	2,187,570

The terms of the Pre-IPO investment in Ecomate were agreed upon on 21 June 2019, and as such, the subscription consideration was based on the PAT of Ecomate for FYE 2019. After 21 June 2019, the investors conducted their own due diligence on Ecomate, which took time before all parties mutually agreed to vary the terms according to the supplemental agreement dated 30 November 2019, in which it was agreed that, amongst others, the Pre-IPO Investors would not be entitled to dividends for FYE 2020. As such, the new Ecomate shares were allotted to the investors only on 30 June 2020 after the payment of dividends for FYE 2020 which required prior consent from relevant banks that was delayed by the MCO.

The ultimate beneficial owner of the Pre-IPO Investors are not related to the Group's promoters, Directors and key senior management.

6.2.2 Acquisition of Ecomate

In preparation for our Listing, we have undertaken the Acquisition of Ecomate. On 9 December 2020, we entered into a conditional share sale agreement with the Vendors to acquire the entire equity interest in Ecomate comprising 2,000,000 ordinary shares for a total purchase consideration of RM7,374,500. The total purchase consideration of RM7,374,500 was arrived after taking into consideration the audited NA of Ecomate as at 31 August 2020 of RM9,360,612 and adjusting for dividends declared and paid after 31 August 2020 amounting to RM2,000,000.

The purchase consideration for the Acquisition of Ecomate was satisfied by the issuance of 300,999,998 new Shares to the Vendors at an issue price of RM0.0245 each. The issue price was arrived at based on the purchase consideration of the Acquisition of Ecomate divided by the number of shares required to arrive at our desired IPO Price. To arrive at the envisaged IPO Price of RM0.33, the market capitalisation of Ecomate which is valued at RM115,500,000 is divided by 350,000,000 Shares. Based on the Listing Scheme, to arrive at the enlarged 350,000,000 Shares, the existing issued shares of the Company should be at 301,000,000 Shares before the Public Issue. Hence, Ecomate needs to issue 300,999,998 new Shares for the Acquisition, which works out to an issue price of RM0.0245 per Share based on the purchase consideration for the Acquisition of RM7,374,500.

6. INFORMATION ON OUR GROUP (Cont'd)

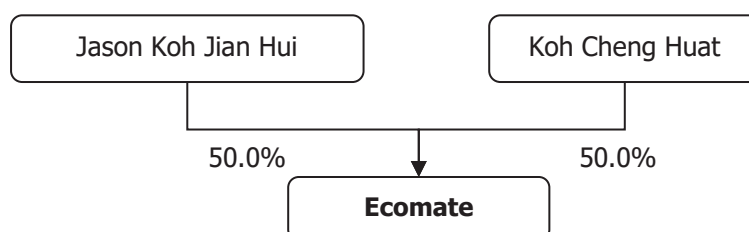
The details of the Vendors and the number of Shares issued to them pursuant to the Acquisition of Ecomate are as follows:

Vendors	No. of Ecomate shares acquired	% of share capital in Ecomate	Purchase consideration RM	No. of Shares issued
Koh Cheng Huat	868,750	43.4	3,203,298	130,746,874
Jason Koh Jian Hui	868,750	43.4	3,203,298	130,746,874
BYD Capital Sdn Bhd	67,500	3.4	248,889	10,158,750
Mamba Capital Sdn Bhd	97,500	4.9	359,507	14,673,750
Koda Capital Sdn Bhd	97,500	4.9	359,507	14,673,750
	2,000,000	100.0	7,374,500	300,999,998

The Acquisition of Ecomate was completed on 9 June 2021. Thereafter, Ecomate became our wholly-owned subsidiary.

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

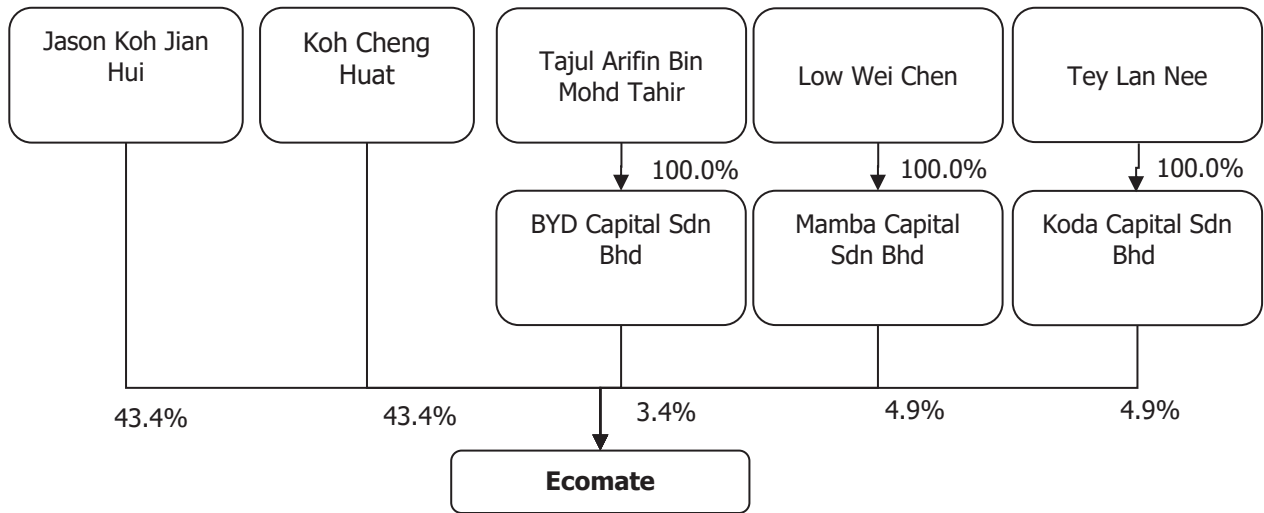
Our Group structure before and after the pre-IPO investment in Ecomate, Acquisition of Ecomate and IPO is as follows:

Before the pre-IPO investment in Ecomate

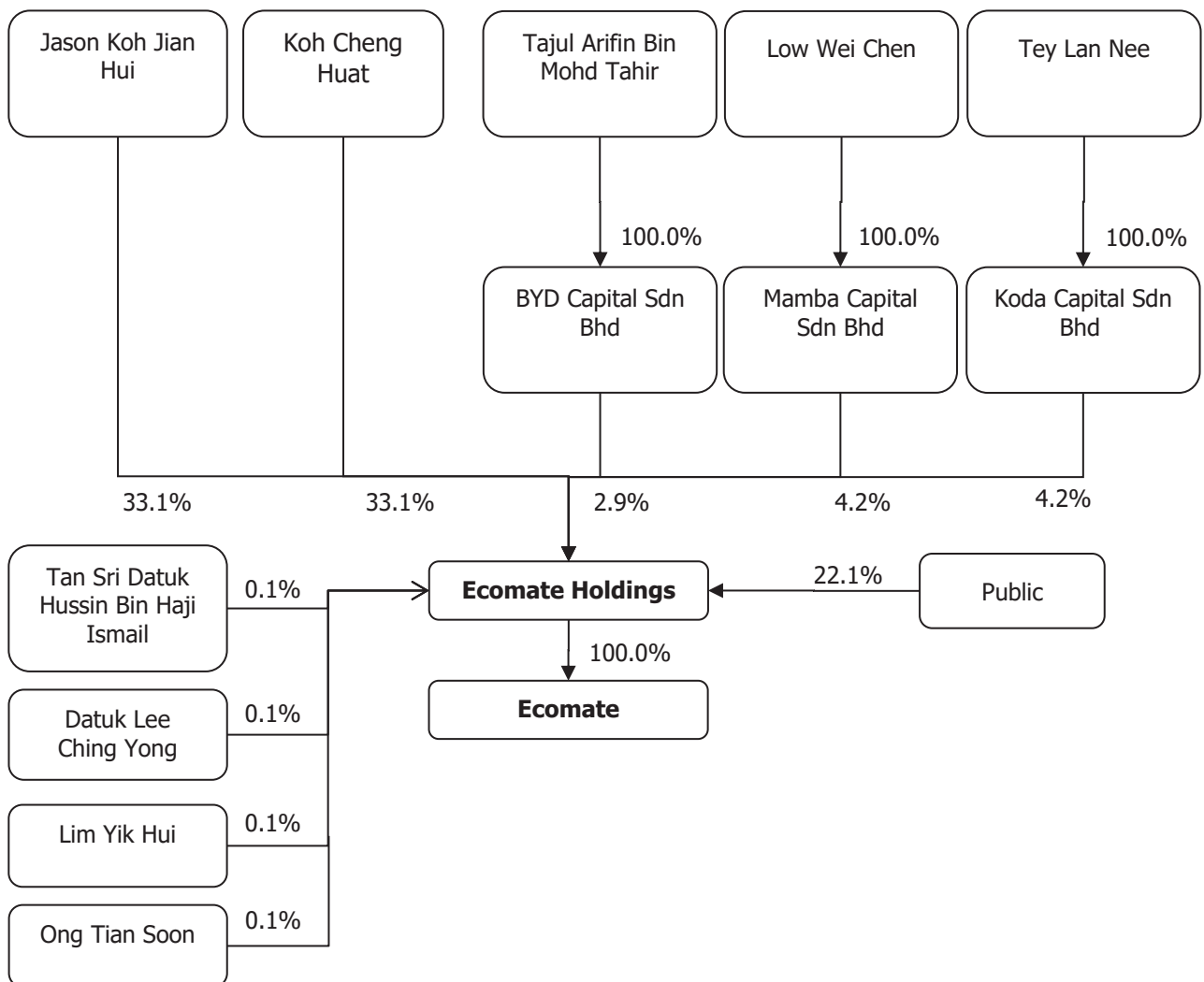
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6. INFORMATION ON OUR GROUP (Cont'd)

After the pre-IPO investment in Ecomate



After the Acquisition of Ecomate and IPO



6. INFORMATION ON OUR GROUP (Cont'd)

6.2.3 Subsidiary

As at LPD, we have 1 subsidiary, namely Ecomate. We do not have any associated companies.

Details of our subsidiary are set out below:

Company	Registration No.	Date / Place of incorporation	Principal place of business	Effective equity interest %	Principal activities
Ecomate	201601006039 (1176965-X)	25 February 2016 / Malaysia	Malaysia	100	Manufacturing of ready-to-assemble furniture products

6.3 MATERIAL INVESTMENTS AND DIVESTITURES

Save as disclosed below, there were no other material investment made by us for FYE 2019 to 2021, FPE 2022 and up to LPD:

Description	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000	1 June 2021 up to LPD RM'000
Motor vehicles	(1)1,192	(1)536	262	14	177
Office equipment, renovation, furniture and fittings	168	151	34	43	1
Plant and machinery, tools and equipment	(2)1,711	(3)3,161	(4)1,692	63	-
Computing hardware and software	25	80	112	1	6
	3,096	3,928	2,100	121	184

Notes:

(1) Being passenger cars acquired for Directors and company use for marketing purposes, as well as to reward the Directors for the growth and business performance of Ecomate, the breakdown of these motor vehicles is as follows:

Description	FYE 2019 RM'000	FYE 2020 RM'000
Directors' vehicles	1,143	-
Marketing vehicles	49	536
	1,192	536

(2) For the purchase of 1 production line each in Factory A and Factory B which cost RM1.2 million and RM0.5 million respectively.

(3) For the purchase of 1 production line in Factory A of RM2.2 million and upgrade of our existing machinery in Factory A and Factory B of RM0.4 million and RM0.5 million respectively.

6. INFORMATION ON OUR GROUP (Cont'd)

(4) Mainly for the upgrade of our existing machinery in Factory A and Factory B of RM0.3 million and RM0.8 million respectively, as well as forklifts and storage racks of RM0.4 million.

For avoidance of doubt, the payments made in respect of the MFP SPAs are accounted for as prepaid lease payments and the MFP SPAs are not yet complete. Therefore they are not record in this section.

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

Save for the divestitures disclosed below, there were no other capital divestitures and write-offs (including interest in other corporations) made by us for FYE 2019 to 2021, FPE 2022 and up to LPD:

Description	At cost				1 June
	FYE 2019	FYE 2020	FYE 2021	FPE 2022	2021 up to LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Motor vehicles	-	-	47	-	-
Office equipment, renovation, furniture and fittings	-	-	48	-	*-
Plant and machinery, tools and equipment	-	-	658	-	-
Computing hardware and software	-	1	-	-	-
	-	1	753	-	*-

Note:

* Negligible.

The disposal of machinery and equipment in FYE 2021 relates to 1 unit of panel saw machine, 2 units of drilling machines, 3 units of edge banding machines, 1 unit of point-to-point work centre, 1 unit of hydraulic lifting table, 1 unit of forklift, 1 unit of sliding table saw and 1 unit of automatic voltage stabilizer. We had disposed such machinery and equipment as we had during FYE 2021 upgraded them with machineries of higher specifications. We recorded a gain of RM0.1 million on the disposal.

Moving forward, other than the proposed utilisation of proceeds from our Public Issue for our capital expenditure as disclosed in Section 4.9 and our material capital commitments as set out in Section 11.6.1, we do not have any material capital expenditures and divestitures currently in progress, within or outside Malaysia.

6.4 PUBLIC TAKE-OVERS

Since our incorporation up to 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. INFORMATION ON OUR GROUP (Cont'd)**6.5 PRINCIPAL BUSINESS ACTIVITIES AND PRODUCTS**

Our Group is involved in the production of ready-to-assemble furniture products, where we undertake the design and development, production and marketing and sales of living room furniture and bedroom furniture, as well as other types of furniture which may be tailored to our customers' specifications. Our products are mainly sold overseas, to various countries in Asia and Europe. The breakdown of revenue contribution from these regions is set out in Section 6.5.6.

Our customers are sales intermediaries such as wholesalers, distributors, retailers or e-commerce sellers. We do not sell directly to end consumers. The following table sets out the revenue breakdown by our customer types for FYE 2019 to 2021 and FPE 2021 to 2022.

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Distributors	11,126	17,467	22,791	1,362	10,032
Wholesalers	7,385	16,573	27,206	3,695	6,589
Retailers	4,151	6,608	4,548	663	1,385
E-commerce sellers	1,479	1,750	1,797	178	788
	24,141	42,398	56,342	5,898	18,794

We generate our revenue fully via purchase orders received from our customers. The furniture that our Group produces may be rebranded by our customers for sale to end consumers through various channels from physical retail stores to e-commerce platforms such as our customers' websites or online marketplaces. We do not sell directly to end consumers.

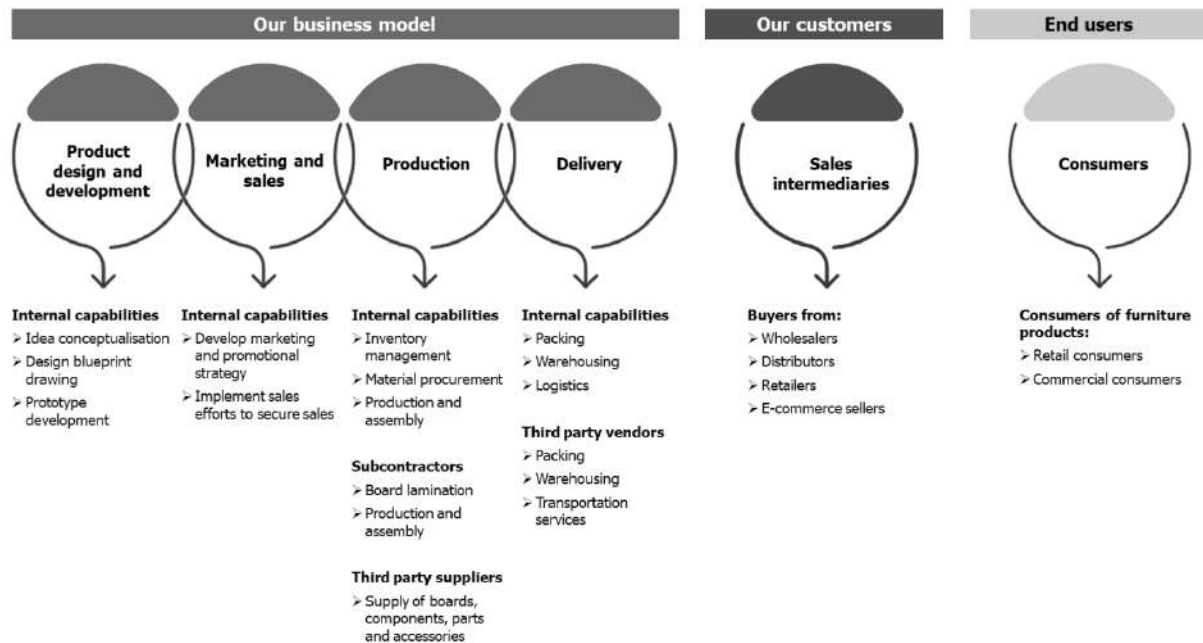
Our Group's ready-to-assemble furniture products comprise:

- (a) living room furniture such as coffee tables, console tables, multi-function cabinets, shoe cabinets, side tables and television cabinets;
- (b) bedroom furniture such as bed frames, bookshelves, drawer chests, dressing tables, night stands, wardrobes and writing tables; and
- (c) other furniture which include complementary furniture products produced as and when ordered by customers, such as bar and wine cabinets, dining tables and kitchen cabinets.

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6. INFORMATION ON OUR GROUP (Cont'd)

Our business model is as illustrated below:



6.5.1 Design and development of ready-to-assemble furniture products

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

(a) Conceptualisation phase

In the conceptualisation phase, our work focuses on identifying designs which we believe have commercial and aesthetic appeal, based on market trends and feedback from our customers. Our design and development team, headed by our Executive Director, Koh Cheng Huat, will produce several design proposals for new products for review and shortlisting by our management.

Our inspiration for designs stem from past and current designs in the market, historical sales information as well as latest market trends and consumer preferences. Consumers from different countries have different preference in selecting furniture that suit their lifestyles, and this is one of our key considerations in developing designs. We seek to enhance the appeal of our existing range of furniture products through innovative designs in an effort to secure more sales.

Our marketing and sales team as well as production team will then assess the commercial and production viability of these designs.

(b) Prototyping phase

In developing the design prototype, we assess the commercial potential of new designs based on physical appearance, comfort, cost effectiveness, practicality, functionality and safety. We also take into consideration raw material requirements and ease of sourcing, as well as existing production capacity.

During this stage, the sample furniture will be subjected to reviews and approvals by our production team in terms of production feasibility, as well as our marketing and sales team for commercial viability. Our design and development team will seek feedback from the various teams for re-designed or modification of the prototype.

6. INFORMATION ON OUR GROUP (Cont'd)

Where necessary, some furniture parts may be substituted with other cost-effective materials or certain functionality aspects of the furniture may be altered or enhanced to provide better aesthetic appearance. Thereafter, the final sample will be produced and examined again before launch.

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

Our marketing efforts, led by Managing Director, Jason Koh Jian Hui, is focused on developing and implementing advertising and promotional activities as well as participation in furniture exhibitions and trade fairs to increase the exposure for our furniture designs.

Our customers broadly fall in the following categories:

(a) Export sales customers

We export most of the furniture we manufacture. Our export market is mainly Asia, as well as the Europe regions, and our products are sold mainly to overseas buyers such as furniture distributors, wholesalers, retailers and e-commerce sellers who generally resell our products to end-user consumers through their respective physical retail stores and/or e-commerce platforms. We mainly secure new overseas customers by participating in international furniture trade fairs; or by way of referrals from our customers in the overseas markets. We may also sell our furniture products to sales agents that represent foreign distributors, wholesalers, retailers and e-commerce sellers.

(b) Domestic sales customers

Our domestic sales are made primarily to retailers, e-commerce sellers, and distributors, who resell our products domestically or export our products outside Malaysia. Local retailers resell our furniture products via their physical outlets as well as e-commerce websites.

We regularly participate in trade fairs such as MIFF and CIFF to showcase our ready-to-assemble furniture products and secure purchase orders from foreign customers. The details of the trade fairs in which we have participated are set out in Section 6.12. We also advertise our furniture products in trade fair magazines to showcase our ready-to-assemble products.

Our marketing and sales team are tasked with cultivating customer relationships, liaising with customers on matters such as product enquiries, sales ordering, logistics and delivery.

In a continuous effort to improve our existing product range, we collect feedback from our customers on the sales performance of our designs as it gives us insight into evolving market trends and consumer preferences.

6.5.3 Production of ready-to-assemble furniture products

Our production capabilities extend from sourcing and procurement to production and assembly. Our main raw materials are particle boards and MDF which we source from third party suppliers locally and overseas. Upon receiving and inspecting the quality of the incoming boards, the boards are sent to our factories for processing before assembly into furniture products.

Taking into account cost and operational efficiency, we outsource some production works to our subcontractors, including lamination works (which are entirely outsourced), as well as the production and assembly of selected furniture products.

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

As the lamination process is a specialised aspect of the production which requires a wide selection of board papers with high minimum order quantities, this process is normally provided by lamination suppliers, we chosen to pursue a strategic business direction by focusing on growing its capacity instead. Furthermore, it is a common practice within the furniture industry in Muar for such process to be outsourced, and the supply of available lamination suppliers is abundant, making the outsourcing approach more cost effective for us. This allows us to have additional capacity to accept more purchase orders from our customers. We further source certain furniture parts and components such as cushions and metal parts, as well as accessories such as screws and hinges from third party local and foreign suppliers.

We have adopted automation in the production of ready-to-assemble furniture products in our factories, and this has contributed to improving the consistency of product quality as well as output of furniture products.

Please refer to Section 6.6.1 for further details on our production process and Section 6.10 for further details on the QC measures that our Group adopts.

6.5.4 Delivery of ready-to-assemble furniture products

Our furniture products are flat packed to minimise shipping costs. In the flat packed format, furniture components are packed separately along with assembly instructions and basic assembly tools. By adopting the flat packed format, we are able to translate cost savings from shipping to our customers, and ultimately, end consumers. Our furniture products are packed with polyfoam in corrugated boxes to reduce product damage during the course of transportation and mitigate shipping losses.

6.5.5 Our products

Our ready-to-assemble furniture products can be classified into the following categories:

Furniture product category	Description
Living room furniture	Furniture for living room use such as: <ul style="list-style-type: none"> • coffee tables; • console tables; • multi-function cabinets; • shoe cabinets; • side tables; and • television cabinets.
Bedroom furniture	Furniture for bedroom use such as: <ul style="list-style-type: none"> • bed frames; • bookshelves; • drawer chests; • dressing tables; • night stands; • wardrobes; and • writing tables.
Other furniture	Complementary furniture products such as: <ul style="list-style-type: none"> • bar and wine cabinets; • dining tables; and • kitchen cabinets.

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

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

Living room furniture

Coffee tables



Console tables



Multi-function cabinets



Shoe cabinets



Side tables



Television cabinets



Bedroom furniture

Bed frames



Bookshelves



Drawer chests



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

Dressing tables



Night stands



Wardrobes



Writing tables



Other furniture

Bar and wine cabinets



Dining tables



Kitchen cabinets



In terms of pricing, we classify our furniture to three price ranges i.e. low, middle and high, which are determined after considering the design of the furniture, which are mainly the size and materials used. Generally, lower price range furniture are smaller in size (such as side tables and end tables) and use cheaper material such as chip board. On the other hand, higher price range furniture are generally larger in size (such as bedframes and wardrobe) uses more expensive material such as metal components or MDF board.

As at LPD, the price range of our furniture are as follows:

- (a) living room furniture are priced:
 - (i) USD25 and below for low range;
 - (ii) above USD 25 and up to USD50 for mid-range; and
 - (iii) above USD50 for high range.

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

- (b) bedroom furniture and other furniture are priced:
- (i) USD40 and below for low range;
 - (ii) above USD40 and up to USD80 for mid-range; and
 - (iii) above USD80 for high range.

6.5.6 Principal markets for our products

For FYE 2019 to 2021 and FPE 2022, our sales were from Malaysia and overseas markets/region as follows:

Country	Audited							
	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	5,620	23.3	6,406	15.1	11,199	19.9	8,498	45.2
Foreign sales:								
Asia, excluding Malaysia	5,650	23.4	19,178	45.2	20,512	36.4	3,616	19.2
Europe	10,233	42.4	10,302	24.3	7,743	13.7	2,110	11.2
North America	1,681	7.0	4,692	11.1	9,692	17.2	2,793	14.9
Australasia	285	1.2	1,126	2.7	6,142	10.9	1,777	9.5
Africa	401	1.7	475	1.1	1,054	1.9	-	-
South America	271	1.0	219	0.5	-	-	-	-
	24,141	100.0	42,398	100.0	56,342	100.0	18,794	100.0

Region	Countries
Asia, excluding Malaysia	Bahrain, Brunei Darussalam, Cyprus, India, Philippines, Saudi Arabia, Singapore, Republic of China (Taiwan), United Arab Emirates, Lebanon and Vietnam
Europe	Belgium, France, Germany, Greece, Spain and United Kingdom
North America	Canada, Mexico and USA
Australasia	Australia and New Zealand
Africa	Cameroon, Democratic Republic of the Congo, Ivory Coast, Kenya, Mali, Senegal, South Africa and Zambia
South America	Argentina and Chile

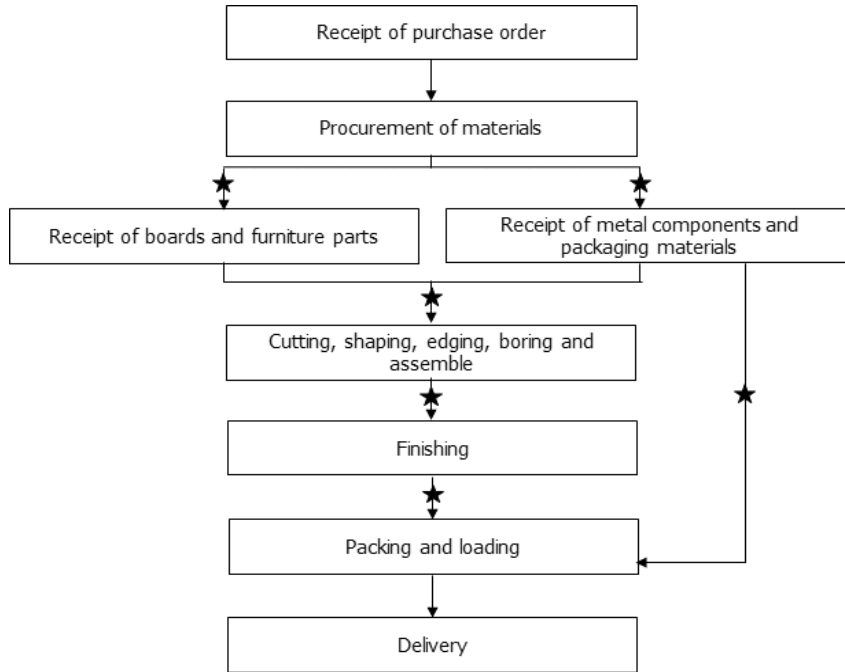
6.6 DESCRIPTION OF OUR BUSINESS

6.6.1 Our production processes

Our furniture production activities are carried out in Factory A and Factory B.

A summary of the principal steps involved in the production process of our ready-to-assemble furniture is as follows:

6. INFORMATION ON OUR GROUP (Cont'd)



Legend

★ QC inspection

Save for cutting, which is the key process in our Group’s production process, other production works such as edging, boring, finishing as well as packing and loading are partially outsourced to subcontractors whilst lamination works are entirely outsourced. The cutting process will only be outsourced when the Group runs out of production capacity at Factory A and Factory B or faces downtime. Our subcontractors adopt some degree of automation, whereby they also use CNC machines for shaping, edging and boring activities. However, subcontractors that we engage for packing and loading activities do not require automation machinery.

(a) Receipt of purchase order

Our marketing and sales team secures purchase orders from our customers. Most of our local sales are transacted based on terms ranging from cash upon delivery to 90 days credit without deposit requirements, save for certain local customers whom are required to pay 20% to 30% deposit of the total purchase order value upon order placement. In this respect, each order is assessed on a case-to-case basis, and takes into consideration various factors such as order size, length of relationship, past payment records, market reputation, and financial strength of the customer. However, there are no fixed quantitative threshold set for these factors. Our foreign customers who are not on letter of credit payment terms are required to deposit between 15% to 30% deposit of the total purchase order value upon order placement.

(b) Procurement of materials

Upon receiving purchase orders from our marketing and sales team, our purchasing team will proceed to procure the necessary raw materials required for our furniture production process. We will place material orders with our suppliers within 8 days of receipt of purchase orders from our customers. During this stage, they will closely monitor inventory levels to avoid shortage of materials.

6. INFORMATION ON OUR GROUP (Cont'd)

(c) Receipts of boards, furniture parts, metal components and packing materials

On average, our Group receives orders of boards, furniture parts, metal components and packing materials within 21 days from the placement of material orders.

When the materials are delivered to our factories, we will first perform visual inspection on their condition, quality and specifications. As an illustration, we perform visual inspection to assess whether there are any surface defects, scratches, chipped parts or colour mismatches. We also perform measurement inspection to assess the dimensions and thickness of boards that we receive from our suppliers. The process of quality checking is important to ensure that all incoming materials meet our specifications.

We also procure metal components for use in the final furniture assembly, and this includes parts such as screws, nuts, hinges and mounting brackets. We conduct measurement inspection on the metal components to ensure that the dimensions comply to our specifications. In addition, we also procure packing materials such as polyfoam and corrugated cartons. We conduct measurement inspection on the dimensions and thickness of packing materials.

Defective boards, furniture parts, metal components and packing materials will be returned to our suppliers for rework or replacement.

(d) Cutting, shaping, edging and boring

Upon conducting inspection on the incoming materials, the boards will then undergo cutting, shaping, edging and boring whereby:

Stage	Description
Cutting	CNC panel saw machines to cut the boards into different dimensions based on specifications
Shaping	CNC woodworking machines to cut the boards into the required design specifications
Edging	Involves the process of bonding and covering the exposed sides of the boards using PVC edging
Boring	Involves the drilling of holes to facilitate the installation of screws or metal fittings as well as boring of holes for insertion and assembling of various furniture parts

During each stage of the cutting, shaping, edging and boring process, our staff-in-charge will conduct visual and measurement inspection on the processing boards before proceeding to the next stage. This is to ensure that our products are consistent throughout the production process and meet the specifications.

Our in-house QC team will assemble a piece furniture from each product type for inspection and quality checking purposes prior to sending to the next stage for mass packing and loading.

The cutting, shaping, edging and boring processes take an average of 21 days from the receipt of materials.

6. INFORMATION ON OUR GROUP (Cont'd)**(e) Finishing**

Subsequently, the furniture products undergo a finishing process that includes cleaning and touching up in terms of colour (if required), prior to packing.

The finishing takes place within the 21 days of production time from the receipt of materials.

(f) Packing and loading

Upon conducting visual and measurement inspection on the metal components, we will sort and pack the metal components individually. We use automatic screw packing machines to pack screws.

The ready-to-assemble furniture parts are packed individually by product type together with the corresponding metal components and assembly instructions based on each purchase order. During this stage, we ensure that all the ready-to-assemble furniture are well packed and protected with polyfoam and corrugated cartons to shield the furniture products from damage during the course of shipment. In addition, we perform a final round of inspection on our furniture products prior to loading for shipment.

Packing, loading as well as delivery to local customers or port for export shipment takes an average of 3 to 7 days from completion of the finishing process. However in FYE 2021 and up to LPD, our packing, loading and delivery to port for export shipment has experienced delays up to 30 days due to supply chain and logistics disruptions arising from the COVID-19 pandemic.

(g) Recycle and reuse

Environmental friendliness is equally important as we strive to reduce the environment impacts arising from our furniture production processes. Typically, we recycle excess board materials from our production activities such as converting the excess boards into pallets for storage purposes in our factories. In addition, we also utilise the excess boards to protect our furniture products from damage during transportation. Sawdust, a by-product of our production process, will be collected by a third-party waste management company for waste processing.

Although it is our Group's practice to replace or make good defects, there is no written policy or warranty provided to our customers.

6.6.2 Operating capacities and output

We focus on design and development and critical production processes, which are board cutting and shaping. Production processes thereafter, such as edging, boring, packing and loading activities beyond our capacity are outsourced to subcontractors. These outsourced activities are more labour intensive and offer lower value add. Therefore, we compute our production capacity based on board cutting and shaping machines notwithstanding that edging and boring machines are our production bottleneck which can be outsourced.

Our annual capacity, actual production volumes and utilisation rates for FYE 2019 to 2021 and FPE 2022 are as depicted below:

	Available annual capacity units	Actual production units	Utilisation rate %
FYE 2019	⁽¹⁾ 217,800	161,671	74.2

6. INFORMATION ON OUR GROUP (Cont'd)

	Available annual capacity units	Actual production units	Utilisation rate %
FYE 2020	⁽²⁾ 349,800	289,911	82.9
FYE 2021	⁽³⁾ 433,200	414,557	95.7
FPE 2022	⁽⁴⁾ 117,600	115,727	98.4

Notes:

Our available annual capacity is calculated based on the following assumptions:

- (1) Available machinery operating hours for 2 furniture production lines operating on 16-hour shifts daily over 26 working days a month for the period of March to August 2018, 3 furniture production lines operating on 16-hour shifts daily over 26 working days a month for the period of September to October 2018; and 4 furniture production lines operating on 16-hour shifts daily over 26 working days a month for the period of November 2018 to February 2019 in FYE 2019.
- (2) Available machinery operating hours for 4 furniture production lines operating on 16-hour shifts daily over 26 working days a month for the period of March to August 2019 and 5 furniture production lines operating on 16-hour shifts daily over 26 working days a month for the period of September 2019 to February 2020 in FYE 2020.
- (3) Available machinery operating hours for 5 furniture production lines operating on 16-hour shifts daily over 26 working days a month in FYE 2021.
- (4) Available machinery operating hours for 5 furniture production lines operating on 16-hour shifts daily over 26 working days a month for the period of March to May 2021 in FPE 2022.

We have in the past rejected orders due to insufficient capacity for the required delivery deadlines.

Following the acquisition of new machinery and equipment, we expect to take on more orders to grow sales (and in turn, our utilisation rate) to meet the increased capacity.

6.6.3 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	⁽¹⁾ Average lifespan years	⁽²⁾ Average age years	NBV as at 31 May 2021 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	10	15	2.6	794.5
Woodworking machines	Shaping boards into desired shapes based on specifications	10	15	2.8	1,724.5
Edge banding machines	Bonding PVC edges on the exposed sides of boards	13	15	2.5	842.4

6. INFORMATION ON OUR GROUP (Cont'd)

Machinery and equipment	Function	No. of units	(1) Average	(2) Average	NBV as at 31 May 2021 RM'000
			lifespan	age	
			years	years	
Panel saw machines	Cutting boards into desired sizes based on specifications	5	15	2.6	675.3
Screw packing machines	Sorting and packing of screws, nails, wood dowel pins and allen keys	4	15	1.3	458.3
Forklifts	Lifting of materials and finished furniture products to designated area	11	15	1.8	541.5
					5,036.5

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 an economic life span of 15 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.

6.6.4 Technology used

Our Group utilises computer-aided design ("CAD") software during the design and development stage. The production of our furniture products does not require the use of high technology. Nevertheless, we employ a range of automated machinery to enhance our operational efficiency and production capacity. This contributes to improving our product quality level, output volume as well as minimise human errors, in comparison to fully relying on manual labour for production activities.

The design and development as well as automation technology used by our Group are detailed as follows:

Machine/software	Description/application
CAD software	<ul style="list-style-type: none"> CAD software is a professional designing and drawing software used by our design and development team for the conceptualising, designing and drawing of our furniture products. After our customers confirm furniture specifications, we enter such information into our CAD software to generate two-dimensional design blueprints and three-dimensional geometry. It enables a higher precision and better accuracy of furniture drawing.
CNC machines	<ul style="list-style-type: none"> CNC machines are computed-aided machines that are programmed to carry out cutting and shaping of boards with highly precise specifications. The CNC machines will receive digital instruction from the computer programmed files containing details of design specifications generated by our design and development team to perform the production works.

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

<u>Machine/software</u>	<u>Description/application</u>
	<ul style="list-style-type: none"> The adoption of CNC machines in our production process allows us to automate the production of our furniture products.
Screw packing machines	<ul style="list-style-type: none"> Automated screw packing machines that sort, count and pack screws, nails, wood dowel pins and allen keys into individual packaging. The adoption of screw packing machines in our packing process allows us to automate our packing process.

6.7 INTERRUPTIONS TO BUSINESS AND OPERATIONS

Save for the interruption in our operations arising from the declaration of a nationwide lockdown in Malaysia following the outbreak of COVID-19, our Group has not experienced any interruption which has significantly affected our business during the past 12 months preceding LPD.

6.7.1 Outbreak of COVID-19

In December 2019, there was an outbreak of COVID-19 which began in China and spread to other nations including Malaysia. COVID-19 has since been classified as a global pandemic. As a result of this pandemic, manufacturers globally faced disruptions in production arising from a shortage of workers and restrictions on human physical contact arising from various forms of lockdown instituted by governmental authorities.

Due to the outbreak of COVID-19, the Government imposed an MCO which impacted most of the economic sectors and activities, especially those operating in non-essential services.

Effect of the MCO on our business operations

We ceased operations from 18 March 2020 to 31 March 2020 as a result of the initial imposition of MCO. On 1 April 2020, our Group resumed operations at 50% workforce capacity after obtaining approval from the MITI and upon complying with the standard operating procedures and other rules and guidelines required by MITI. Subsequently on 30 April 2020, our Group received approval from MITI to resume operations at full workforce capacity subject to compliance with the standard operating procedures and other rules and guidelines set forth by MITI. We commenced operating at full workforce capacity on 2 May 2020.

During the initial MCO period from 18 March 2020 to 30 April 2020, our Group's procurement and production operations were affected. The imposition of the MCO had also affected the operations of our subcontractors and suppliers, which resulted in delays in supplying materials and completion of our subcontracted production and assembly works. The disruption to our production activities and supply of materials and subcontractor services had led to production backlogs. This in turn, resulted in delays in fulfilling selected orders during this period. Nevertheless, we did not experience any cancellation in sales orders during this period.

There has been no disruption to our suppliers, subcontractors and customers operations apart from the delays disclosed above. Additionally, there are no positive COVID-19 cases reported at their respective workplaces, hence there is no other operational impact towards our supply chain.

6. INFORMATION ON OUR GROUP (Cont'd)

The pandemic also affected our foreign sales as we have a large export base of customers. Our operations, especially the delivery of products to foreign customers, were also impacted by precautionary measures taken by governments of these countries, such as closure of borders and logistics hubs, to curb the spread of COVID-19. Therefore, we delayed the delivery of products to customers who are located in selected countries where their borders or logistics hubs were closed or restricted due to the COVID-19 pandemic. We also did not experience any claims arising from delayed delivery during this period, and there was no other material operational or financial impact to us.

Our marketing and sales activities were also affected by the COVID-19 pandemic as several furniture fairs and trade exhibitions have been postponed or cancelled entirely. Nevertheless, we continue to engage with our existing customers and approach new potential customers through emails, phone calls and virtual exhibitions to promote our products. As such, we do not foresee major disruption to our future sales arising from the postponement or cancellation of exhibitions.

Following the imposition of a more restrictive MCO 2.0 and the declaration of state of emergency in January 2021 ("**MCO 2.0**"), there has been no disruption to our operations as our business is categorised under essential services by MITI, and we have obtained approval from MITI to operate business as usual with requisite operating procedures in place. Our Group does not expect any significant impact to our business and operations arising from MCO 2.0. Subsequently, as the MCO transitioned into a third phase ("**MCO 3.0**") from 12 May 2021, businesses/economy/industrial activities were permitted to operate in accordance with predetermined standard operating procedures by the Government of Malaysia. During this period, the workforce attendance capacity for the private sector was set at 100% for management and operations/support services. As such, our Group was able to operate without disruptions during MCO 3.0.

Following the imposition of the first phase of a full closure of Malaysia's social and economic sectors which took effect on 1 June 2021 ("**FMCO**"), all sectors were not allowed to operate except the essential services and economic sectors identified by the National Security Council. In compliance with the directive from the Government, we ceased all production activities and factory operations on 1 June 2021. Nonetheless during this period, our marketing, management and administrative employees continued to work from home and we also continued to receive orders from our customers. We received approval from Polis Diraja Malaysia to resume loading operations from 16 June 2021 to 12 July 2021 for finished living room and bedroom furniture products that are intended for export. This approval was further extended on 14 July 2021 for the remaining period of FMCO and the subsequent National Recovery Plan period.

On 15 August 2021, the Government of Malaysia announced the inclusion of the furniture sector as essential services under Phase 1 of the National Recovery Plan ("**NRP Phase 1**"). On 16 August 2021, Johor transitioned into NRP Phase 1. Under NRP Phase 1, the manufacturing sectors which are classified as essential services that have achieved full vaccination rates of 40% are allowed an employee attendance capacity of 60% for 24 hours operation while the remaining 40% have to work from home. Fully vaccinated individuals are those that fulfil the following criteria:

- For vaccines that require 2 doses (Pfizer, AstraZeneca, and Sinovac), the individual must have passed the 14th day from the date of the second dose; and
- For vaccines that only require 1 dose (Johnson & Johnson and CanSino), the individual must have passed the 28th day from the vaccination date.

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

On 27 August 2021, our Group received approval from MITI to resume factory operations at 60%, 80% and 100% workforce capacity under all phases of the National Recovery Plan upon achieving vaccination rates of 40%, 60% and 80% respectively among our employees. As at the LPD, all of our employees have received both doses of their vaccination.

We resumed factory and production operations on 10 September 2021 at 60% workforce capacity upon achieving the relevant vaccination rates set out in MITI's approval, and are subsequently operated at full workforce capacity by 20 September 2021 in line with the observation of the 14-day post vaccination period. Notwithstanding that Johor was still in NRP Phase 1, the approval we obtained vide MITI's letter applies to all phases of the National Recovery Plan.

Since the NRP Phase 1, a total of RM14.6 million of orders were delayed. As production was not allowed since the FMCO on 1 June 2021, the delivery of the delayed orders received during our period of shutdown in FMCO would be gradually fulfilled after our factory operations resumed since 10 September 2021. For the NRP Phase 1 up to LPD, there was no material disruption to our supply chain.

We are unable to reliably quantify the impact to the Group's operations and financial performance arising from the suspended operations throughout the FMCO. However, we expect that our suspended operations throughout the FMCO will have a significant effect to our financial performance for FYE 2022, as we could only undertake minimal loading operations for exports, as well as remote marketing, management and administrative activities. This has affected our revenue, and as we continue to incur fixed costs, our inactive production operations will also adversely affect our profitability.

Measures to commence and continue our business operations

As part of the requirements to commence our operations during the initial MCO, all our employees including factory workers were tested in April 2020 to ensure that they are free from COVID-19.

We provide our employees, including factory workers, with face masks and hand sanitisers. We also help foreign workers buy food to avoid close contact with others. We arrange individual bus services for our workers to travel to and from work. We imposed such control to restrict on their movement within our factory and workers' quarters only.

We have also purchased a disinfection channel at our factory entrance so that everyone sanitises before entering our factory.

Since April 2020, we have implemented new COVID-19 safety and health instructions and procedures, and social distancing guidelines imposed by the Government, relevant authorities and local councils. These new COVID-19 standard operating procedures include the following:

- (a) requiring all our employees to declare their health conditions and travel history prior to returning to our office and factories;
- (b) implementation of movement control routing;
- (c) ensuring all our employees, factory workers and visitors wear face masks at all times, regularly sanitise their hands and practise social distancing;
- (d) measuring and recording the body temperature of our employees, factory workers and visitors daily;
- (e) regular sanitising of our office, factories and workers' quarter;
- (f) requiring all employees and factory workers to visit nearby hospitals for diagnosis and treatment immediately if they have developed any COVID-19 symptoms and have not recovered after being in quarantine for 7 days; and

6. INFORMATION ON OUR GROUP (Cont'd)

- (g) reminding all employees and factory workers of the importance of health protection, good hygiene practises and social distancing.

As at LPD, the total costs for the implementation of the COVID-19 standard operating procedures above was approximately RM152,000.

In the event of an outbreak of COVID-19 at our premises, our standard operating procedures include the following:

- (i) immediate suspension of all activities at the affected premise for at least 14 days or such period as may be specified by the Ministry of Health;
- (ii) conduct COVID-19 test for all affected employees and factory workers and practise self-quarantine;
- (iii) any infected employees and factory workers will be quarantined based on instructions from the Ministry of Health; and
- (iv) the affected machinery and equipment will be disinfected.

In view of the number of rising cases in Muar in December 2020 and January 2021, we reserved appointments for all our factory workers to take the COVID-19 test on 22 February 2021, and all of them tested negative for the disease and therefore had no operational impact towards the Group. Meanwhile, we do not impose COVID-19 tests for our other employees as they did not show any symptom nor encounter any situations which warrant testing. As at the LPD, we have incurred approximately RM107,000 for COVID-19 tests for our factory workers and office employees.

Moving forward, we expect to continue incurring costs in relation to the implementation of the COVID-19 standard operating procedures and for COVID-19 tests. However, based on the abovementioned level of costs incurred as at LPD, we do not envisage the cost to be material.

6.8 COMPETITIVE STRENGTHS

6.8.1 We adopt a flexible cost base business model

Our Group operates a "made-to-order" business model under which, other than display models, furniture products are only manufactured once a customer order has been placed. Due to this "made-to-order" business model, our Group does not invest in raw material inventories or finished goods inventories other than display models and has limited "fashion" risk, meaning that we do not carry stock which may cease to be saleable because of changing fashion or consumer preference. As customer orders are paid for ahead of delivery while suppliers are paid in accordance with agreed terms, our Group is able to maintain healthy working capital.

Our Group's ability to produce furniture products that we sell allows us to react to latest trends and consumer preferences, and launch new products with faster time to market. Our scale of operations, regular product range updates and in-house production have enabled us to hone our design and development skills. By having control over production, we have better flexibility over product lead times. Moreover, this improves our Group's ability to experiment with innovative designs and provides a useful source of information with respect to the costs and dynamics of the supply chain.

This business model has been central to the growth of our Group's business since we commenced operations, and has allowed us to realise cost efficiencies.

6. INFORMATION ON OUR GROUP (Cont'd)

6.8.2 We have a wide range of furniture products and we innovate to meet the needs and preferences of the market

We specialise in living room furniture as well as bedroom furniture. Within the living room furniture category, we carry a wide range of coffee tables, console tables, multi-function cabinets, shoe cabinets, side tables and television cabinets. Within the bedroom furniture category, we carry a wide range of bed frames, bookshelves, drawer chests, dressing tables, night stands, wardrobes and writing tables. To date, we have launched over 700 designs, primarily across the living room and bedroom furniture categories. Furthermore, customers are also able to customise our furniture products in terms of design and dimension specifications.

Our Group constantly innovates to remain relevant. Our innovation focuses on product design and functionality based on current market trends and consumer preferences. This may lead to enhancements of existing designs or new product designs to suit the markets in which our furniture products are marketed.

With the export market comprising 76.7%, 84.9%, 80.1% and 54.8% of our Group's revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively, it is crucial for us to develop a variety of designs that can meet the varying preferences of consumers in differing countries. Thus, our designs aim to meet the functionality requirements and aesthetic preferences of local consumers as well as foreign consumers.

We have developed internal capabilities to support our design and development activities, supported by our internal design and development team. This design and development team draws inspiration from past and current designs in the market, historical sales information as well as latest market trends and consumer preferences. We also take into account feedback from customers in developing new designs.

Our ability to develop a wide range of functional and aesthetically pleasing furniture products based on market trends and consumer preferences has allowed us to improve our market reach, as evidenced by our sales performance for the financial years and periods under review. This also serves as a foundation to facilitate our Group's future business expansion and growth domestically and in the export markets.

6.8.3 We adopt automation in our production process

The sustainability of our furniture production operations is largely dependent on production costs such as cost of raw materials and cost of labour. We incorporate automation in our production process as we strive to be more efficient. Through automation, we are able to realise the benefits of consistent and improved levels of product quality as well as output volume, in comparison to fully relying on manual labour for production activities. Please refer to Section 6.6.4 for details of automation that we adopt in our production process.

For instance, automation allows us to produce standard specification furniture based on prescribed designs, sizes and dimensions. Nonetheless, our automated production line is flexible and thus we are able to integrate and customise furniture according to the specifications of our customers with adjustments and alterations in dimensions. In addition, we are able to improve our production efficiency and reduce lead times between the receipt of purchase orders from our customers to delivery. This allows us to meet the delivery schedules of large volume of orders efficiently and in a timely manner.

Furthermore, our automated lines are configured regularly to ensure the accuracy of the dimension of boards, drilling of holes for the insertion of screws and boring of holes for panels, table legs and bed posts. Through automation coupled with stringent QC processes, we are able to achieve consistent product quality.

6. INFORMATION ON OUR GROUP (Cont'd)

With automation, we are able to produce our ready-to-assemble furniture more efficiently with less labour, improved safety and lower human error risk. As a result, we are more cost-effective as automation eliminates our dependency on labour while improving our overall productivity.

6.8.4 We manufacture ready-to-assemble furniture product in flat packed format

Our ready-to-assemble furniture is sold unassembled in flat packed format along with assembly instructions and basics tools for assembly by end consumers. The flat packed format makes ready-to-assemble furniture more space efficient for shipping than conventional fully assembled furniture. Thus, transportation is less complicated and less expensive. We have been able to market and ship our furniture products to various export markets globally due to the affordability and compactness of flat packed furniture.

Through shipping in flat packed format, we are able to reduce the volume and cost of shipping, thereby making our furniture products more cost competitive. In addition, our ready-to-assemble furniture products in flat packed format are insulated with polyfoam and corrugated boxes to reduce product damage during the course of transportation, which contributes to mitigating shipping losses.

The successful expansion of our customer network is largely also attributable to our ability to target different categories of customers in multiple export markets stemming from our ready-to-assemble furniture products in flat packed format. By adopting the flat packed format, our customers can easily store the furniture products on flat shelves to maximise storage space during the warehousing and retail sales stages.

6.8.5 We are able to leverage on the growth of e-commerce to reach a wider market

In recent years, the furniture industry has faced digital transformation as a result of changing consumer behaviors, new technologies and industry trends. Retail businesses today, including furniture businesses, are increasingly adopting omni-channel retailing 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.

Owing to the global COVID-19 pandemic, e-commerce has become a major sales channel for ready-to-assemble furniture. Our customers who are e-commerce sellers resell our Group furniture products mainly via their e-commerce websites or online marketplaces. Online marketplaces such as Amazon are online platforms which allow sellers to sell their products online using such platforms. Notwithstanding these customers who identify as e-commerce sellers, our other customers such as wholesalers, distributors or retailers may also operate on such e-commerce platforms. In FYE 2021 and FPE 2022, we secured increased sales orders from several customers due to increased demand from end consumers through e-commerce platforms. Although we do not sell directly to end consumers, through our customers' deployment of e-commerce platforms, our furniture products are now accessible to end consumers worldwide, thereby allowing us to reach a wider market.

6.8.6 We have stringent QC processes to ensure consistent quality

We are committed to meet our customers' satisfaction and continuously seek to provide good quality and value to our customers. We adopt strict QC processes throughout the design and development and production process in order to strictly adhere to predefined quality standards, thereby meeting the demands and expectations of our customers.

Our in-house QC team aims to control the variables within our production process to ensure that each component of our furniture products meets our quality standards at every stage of our production process. It is our objective to ensure consistency in the quality of the final furniture products that we produce.

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

In order to achieve consistent quality standards, we have implemented QC measures to minimise the need for rework or replacement from various production processes. Please refer to Section 6.10 for further details on our QC processes.

In addition, it is our practice to replace defective products to our customers should there be any defects in our products arising from our production process. As the production process is primarily carried out at our own factories, we have better control over the quality of furniture products that we produce.

6.8.7 We have a diversified network of customers

Our Group constantly strives to develop and strengthen our customer base since our establishment. Our diversified network consists of customers from 32 countries comprising distributors, wholesalers, retailers and e-commerce sellers.

Our export markets are varied and primarily comprise countries in Asia, Europe and North America. Asia (excluding Malaysia) contributed to 23.4%, 45.2%, 36.4% and 19.2% of our revenue in FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. Europe contributed to 42.4%, 24.3%, 13.7% and 11.2% of our revenue in FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. North America contributed to 7.0%, 11.1%, 17.2% and 14.9% of our revenue in FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

Our ability to develop innovative furniture designs that meet the functional expectations and aesthetic preferences of consumers in different countries have allowed us to widen our market reach across several export markets in a short period of time. This has allowed us to diversify our revenue base across several regions globally as well as further develop our business as an export-oriented furniture company.

6.8.8 We have an experienced key senior management team

We have an experienced management team with expertise in design and development, production, finance as well as marketing and sales.

Our co-founder and Executive Director, Koh Cheng Huat has in-depth knowledge of the furniture industry whereas our other co-founder and Managing Director, Jason Koh Jian Hui brings with him business development experience from his prior employment. Together they are responsible for spearheading our business direction and implementing our Group's overall business strategies. They have played significant roles in implementing overall business strategies that have contributed to the growth of our furniture business over the years. Under their leadership, our Group has successfully grown and positioned ourselves as an export-oriented furniture producer.

Jason Koh Jian Hui and Koh Cheng Huat are supported by a qualified key senior management team comprising:

Name	Designation	Years of relevant working experience
Tei Kwee Lan	General Manager	21 years
Yau Chwan Shy	Chief Financial Officer	6 years
Tey Foo Yee	Factory Manager	20 years
Tan Mei Hwa	Purchasing Manager	11 years
M. Farouk Bin Abdullah	QC Assistant Manager	20 years

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

The experience and knowledge of our key senior management team in the furniture industry have been instrumental in formulating our business strategies as well as implementing risk management strategies to ensure the continued growth of our Group.

We believe that the strength and experience of our key senior management team will enable us to further grow our business and expand our market presence.

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. The differing sales and promotion period of furniture sales in different regions allow us to benefit from consistent sales throughout the year.

6.10 QC PROCESS

We are committed to achieving customer satisfaction by delivering high quality furniture products. As part of our quality measures, we have established QC procedures for adherence by our employees.

A supervisor is appointed in each stage of our production process to carry out QC at each production stage, as they will examine and gauge the quality and condition of the boards. We believe that this QC process will minimise incidents of rejects, reworks, defects and wastage arising from the various production processes.

For production and assembly carried out at the premises of our subcontractors, we assign QC personnel to inspect the final products prior to packing and delivery. In such instances where we outsource to subcontractors, we require our subcontractors to meet the same quality of output as we maintain in Factory A and Factory B. As such, defective products will be rejected and returned to our subcontractors for replacement or rework.

Our subsidiary, Ecomate, was certified compliant to ISO 9001:2015, details of which are as follow:

Year first achieved	Current validity period	Certification	Scope	Awarding body
2020	17 November 2020 – 17 November 2023	ISO 9001:2015	Manufacture of furnitures	VE International Certification Group of Companies
2021	12 January 2021 – 11 January 2023	ISO 9001:2015	Manufacture of furnitures	ACM-CCAS Limited

As at LPD, we have a QC team comprising 7 personnel, led by M. Farouk Bin Abdullah. The QC team works closely with our production personnel to ensure that the standards of quality of our furniture products meet the specifications before packing and shipment to our customers.

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

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

Stage	QC processes
Pre-production	<p>We conduct visual and measurement inspection on incoming materials such as boards, parts, metal components as well as packing materials to ensure that these materials meet our specifications, where this involves:</p> <ul style="list-style-type: none"> • Visual inspection on boards to ensure no surface defects such as scratches, chips and colour mismatches; • Measurement inspection on boards and packing materials to ensure no variation in dimensions and thickness; and • Measurement inspection on metal components to ensure that screws and mounting brackets are of correct length and accurate volume. <p>Any surface defects, scratches, chips, colour mismatches or variation in dimensions and thickness will be inspected prior to production. Typically, for major defective materials and/or variation in specifications, we will request for replacements from our suppliers.</p>
Production	<p>Our supervisor and QC team will undertake QC checks during each production stage to ensure consistent product quality and finishing. Defective boards and/or parts will be returned to the respective production line for rework.</p> <p>During this stage, our QC team will perform QC checks on technical specifications such as hole positioning, length, thickness and width of boards and parts prior to sending to the next stage for mass packing and loading.</p>
Post-production	<p>Our QC team will perform final inspection on our end products on sampling basis. A piece of furniture from each batch of product category will be assembled to examine the structure and functionality. This is to verify that our furniture products meet the required standard such as shape, length, thickness as well as number and position of drilled holes, which in turn could minimise the frequency of rejections from our customers.</p> <p>During the packing and loading stage, our QC team undertakes inspection to ensure that the necessary metal components and assembly instructions are attached and products are labelled correctly. Further, we ensure that our furniture products are well packed with polyfoam to avoid potential damage during the shipment process.</p> <p>After the QC inspection, the respective batch of ready-to-assemble furniture will be loaded into containers for shipment to our customers.</p>

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

6.11 TYPES, SOURCES AND AVAILABILITY OF MATERIALS

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

- (a) Boards comprising:
 - (i) Particle boards which are sourced from Malaysia and Thailand; and
 - (ii) MDF which is sourced from Malaysia.
- (b) Metal components such as hardware, metal parts, screws, nuts and mounting brackets which are sourced from Malaysia.
- (c) Packaging materials comprising corrugated cartons, polyfoam and packing tapes which are sourced from Malaysia.
- (d) Furniture parts such as wooden legs which are sourced from Malaysia.
- (e) PVC edges which are sourced from Malaysia.

The prices of our raw materials may fluctuate due to demand and supply condition. Our purchasing team constantly monitors the price of our raw materials from our suppliers, and factors that would contribute to any price increase. We typically obtain quotations for raw materials from our suppliers before we provide finished goods quotations to our customers. This allows us to better manage the pricing of our finished goods in light of any increase in raw material prices.

The materials that we use for the manufacturing of our furniture products are readily available and sourced from local and foreign suppliers. On average, our Group receives orders of boards, furniture parts, metal components and packing materials within 20 days from the placement of material orders. When the Government of Malaysia imposed the MCO, our Group's purchasing activities were affected due to disruption of activities of our suppliers and transportation vendors.

As we purchase materials on a purchase order basis, we generally take into account our suppliers' lead times to prevent potential major disruptions to our intended delivery time of finished goods. The average lead time for the procurement of materials is approximately 20 days from placement of orders with our suppliers. Through production planning and scheduling, we typically store at least 1 month of inventory of boards and furniture parts, metal components and packing materials to ensure that we have sufficient materials to meet our production needs.

Our suppliers are evaluated in terms of pricing, quality, production capacities, technical specifications of raw materials and ability to deliver in a timely manner.

The breakdown of the raw materials purchased by our Group for FYE 2019 to 2021 and FPE 2022 is as follows:

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
Raw materials	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Boards	7,629.4	51.4	11,349.3	50.4	17,262.8	50.2	6,358.5	50.4
Metal components	3,511.9	23.7	5,065.3	22.5	7,799.0	22.7	2,829.6	22.5

6. INFORMATION ON OUR GROUP (Cont'd)

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Raw materials								
Packaging materials	2,146.5	14.4	4,055.2	18.0	6,202.6	18.0	2,364.7	18.8
Furniture parts	597.5	4.0	932.3	4.1	1,616.6	4.7	406.9	3.2
PVC edges	436.1	2.9	679.8	3.0	807.3	2.4	293.3	2.3
Others ⁽¹⁾	538.3	3.6	459.6	2.0	695.7	2.0	356.1	2.8
	14,859.7	100.0	22,541.5	100.0	34,384.0	100.0	12,609.1	100.0

Note:

(1) Others comprise tools, cushions, glass and mirrors.

6.12 MARKETING AND DISTRIBUTION CHANNELS

As at LPD, our Group's marketing and sales department consists of 6 personnel and is led by our Managing Director, Jason Koh Jian Hui. We place emphasis on the expansion of our distribution network to new countries. This would, in turn, increase our market penetration and product visibility in our existing geographical regions.

Our marketing and sales staff are responsible for liaising with customers such as taking sales orders and addressing customer enquiries on product information and delivery logistics. We develop sales strategies by securing sales orders with our customers to distribute our products effectively and strengthen our global presence. In an effort to keep up with market trends and consumer preferences, our marketing and sales team gathers feedback from customers on our ready-to-assemble furniture.

We undertake the following marketing strategies:

(a) Participation in trade fairs

Since our incorporation in 2016, we have participated in various international furniture trade fairs to showcase our ready-to-assemble furniture products.

These international trade fairs allow us to meet with potential customers and connect with them, and is a way to keep up on current market trends. It is also an opportunity for us to gain industry knowledge on new products.

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

Year	Trade fairs	Organiser	Location
2016	CIFF	China Foreign Trade Exhibition General Corporation and China Foreign Trade Centre Group	National Exhibition and Convention Centre, Shanghai, China
2017	MIFF	United Business Media (M) Sdn Bhd	Putra World Trade Centre, Kuala Lumpur

6. INFORMATION ON OUR GROUP (Cont'd)

Year	Trade fairs	Organiser	Location
2017	CIFF	China Foreign Trade Guangzhou Exhibition General Corporation and China Foreign Trade Centre Group	National Exhibition and Convention Centre, Shanghai, China
2018	MIFF	United Business Media (M) Sdn Bhd	Putra World Trade Centre, Kuala Lumpur
2018	CIFF	China Foreign Trade Guangzhou Exhibition General Corporation and China Foreign Trade Centre Group	Shanghai New International Expo Centre, Shanghai, China
2019	MIFF	United Business Media (M) Sdn Bhd	Putra World Trade Centre, Kuala Lumpur
2019	CIFF	China Foreign Trade Guangzhou Exhibition General Corporation and China Foreign Trade Centre Group	Shanghai New International Expo Centre, Shanghai, China
2021	MIFF	United Business Media (M) Sdn Bhd	Via virtual exhibition

Due to the pandemic, MIFF and CIFF were not held in 2020. An additional MIFF exhibition is expected to be held virtually in October 2021, and we intend to participate in it. We intend to participate in CIFF 2022 should it be held virtually, or opened to international exhibitors, and travelling is permitted.

Participation in the virtual exhibition will allow us to feature furniture products to prospective customers and secure sales orders. By doing so, we will be able to showcase our furniture products visually through photographs and videos on our online showroom. Further, prospective buyers will be able to establish contact and communicate directly with us through the virtual exhibition by leveraging on more personalised live chat and video sessions with dedicated time slots to individually to enquire about our furniture products and schedule subsequent meetings.

(b) Advertisement in trade directory

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

(c) Publication of product catalogues / brochures

We publish and distribute our product catalogues / brochure featuring our furniture products. Typically, these product catalogues / brochures are distributed to our existing and potential customers at trade fairs. The distribution of these catalogues / brochures is a simple yet effective way to target potential customers, as the catalogues / brochures details information on our furniture range.

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

(d) Corporate website

We have established a corporate website at <https://welcome.ecomate.com.my/> which provides easy access to information on our range of furniture products. Our website provides a platform for point of contact with potential customers who have enquires about our product offerings.

6.13 DESIGN AND DEVELOPMENT

Design and development are part of our principal activities. As at LPD, our Group's design and development team consists of 6 employees that are led by our Executive Director, Koh Cheng Huat. The evolving market trends and customer preferences motivate us to build strong in-house design and development capabilities.

Our design and development team works closely with our marketing and sales team to adopt contemporary designs to cater to the demand of our overseas customers. We focus on introducing unique and innovative new product designs which appeal to consumers. Our successful market penetration to foreign countries as well as growth in demand for our furniture products in the past financial years and periods under review are proof of our continuous effort in design and development as well as marketing efforts.


Through our design and development activities, we aim to achieve the following:

- (a) to frequently conceptualise and produce new design ideas that are in line with latest market trends;
- (b) to launch new furniture products to increase the variety of our product offerings; and
- (c) to enhance and modify our existing furniture products to improve the functionality and identify cost-saving methods during production.

The relevant staff and raw material costs related to design and development are not significant, and are charged out to production costs.

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
2016002800/ 20		Ecomate	Furniture, mirrors, picture frames; unworked or semi-worked bone, horn, ivory, whalebone or mother-of-pearl; shells; meerschaum; yellow amber; all included in Class 20	20 March 2016/ 20 March 2026

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 LPD:

Licencee / Issuing authority / Registration no.	Date of issue / Date of expiry	Nature of approval licences	Material conditions imposed	Compliance status
(a) Ecomate/ MITI/ A022427 (Factory A)	28 August 2020 ⁽²⁾ / N/A	Manufacturing License pursuant to Industrial Co-ordination Act 1975	(i) Ecomate must notify MITI and MIDA of any disposal of shares of Ecomate. (ii) Ecomate must train Malaysian employees so that the technology and expertise can be transferred across all levels of positions.	To be complied Complied
(b) Ecomate/ MITI/ N/A (Factory B)	11 December 2020 ⁽³⁾ / N/A	Manufacturing License pursuant to Industrial Co-ordination Act 1975	(iii) Ecomate must comply with the conditions of the Capital Investment Per Employee (CIPE) of at least RM140,000.00. (iv) The total full-time workforce of Ecomate must comprise at least 80% Malaysians latest by 31 December 2022. Employment of foreign workers including outsourced workers is subject to current policies.	Complied To be complied ⁽¹⁾
(c) Ecomate/ Malaysian Timber Industry Board / T/E – 5938/9/2019	9 August 2021 / 30 September 2023	Certificate of registration pursuant to the Malaysian Timber Industry Board (Incorporation) Act 1973	(v) Ecomate must implement its project as approved and in accordance with the relevant laws and regulations of Malaysia.	Noted -

6. INFORMATION ON OUR GROUP (Cont'd)

Licencee / Issuing authority / Registration no.	Date of issue / Date of expiry	Nature approval licences	of or	Material conditions imposed	Compliance status
(d) Ecomate/ District Forestry Office/ PHDJU 192/666/2/264(12)	27 April 2021 / 31 December 2021	Wood-Based Furniture Factory License	-		-

Notes:

- (1) As at LPD, 49.2% of our total workforces are Malaysians. We have been actively advertising and interviewing local candidates to join its full-time work force. We have found some success in employment of East Malaysians, as well as from interviews arranged by Social Security Organisation. Ecomate is hopeful that this will allow them to meet the workforce composition requirement by MITI. If we fail to meet the requirement, we will apply for an extension of time to meet it, and demonstrate the efforts they have made in doing so. Nonetheless, should we fail to have the 31 December 2022 deadline extended or waived, MITI may take action by issuing warnings, penalties, suspending the licenses, permits or approvals, reducing the term, imposing additional conditions or restrictions and/or revoking the licences for any breach or non-compliance of conditions.
- (2) The licence was effective retrospectively from 20 January 2020. There was no license issued prior to this license. In relation to Factory A, the application for the manufacturing licence was made on 10 December 2019. We had previously submitted an application to MIDA for an exemption from obtaining a manufacturing licence on 19 June 2019, however the application was rejected. The licence for Factory A was subsequently issued on 28 August 2020 and was effective retrospectively from 20 January 2020.
- (3) The licence was effective retrospectively from 2 November 2020. There was no license issued prior to this license. In relation to Factory B, we were verbally advised by a MIDA officer at that time that only one application was required for two factories. However, in the course of the legal due diligence exercise, the solicitors advised us that manufacturing licences are typically issued for each manufacturing premises of a company, whereas we had made an application in respect of only one premise, namely Factory A. We proceeded to apply for the manufacturing licence for Factory B on 22 September 2020 and the licence was issued on 11 December 2020 and was effective retrospectively from 2 November 2020.

6. INFORMATION ON OUR GROUP (Cont'd)

MITI has not imposed any penalty on Ecomate for past non-compliances in relation to Factory A and B being unlicensed. Pursuant to the Industrial Co-ordination Act 1975, any person who engages in any manufacturing activity without a manufacturing licence is guilty of an offence and such person shall be liable on conviction to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000 for every day during which such default continues. MITI may also take action by issuing warnings, penalties, suspending the licenses, permits or approvals, reducing the term, imposing additional conditions or restrictions and/or revoking the licences for any breach or non-compliance of conditions. Nonetheless, the Board has been advised that although MITI has the right to impose the relevant penalties or take legal action against Ecomate for its past non-compliance, the likelihood of prosecution is low in view that such licences have already been obtained.

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

6.16 MATERIAL CONTRACTS

Save as disclosed below, there were no contracts which are or may be material (not being contracts entered into in the ordinary course of business) entered into by our Group for FYE 2019 to 2021, FPE 2022 and up to LPD:

- (a) Sale and purchase agreement between Ecomate and Johor Corporation dated 21 March 2019 in respect of PLO 42 measuring 12,140.6 sqm located within Muar Furniture Park held under the master titles known as H.S.(D) 38459, PTD 13399, H.S.(D) 38460, PTD 13400, Geran 50191, Lot 8531, all in Mukim Jalan Bakri, District of Muar, Johor for a cash consideration of RM2,352,240 ("**SPA 1**")⁽¹⁾;
- (b) Sale and purchase agreement between Ecomate and Johor Corporation dated 21 March 2019 in respect of PLO 70 measuring 12,140.6 sqm located within Muar Furniture Park held under the master titles known as H.S.(D) 38459, PTD 13399, H.S.(D) 38460, PTD 13400, Geran 50191, Lot 8531, all in Mukim Jalan Bakri, District of Muar, Johor for a cash consideration of RM2,090,880 ("**SPA 2**")⁽¹⁾;
- (c) Sale and purchase agreement between Ecomate and Johor Corporation dated 18 April 2019 in respect of PLO 68 measuring 12,140.6 sqm located within Muar Furniture Park held under the master titles known as H.S.(D) 38459, PTD 13399, H.S.(D) 38460, PTD 13400, Geran 50191, Lot 8531, all in Mukim Jalan Bakri, District of Muar, Johor for a cash consideration of RM2,090,880 ("**SPA 3**")⁽¹⁾;
- (d) Sale and purchase agreement between Ecomate and Johor Corporation dated 18 April 2019 in respect of PLO 69 measuring 12,140.6 sqm located within Muar Furniture Park held under the master titles known as H.S.(D) 38459, PTD 13399, H.S.(D) 38460, PTD 13400, Geran 50191, Lot 8531, all in Mukim Jalan Bakri, District of Muar, Johor for a cash consideration of RM2,090,880 ("**SPA 4**")⁽¹⁾;
- (e) Share sale agreement dated 9 December 2020 between our Company and the Vendors for the Acquisition of Ecomate, which was completed on 9 June 2021; and
- (f) Underwriting agreement dated 22 September 2021 between our Company and M&A Securities for the underwriting of 26,250,000 Issue Shares for an underwriting commission of 3.0% of the IPO Price multiplied by the number of Issue Shares underwritten.

Note:

- (1) SPA 1, SPA 2, SPA 3 and SPA 4 collectively constitute the MFP SPAs.

In addition to the above, we are not dependent on any material contract in our ordinary course of business.

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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

Our Group does not own any property as at LPD. Kindly refer to Section 6.17.3 for details of the properties being acquired by our Group.

6.17.2 Properties rented by our Group

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

No.	Description	Owner/ Tenant	Existing Use	Built-up area	Period of tenancy / Rental per month
1.	Factory A A single storey detached factory with an office within, erected on the land held under HS(D) 31652 PTD 4447, Mukim Parit Bakar, 84200 Muar, Johor	Sern Industries Sdn Bhd / Ecomate Kou	Furniture manufacturing (4 production lines), including cutting, boring, edging, packing, colour touch up, quality control, storage area (for finished goods, packing materials and chipboard), backpanel marking/ sealing area and production raw material store, and office	71,784 sq ft	1 November 2020 to 31 October 2022 (with option to renew for another 2 years) / RM28,000

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Description	Owner/ Tenant	Existing Use	Built-up area	Period of tenancy / Rental per month
2.	Factory B A single storey detached factory with an annexed double storey office erected on the land held under PTD 7274 No. Hakmilik 4477 Lot 9155 Mukim of Jalan Bakri, 84200 Muar, Johor	Ler Leong Taen / Ecomate	Furniture manufacturing (1 production line), including cutting, boring, edging, chipboard storage area, and office	11,200 sq ft	16 August 2021 to 15 August 2024 (with option to renew for another 2 years) / RM7,800
3.	First and second floor of a unit of a four-storey shophouse known as No. 1-1, Taman Bakri Indah, 84200 Bakri, Muar, Johor(1)	Ng Kooi Kee, Wong Say Moi, Liew Mee Har, and Toh Giok Tin (as executrix/representative of the Estate of Sia Been Hoh)/ Ecomate	Workers' quarter	2,884.7 sq ft	1 November 2020 to 31 October 2022 / RM1,300
4.	First floor of a unit of a four-storey shophouse known as No. 1-2, Taman Bakri Indah, 84200 Bakri, Muar, Johor	Ng Kooi Kee, Wong Say Moi, Liew Mee Har, and Toh Giok Tin (as executrix/representative of the Estate of Sia Been Hoh)/ Ecomate	Workers' quarter	1,313.2 sq ft	1 November 2020 to 31 October 2022 / RM800
5.	First, second and third floor of a unit of a four-storey shophouse known as No. 1-3, Taman Bakri Indah, 84200 Bakri, Muar, Johor (1)	Ng Kooi Kee, Wong Say Moi, Liew Mee Har, and Toh Giok Tin (as executrix/representative of the Estate of Sia Been Hoh)/ Ecomate	Workers' quarter	4,617.7 sq ft	1 November 2020 to 31 October 2022 / RM1,600

6. INFORMATION ON OUR GROUP (Cont'd)

Note:

- (1) The use of the upper floors of the shop houses rented for workers' quarters is in compliance with the relevant land and building regulations as the express conditions stipulated in the respective land searches state that the land shall be used for a four-storey shophouse which is used for commercial or residential purposes. In addition, the tenancy agreements of the workers' quarters state that Ecomate shall only use the premises for the purpose of residential or hostel use only.

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

We have on 15 January 2021 (supplemented by letter dated 8 June 2021) entered into a tenancy agreement to secure a warehouse which comprises 2 adjoined single storey factories with a total built-up area measuring approximately 19,200 sq ft, at a monthly rental rate of RM14,500 with the tenancy period to commence on 1 November 2021 for a period of 2 years with an option to extend for an additional 1 year. This new warehouse is located at No. 2, Jalan Angsana Bakri, Off Jalan How Lai Tuan, Batu 8, Jalan Bakri, 84200 Muar, Johor, which is within close proximity to Factory A and B.

The landlords are not related parties to the Group's promoters, directors or key senior management.

6.17.3 Acquisitions of properties

The State Government of Johor has entrusted Johor Corporation to develop the Muar Furniture Park and to deal with the individual plots of land therein. Accordingly, Johor Corporation is the vendor for the MFP SPAs disclosed in Section 6.16.

Save for the properties acquired pursuant to the MFP SPAs as disclosed below, we have not entered into any sale and purchase agreements to acquire properties during FYE 2019 to 2021, FPE 2022 and up to LPD:

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6. INFORMATION ON OUR GROUP (Cont'd)

(a) PLO 42, Muar Furniture Park

Details as set out in SPA 1 are as follows:

Date of purchase	:	21 March 2019
Description of property	:	PLO 42 located within the Muar Furniture Park held under master titles known as H.S.(D) 38459, PTD 13399, H.S.(D) 38460, PTD 13400, Geran 50191, Lot 8531, all in Mukim Jalan Bakri, District of Muar, Johor ⁽¹⁾
Existing use/ tenure/ Category of land use	:	Vacant land/ Leasehold for 60 years from the date of issuance of the individual title/ Medium industry
Land area/ Built-up area	:	12,140.6 sqm / N/A
Purchase value (RM)	:	2,352,240
Expected Completion	:	Latest by November 2024

(b) PLO 70, Muar Furniture Park

Details as set out in SPA 2 are as follows:

Date of purchase	:	21 March 2019
Description of property	:	PLO 70 located within the Muar Furniture Park held under master titles known as H.S.(D) 38459, PTD 13399, H.S.(D) 38460, PTD 13400, Geran 50191, Lot 8531, all in Mukim Jalan Bakri, District of Muar, Johor ⁽¹⁾
Existing use/ tenure/ Category of land use	:	Vacant land/ Leasehold for 60 years from the date of issuance of the individual title/ Medium industry
Land area/ Built-up area	:	12,140.6 sqm / N/A
Purchase value (RM)	:	2,090,880
Expected Completion	:	Latest by November 2024

6. INFORMATION ON OUR GROUP (Cont'd)

(c) PLO 68, Muar Furniture Park

Details as set out in SPA 3 are as follows:

Date of purchase : 18 April 2019

Description of property : PLO 68 located within the Muar Furniture Park held under master titles known as H.S.(D) 38459, PTD 13399, H.S.(D) 38460, PTD 13400, Geran 50191, Lot 8531, all in Mukim Jalan Bakri, District of Muar, Johor ⁽¹⁾

Existing use/ tenure/ : Vacant land/ Leasehold for 60 years from the date of issuance of the individual title/ Medium industry
Category of land use

Land area/ Built-up area : 12,140.6 sqm / N/A

Purchase value (RM) : 2,090,880

Expected Completion : Latest by December 2024

(d) PLO 69, Muar Furniture Park

Details as set out in SPA 4 are as follows:

Date of purchase : 18 April 2019

Description of property : PLO 69 located within the Muar Furniture Park held under master titles known as H.S.(D) 38459, PTD 13399, H.S.(D) 38460, PTD 13400, Geran 50191, Lot 8531, all in Mukim Jalan Bakri, District of Muar, Johor ⁽¹⁾

Existing use/ tenure/ : Vacant land/ Leasehold for 60 years from the date of issuance of the individual title/ Medium industry
Category of land use

Land area/ Built-up area : 12,140.6 sqm / N/A

Purchase value (RM) : 2,090,880

Expected Completion : Latest by December 2024

6. INFORMATION ON OUR GROUP (Cont'd)

Note:

(1) The Land Administrator, namely the *Pentadbir Tanah Muar*, has previously taken formal possession of the lands from Lee Rubber Company (PTE) Limited, the previous registered proprietor of the master titles, pursuant to a land acquisition exercise by the state authority of Johor.

PLOs 68, 69 and 70 are adjoined, while PLO 42 is not. As at LPD, Ecomate has paid 80% of the purchase price pursuant to the MFP SPAs. The remaining 20% will be paid upon completion of water reticulation, electricity and infrastructure works as follows:

Description of works	Percentage of claim (%)
Water reticulation	10
Electricity	5
Infrastructure	5

PLO 69 will be used for the construction of Factory C and a hostel, while the remaining 3 parcels of land are reserved for future expansion as and when necessary.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.18 RELEVANT LAWS, REGULATIONS, RULES OR REQUIREMENTS

Our business operations are regulated and governed by guidelines, regulations and laws in Malaysia. The following is an overview of the relevant laws, regulations and requirements governing the conduct of our Group's business and environmental issue which may materially affect our business operations:

1. Johor Wood-Based Industries Enactment 1986 ("Enactment")

Pursuant to Section 3(1) of the Enactment, 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. Pursuant to Section 27 of the Enactment, non-compliance of the Enactment is an offence and on conviction, shall be liable to imprisonment for a term of not exceeding 1 year, or with a fine not exceeding RM2,000 or both.

Additionally, Section 23 of the Enactment provides that where a person charged with an offence under the Enactment is a body corporate, every person, who at the time of the commission of such offence is a director or officer of that body corporate may be charged jointly in the same proceedings with the body corporate, and where the body corporate is convicted of such offence, every such director or officer shall be deemed to be guilty of the offence unless he proves that the offence was committed without his knowledge and that he took reasonable precautions to prevent its commission.

Our Group had on 27 April 2021 obtained the Wood-Based Furniture Factory Licence from the Johor Utara District Forestry Office.

2. Industrial Co-Ordination Act 1975 ("ICA")

Pursuant to Section 3(1) of the ICA, no person shall engage in any manufacturing activity unless he is issued a licence in respect of such manufacturing activity. Failure to comply is an offence and such person shall be liable on conviction to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000 for every day during which such default continues.

"Manufacturing activity" is defined under the ICA as the "making, altering, blending, ornamenting, finishing or otherwise treating or adapting any articles or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade".

Manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time paid employees are required to apply to the MITI for a manufacturing licence.

As at LPD, our subsidiary, Ecomate, which carries out manufacturing activity, holds valid manufacturing licences (in respect of Factory A and Factory B) issued by the MITI.

3. Malaysian Timber Industry Board (Incorporation) Act 1973 ("MTIB Act")

Pursuant to Section 13 of the MTIB Act, no person shall carry on any activity as an exporter, importer, supplier, grader, processor, trader, operator or a jetty operator unless he is registered in accordance with the MTIB Act, failing which such persons shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 3 years or to both.

6. INFORMATION ON OUR GROUP (Cont'd)

Pursuant to the MTIB Act, the term "export" means to take or cause to be taken out of Malaysia by land, sea or air or to place any timber in a vessel, conveyance or aircraft for the purpose of the timber being taken out of Malaysia by land, sea or air, and the term "exporter" means to a person who exports timber.

As at LPD, our subsidiary, Ecomate, which carries out activity as exporter, holds a valid Certificate of Registration issued by the Malaysian Timber Industry Board.

4. Workers' Minimum Standards of Housing and Amenities Act 1990 ("WMSHA 2019")

The WMSHA 2019 which came into force on 1 September 2020 requires employers to, amongst others, provide the minimum space requirement for workers' accommodation, basic facilities, as well as safety and hygiene standards.

The WMSHA 2019 further provides that no employer or centralised accommodation provider shall use any buildings as accommodation if the buildings are unfit for human habitation in accordance with the relevant written laws. Additionally, every accommodation provided for employees must comply with the minimum standards required under WMSHA 2019 or any regulations made thereunder. As at the LPD, our workers' quarters complies with the minimum standards required under WMSHA 2019. Please refer to Section 6.17.2 for further details of these premises.

Pursuant to the WMSHA 2019, we are required to obtain a Certificate for Accommodation for our workers accommodations, which have been obtained on 17 August 2021.

Save for the foregoing, there are no other relevant laws, regulations, rules or requirements governing the conduct of our business and/or major environmental issue which may materially affect our operations.

6.19 BUSINESS STRATEGIES AND PROSPECTS

6.19.1 We intend to expand our production facilities

As part of our business growth strategy, we intend to plan our resource allocation and assess the necessity to expand our production facilities and improve the overall efficiency of our production process. Coupled with the growing demand for our furniture products, we have plans to expand and increase our current production capacity. Our expansion plans can be categorised into the following:

- Rental of a new warehouse and acquisition of additional machinery and equipment for Factory A; and
 - Construction of a new factory and acquisition of new machinery and equipment.
- (a) Rental of a new warehouse and increase our production capacity through the acquisition of an additional production line for Factory A**

The utilisation of our production capacity was 98.4% in FPE 2022, which indicates that we are operating almost at full production capacity.

6. INFORMATION ON OUR GROUP (Cont'd)

Presently, the storage of raw materials and finished goods in Factory A utilises floor space of approximately 10,000 sq ft. Generally, Factory A keeps an inventory level of 30 days for raw materials and 14 days for finished goods in Factory A. As part of our inventory management, we store least 1 month of inventory of boards and furniture parts, metal components and packing materials taking into consideration of our suppliers' lead time and to ensure that we have sufficient materials to meet our production needs. Upon packing of the finished goods, we will store the finished products in Factory A for approximately 3 to 7 days prior to the scheduled delivery date. However this could also extend up to 30 days due to supply chain and logistics disruptions arising from the COVID-19 pandemic.

Premised on the above, we intend to rent a new warehouse for the storage of raw materials and finished goods. To this extent, we have entered into a tenancy agreement on 15 January 2021 (supplemented by letter on 8 June 2021) to secure a warehouse space measuring approximately 19,200 sq ft, with the tenancy period to commence on 1 November 2021 for a period of 2 years with an option to extend for an additional 1 year. This new warehouse is located within close proximity to Factory A and B.

By renting this new warehouse, we will be able to free up the current storage space in Factory A, thereby allowing us to increase our production capacity in Factory A. We currently have 4 production lines in Factory A with a total capacity of 376,320 units per year (with the use of subcontractors). In 2021, we intend to install 1 additional production line and ancillary machinery to support the projected additional production.

We expect to spend RM6.0 million for the acquisition of new machinery and equipment for Factory A for the purposes of the additional production line, to be funded by proceeds from the Public Issue. The RM6.0 million will be utilised for the acquisition of:

Factory	Type of machinery	No. of units	Total estimated cost
			RM million
Factory A	Production line comprising: - edge banding machine - panel saw - CNC machine - air compressor - dust collection system and including installation and commission works	1	5.4
	Screw packing machinery	2	0.4
	Forklifts	2	0.2
			6.0

The equipment above will contribute an incremental production capacity of 79,200 units per year from the use of new equipment together with subcontractors. This will bring our total production capacity in Factory A and B to 475,200 units per year, which we intend to maintain as we grow our business.

6. INFORMATION ON OUR GROUP (Cont'd)

(b) Construction of a new factory, hostel and purchase of new machinery and equipment

To add to the increased capacity of Factory A and B, as we continue to grow, we have envisioned the construction of our future production plants in Muar Furniture Park, which will be carried out in phases. Under Phase 1, we are allocating RM9.0 million for the construction of 1 block of single storey factory building with a total built-up area of 60,000 sq ft ("**Factory C**") and 1 block of four-storey detached hostel within the same parcel of land. Depending on the speed of our growth and availability of funds, we expect to install up to 3 production lines in Factory C with a total production capacity of 237,600 units.

We have allocated RM2.0 million of the proceeds from our Public Issue to finance the construction cost of Factory C. The balance construction cost and the cost of acquiring the new production lines for Factory C will be financed through bank borrowings and/or internally-generated funds.

We intend to commence the construction of Factory C and the hostel in the fourth quarter of 2022 as a result of the 250 day extension of delivery of vacant possession of the lands. We are allowed access to the land to commence the construction of Factory C and the hostel even though the titles of these lands have yet to be transferred to our Group. The delay of the commencement of construction of Factory C will delay the expansion of our production capacity, which may in turn limit our growth. Meanwhile, we will endeavour to maximise production capacity with the use of subcontractors where available to meet growing demand. We anticipate to commission Factory C in the first quarter of 2024. We intend to submit the building plan for approval to the relevant authority in the first quarter of 2022.

The indicative timeline for the setting up of Phase 1 of Factory C and the hostel is targeted to be as follows:

Timeframe	Milestones
T	(a) Receipt of vacant possession of the land (b) Receipt of approved building plan (c) Commence the construction of Factory C and hostel
T + 12 months	(a) Complete the construction of Factory C and hostel
T + 15 months	(a) To obtain the certificate of completion and compliance for Factory C and hostel (b) Commissioning of Factory C

The remaining 3 parcels of industrial land in Muar Furniture Park measuring approximately 36,421 sqm that we acquired in 2019 will provide us with space for our Group's future production expansion purposes.

6.19.2 We intend to intensify our marketing and sales efforts to expand market reach and capture more sales

Since our establishment in 2016, our Group has primarily been focusing on exporting furniture products. Over the years, we have expanded our furniture products to 32 countries and subsequently positioned our Group as an export-oriented furniture producer.

6. INFORMATION ON OUR GROUP (Cont'd)

Given our foray into the foreign markets, we plan to further intensify our marketing and sales efforts to capture more sales. Furniture trade fairs are an important avenue for us to showcase our ready-to-assemble furniture products and meet new customers. Between 2016 and 2019, we have participated in furniture trade fairs annually, namely the CIFF in Shanghai, China and the MIFF in Kuala Lumpur, Malaysia. These furniture fairs have traditionally attracted buyers from all over the world due to the scale of the event and range of exhibitors attending the event.

The MIFF 2021 was held virtually in light of the COVID-19 pandemic. Upon the resumption of physical trade fairs post COVID-19, we will continue to participate in the CIFF and MIFF physically. Our attendance at these furniture trade fairs will allow us to increase the visibility of our furniture products as well as gain valuable insights on current market trends and industry developments.

6.19.3 We intend to further expand our range of product designs

Currently, we have developed over 700 furniture designs and we plan to further expand our range of product designs by continuously releasing new designs. The expansion of our product designs will be based on our sales performance and market trends to capitalise on opportunities arising from changing preferences of end-consumers to support our business growth.

Having studied our sales performance, we will emphasise on living room furniture and bedroom furniture through on-going design and development efforts in order to cater to the demand of our existing customers and to capture larger share within the furniture market. To identify and adapt to the changing trends and preferences, we have dedicated our marketing and sales team together with our design and development team to keep abreast of the changing market trends.

6.19.4 Prospects of our Group

We believe that our prospects in the furniture industry are favourable taking into consideration our competitive strengths in Section 6.8, our business strategies as set out above as well as the prospects of the furniture industry as set out below.

Global consumption of furniture increased from USD340.2 billion in 2010 to USD495.7 billion in 2019 at a CAGR of 2.9%, but dipped to USD400.4 billion in 2020, with China, USA and Germany as the top 3 consuming nations globally. The decrease in global furniture consumption in 2020 is attributable to precautionary spending by consumers arising from the COVID-19 pandemic. Nonetheless, the longer-term prospects of the furniture industry remain positive with recovery anticipated with the resumption of business activities globally and improvement in consumer spending. Further, 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%. While world furniture consumption is dipped from USD495.7 billion in 2019 to an estimated USD400.4 billion in 2020 (CAGR -19.2%), e-commerce sales of furniture rose from USD56.1 billion to an estimated USD72.3 billion (CAGR 28.9%) during the same period.

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.

Source: IMR Report by Providence

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

E-commerce has become a major sales channel for ready-to-assemble furniture. In FPE 2022, we secured increased sales orders from several customers due to increased demand through e-commerce. This bodes well for the future prospects of our Group as through e-commerce platforms, the Group's furniture products are now accessible to consumers worldwide, thereby allowing the Group to reach a wider market.

6.20 EMPLOYEES

As at LPD, we have a total workforce of 130 employees, of which 64 are permanent employees and 66 are contractual workers, which are all based in our existing factories in Muar, Johor. The breakdown of our employees as at LPD is as follows:

Department/Division	Number of employees
Executive Directors / Key senior management	7
Accounts and costing	4
Human resource and administration	4
Marketing and sales	6
Shipping	2
Production	77
Purchasing	6
Warehousing and raw materials	10
QC	7
Design & development	6
Safety and health	1
TOTAL	130

As at LPD, local employees accounted for approximately 49.2% of total workforce while the remaining 50.8% are foreign workers. As at LPD, we have 66 foreign workers, all of whom have valid working permits.

None of our employees are members of any union nor have we been involved in any major industrial disputes in the past.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.21 MAJOR CUSTOMERS

Our revenue from customers varies from year to year depending on the units of furniture sold to our customers. Our top 5 major customers for each of FYE 2019 to 2021 and FPE 2022 are as follows:

FYE 2019

No.	Customers	Country of export/ Region	Business activities	Category of products sold*	Revenue contribution		Length of relationship Years
					RM'000	%	
1	Birlea Furniture Ltd	UK / Europe	Furniture distributor	(a), (b) and (c)	4,995.6	20.7	1
2	Noble House Home Furnishings LLC	USA / North America	Furniture distributor	(a), (b) and (c)	1,655.3	6.9	1
3	Line Furniture Trd. Est	Saudi Arabia / Asia	Furniture wholesaler	(a)	1,646.2	6.8	<1
4	DOMU Brands Ltd	UK / Europe	Furniture wholesaler	(a), (b) and (c)	1,449.2	6.0	<1
5	Bauwens Beernem N.V.	Belgium / Europe	Furniture distributor	(a), (b) and (c)	1,426.5	5.9	1
					11,172.8	46.3	

FYE 2020

No.	Customers	Country of export/ Region	Business activities	Category of products sold*	Revenue contribution		Length of relationship Years
					RM'000	%	
1	Line Furniture Trd. Est	Saudi Arabia / Asia	Furniture wholesaler	(a)	8,965.0	21.2	1
2	Noble House Home Furnishings LLC	USA / North America	Furniture distributor	(a), (b) and (c)	4,387.3	10.4	2
3	Birlea Furniture Ltd	UK / Europe	Furniture distributor	(a), (b) and (c)	3,939.6	9.3	2
4	Urban Ladder Home Décor Solutions Pvt Ltd	India / Asia	Furniture distributor	(a), (b) and (c)	3,256.5	7.7	1
5	DOMU Brands Ltd	UK / Europe	Furniture wholesaler	(a), (b) and (c)	2,299.2	5.4	1
					22,847.6	54.0	

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 2021

No.	Customers	Country of export/ Region	Business activities	Category of products sold*	Revenue contribution		Length of relationship Years
					RM'000	%	
1	Line Furniture Trd. Est	Saudi Arabia / Asia	Furniture wholesaler	(a)	13,466.1	23.9	3
2	Noble House Home Furnishings LLC	USA / North America	Furniture distributor	(a), (b) and (c)	8,372.9	14.9	4
3	Uncle Bill's Australia Pty Ltd	Australia / Australasia	Furniture wholesaler	(a) and (b)	6,001.5	10.6	2
4	Synergy House Furniture Sdn Bhd	Malaysia	Furniture distributor	(b)	4,451.3	7.9	2
5	Birlea Furniture Ltd	UK / Europe	Furniture distributor	(a), (b) and (c)	3,408.2	6.1	3
					35,700.0	63.4	

FPE 2022

No.	Customers	Country of export/ Region	Business activities	Category of products sold*	Revenue contribution		Length of relationship Years
					RM'000	%	
1	Synergy House Furniture Sdn Bhd	Malaysia	Furniture distributor	(b)	3,845.4	20.5	2
2	Noble House Home Furnishings LLC	USA / North America	Furniture distributor	(a), (b) and (c)	2,312.0	12.3	4
3	Uncle Bill's Australia Pty Ltd	Australia / Australasia	Furniture wholesaler	(a) and (b)	1,777.7	9.4	2
4	RNA Resources Group	UAE	Furniture distributor	(a), (b) and (c)	1,726.5	9.2	2
5	SPF Home Deco Sdn Bhd	Malaysia	Furniture wholesaler	(a), (b) and (c)	1,534.5	8.2	2
					11,196.1	59.6	

Note:

* Categories of products sold:

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

6. INFORMATION ON OUR GROUP (Cont'd)

Our major customers for FYE 2019 to 2021 and FPE 2022 contributed to the majority of our revenue, representing 46.3% to 63.4% of our total sales. Nonetheless we have a total of 90 customers originating from different countries as at FPE 2022. We are not dependent on any single customer as we have a diversified customer base. In this respect, although we have repeat major customers over the financial years and period under review, the amount of sales from some of these have varied over each financial year/period.

Our Group has direct business relationships with all our major customers. In addition, we do not have any long term agreement or arrangement with any of our major customers as our ready-to-assemble furniture are produced based on purchase orders basis. 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.

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, wholesalers, retailers and companies which use e-commerce channels from various regions worldwide.

Moving forward, we expect our major customers to continue contributing to our revenue. We have good business relationship with our major customers and we have not encountered any major problems in our past dealings with them.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.22 MAJOR SUPPLIERS

Our purchases from our suppliers vary from year to year depending on the amount of materials we purchase from them. Our top 5 major suppliers for each of FYE 2019 to 2021 and FPE 2022 are as follows:

FYE 2019

No.	Suppliers	Country of origin	Key products/services sourced	Value of purchases		Length of relationship	
				RM'000	%	Years	Years
1	Hua Joo Success Industry Sdn Bhd	Malaysia	Particle boards and MDF	3,385.1	22.8	2	2
2	Mieco Manufacturing Sdn Bhd	Malaysia	Particle boards	2,195.5	14.8	<1	<1
3	Sejori I.M. Sdn Bhd	Malaysia	Metal components	921.4	6.2	1	1
4	SJ Global Marketing Sdn Bhd	Malaysia	Metal components and furniture parts	906.3	6.1	2	2
5	Jacksing Deco-Board Sdn Bhd ⁽¹⁾	Malaysia	Board lamination services	745.1	5.0	2	2
				8,153.4	54.9		

FYE 2020

No.	Suppliers	Country of origin	Key products/services sourced	Value of purchases		Length of relationship	
				RM'000	%	Years	Years
1	Mieco Manufacturing Sdn Bhd	Malaysia	Particle boards	4,890.5	21.7	1	1
2	Hua Joo Success Industry Sdn Bhd	Malaysia	Particle boards and MDF	2,128.7	9.4	3	3
3	Chily Deco Sdn Bhd ⁽¹⁾	Malaysia	Board lamination services	1,425.2	6.3	1	1
4	Jacksing Deco-Brand Sdn Bhd ⁽¹⁾	Malaysia	Board lamination services	1,270.8	5.6	3	3
5	SJ Global Marketing Sdn Bhd	Malaysia	Metal components and furniture parts	1,089.3	4.8	3	3
				10,804.5	47.8		

FYE 2021

No.	Suppliers	Country of origin	Key products/services sourced	Value of purchases		Length of relationship	
				RM'000	%	Years	Years
1	Mieco Manufacturing Sdn Bhd	Malaysia	Particle boards	3,895.6	11.3	2	2
2	Great Platform Sdn Bhd	Malaysia	Particle boards	3,224.7	9.4	1	1
3	Chily Deco Sdn Bhd ⁽¹⁾	Malaysia	Board lamination services	2,200.7	6.4	2	2

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Suppliers	Country of origin	Key products/services sourced	Value of purchases		Length of relationship	
				RM'000	%	Years	Years
4	Jacksing Deco-Board Sdn Bhd ⁽¹⁾	Malaysia	Board lamination services	2,020.7	5.9	4	
5	Green River Panels Trang (Thailand) Co. Ltd	Thailand	Particle boards	1,973.7	5.7	<1	
				13,315.40	38.7		

FPE 2022

No.	Suppliers	Country of origin	Key products/services sourced	Value of purchases		Length of relationship	
				RM'000	%	Years	Years
1	Mieco Manufacturing Sdn Bhd	Malaysia	Particle boards	2,106.9	16.7	3	
2	Great Platform Sdn Bhd	Malaysia	Particle boards	1,219.9	9.6	1	
3	Green River Panels Trang (Thailand) Co. Ltd	Thailand	Particle boards	751.3	6.0	1	
4	Jacksing Deco-Board Sdn Bhd ⁽¹⁾	Malaysia	Board lamination services	687.6	5.5	5	
5	Chily Deco Sdn Bhd	Malaysia	Board lamination services	629.0	5.0	2	
				5,394.7	42.8		

Note:

⁽¹⁾ Being our subcontractor

Our raw materials are mainly sourced from local suppliers, and these suppliers are selected based on a variety of factors, including the availability of raw materials, quality, pricing and lead time for delivery as well as their reliability. Our main raw materials comprise particle boards, MDF, metal components, furniture parts and packaging materials.

We generally do not enter into long term agreement or arrangement with our major suppliers, as this allows us to have the flexibility to source for quality products at competitive prices. We are not dependent on any single major supplier. Over the years we have built good relationships with our suppliers.

During the initial period of MCO from 18 March 2020 to 30 April 2020, our Group's sourcing of raw materials was temporarily delayed. This has since been resolved with the resumption of business activities by our suppliers.

6. INFORMATION ON OUR GROUP (Cont'd)

6.23 EXCHANGE CONTROL

Our Group has not established any other place of business outside Malaysia and is not subject to governmental laws decrees, regulations and or other requirements which may affect repatriation of capital and remittance of profit by or to our Group.

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7. INDEPENDENT MARKET RESEARCH REPORT



PROVIDENCE STRATEGIC PARTNERS SDN BHD
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22 September 2021

The Board of Directors
ECOMATE HOLDINGS BERHAD
Lot PTD 7274
Kawasan Perindustrian Bakri Batu 7 1/2
Jalan Bakri
84200 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 ECOMATE 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 ECOMATE 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)

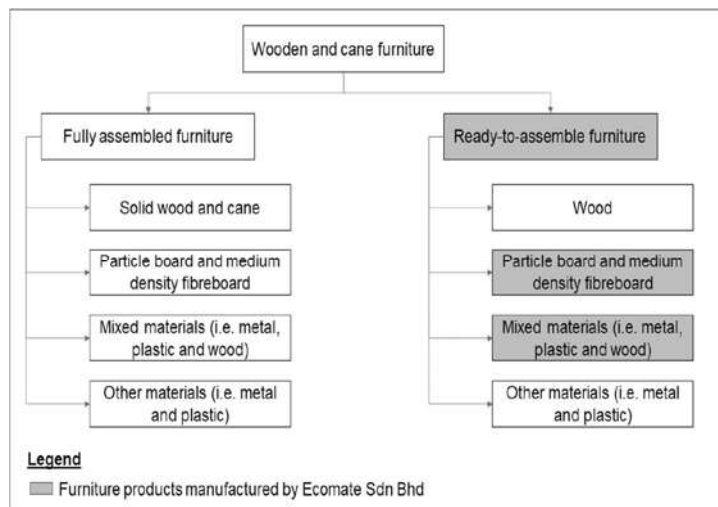


1 FURNITURE INDUSTRY IN MALAYSIA

1.1 INDUSTRY SIZE AND GROWTH POTENTIAL

Furniture are movable objects intended to support various human activities such as seating, eating, and sleeping. Furniture is also used to hold objects at a convenient height for work, or to store things. Furniture can be a product of design and is considered a form of decorative art. Wooden and cane furniture are primarily made from wood, cane and particle boards, but may also incorporate materials such as metal and plastic for design and functional purposes.

Ecomate Sdn Bhd is principally involved in the design, development and production of ready-to-assemble furniture products comprising living room furniture, bedroom furniture as well as other types of furniture products. The furniture products produced by Ecomate Sdn Bhd are primarily made from particle boards and mixed medium. Ready-to-assemble furniture products are delivered to consumers in a flat pack format, whereby furniture components are packed separately along with assembly instructions and basic assembly tools. By adopting the flat packed format, manufacturers are able to save on shipping costs, and translate these savings to customers, and ultimately, end consumers.



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 2019, the production of furniture in Malaysia grew from RM11.4 billion to RM17.8 billion at a compound annual growth rate (“CAGR”) of 5.1%. In 2020, Malaysia’s production of furniture dipped to RM16.5 billion at a year-on-year rate of 7.2% as the lockdowns imposed by the Government of Malaysia to curb the spread of COVID-19 affected manufacturing activities in the furniture industry. The production of wooden and cane furniture, as indicated by the manufacturing sales value of wooden and cane furniture, grew from RM3.9 billion in 2010 to RM6.2 billion in 2019 at a CAGR of 5.3%. In 2020, the production of wooden and cane furniture dipped to RM5.7 billion at a year-on-year rate of 7.8%.²

Malaysia’s furniture manufacturers are primarily located in the states of Johor and Selangor,³ with the Muar district considered to be the country’s major production base, producing about two-thirds of Malaysia’s furniture exports.⁴ 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.

Between 2010 and 2019, Malaysia’s furniture exports increased from RM8.0 billion to RM11.1 billion at a CAGR of 2.7%. In 2020, Malaysia’s exports of furniture further rose to RM12.9 billion at a year-on-year rate of 16.2%, largely spurred by the rise of electronic commerce (“e-commerce”) as a sales channel as well as rising demand for home furniture due to lockdowns and work from home initiatives to curb the spread of COVID-19. Malaysia’s furniture imports also witnessed growth over the same period, increasing from RM1.3 billion to RM3.1 billion at a CAGR of 9.9%. In 2020, Malaysia’s imports of furniture further rose to RM4.0 billion at a year-on-year rate of 29.0%. 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.

¹ Malaysian Investment Development Authority (“MIDA”)

² As at the publication of this IMR report, there is no publicly available forecast data for the production of wooden and cane furniture in Malaysia

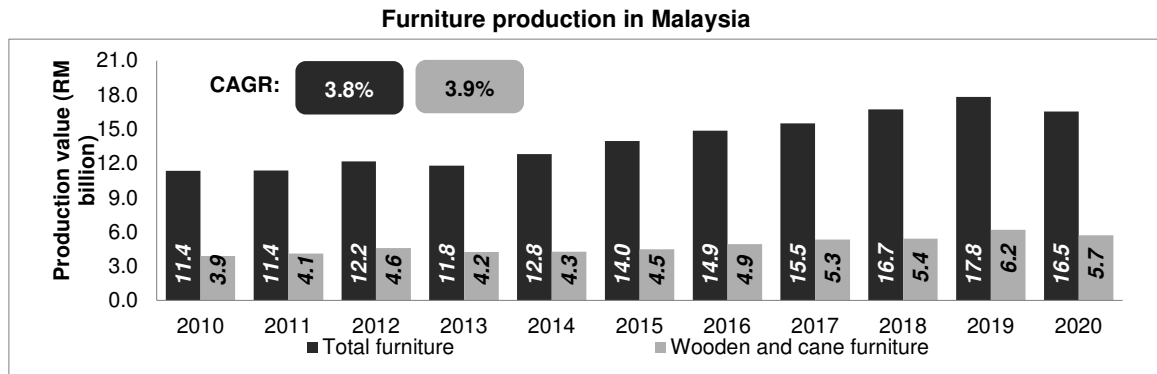
³ MIDA

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

7. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

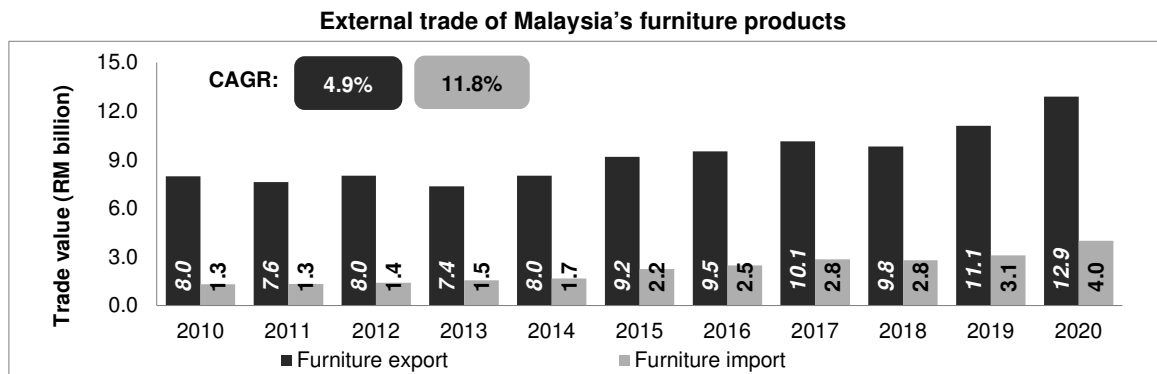


Furniture exports constituted between 62.0% and 80.0% of manufactured furniture between 2010 and 2020. In 2020, Malaysia was ranked the 9th largest furniture exporter globally with exports totalling RM12.9 billion.



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

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”) began 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 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. This increase in import tariff resulted in a drop in China’s exports to the USA from USD22.9 billion in 2018 to RM17.0 billion in 2019. Malaysia gained benefit from the ongoing trade war between the USA and China, with its furniture exports to the USA rising from USD0.9 billion in 2018 to USD1.1 billion in 2019 and subsequently USD1.9 billion in 2020.



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

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. According to Bank Negara Malaysia, the Malaysian economy is projected to rebound to between 6.0% and 7.5% in 2021. Growth will be underpinned by the recovery in global demand and the gradual improvement in domestic economic activity. The growth trajectory will be mainly influenced by COVID-19 developments, particularly the extent and duration of containment measures and the rollout of vaccines. Precautionary spending by consumers, due to the COVID-19 pandemic, has the potential to impact global demand for furniture, thereby affecting Malaysia’s furniture exports.

7. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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 USD495.7 billion in 2019 at a CAGR of 2.9%. In 2020, global furniture consumption dipped to an estimated USD400.4 billion at a year-on-year rate of -19.2%. Over the longer term, demand for furniture is expected to recover and grow on the back of 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 2020, Malaysia's furniture exports increased from RM8.0 billion to RM12.9 billion at a CAGR of 4.9%. Malaysia primarily exported its furniture to the USA in 2020 (60.2% of total furniture exports). This was followed by Japan (5.0%, RM652.4 million), Singapore (4.3%, RM554.0 million), Australia (4.1%, RM532.6 million), and the United Kingdom (3.9%, RM498.5 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.

- **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.

7. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



▪ 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.

In 2020, physical events and exhibitions were either deferred or cancelled due to the widespread COVID-19 pandemic that resulted in state of emergencies being declared in various countries and travel restrictions imposed by various governments. These physical events and exhibitions are expected to resume once the COVID-19 pandemic subsides.

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, as well as providing branding and promotion opportunities while 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 2020, Malaysia's furniture exports stood at RM12.9 billion, with the USA being Malaysia's top export destination. Malaysia's furniture exports to the USA in 2020 was approximately 60.2% (RM7.8 billion) of total furniture exports. This was followed by Japan (5.0%, RM652.4 million), Singapore (4.3%, RM554.0 million), Australia (4.1%, RM532.6 million), and the United Kingdom (3.9%, RM498.5 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 9th largest furniture exporter globally in 2020. A significant portion of Malaysia's locally manufactured furniture is exported, where between 2010 and 2020, Malaysia exported between 62.0% and 80.0% 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 bilateral FTAs and seven 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 seven regional FTAs that have been implemented are the ASEAN FTA, ASEAN-China FTA, ASEAN-Korea FTA, ASEAN-Japan Comprehensive Economic Partnership, ASEAN-Australia-New Zealand FTA, ASEAN-India FTA, and the ASEAN-Hong Kong FTA. Malaysia's total export value stood at RM981.0 billion in 2020, where FTA partner countries contributed to 68.1% (RM667.5 billion) of Malaysia's total exports.⁵

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 Regional Comprehensive Economic Partnership FTA which was signed on 15 November 2020, 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-

⁵ Ministry of International Trade and Industry ("MITI")

7. INDEPENDENT MARKET RESEARCH REPORT (*Cont'd*)



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.⁶ Further, Malaysia is also currently undertaking FTA negotiations, namely Malaysia-European Free Trade Association Economic Partnership Agreement.

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 2019, the production of wooden and cane furniture in Malaysia, measured by manufacturing sales value, increased from RM3.9 billion to RM6.2 billion at a CAGR of 5.3%. In 2020, the production of wooden and cane furniture dipped to RM5.7 billion at a year-on-year rate of 7.8%. 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 approximately 29,000 employees in 2020. 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,⁷ 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.^{8, 9} However, the freeze was then lifted for the manufacturing, construction, plantation and furniture-making industries¹⁰ on the condition that the employers are required to prove that they were unable to find suitable candidates from the local population.¹¹ To help 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.¹² 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.¹³ 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. Since then, the minimum wage has been increased to RM1,100 a month, and subsequently RM1,200 with the latter taking effect commencing 1 February 2020. This increase in minimum wages contributes to higher operating costs for furniture industry players.

⁶ Malaysia still weighing pros and cons of trade pact, says Dr M, 27 September 2018, Free Malaysia Today

⁷ Malaysia labour shortage needs fixing, 11 September 2017, Furniture Today

⁸ Malaysia freezes recruitment of all foreign workers including those from Bangladesh, 19 February 2016, The Straits Times

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

¹⁰ Four sectors allowed to hire foreign workers, 12 May 2016, The Star

¹¹ Malaysia to partially lift ban on hiring foreigners, 10 May 2016, The Straits Times

¹² Furniture industry lacks 35,000 foreign workers, 14 operators forced to cease operation, says Cai Chun Cai, 11 April 2016, Malaysian Chinese News

¹³ Muar furniture sector short of 10,000 workers, 17 August 2017, The Sun Daily

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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 rubberwood¹⁴, 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.¹⁵ 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 2017,¹⁶ and is also conducting research to look into alternative materials such as oil palm trees as a long-term solution.¹⁷

The widespread COVID-19 pandemic has led many governments to impose various levels of states of emergencies in an effort to curb the spread of the virus, resulting in business operation disruptions. This has also temporarily disrupted the supply of furniture as global supply chains were affected.

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 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

¹⁴ MIDA

¹⁵ Rubberwood export ban: RM12b target for furniture makers by 2020, 3 July 2017, New Straits Times

¹⁶ Govt steps in to address shortage of rubber wood, 29 June 2017, The Sun Daily

¹⁷ Oil palm trunks can be an alternative to rubberwood, 7 April 2017, The Malaysian Reserve

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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.¹⁸ While the furniture industry is fragment, there remains barriers to entry within the ready-to-assemble furniture production segment. Among the barriers to entry is the capital-intensive nature of ready-to-assemble furniture production activities, whereby significant investments are required for machinery acquisition to achieve optimum output, economies of scale and consistent product quality. Pricing is also an entry barrier as buyers seek competitively priced ready-to-assemble furniture products. Further, ready-to-assemble furniture industry players need to possess design and development capabilities to launch new product designs periodically to attract buyers. Collectively, these act as barriers to entry for new players in the ready-to-assemble furniture segment.

Ecomate Holdings Berhad is involved in the manufacturing of ready-to-assemble furniture products through its wholly-owned subsidiary, Ecomate Sdn Bhd, which undertakes the design and development, production as well as marketing and sales of home furniture. In 2020, Malaysia's furniture exports stood at RM12.9 billion. In the same year, Ecomate Holdings Berhad recorded RM56.3 million in revenue, whereby RM45.1 million was derived from export sales and RM11.2 million was derived from local sales.

Based on Ecomate Holdings Berhad's export revenue of RM45.1 million relative to Malaysia's furniture exports of RM12.9 billion, Ecomate Holdings Berhad registered a market share of 0.3% in 2020. Ecomate Holdings Berhad's furniture products fall under the wooden and cane furniture products industry segment. However, the local sales revenue for wooden and cane furniture products is not publicly available and thus, it is not possible to derive at a comparable market share for Ecomate Holdings Berhad's local sales of wooden and cane furniture products.

Ecomate Holdings Berhad recorded a revenue of RM56.3 million in the FYE 28 February 2021, where its gross profit was RM17.7 million and gross profit margin was 31.4%. The major factors that contributed to Ecomate Holdings Berhad achieving a higher gross profit margin relative to other industry players are:

- Ecomate Holdings Berhad produces ready-to-assemble furniture products whereby the production process for such furniture is less complex with fewer processing steps compared to fully assembled furniture products made from solid wood. This allows Ecomate Holdings Berhad to receive more orders and produce more furniture products on an annual basis compared to industry players involved in the production of fully assembled furniture products;
- Ecomate Holdings Berhad utilises particle boards that are primarily sourced from Malaysia and at competitive rates. Particle boards are a cost-effective option for the production of ready-to-assemble furniture products compared to solid wood; and
- Ecomate Holdings Berhad's furniture products are shipped in flat-packed format, thereby allowing for savings on shipping costs and making its furniture products more cost competitive compared to fully assembled furniture produced by other industry players.

¹⁸ 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 selected private and public listed furniture industry players that are involved in the manufacturing and export of furniture products, with segmental revenues for furniture exceeding RM30.0 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 † (RM)	Group revenue (RM)	Gross profit (RM)	Gross profit margin (%)	Profit before tax (RM)	Profit after tax (RM)
Lii Hen Industries Berhad ^a	31 December 2020	931,558,118	931,558,118	175,381,869	18.8	102,085,834	78,545,152
Latitude Tree Holdings Berhad ^a	30 June 2020	680,880,000	684,740,000	73,276,000	10.7	22,975,000	16,789,000
Poh Huat Resources Holdings Berhad ^a	31 October 2020	659,505,443	659,505,443	119,808,656	18.2	65,490,290	51,909,549
Jaycorp Berhad ^a	31 July 2020	227,993,000	309,348,000	60,758,000	19.6	24,928,000	16,831,000
Sern Kou Resources Berhad ^a	30 June 2020	91,369,073	300,088,869	39,129,296	13.0	22,366,957	16,668,922
HeveaPac Sdn Bhd ^{b, d}	31 December 2019		263,693,804	19,303,394	7.3	14,740,018	15,721,565
LY Furniture Sdn Bhd ^c	31 December 2019		241,324,421	22,524,571	9.3	8,313,749	6,324,262
Techcentral Sdn Bhd	31 December 2019		183,758,446	40,802,361	22.2	18,520,413	13,013,506
SWS Capital Berhad ^a	31 December 2020	63,397,774	139,564,204	23,113,354	16.6	-628,084	-2,561,069
SYF Resources Berhad ^a	31 July 2020	116,923,000	132,890,000	-10,677,000	-8.0	-20,453,000	-19,831,000
Wegmans Holdings Berhad ^{a, d}	31 December 2020	107,524,924	107,524,924	Not available	Not available	10,095,470	8,754,391
SHH Resources Holdings Berhad ^a	30 June 2020	104,119,545	104,119,545	14,723,933	14.1	-2,882,725	-3,292,405
Samling Housing Products Sdn Bhd ^d	30 June 2020		99,378,939	6,345,015	6.4%	157,362	157,362
Mobilia Holdings Berhad ^{d, e}	31 December 2020	76,404,081	76,404,081	Not available	Not available	9,656,768	8,655,130
Value Plus Industries Sdn Bhd ^d	31 December 2018		58,191,756	7,698,767	13.2	765,610	588,411
Ecomate Sdn Bhd ^d	28 February 2021	56,342,000	56,342,000	17,677,000	31.4	10,178,000	8,578,000
Soon Her Sing Industries (M) Sdn Bhd	30 September 2019		56,099,515	11,342,695	20.2	3,375,057	2,416,751
Spring Art Holdings Berhad ^{d, e}	31 December 2020	54,411,696	54,411,696	12,636,979	23.2%	8,263,376	6,501,526
Dee Noon Corporation Sdn Bhd ^d	31 August 2019		54,355,117	9,406,726	17.3	4,015,727	3,583,834
Eurospan Holdings Berhad ^{a, d}	31 May 2020	47,050,905	47,050,905	7,436,277	15.8	-2,177,755	-2,491,137
Decor Trend Industries Sdn Bhd ^d	31 December 2019		37,138,535	6,646,399	17.9	-279,478	-379,038
Reliable Trend Sdn Bhd	31 December 2019		33,955,931	8,001,798	23.6	2,918,518	2,122,330

Notes:

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

^b Subsidiary of HeveaBoard Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad

^c Subsidiary of LY Corporation Limited, a company listed on Catalist of Singapore Exchange Securities Trading Limited

^d Based on publicly available information, involved in the production of ready-to-assemble furniture products

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

^f Save for Ecomate 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 22 September 2021

Source: Various annual reports, company websites, MATRADE, Companies Commission of Malaysia, PROVIDENCE analysis

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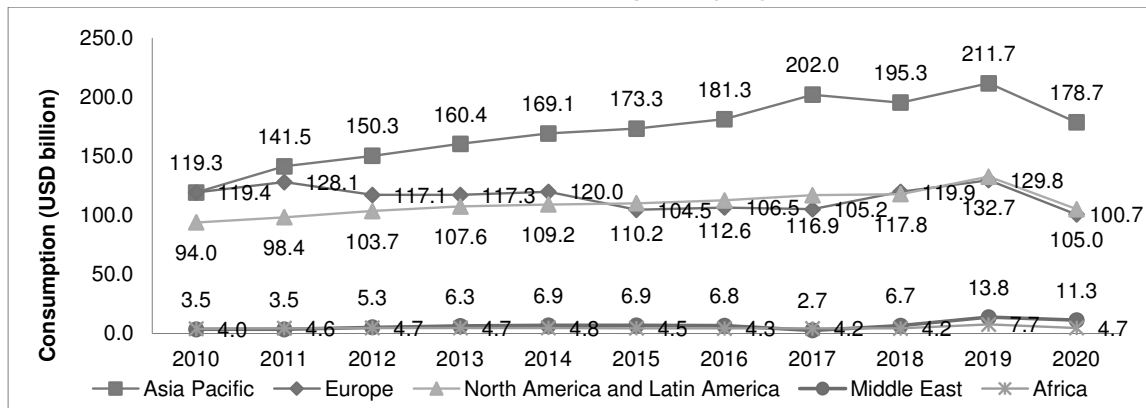
2 GLOBAL FURNITURE MARKET

2.1 INDUSTRY SIZE AND GROWTH POTENTIAL

Between 2010 and 2019, global exports of furniture rose from USD111.5 billion to USD157.1 billion at a rate of 3.9%. In 2020, global exports of furniture dipped to USD145.6 billion (CAGR -7.3%). Global imports of furniture witnessed growth between 2010 and 2019, increasing from USD113.0 billion to USD143.2 billion at a CAGR of 2.7%. In 2020, global imports of furniture dipped to USD124.5 billion (CAGR -13.1%). In 2020, China was the largest furniture exporter, accounting for approximately 36.4% of furniture exports globally. While Poland was the 2nd largest furniture exporter globally at 7.0%, China had a significant lead on Poland and the other major furniture exporting countries. With regards to global furniture imports, the USA was the largest furniture importer in 2020, with the country's furniture imports comprising approximately 26.4% of global furniture imports. The USA's furniture import is significantly greater than that of Germany (9.7%), which was the 2nd largest furniture importer globally in 2020. Malaysia, a net exporter of furniture, was the 9th largest furniture exporter globally. Over the long term, the global furniture market is expected to further grow on the back of 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 USD495.7 billion in 2019 at a CAGR of 2.9%. In 2020, global consumption of furniture dipped to an estimated USD400.4 billion (CAGR -19.2%) as a result of the COVID-19 pandemic which led to precautionary spending habits globally. Globally, China was the largest consumer of furniture in 2020, recording USD120.0 billion in terms of furniture consumption, and comprising 30.0% of global furniture consumption. This was followed by the USA (USD84.6 billion, 21.1%) and Germany (USD21.4 billion, 5.4%). On a regional basis, the Asia Pacific region was the top consuming region in 2020, recording USD178.7 billion in consumption, and forming approximately 44.6% of global furniture consumption. Between 2010 and 2020, the regions of Middle East and Asia Pacific recorded furniture consumption growth rates that were higher than the global growth rate of 1.6%. The Middle East region witnessed the highest growth, with furniture consumption increasing from USD3.5 billion to USD11.3 billion at a rate of 12.6%. This was followed by Asia Pacific (CAGR 4.1%), Africa (CAGR 1.6%) North America and Latin America (CAGR 1.1%) and Europe (CAGR -1.7%).

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 2020. Japan was the 2nd largest furniture consumer in the region in 2020, with USD13.5 billion, followed by India with USD13.3 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 10th largest furniture importer to China with USD68.1 million.

The USA's furniture consumption in 2020 stood at USD84.6 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 2020 at USD9.3 billion, followed by Brazil at USD5.5 billion. Furniture consumption in the North America and Latin America region is primarily driven by the USA, whose furniture consumption comprised 80.6% of regional furniture consumption.

7. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



In 2020, the USA primarily imported furniture from China, Vietnam and Mexico, while Canada primarily imported furniture from China, the USA and Mexico, and Brazil primarily imported furniture from China the USA and Mexico. Based on furniture import value, Malaysia was ranked the 5th largest furniture importer to the USA with USD1.9 billion, and the 7th largest furniture importer to Canada with USD105.3 million in 2020. 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 USD21.4 billion in furniture consumption in 2020. The United Kingdom was the 2nd largest furniture consumer in the region with USD11.5 billion, followed by France with USD11.0 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 2020, Germany primarily imported furniture from Poland, China, and the Czech Republic, while the United Kingdom primarily imported furniture from China, Poland and Italy, and France primarily imported furniture from China, Italy and Germany.

2.2 FURNITURE E-COMMERCE MARKET

Furniture can be purchased via offline sales channels such as traditional brick-and-mortar stores, or through online sales channels such as 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.¹⁹ 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 USD56.1 billion in 2019.

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 51.4% in 2019. 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.

Due to mandatory movement controls and business operation restrictions imposed by various countries in an effort to contain the COVID-19 pandemic, e-commerce has become an increasingly important sales channel for the furniture industry in 2020. While world furniture consumption dipped from USD495.7 billion in 2019 to an estimated USD400.4 billion in 2020 (CAGR -19.2%), e-commerce sales of furniture rose from USD56.1 billion to an estimated USD72.3 billion (CAGR 28.9%) during the same period.

¹⁹ 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 OPERATIONS**8.1.1 Our business and operations are exposed to unanticipated disruptions caused by outbreak of pandemics**

Our business and operations are subject to unanticipated disruptions caused by disease outbreaks in Malaysia and the countries to which we export our furniture products. Disease outbreaks may lead to governmental authorities implementing precautionary measures to curb the spread of the diseases, including temporarily halting business activities, border closures and travel restrictions.

In December 2019, there was an outbreak of COVID-19 which began in China, and subsequently spread to other nations including Malaysia. On 11 March 2020, COVID-19 has been classified as a global pandemic by the World Health Organisation. As a result of this pandemic, manufacturers globally faced disruptions in production arising from a shortage of workers and restrictions on human contact resulting from various forms of lockdown instituted by governmental authorities.

Due to the outbreak of COVID-19, the Government imposed the MCO throughout Malaysia which impacted most of the economic sectors and activities, especially those operating as non-essential services.

During the initial MCO period from 18 March 2020 to 30 April 2020, our Group's procurement and production operations were affected. The imposition of the MCO had also affected the operations of our subcontractors and suppliers, which resulted in delays in supplying materials and completion of our subcontracted production and assembly works. The disruption to our production activities, supply of materials and subcontractor services had led to production backlogs which resulted in delays in fulfilling selected orders during the said period. In respect of these delayed deliveries, there are no contractual terms for the customers to claim any delay charges. Nonetheless, we did not experience any cancellation in sales orders.

During the full MCO period from 1 June 2021 ("FMCO"), we ceased production activities and factory operations commencing 1 June 2021 to 9 September 2021. We expect that our suspended operations throughout the FMCO will have a significant effect to our financial performance for FYE 2022, as we could only undertake minimal loading operations for exports, as well as remote marketing, management and administrative activities. This has affected our revenue, and as we continue to incur fixed costs, our inactive production operations will also adversely affect our profitability.

The pandemic also affected our foreign sales as we have a large export base of customers. Our operations, especially the delivery of products to foreign customers, were also impacted by precautionary measures taken by governments of these countries, such as closure of borders and logistics hubs, to curb the spread of COVID-19. Therefore, the delivery of products to customers who are located in selected countries where their borders or logistics hubs were closed or restricted due to the COVID-19 pandemic were delayed. We also did not experience any claims arising from delayed delivery during this period. Additionally, there have been certain container shortage problems we faced during FYE 2020 and FYE 2021 arising from the pandemic that has caused shipping costs to increase. This is not expected to affect our GP margins as it exports on a 'free on board' basis, where shipping costs are borne by customer. However, it has resulted in higher level of inventory holding as shipping arrangements became more uncertain.

8. RISK FACTORS (Cont'd)

Further, our sales and marketing activities were also affected by the COVID-19 pandemic as furniture fairs and exhibitions, being our key sales and marketing activities, have been postponed or cancelled entirely. This may affect our outreach to potential new customers in our efforts to grow our customer base in the near term and would temporary slowdown our expansion and growth rate.

The economic impact of the COVID-19 in our local and export markets due to mandatory social distancing/quarantines may result in loss of business and decrease in consumer spending, which may consequently impact the demand for furniture. If our customers suffer a loss in business due to the decreased demand for furniture, they may delay, reduce or halt further purchases from our Group, thereby adversely affecting our sales performance.

Any such future pandemic outbreaks, as well as epidemic outbreaks affecting a significantly large population, may result in similar interruptions to our Group's business and operations, which may subsequently have a material adverse impact on our financial performance.

8.1.2 Absence of long term agreements with our customers may result in fluctuation of our financial performance

Our Group does not enter into any long term agreements with our customers. We manufacture our products based on confirmed orders. Our customers are mainly distributors, wholesalers and retailers of furniture products and they do not enter into long term agreements with us.

The absence of long term agreements may result in the fluctuation of our Group's revenue and overall financial performance as the orders from our customers are generally on a purchase order basis. While our Group continuously seeks to maintain and strengthen our existing business relationships and establish relationships with new customers to expand our customer base, there can be no assurance that there will be no termination of business relationship or reduced orders from any of our customers which could potentially result in a decline in our financial performance.

8.1.3 We experience concentration of customer base

Our major customers who have contributed significantly to our revenue from FYE 2019 to 2021 and FPE 2022 are as follows:

	FYE 2019	FYE 2020	FYE 2021	FPE 2022	Length of business relationship as at LPD
	%	%	%	%	Years
Birlea Furniture Ltd	20.7	9.3	6.1	2.2	3.9
Noble House Home Furnishings LLC	6.9	10.4	14.9	12.3	4.4
Line Furniture Trd. Est	6.8	21.2	23.9	4.8	3.4
Synergy House Furniture Sdn Bhd	-	2.8	7.9	20.5	2.4
	34.4	43.7	52.8	39.8	

Note:

* Further details of our major customers and their respective revenue contribution are set out in Section 6.21.

8. RISK FACTORS (Cont'd)

Collectively, the abovementioned major customers contributed approximately 34.4%, 43.7%, 52.8% and 39.8% to our Group's revenue in FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. We expect that these major customers will continue to contribute to our Group's revenue in the future.

Our Group has not historically entered into and presently does not have any long term agreements with these major customers or any of our other major customers. Although the Group is not dependent on its major customers individually, we may be materially and adversely affected if we were to lose one or 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.

8.1.4 We may be affected by price fluctuations of our raw materials

We purchase our raw materials from a pool of local suppliers who have established track record and are able to provide a constant supply at competitive prices. The main raw materials we use in furniture production is particle boards and MDF, which accounted for approximately 51.4%, 50.4%, 50.2% and 50.4% of our total purchases for FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively.

The price of our raw materials may fluctuate due to changes in supply and demand. Any shortage or disruption in the supply of raw materials which results in price fluctuation may adversely affect our operations and financial performance. In particular, raw material prices have been increasing by between 5% to 20% during the second half of FYE 2021. Overall, this has caused cost of sales to increase by approximately 2.5% increase in general. However, the impact of higher material costs on our GP margins is temporary, as we can gradually increase the selling price of our furniture to maintain our profit margins and mitigate these cost increases. As at LPD, we have not encountered any material fluctuations in the cost of our raw materials that would adversely affect our financial performance.

8.1.5 We are exposed to fluctuations in foreign exchange rates

Our furniture products are primarily exported, with 76.7%, 84.9%, 80.1% and 54.8% of our revenue in FYE 2019, FYE 2020, FYE 2021 and FPE 2022 being derived from export sales. Our export sales are primarily denominated in USD. Our export market primarily comprises customers from the Asia (excluding Malaysia), Europe and North America. This inherently subjects us to foreign exchange rates risks which are affected by various factors that are beyond our control, including but not limited to political and economic climates of Malaysia and the world. Therefore, any significant change in foreign exchange rates may affect our Group's financial results. For FYE 2019 to 2021, and FPE 2022, the currency breakdown of our revenue is as follows:

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue								
• in RM	5,790	24.0	6,510	15.4	5,804	10.3	4,092	21.8
• in USD	18,351	76.0	35,888	84.6	50,538	89.7	14,702	78.2

The weighted average exchange rate ("WAFEX") for USD:RM over FYE 2019 to 2021, FPE 2021 to 2022, is as follows:

	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
WAFEX (USD:RM)	4.01	4.10	4.12	4.24	4.08

8. RISK FACTORS (Cont'd)

For illustration, if the USD weakened against RM by 5% in FYE 2021 and in FPE 2022, this would result in our sales transacted in USD decreasing by approximately RM2.5 million and RM0.7 million respectively.

We maintain foreign currency accounts to receive our USD sales proceeds. Additionally, we also enter into foreign currency forward exchange contracts with banking institutions to sell our USD sales proceeds at agreed exchange rates for fixed periods of time to reduce the exposure of our receivables. Our Group mitigates foreign exchange risk through natural hedging by using our USD sales proceeds to pay for our USD purchases of raw materials. There are some purchases amounting to RM0.9 million for FPE 2022 from suppliers in Thailand and China respectively, which are quoted in USD.

With the use of foreign currency forward exchange contracts, the foreign exchange gain recorded is as follows:

	<u>FYE 2019</u> <u>RM'000</u>	<u>FYE 2020</u> <u>RM'000</u>	<u>FYE 2021</u> <u>RM'000</u>	<u>FPE 2022</u> <u>RM'000</u>
Foreign exchange gain	147	302	362	208

For illustration, the foreign exchange (loss)/gain recorded without the use of foreign currency forward exchange contracts is as follows:

	<u>FYE 2019</u> <u>RM'000</u>	<u>FYE 2020</u> <u>RM'000</u>	<u>FYE 2021</u> <u>RM'000</u>	<u>FPE 2022</u> <u>RM'000</u>
Foreign exchange (loss)/gain	(15)	12	(87)	88

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 the impact of foreign exchange rates.

8.1.6 We are dependent on our key senior management

The continued success and growth of our business is dependent on our ability to retain our key management personnel, in particular our Managing Director, Jason Koh Jian Hui and our Executive Director, Koh Cheng Huat. Since our incorporation in 2016, they have been instrumental in the development of our corporate strategy and the growth of our business. Their ability to understand the furniture industry and anticipate consumer trends equips them with the necessary skillsets to establish business relationships with our customers and suppliers.

They are supported by a team of qualified and experienced key senior management personnel. Collectively, they have extensive industry knowledge which enable us to remain competitive in the furniture industry. As such, a loss of such experienced management personnel without suitable and timely replacements could have a material impact on our competitiveness, business and operations.

8.1.7 We are subject to subcontracting risks

We leverage on our subcontractors for parts of our production process, and are therefore dependent on them to a certain extent whereby the total subcontractor charges make up 7.8%, 10.5%, 13.1% and 14.2% of total cost of sales for FYE 2019, FYE 2020, FYE 2021 and FPE 2022. The subcontractors Jacksing Deco-Brand Sdn Bhd and Chilly Deco Sdn Bhd are listed among our major suppliers.

8. RISK FACTORS (Cont'd)

We select our subcontractors based on, among other factors, their competitiveness in terms of the quality of their processes, delivery time, our past working experience with them and their past track record. However, there can be no assurance that the processes performed by our subcontractors will always be satisfactory or will always meet our requirements and specifications.

In addition, we may be liable for any losses or damages which arise from the delays of fulfilment of orders and delivery by our subcontractors. These risks may have a material impact on our business, results of operations and financial performance.

As at LPD, we have not faced such circumstances that have had a material adverse impact on our business and operations. There have been no issues with our subcontractors' performances in the past. Nonetheless, if we are not able to engage any subcontractors, it will adversely affect our production, revenue and profitability.

8.1.8 Inability to keep abreast with developments in the furniture industry

The marketability of our furniture products depends significantly on consumer preferences and spending trends. The changes in these trends are influenced by factors including, amongst others, the state of the economy and market demographic profiles, which are all beyond our control. The lower consumer spending due to economic downturn would create a material impact on our business and financial performance, as consumers are more cost conscious and selective in spending.

It is therefore important for us to produce designs with sufficient market appeal to a wider consumer base in order to remain competitive in the furniture industry, such as introducing affordable furniture range with enhanced functionality. In the event that our furniture designs are unable to keep up with the changing consumer preferences, our prospects and financial performance may be materially affected as we experience loss in consumer demand and market share.

8.1.9 We may be exposed to major or sustained disruptions in our operations

Major or sustained disruptions to our operations will result in a longer lead time for the production of our furniture products. Such risks include, amongst others, fire hazards, power shortage, mechanical failure or operational difficulties. Failure to meet delivery deadlines as a consequence of such disruptions may in turn result in the loss of business or claims against us and such incidents may affect our business relationships with our customers thereby affecting our profitability. As such, we need to ensure that our production process operates efficiently such that we can fulfil our orders in a timely manner.

In addition, as most of our furniture products for the export market are transported by ships, we are subjected to shipping disruptions for various reasons such as adverse weather conditions and port strikes which may lead to delayed or lost shipments and may have impact on our financial performance. There were no product liability claims against the Group in the past.

8.1.10 We may be exposed to potential product liability claims

The nature of our business exposes us to the risk of product liability claims that is inherent in the production of our furniture products. We are exposed to potential product liability if our products are found to be unfit for use or prove to be defective.

8. RISK FACTORS (Cont'd)

If our customers suffer losses 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. Additionally, we do not have product liability insurance. Nonetheless, there is no known circumstance where our products have resulted in monetary claims from any suppliers, retailers or end consumers. In the event that there is any defect to a sold product, we would normally replace such products in line with our regular practice.

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 us will adversely affect our business and reputation. Even if we are able to successfully defend such claim, there can be no assurance that customers will not lose confidence in our products. There were no product liability claims against the Group in the past.

8.1.11 We are subject to regulatory requirements for our business operations

Our business is subject to various laws, rules and regulations. We have obtained the necessary licences and approvals from various governmental authorities for our business, as set out in Section 6.18.

The licences and approvals are subject to compliance with relevant conditions, laws and regulations under which they were issued. In the event of non-compliance, these licences and approvals may be revoked or may not be renewed upon expiry. Similarly, any breach of these conditions, laws and regulations can result in penalties, fines, potential prosecution against us and/or our directors, restrictions on operations and/or remedial liabilities.

8.1.12 Political, economic, legal or social conditions of the countries where we transact our business

We derive a significant portion of our revenue from our export markets. For FYE 2019, FYE 2020, FYE 2021 and FPE 2022, our export sales accounted for approximately 76.7%, 84.9%, 80.1% and 54.8% of our revenue respectively.

Factors such as changes in political leadership, economic conditions, interest rates, business and credit conditions as well as government policies includes currency exchange rules and introduction of new regulations or changes in import quotas would affect our financial condition and results of operations. As such, we are susceptible to political, social, economic, legal and regulatory developments in these countries where we have direct business relationships with our customers.

While we take measures to mitigate such risks by keeping abreast with economic and regulatory changes in the relevant countries, there can be no assurance that any adverse changes in political, economic and regulatory conditions of the countries will not materially affect our financial performance. However, with our continuous effort to diversify our customer base, we could reduce the susceptibility of our financial performance to any political, economic and regulatory changes in a particular country.

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 We are subject to regulatory requirements for our business operations

Our business is subject to various laws, rules and regulations. We have obtained the necessary major licences, permits and approvals from various governmental authorities and issuers for our business, as set out in Section 6.18.

8. RISK FACTORS (Cont'd)

The major licences, permits and approvals as aforementioned are subject to compliance with relevant conditions (if any), laws and regulations under which they were issued. In the event of non-compliance, these licences, permits and approvals may be revoked or may not be renewed upon expiry.

Further, the relevant governmental authorities or issuer may take action by issuing warnings, imposing penalties, suspending the licences, permits or approvals, reducing the term, imposing additional conditions or restrictions and/or revoking the licences, permits or approvals, against us for any breach or non-compliance. Any revocation or failure to obtain, maintain or renew any of the licences or permits may materially and adversely affect our business operations and financial performance.

In addition, we may be required to comply with further and/or stricter requirements if there are changes to applicable laws, regulations or policies in Malaysia. This may affect our business operations and financial performance if we are unable to comply with the new laws, regulations or policies.

8.2.2 We are dependent on foreign production workers

As a result of the shortage of local workers in Malaysia, we are dependent on foreign workers from Bangladesh and Myanmar. As at LPD, we have 66 foreign workers, representing approximately 50.8% of our employees. We are therefore vulnerable to changes in the availability and costs of employing foreign workers.

Any unfavourable changes of labour policies and visa restrictions of these countries will cause disruptions to our production activities and business operations. The supply of foreign workers in Malaysia is subject to the policies and regulations imposed by the Government from time to time. Malaysia's strict immigration policies and rules limit the inflow of foreign labour into the country. For instance, the availability of foreign workers in Malaysia is regulated through policies such as imposition of levies and quotas. As a result, we may face shortage in employing workers to meet the needs of our production activities and operations.

In addition, with increasing demand of foreign labour, especially skilled labour, we cannot assure that we can continue to attract foreign workers at the current level of wages or our current foreign workers will continue to be employed by us. Any increase in competition for foreign workers, especially skilled workers, may result in higher labour wages. Consequently, if we are unable to pass on the increase in labour costs to our customers, our financial performance will be affected.

In the event of a shortage of foreign workers to meet our operational requirements, we may not be able to fulfil orders placed by our customers in a timely manner or our costs of labour may increase.

We have obtained 1-year working permits for our foreign workers, which are renewable annually. Notwithstanding the above, as at LPD, we have not experienced any shortage in foreign workers which has resulted in major disruption to our production.

8.2.3 We are subject to competition from local and foreign manufacturers

The furniture industry is highly competitive and we face competition from local and foreign manufacturers. Typically, we compete with our competitors on a variety of factors, such as product quality, product designs, pricing, delivery times, reputation and customer service. There can be no assurance that we will be able to compete with our competitors effectively and the competition will become more intense with the entry of new market players.

8. RISK FACTORS (Cont'd)

Our competitors or potential competitors may possess longer operating histories, more extensive experience, wider network of suppliers and customers, greater financial capability, better marketing efforts and other resources which enable them to capture a larger market share than us. Some of our competitors may also be more aggressive in their pricing to capture or retain their market share or may have lower cost of production, which would enable them to pass the cost savings to their customers. This may lead to an increased pressure on us to maintain competitiveness by lowering the prices of our products. Consequently, the intense pricing competition will lower our profit margins due to the loss of market share.

As such, we have to promptly adapt to market conditions and trends to maintain and grow our market share and there can be no assurance that we are able to compete effectively with our competitors.

8.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

8.3.1 There is no prior market for our Shares

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

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

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

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

- (a) The selected investors fail to subscribe for their portion of our IPO Shares;
- (b) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and
- (c) We are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

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

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

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

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

8. RISK FACTORS (Cont'd)

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

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial 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.

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

8.4 OTHER RISKS

8.4.1 Our Promoters will be able to exert significant influence over our Company

Our Promoters will collectively hold approximately 66.2% 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 shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

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9. RELATED PARTY TRANSACTIONS

9.1 RELATED PARTY TRANSACTIONS

Save for the Acquisition of Ecomate and 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 FYE 2019 to 2021, FPE 2022 and up to LPD. All the related party transactions listed below were transacted with our subsidiary, Ecomate.

Related party	Interested persons	Nature of transaction	Value of transactions (Expense)/Income				1 June 2021 up to LPD				
			FYE 2019 RM'000	%	FYE 2020 RM'000	%	FYE 2021 RM'000	%	FPE 2022 RM'000	%	
Z Metal Sdn Bhd	Koh Cheng Huat and Jason Koh Jian Hui were appointed as directors of Z Metal Sdn Bhd on 26 April 2018 and resigned on 16 May 2019	Purchase of furniture parts by Ecomate	(598)	(1)4.0	-	-	N/A	N/A	N/A	N/A	N/A
Sern Furniture Industries Bhd (a wholly owned subsidiary of Sern Kou Resources Berhad)	Koh Kun Chuan, father to Jason Koh Jian Hui, was a substantial shareholder and senior executive director of Sern Kou Resources Berhad. He ceased to be a substantial shareholder on 7 January 2020 and resigned as executive director on 16 June 2020	Subcontractor fees paid by Ecomate	(82)	(2)3.5	-	-	-	-	N/A	N/A	N/A

9. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Interested persons	Nature of transaction	Value of transactions (Expense)/Income											
			FYE 2019		FYE 2020		FYE 2021		FPE 2022		1 June 2021 up to LPD			
			RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
		Sales by Ecomate	-	-	76	(3)0.2	-	-	-	-	N/A	N/A	N/A	N/A
		Rental and utilities paid by Ecomate	(543)	N/A	(852)	N/A	(329)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		Purchase of raw materials (solid wood) by Ecomate	(24)	(1)0.2	<1	N/A	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Perfect Furniture Trading	Tei Kwee Lan, our General Manager and Bo Lireen, spouse of Jason Koh Jian Hui are partners in Perfect Design Furniture Trading	Sales by Ecomate	65	(3)0.3	652	(3)1.5	13	(3)*-	-	-	-	-	-	-
Global Plastic Sdn Bhd ⁽⁵⁾	Koh Cheng Huat's siblings, namely Koh Ah Seng and Koh Sioh Chian, are directors and shareholders of Global Tech Plastic Industry Sdn Bhd	Purchase of metal components and furniture parts by Ecomate	(45)	(1)0.3	(155)	(1)0.7	(404)	(1)1.2	(88)	(1)0.7	(33)	(1)4.0		

9. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Interested persons	Nature of transaction	Value of transactions (Expense)/Income									
			FYE 2019		FYE 2020		FYE 2021		FPE 2022		1 June 2021 up to LPD	
			RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
TM Engineering Sdn Bhd ⁽⁵⁾	Jason Koh Jian Hui is a shareholder and director of TM Engineering Services Sdn Bhd	Provision of fire protection system services to Ecomate	(4)	(²)0.2	(17)	(²)0.4	(16)	(²)0.3	(3)	(²)0.2	(13)	(²)17.5
SS Plumbing Sdn Bhd	Jason Koh Jian Hui was appointed as a director of SS Plumbing Sdn Bhd on 16 August 2012 and resigned on 20 June 2019	Renovation works for Ecomate	(48)	(⁴)3.6	-	-	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) As a percentage of our purchases for the financial year/period.
- (2) As a percentage of our administrative expenses for the financial year/period.
- (3) As a percentage of our revenue for the financial year/period.
- (4) As a percentage of our addition of property, plant and equipment for the financial year/period.
- (5) Will continue recurring after our Listing.
- * Negligible

As at LPD, 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.

9. RELATED PARTY TRANSACTIONS (Cont'd)

Moving forward, if there are potential related party transactions, the related parties must first inform our Audit and Risk Management Committee on their interests in the transaction and the nature of the transaction before the transaction is entered into.

Our Audit and Risk Management Committee is responsible for the review of all related party transactions to ensure that there is no conflict of interest. Our Audit and Risk Management Committee shall deliberate and determine if the related party transactions are undertaken on arm's length basis and on normal commercial terms, and 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.

(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 insofar 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 deliberating and 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 deliberating and voting in respect of his direct and/or indirect shareholdings.

9. RELATED PARTY TRANSACTIONS (Cont'd)

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management 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 LPD.

(b) Loans and guarantees

Jason Koh Jian Hui and Koh Cheng Huat have advanced the following monies to Ecomate since its business commencement to finance amongst others, the purchase of machinery and equipment as well as the working capital, all of which were fully repaid on 23 July 2021.

As at	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000
Koh Cheng Huat	(856)	(1,014)	(24)	(51)
Jason Koh Jian Hui	(827)	(1,010)	(24)	(51)
	(1,683)	(2,024)	(48)	(101)

There were no outstanding loans made to/by us to or for the benefit of any related party as at LPD.

Our Promoters, Jason Koh Jian Hui and Koh Cheng Huat have provided personal guarantees equal to the amounts of the following credit facilities extended to our Group as at LPD:

Banking facilities:

- (i) Ambank Islamic Berhad; (total facility amount of RM7.8 million)
- (ii) HSBC Bank (Malaysia) Berhad (total facility amount of RM2.0 million)
- (iii) HSBC Amanah Malaysia Berhad (total facility amount of RM3.6 million)
- (iv) OCBC Bank (Malaysia) Berhad (total facility amount of RM5.0 million)

Hire Purchase facilities:

- (v) BMW Credit (Malaysia) Sdn Bhd (total facility amount of RM1.0 million)
- (vi) PAC Lease Berhad (total facility amount of RM1.5 million)

In conjunction with the Listing, we have written to the respective financial and non-financial institutions to obtain release and/or discharge of the personal guarantees by substituting the same with corporate guarantees from our Company and/or other securities from our Group acceptable to the respective financial and non-financial institutions. Until such release and/or discharge are obtained from the respective financial and non-financial institutions, our Promoters will continue to guarantee the credit facilities extended to our Group. In this regard, we expect to obtain the discharge of all the aforementioned personal guarantees within 6 months from the completion of our Listing.

9. RELATED PARTY TRANSACTIONS (Cont'd)

As at LPD, we have received conditional consents all financial institutions in respect of our request. The key conditions required to be fulfilled for the financial institutions' consent are as follows:

- (i) The successful listing of Ecomate Holdings on the ACE Market; and
- (ii) The receipt of corporate guarantee to be provided by Ecomate Holdings along with all necessary supporting documents required for the replacement of the personal guarantees provided by our Promoters.

Moving forward, we will not undertake any credit facilities which require personal guarantees of our Directors and/or our shareholders.

(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 LPD.

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10. CONFLICT OF INTERESTS

10.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND OUR SUPPLIERS

As at 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 Nominating 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 Nominating 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 Nominating Committee shall inform our Audit and Risk Management Committee of such involvement. When a determination has been made that there is a conflict of interest of a Director, our Nominating Committee will:

- (aa) Immediately inform our Board of the conflict of interest situation after deliberating with the Audit and Risk Management 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 Nominating 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 Adviser, Sponsor, Underwriter and Placement Agent for our Listing;
- (b) Rosli Dahlan Saravana Partnership 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 Solicitors for our Listing;
- (c) Crowe Malaysia PLT 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 IMR for our Listing.

11. FINANCIAL INFORMATION

11.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated in Malaysia on 11 November 2020 under the Act as a private limited company. Our Company was subsequently converted to a public limited company on 15 December 2020. Our historical financial information throughout FYE 2019 to 2021, as well as FPE 2022 has been prepared in accordance with MFRS and IFRS.

Our audited combined financial statements for FYE 2019 to 2021 and FPE 2022 under review were not subject to any audit qualifications. Additionally, the unaudited combined statements of profit or loss and other comprehensive income for FPE 2021 have been prepared for comparison purpose only. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results or cash flows.

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

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income for FYE 2019 to 2021 and FPE 2021 to 2022. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 11.2 and the Accountants' Report set out in Section 12.

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	24,141	42,398	56,342	5,899	18,794
Cost of sales	(17,379)	(29,544)	(38,665)	(4,054)	(13,787)
GP	6,762	12,854	17,677	1,845	5,007
Other income	214	518	881	94	385
Selling and distribution expenses	(878)	(1,575)	(1,708)	(195)	(530)
Administrative expenses	(2,369)	(4,474)	(5,013)	(808)	(1,564)
Other expenses	(66)	(246)	(1,252)	(203)	(11)
Profit from operations	3,663	7,077	10,585	733	3,287
Finance costs	(129)	(435)	(466)	(95)	(139)
PBT	3,534	6,642	10,119	638	3,148
Tax (expense)/income	(193)	(815)	(1,600)	34	(750)
PAT	3,341	5,827	8,519	672	2,398
Other comprehensive income	-	-	-	-	-
Total comprehensive income	3,341	5,827	8,519	672	2,398
EBIT ⁽¹⁾	3,656	6,985	10,504	708	3,273
EBITDA ⁽¹⁾	4,298	8,319	11,868	1,229	3,655
GP margin (%)	28.0	30.3	31.4	31.3	26.6
PBT margin (%)	14.6	15.7	18.0	10.8	16.8
PAT margin (%)	13.8	13.7	15.1	11.4	12.8
Effective tax rate (%)	5.5	12.3	15.8	(5.3)	23.8
EPS (sen) ⁽²⁾	1.11	1.94	2.83	0.22	0.80
Diluted EPS (sen) ⁽³⁾	0.95	1.66	2.43	0.19	0.69

11. FINANCIAL INFORMATION (Cont'd)

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	3,341	5,827	8,519	672	2,398
Less:					
Interest income	(7)	(92)	(81)	(25)	(14)
Add:					
Finance costs	129	435	466	95	139
Taxation	193	815	1,600	(34)	750
EBIT	3,656	6,985	10,504	708	3,273
Add:					
Depreciation and amortisation	589	1,132	1,396	322	404
Fair value loss/(gain) on derivative	-	134	(123)	128	7
Unrealised loss/(gain) on forex exchange	53	68	91	71	(29)
EBITDA	4,298	8,319	11,868	1,229	3,655

(2) Calculated based on our PAT divided by the share capital of 301,000,000 Shares upon Acquisition.

(3) Calculated based on our PAT divided by the enlarged share capital of 350,000,000 Shares after our IPO.

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11. FINANCIAL INFORMATION (Cont'd)

11.1.2 Historical combined statements of financial position

The following table sets out our combined statements of financial position as at 28/29 February 2019, 2020 and 2021 as well as 31 May 2021. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 11.2 and the Accountants' Report set out in Section 12.

We have adopted MFRS 16 Leases and applied this standard retrospectively in FYE 2019. Right-of-use assets and lease liabilities are recognised in the combined statements of financial position as at 28 February 2019 upon adoption of MFRS 16.

	Audited			
	As at 28/29 February			As at 31 May
	2019	2020	2021	2021
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	2,447	4,031	4,856	4,837
Prepaid lease payment	-	5,096	6,900	6,900
Right-of-use assets ⁽¹⁾	2,705	4,009	4,406	4,142
Total non-current assets	5,152	13,136	16,162	15,879
Current assets				
Inventories	3,729	4,176	10,161	12,550
Trade receivables	1,940	1,392	2,584	2,771
Other receivables, deposits and prepayments	411	881	1,519	2,908
Current tax assets	58	-	-	-
Fixed deposits with licensed banks	1,300	2,335	1,091	1,091
Cash and bank balances	2,540	5,795	7,322	8,321
Total current assets	9,978	14,579	22,677	27,641
TOTAL ASSETS	15,130	27,715	38,839	43,520
EQUITY AND LIABILITIES				
Share capital	700	1,500	3,926	3,926
Share application money	-	2,188	-	-
Retained earnings	1,555	4,782	8,063	10,461
TOTAL EQUITY	2,255	8,470	11,989	14,387
Non-current liabilities				
Bank borrowings	1,165	4,023	7,517	7,402
Lease liabilities	1,799	2,326	2,242	1,918
Deferred tax liabilities	166	503	517	710
Total non-current liabilities	3,130	6,852	10,276	10,030
Current liabilities				
Trade payables	3,134	4,043	5,652	8,043
Other payables and accruals	1,501	2,651	4,887	6,463

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	As at 28/29 February			As at 31 May
	2019	2020	2021	2021
	RM'000	RM'000	RM'000	RM'000
Amount owing to directors	(2)1,683	(2)2,024	(3)48	(3)101
Bank borrowings	1,274	2,504	4,483	2,859
Dividend payables	1,400	-	-	-
Derivative liabilities	-	134	11	18
Lease liabilities	753	1,027	1,254	1,271
Current tax liabilities	-	10	239	348
Total current liabilities	9,745	12,393	16,574	19,103
TOTAL LIABILITIES	12,875	19,245	26,850	29,133
TOTAL EQUITY AND LIABILITIES	15,130	27,715	38,839	43,520

Notes:

- (1) In accordance with MFRS 16 Leases, our Group recognised right-of-use assets in respect of our leases for our Factory A and Factory B, motor vehicles, hostels, office, plant and machinery (other than short term leases of less than 12 months or leases in respect of low value assets), the breakdown of which is as follows:

	Audited			
	As at 28/29 February			As at 31 May
	2019	2020	2021	2021
	RM'000	RM'000	RM'000	RM'000
Motor vehicles	1,216	1,640	1,595	1,497
Plant and machinery	763	1,982	1,808	1,764
Hostels	44	24	123	106
Factory buildings	682	363	880	775
Right-of-use assets	2,705	4,009	4,406	4,142

- (2) The Directors advanced monies to Ecomate since its business commencement to finance amongst others, the purchase of machinery and equipment as well as its working capital. These amounts were fully repaid on 1 January 2021.
- (3) Being advances by Directors to Ecomate Holdings for administrative expenses. These amounts were fully repaid on 23 July 2021.

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11. FINANCIAL INFORMATION (Cont'd)**11.1.3 Historical combined statements of cash flows**

The following table sets out our combined statements of cash flows for FYE 2019 to 2021 and FPE 2022. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 11.2 and the Accountants' Report set out in Section 12.

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Cash Flow from Operating Activities				
PBT	3,534	6,642	10,119	3,148
Adjustments for:				
Bad debt written off	-	24	-	-
Depreciation of property, plant and equipment	217	425	494	140
Depreciation of right-of-use assets	372	707	902	264
Fair value loss/ (gain) on derivative	-	134	(123)	7
Gain on disposal of property, plant and equipment	-	-	(56)	-
Gain on disposal of right-of-use assets	-	-	(42)	-
Gain on reassessment and modification of leases	(1)	-	(4)	-
Property, plant and equipment written off	-	1	36	-
Unrealised loss/(gain) on foreign exchange	53	68	91	(29)
Interests on lease liabilities	82	179	153	39
Interest expense	47	256	313	100
Interest income	(7)	(92)	(81)	(14)
Operating profit before working capital changes	4,297	8,344	11,802	3,655
Inventories	(1,682)	(447)	(5,985)	(2,389)
Trade receivables	(986)	524	(1,192)	(187)
Other receivables, deposits and prepayments	(140)	(470)	(638)	(1,389)
Trade payables	1,530	909	1,609	2,391
Other payables and accruals	690	798	2,236	1,558
Amount owing to directors	(760)	341	(1,976)	53
Cash from operations	2,949	9,999	5,856	3,692
Interest paid	(129)	(435)	(466)	(139)
Interest received	7	92	81	14

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Tax paid	(85)	(472)	(1,357)	(448)
Tax refund	-	62	-	-
Net cash from operating activities	2,742	9,246	4,114	3,119
Cash Flow for Investing Activities				
Proceeds from disposal of property, plant and equipment	-	-	551	-
Proceeds from disposal of right-of-use assets	-	-	89	-
Addition of right-of-use assets	(127)	(227)	(50)	-
Additions to prepaid lease payments	-	(4,744)	(1,804)	-
Purchase of property, plant and equipment	(1,318)	(2,010)	(1,850)	(103)
Net cash for investing activities	(1,445)	(6,981)	(3,064)	(103)
Cash Flow from/(for) Financing Activities				
Proceeds from issuance of new ordinary shares	300	800	*	-
Proceeds from shares application money	-	2,188	-	-
Dividends paid	-	(4,000)	(5,000)	-
Drawdown of term loans	1,500	3,163	4,114	-
Net (increase)/decrease in fixed deposits pledged	(1,300)	265	(56)	-
(Placement)/withdrawal of fixed deposits with tenure of more than 3 months	-	(1,300)	1,300	-
Net movement in bankers' acceptances	1,012	1,188	1,839	(1,630)
Repayment of lease liabilities	(403)	(983)	(1,149)	(307)
Repayment of term loans	(73)	(263)	(480)	(109)
Net cash from/(for) financing activities	1,036	1,058	568	(2,046)
Net increase in cash and cash equivalents	2,333	3,323	1,618	970
Effect of foreign exchange translation	(53)	(68)	(91)	29
Cash and cash equivalents at the beginning of the financial year	260	2,540	5,795	7,322

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents at the end of the financial year/period	2,540	5,795	7,322	8,321
Cash and cash equivalents consist of:				
Fixed deposit with licensed banks	1,300	2,335	1,091	1,091
Cash and bank balances	2,540	5,795	7,322	8,321
	3,840	8,130	8,413	9,412
Less : fixed deposit pledged with licensed bank	(1,300)	(1,035)	(1,091)	(1,091)
Less: fixed deposit with tenure of more than 3 months	-	(1,300)	-	-
	2,540	5,795	7,322	8,321

Note:

* Negligible.

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11. FINANCIAL INFORMATION (Cont'd)

11.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and segmental analysis of our combined financial information for FYE 2019 to FYE 2021 and FPE 2022 should be read in conjunction with the Accountant's Report as set out in Section 12.

11.2.1 Overview of our operations

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

Our Group's revenue is derived from sales of ready-to-assemble furniture products which consist of:

- (a) living room furniture such as console tables, coffee tables, multi-function cabinets, shoe cabinets, side tables and television cabinets;
- (b) bedroom furniture such as bed frames, book shelves, dressing tables, drawer chests, night stands, wardrobes and writing tables; and
- (c) other furniture such as bar and wine cabinets, dining tables and kitchen cabinets.

Our revenue is generated from local and overseas sales, and the currencies used in invoicing are RM and USD. Approximately 24.0%, 15.4%, 10.3%, 14.0% and 21.8% of our revenues were denominated in RM for FYE 2019 to 2021 and FPE 2021 to 2022 respectively, with the remainder denominated in USD.

The significant factors affecting our business include the following:

(a) Fluctuation of foreign exchange rate

Our revenue is denominated in RM and USD. All our exports are denominated in USD except for sales to a Singapore customer are denominated in RM. Our export market comprises among others, countries in Europe, Asia, North America, Australasia, Africa and South America. On the other hand, most of our domestic sales are denominated in RM except for sales to several domestic customers who are exporters.

Any significant change in foreign exchange rates may affect our Group's financial results. For FYE 2019 to 2021 and FPE 2021 to 2022, approximately 76.0%, 84.6%, 89.7%, 86.0% and 78.2% of our revenues were denominated in USD.

	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue										
• in RM	5,790	24.0	6,510	15.4	5,804	10.3	827	14.0	4,092	21.8
• in USD	18,351	76.0	35,888	84.6	50,538	89.7	5,072	86.0	14,702	78.2
	24,141	100.0	42,398	100.0	56,342	100.0	5,899	100.0	18,794	100.0

11. FINANCIAL INFORMATION (Cont'd)

Any appreciation or depreciation of the USD against RM will affect our revenue. The WAFEX for USD:RM over FYE 2019 to 2021 and FPE 2021 to 2022, is as follows:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2021</u>	<u>FPE 2022</u>
WAFEX (USD:RM)	4.01	4.10	4.12	4.24	4.08

We maintain foreign currency accounts to receive sales proceeds in USD. We also enter into foreign currency forward exchange contracts with banking institutions to sell our USD proceeds at agreed exchange rates for fixed periods of time to reduce the exposure of our receivables. In addition, we also mitigate foreign exchange risk through natural hedging of our foreign currency accounts where we use our USD proceeds to pay for our USD purchases of boards.

Notwithstanding the above, there is no assurance that any fluctuation in foreign exchange rates would not have an impact on our financial performance.

(b) Dependency on foreign production workers

As a result of the shortage of local workers in Malaysia, we are dependent on foreign workers from Bangladesh and Myanmar. As at LPD, we have 66 foreign workers, representing approximately 50.8% of our employees. We are therefore vulnerable to changes in the availability and costs of employing foreign workers.

We have obtained 1-year working permits for our foreign workers, which are renewable annually. As at LPD, we have not experienced any shortage in foreign workers which has resulted in major disruption to our production.

(c) Fluctuation in the prices of raw materials

Our main raw materials are particle boards and MDF. The prices of these raw materials may fluctuate due to demand and supply conditions. As such, any shortage or disruption in the supply of raw materials which results in price fluctuation may adversely affect both our Group's operations and financial performance.

Nonetheless, most of our raw material purchases are only made upon receipt of confirmed orders from our customers, and this minimises the impact of any adverse price fluctuations in our main raw materials. Our suppliers regularly keep us abreast of the supply conditions and price trends of our main raw materials so we may be prepared for any price increase.

(d) Competition risk

Our Group faces competition from both existing and new players locally and from foreign countries with lower cost of production particularly labour cost, such as Indonesia, Vietnam, Thailand and China. Intense competition from these countries may result in loss of customers or erosion of our profit margins.

We believe that our Group would be able to stay competitive due to our strengths as outlined in Section 6.8. In addition, we are committed to continuously improve the quality of our furniture products. As part of our business strategies, we will continue to focus on our design and development efforts to develop new furniture product designs.

11. FINANCIAL INFORMATION (Cont'd)

(e) We do not have long term agreements with our major customers

We have not entered into any long term agreements with our customers as we produce our furniture products based on purchase orders. Thus, we place emphasis in developing long term business relationships with our customers as we believe this will ensure our business continuity and growth.

As at LPD, we have established business relationships of approximately 4 years with Noble House Home Furnishings LLC who are our major customer.

There is no assurance that the absence of long term agreements with our major customers will not affect our business and financial performance.

(f) Interruptions in our operations

Our production could be disrupted or delayed due to unforeseeable circumstances. Risks which are inherent in the furniture industry include, amongst others, fire hazards and power shortage.

Any disruption at our production facilities will result in longer lead time to produce 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.

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11. FINANCIAL INFORMATION (Cont'd)

11.2.2 Revenue

Revenue from sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods and customer acceptance, if any, when the significant risks and rewards of ownership of the goods have been transferred to the buyer, net of sales and service tax, returns, rebates and discounts.

(a) Revenue by product category

	FYE 2019		Audited		FYE 2020		Audited		FYE 2021		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Living room furniture	15,222	63.1	29,420	69.4	38,708	68.7	4,476	75.9	10,113	53.8				
Bedroom furniture	7,832	32.4	10,911	25.7	14,773	26.2	1,169	19.8	7,586	40.4				
Other furniture	1,087	4.5	2,067	4.9	2,861	5.1	254	4.3	1,095	5.8				
	24,141	100.0	42,398	100.0	56,342	100.0	5,899	100.0	18,794	100.0				

(b) Sales volume by units

	FYE 2019		Audited		FYE 2020		Audited		FYE 2021		Unaudited		Audited	
	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%
Living room furniture	102	63.7	211	73.3	300	75.4	39	81.3	60	61.2				
Bedroom furniture	40	25.0	52	18.0	80	20.1	5	10.4	32	32.7				
Other furniture	18	11.3	25	8.7	18	4.5	4	8.3	6	6.1				
	160	100.0	288	100.0	398	100.0	48	100.0	98	100.0				

11. FINANCIAL INFORMATION (Cont'd)

(c) Revenue by countries/region

Country/ Region ⁽¹⁾	FYE 2019		FYE 2020		FYE 2021		FYE 2022			
	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
Malaysia	5,620	23.3	6,406	15.1	11,199	19.9	1,424	24.1	8,498	45.2
Foreign sales:										
Asia, excluding Malaysia	5,650	23.4	19,178	45.2	20,512	36.4	3,064	51.9	3,616	19.2
Europe	10,233	42.4	10,302	24.3	7,743	13.7	486	8.2	2,110	11.2
North America	1,681	7.0	4,692	11.1	9,692	17.2	599	10.2	2,793	14.9
Australasia	285	1.2	1,126	2.7	6,142	10.9	204	3.5	1,777	9.5
Africa	401	1.7	475	1.1	1,054	1.9	122	2.1	-	-
South America	271	1.0	219	0.5	-	-	-	-	-	-
	24,141	100.0	42,398	100.0	56,342	100.0	5,899	100.0	18,794	100.0

Note:

⁽¹⁾ Categorized as follows:

Region	Countries
Asia, excluding Malaysia	Bahrain, Brunei Darussalam, Cyprus, India, Philippines, Saudi Arabia, Singapore, Republic of China (Taiwan), United Arab Emirates, Lebanon and Vietnam
Europe	Belgium, France, Germany, Greece, Spain and United Kingdom
North America	Canada, Mexico and USA
Australasia	Australia and New Zealand
Africa	Cameroon, Democratic Republic of the Congo, Ivory Coast, Kenya, Mali, Senegal, South Africa and Zambia
South America	Argentina and Chile

11. FINANCIAL INFORMATION (Cont'd)

(d) Commentary on revenue

From FYE 2019 to 2021 and FPE 2022, the fluctuations in revenue were largely driven by:

- (i) Volume of furniture products sold;
- (ii) Sales mix of our products, which are of different price ranges; and
- (iii) Fluctuation of USD against RM.

Living room furniture was our largest contributor followed by bedroom furniture in terms of revenue and sales volume from FYE 2019 to 2021 and FPE 2022. Collectively, they accounted between 94.2% and 95.5% in terms of revenue and 88.7% and 95.5% in terms of sales volume for FYE 2019 to 2021 and FPE 2022.

Comparison between FYE 2019 and FYE 2020

Our revenue recorded an increase of RM18.3 million or 75.6% from RM24.1 million in FYE 2019 to RM42.4 million in FYE 2020 mainly due to increase in total sales volume for the financial year by 128,000 units or 80.0%. Living room furniture and bedroom furniture contributed an aggregate of 95.1% of our Group's revenue for FYE 2020.

In terms of volume, living room furniture and bedroom furniture contributed an aggregate of 91.3% of total sales volume for FYE 2020 whereby sales volume for:

- (i) living room furniture increased by 109,000 units or 106.9% from 102,000 units in FYE 2019 to 211,000 units in FYE 2020;
- (ii) bedroom furniture increased by 12,000 units or 30.0% from 40,000 units in FYE 2019 to 52,000 units in FYE 2020; and
- (iii) other furniture increased by 7,000 units or 38.9% from 18,000 units in FYE 2019 to 25,000 units in FYE 2020.

We sold more living room furniture, which saw higher growth in volume. Living room furniture is generally lower priced than bedroom furniture and other furniture. As such, our average selling price decreased by RM3.7 per unit or 2.5% from RM150.9 per unit in FYE 2019 to RM147.2 per unit in FYE 2020.

11. FINANCIAL INFORMATION (Cont'd)

The WAFEX improved by approximately 2.2% from USD1:RM4.01 in FYE 2019 to USD1:RM4.10 in FYE 2020. This contributed to higher revenue denominated in USD, increasing by RM17.5 million or 95.6% from RM18.4 million in FYE 2019 to RM35.9 million in FYE 2020 together with our increased volume, despite the overall sales mix of lower price range products. Our revenue denominated in USD represented 84.6% of total revenue in FYE 2020.

In term of revenue by region, Europe, Asia excluding Malaysia and Malaysia were the three largest revenue contributors in FYE 2020, representing 24.3%, 45.2% and 15.1% of total revenue in FYE 2020 respectively. In FYE 2020, our revenue growth was a result of increase in sales mainly to 4 existing major customers which contributed RM12.9 million (2 from Asia (excluding Malaysia), and 1 each from North America and Europe regions) in line with these customers' business growth during the year. We also secured 3 new customers in Middle East region and 1 from Malaysia from enquiries received through the exhibition fairs we participated in, which contributed an aggregate of RM3.4 million.

Comparison between FYE 2020 and FYE 2021

Our revenue recorded an increase of RM13.9 million or 32.9% from RM42.4 million in FYE 2020 to RM56.3 million in FYE 2021 mainly due to increase in sales volume by 110,000 units or 38.2%, despite temporary disruption to our production and shipping due to the COVID-19 pandemic. Living room furniture and bedroom furniture contributed an aggregate of 94.9% of our Group's revenue for FYE 2021.

In terms of volume, living room furniture and bedroom furniture contributed an aggregate of 95.5% of total sales volume for FYE 2021 whereby sales volume for:

- (i) living room furniture increased by 89,000 units or 42.2% from 211,000 units in FYE 2020 to 300,000 units in FYE 2021;
- (ii) bedroom furniture increased by 28,000 units or 53.8% from 52,000 units in FYE 2020 to 80,000 units in FYE 2021; and
- (iii) other furniture decreased by 7,000 units or 28.0% from 25,000 units in FYE 2020 to 18,000 units in FYE 2021.

The sales mix of our living room and bedroom furniture comprised more products of lower price range. As such, our average selling price decreased by RM5.6 per unit or 3.84% from RM147.2 per unit in FYE 2020 to RM141.6 per unit in FYE 2021.

The WAFEX improved by approximately 0.5% from USD1:RM4.10 in FYE 2020 to USD1:RM4.12 in FYE 2021. However, our increased sales volume more than offset the effect of lower average selling price. As a result, our USD denominated revenue grew to RM50.5 million, representing 89.7% of total revenue in FYE 2021.

11. FINANCIAL INFORMATION (Cont'd)

In term of revenue by region, Asia excluding Malaysia, Malaysia and North America were the three largest revenue contributors in FYE 2021, representing 36.4%, 19.9% and 17.2% of total revenue in FYE 2021 respectively. In FYE 2021, we experienced our revenue growth mainly in 4 existing major customers which contributed RM16.8 million (1 each from Asia (excluding Malaysia)), Malaysia, North America and Australasia regions) owing to a good relationship since 2019, and bolstered by demand from online marketplaces like Amazon due to the COVID-19 pandemic. In this respect, these existing major customers had purchased furniture products in bulk from Ecomate in order to maintain their stock level to meet future demand from its customers.

Comparison between FPE 2021 and FPE 2022

Our revenue recorded an increase of RM12.9 million or 218.6% from RM5.9 million in FPE 2021 to RM18.8 million in FPE 2022 mainly due to increase in sales volume by 50,000 units or 104.2%. Living room furniture and bedroom furniture contributed an aggregate of 94.2% of our Group's revenue for FPE 2022.

In terms of volume, living room furniture and bedroom furniture contributed an aggregate of 93.9% of total sales volume for FPE 2022 whereby sales volume for:

- (i) living room furniture increased by 21,000 units or 53.8% from 39,000 units in FPE 2021 to 60,000 units in FPE 2022;
- (ii) bedroom furniture increased by 27,000 units or 540.0% from 5,000 units in FPE 2021 to 32,000 units in FPE 2022; and
- (iii) other furniture increased by 2,000 units or 50.0% from 4,000 units in FPE 2021 to 6,000 units in FPE 2022.

Our overall product mix comprised more bedroom furniture products, which are higher price range in FPE 2022. As such, our average selling price increased by RM68.9 per unit or 56.1% from RM122.9 per unit in FPE 2021 to RM191.8 per unit in FPE 2022.

WAFEX reduced by approximately 3.8% from USD1:RM4.24 in FPE 2021 to USD1:RM4.08 in FPE 2022. Our RM denominated revenue grew significantly to RM4.1 million, representing 21.8% of total revenue in FPE 2022 whilst our USD denominated revenue grew to RM14.7 million, representing 78.2% of total revenue in FPE 2022.

In terms of revenue by region, Malaysia, Asia excluding Malaysia, and North America were the three largest revenue contributors in FPE 2022, representing 45.2%, 19.2% and 14.9% of total revenue in FPE 2022 respectively. In FPE 2022, we continued seeing our revenue growth mainly in 6 existing customers who contributed a total of RM10.6 million (2 from Malaysia and 1 each from Asia (excluding Malaysia), North America, Australasia and Europe regions) on the back of strong relationships with these customers who continued to engage us despite restrictions from the COVID-19 pandemic. We also secured 4 new customers (2 from Malaysia, 1 each from North America and Asia (excluding Malaysia)) through referrals, which contributed an aggregate of RM1.0 million.

11. FINANCIAL INFORMATION (Cont'd)**11.2.3 Cost of sales, GP and GP margin****(a) Analysis of cost of sales by cost items**

The components of our cost of sales are as follows:

	FYE 2019		Audited FYE 2020		FYE 2021		Unaudited FPE 2021		Audited FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Direct materials	13,178	75.8	22,096	74.8	28,399	73.5	2,943	72.6	10,220	74.1
Production labour	3,045	17.5	5,397	18.3	7,742	20.0	723	17.8	2,637	19.1
Production overheads	1,156	6.7	2,051	6.9	2,524	6.5	388	9.6	930	6.8
	17,379	100.0	29,544	100.0	38,665	100.0	4,054	100.0	13,787	100.0

(i) Direct materials

Direct materials mainly consist of boards (particle boards and MDF), metal components (screws, nuts, metal parts and mounting brackets), PVC edges as well as packaging materials (corrugated cartons, polyfoam and packing tapes).

Direct materials were the largest component of our cost of sales, representing between 73.5% and 75.8% of our total cost of sales for FYE 2019 to 2021 and FPE 2022.

The increase in direct material costs from FYE 2019 to 2021 and FPE 2022 was in line with the increase in total revenue for the corresponding FYE/FPE; where the change in our sales volume was in tandem with the change in our direct material requirements, mainly particle boards and MDF.

(ii) Production labour

Production labour consists mainly of production related labour costs, which includes payroll, other related expenses such as transport allowance and staff welfare as well as subcontractor fees.

11. FINANCIAL INFORMATION (Cont'd)

Our production labour represented between 17.5% and 20.0% of our total cost of sales from FYE 2019 to 2021 and FPE 2022. The change in our production labour costs was in tandem with the change in production headcount as well as increase in subcontracting costs, which were in line with the change in our sales volume. For FPE 2022, production labour made up 19.1% of our costs of sale, which was higher than 17.8% in FPE 2021 as we had to incur more subcontractor costs to meet our demand.

(iii) Production overheads

Our production overheads consist mainly of depreciation of production lines, water and electricity charges, rental of factory as well as repair and maintenance of machineries and factories.

Production overheads represented between 6.5% and 6.9% of our total cost of sales from FYE 2019 to 2021 and FPE 2022. Throughout FYE 2019 to FYE 2021 and FPE 2021 to 2022, we recorded a year-on-year increase in our production overheads which was in line with the increase in sales volume. In FYE 2020, we recorded higher production overheads of RM2.0 million due to the increased production capacity in Factory A which resulted in higher machinery depreciation expenses and electricity usage. This continued in FYE 2021 as we purchased more machineries to elevate capacity and production to meet higher demand. For FPE 2022, production overhead made up 6.8%, lower than 9.6% in FPE 2021 due to economies of scale.

(b) Analysis of GP and GP margin by product category

Our GP and GP margin from FYE 2019 to 2021 and FPE 2021 to 2022 by product category is set out below:

	FYE 2019			FYE 2020			FYE 2021			Unaudited FPE 2021			Audited FPE 2022		
	GP RM'000	margin %		GP RM'000	margin %		GP RM'000	margin %		GP RM'000	margin %		GP RM'000	margin %	
Living room furniture	4,165	27.4		8,770	29.8	11,861	30.6	1,385	30.9	2,668	26.4		2,668	26.4	
Bedroom furniture	2,280	29.1		3,473	31.8	4,848	32.8	374	32.0	2,035	26.8		2,035	26.8	
Other furniture	317	29.2		611	29.6	968	33.8	86	33.9	304	27.8		304	27.8	
	6,762	28.0		12,854	30.3	17,677	31.4	1,845	31.3	5,007	26.6		5,007	26.6	

11. FINANCIAL INFORMATION (Cont'd)

(c) Commentary on cost of sales, GP and GP margin

Comparison between FYE 2019 and FYE 2020

Our cost of sales increased by RM12.2 million or 70.0% from RM17.4 million in FYE 2019 to RM29.5 million in FYE 2020, in tandem with the increase in our total revenue of 75.6% in FYE 2020.

Our overall GP margin increased from 28.0% in FYE 2019 to 30.3% in FYE 2020 as we enjoyed favourable WAFEX of USD:RM at 4.10 compared to 4.01 in FYE 2019 as well as lower purchase price of board due to higher purchase volume.

Comparison between FYE 2020 and FYE 2021

Our cost of sales increased by RM9.1 million or 30.9% from RM29.5 million in FYE 2020 to RM38.7 million in FYE 2021, in tandem with the increase in our total revenue of 32.9% in FYE 2021.

Our overall GP margin increased from 30.3% in FYE 2020 to 31.4% in FYE 2021 as we enjoyed favourable WAFEX of USD:RM at 4.12 compared to 4.10 in FYE 2020 as well as achieving economies of scale, as non-variable costs were spread over a larger sales volume.

Comparison between FPE 2021 and FPE 2022

Our cost of sales increased by RM9.7 million or 240.1% from RM4.1 million in FPE 2021 to RM13.8 million in FPE 2022, in tandem with the increase in our total revenue of 218.6% in FYE 2021.

Our overall GP margin decreased from 31.3% in FPE 2021 to 26.6% in FPE 2022 as we experienced weaker WAFEX of USD against RM in FPE 2022 which contributed to our lower overall GP margin, USD:RM at 4.08 in FPE 2022 compared to 4.24 in FPE 2021, which was partially cushioned by economies of scale where our sales volume increased.

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11. FINANCIAL INFORMATION (Cont'd)

11.2.4 Other income

The breakdown of our other income is as follows:

	FYE 2019		Audited		FYE 2020		FYE 2021		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Realised gain on foreign exchange	200	93.4	370	71.4	453	51.4	52	55.3	179	46.5		
Net fair value gain on derivative	-	-	-	-	123	14.0	-	-	-	-		
Gain on disposal of property, plant and equipment	-	-	-	-	56	6.4	-	-	-	-		
Gain on disposal of right-of-use assets	-	-	-	-	42	4.8	-	-	-	-		
Wage subsidy ⁽¹⁾	-	-	-	-	83	9.3	-	-	75	19.5		
Interest income	7	3.3	92	17.8	81	9.2	25	26.6	14	3.6		
Gain on reassessment & modification of lease	*	-	-	-	4	0.5	1	1.1	-	-		
Product sample fee	7	3.3	25	4.8	4	0.5	*	-	2	0.5		
Sundry income ⁽²⁾	-	-	31	6.0	35	3.9	16	17.0	86	22.4		
Unrealised gain on foreign exchange	-	-	-	-	-	-	-	-	29	7.5		
	214	100.0	518	100.0	881	100.0	94	100.0	385	100.0		

Notes:

* Negligible.

⁽¹⁾ PRIHATIN Perusahaan Kecil & Sederhana and wage subsidy from the Government.

⁽²⁾ Sundry income includes compensation from a supplier of RM27,015 in FYE 2020 for rejection of laminated boards supplied; exhibition grant from MATRADE (CIFF 2019) of RM15,000 in FYE 2021; special incentive from Malaysian Timber Council ("MTC") for RM72,280 in FYE 2022.

11. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2019 and FYE 2020**

Our other income recorded an increase of RM0.3 million or 142.1% from RM0.2 million in FYE 2019 to RM0.5 million in FYE 2020, mainly due to realised gain on foreign exchange of RM0.2 million and interest income of RM0.1 million. In FYE 2020, we received fixed deposits interest income amounting RM0.045 million arising from the additional placement of RM1.3 million in fixed deposits with licensed banks in January 2019. The remaining RM0.047 million were earned from higher balances in bank current account.

The WAFEX rose by approximately 2.2% from USD1:RM4.01 in FYE 2019 to USD1:RM4.10 in FYE 2020.

Comparison between FYE 2020 and FYE 2021

Our other income increased by RM0.4 million or 70.1% from RM0.5 million in FYE 2020 to RM0.9 million in FYE 2021, mainly due to the higher gain on foreign exchange (increase of RM0.1 million), higher net fair value gain on derivatives relating to our hedging of USD (increase of RM0.1 million), gain on disposal of property, plant and equipment and right-of-use assets (increase of RM0.1 million), being the disposal of 11 units of plant and machinery and 1 unit of motor vehicles to be replaced, and wage subsidy from the Government arising from the pandemic (increase of RM0.1 million).

Comparison between FPE 2021 and FPE 2022

Our other income increased by RM0.3 million or 309.6% from RM0.1 million in FPE 2021 to RM0.4 million in FYE 2022, mainly due to the higher realised gain on foreign exchange (increase of RM0.1 million), wage subsidy from the Government arising from the pandemic (increase of RM0.1 million), higher sundry income received from MTC for the special financial incentive for purchase of machineries at Malaysians Wood Expo 2019 (increase of RM0.1 million). We purchased 1 unit each for boring machine, automatic double-side edge banding machine and feeding drilling machine at a total of RM0.6 million at Malaysians Wood Expo 2019.

11.2.5 Selling and distribution expenses

The breakdown of our selling and distribution expenses is as follows:

	FYE 2019		Audited FYE 2020		FYE 2021		Unaudited FPE 2021		Audited FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Forwarding and handling charges	521	59.4	1,118	71.0	1,609	94.2	158	81.0	506	95.5
Exhibition expenses	224	25.5	284	18.0	46	2.7	18	9.2	6	1.1

11. FINANCIAL INFORMATION (Cont'd)

	FYE 2019		Audited FYE 2020		FYE 2021		Unaudited FPE 2021		Audited FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sales commission ⁽¹⁾	49	5.6	57	3.6	-	-	-	-	-	-
Travelling and accommodation ⁽²⁾	82	9.3	111	7.1	40	2.3	18	9.2	14	2.6
Fumigation fee	2	0.2	5	0.3	13	0.8	1	0.6	4	0.8
	878	100.0	1,575	100.0	1,708	100.0	195	100.0	530	100.0

Notes:

- (1) Sales commission was paid to the third party agent who secured sales order to Company.
- (2) Travelling and accommodation include air tickets, hotel fees, travelling expenses for business visit and upkeep of motor vehicle for Company cars.

Comparison between FYE 2019 and FYE 2020

For FYE 2020, the selling and distribution expenses increased by RM0.7 million or 79.4% as compared to FYE 2019. The increase was mainly due to:

- (a) higher forwarding and handling charges of RM0.6 million, which was 114.6% higher due to the increase in sales volume; and
- (b) higher exhibition expenses of RM60,000 where we took up larger booth sizes with higher booth rental rates in the CIFF 2019 in Shanghai, China, and MIFF 2019 in Kuala Lumpur.

Comparison between FYE 2020 and FYE 2021

Selling and distribution expenses increased by RM0.1 million or 8.4% from RM1.6 million in FYE 2020 to RM1.7 million in FYE 2021, mainly due to higher forwarding and handling charges of RM0.5 million, which was 43.9% higher due to the increase in sales volume.

The increase in selling and distribution expenses was offset by the following:

- (a) lower exhibition expenses of RM0.2 million, lower travelling and accommodation expenses of RM71,000 as compared to FYE 2020 due to the cancellation of physical trade exhibitions and travel restrictions imposed during the COVID-19 pandemic; and

11. FINANCIAL INFORMATION (Cont'd)

- (b) absence of sales commission in FYE 2021 (compared to RM57,000 incurred in FYE 2020), which was replaced with sales performance incentives paid to our marketing and sales employees and accounted for under staff cost. Sales commissions in prior years were paid to external sales agents. Nonetheless, the Group continues to engage external sales agents for its marketing and sales activities.

Comparison between FPE 2021 and FPE 2022

Selling and distribution expenses increased by RM0.3 million or 171.8% from RM0.2 million in FPE 2021 to RM0.5 million in FPE 2022, mainly due to higher forwarding and handling charges of RM0.3 million, which was 220.3% higher due to the increase in sales volume.

11.2.6 Administrative expenses

The breakdown of our administrative expenses is as follows:

	FYE 2019		Audited FYE 2020		FYE 2021		Unaudited FPE 2021		Audited FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs	1,819	76.8	3,379	75.5	3,820	76.2	620	76.7	1,160	74.1
Depreciation	136	5.7	167	3.8	338	6.6	70	8.7	125	8.0
Utilities	32	1.3	84	1.9	77	1.5	15	1.9	11	0.7
Bank charges	68	2.9	108	2.4	110	2.2	16	2.0	24	1.5
Printing and stationery	48	2.0	82	1.8	92	1.8	9	1.1	29	1.9
Travelling and accommodation ⁽²⁾	30	1.3	33	0.7	23	0.5	4	0.5	9	0.6
Professional fees	35	1.5	130	2.9	125	2.5	7	0.9	28	1.8
Upkeep and maintenance	17	0.7	69	1.5	18	0.4	2	0.2	3	0.2
Insurance	81	3.4	85	1.9	115	2.3	34	4.2	35	2.2
Others ⁽¹⁾	103	4.4	337	7.6	295	6.0	31	3.8	140	9.0
	2,369	100.0	4,474	100.0	5,013	100.0	808	100.0	1,564	100.0

Notes:

- (1) Others include general expenses, advertisement, entertainment, stamp duty, valuation fee, license fee and Covid-19 related expenses.
(2) Travelling and accommodation include petrol claim by staff and directors under company cars.

11. FINANCIAL INFORMATION (Cont'd)

Comparison between FYE 2019 and FYE 2020

For FYE 2020, our administrative expenses increased by RM2.1 million or 88.9%, from RM2.4 million in FYE 2019 to RM4.5 million in FYE 2020. This was mainly attributable to higher staff costs as well as upkeep and maintenance.

Staff costs increased by RM1.6 million or 85.8% due to the addition of 11 employees, bonus payout and higher directors' remuneration to commensurate with our business growth. In addition, during FYE 2020, higher rewards and sales performance incentive were also paid to employees who secured sales orders/ contracts and exhibited better working performance.

Included in other expenses for FYE 2020 were the stamp duty of RM0.07 million as well as property valuation fee of RM6,000 incurred in relation to the facility agreements and MFP SPAs.

Comparison between FYE 2020 and FYE 2021

For FYE 2021, our administrative expenses increased by RM0.5 million or 12.0% from RM4.5 million in FYE 2020 to RM5.0 million in FYE 2021. The increase was mainly attributable to higher staff costs and depreciation. Staff costs increased by RM0.4 million or 13.1%, mainly due to the addition of 6 employees as well as higher directors' remuneration in tandem with our business growth. The depreciation increased by RM0.2 million or 102.4% mainly due to the acquisition of right-of-use assets of RM0.3 million and computer software and computer equipment of RM0.1 million.

Comparison between FPE 2021 and FPE 2022

For FPE 2021, our administrative expenses increased by RM0.8 million or 93.6% from RM0.8 million in FPE 2021 to RM1.6 million in FPE 2022. The increase was mainly attributable to higher staff costs, depreciation and others. Staff costs increased by RM0.5 million or 87.1%, mainly due to the addition of 11 employees as well as higher staff and directors' salaries and bonus in tandem with our business growth. Depreciation increased by RM0.1 million or 76.8% mainly due to the acquisition of right-of-use assets of RM0.3 million and computer software and computer equipment RM0.1 million. Others mainly comprise branding expense on corporate video of RM33,000 as well as the COVID-19 related expenses of approximately RM38,000 such as face masks, sanitizers and COVID-19 tests.

11. FINANCIAL INFORMATION (Cont'd)

11.2.7 Other expenses

The breakdown of our other expenses is as follows:

	FYE 2019		Audited		FYE 2020		FYE 2021		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Listing expenses	-	-	-	-	-	-	1,138	90.9	-	-	-	-
Unrealised loss on foreign exchange	53	80.3	68	27.6	91	7.3	70	34.5	-	-	-	-
Gift and donation ⁽¹⁾	12	18.2	19	7.7	21	1.7	3	1.5	2	1.5	2	18.2
Penalty	1	1.5	1	0.4	2	0.1	2	1.0	2	1.0	2	18.2
Bad debt	-	-	24	9.8	-	-	-	-	-	-	-	-
Net fair value loss on derivative financial instrument	-	-	134	54.5	-	-	128	63.0	7	63.6	7	63.6
	66	100.0	246	100.0	1,252	100.0	203	100.0	11	100.0	11	100.0

Note:

⁽¹⁾ Donations were made to non-profit organisations and schools while, token gifts were given to customers and suppliers.

For FYE 2020, other expenses increased by RM0.2 million or 272.7%, mainly attributable to net loss on fair value of derivative financial instrument of RM0.1 million. The derivative financial instruments comprised foreign currency forward contracts entered with banking institutions to sell our USD sales proceeds. Further details are set out in Section 11.10.1. The unrealised foreign exchange losses arose from translation of USD currency bank balances at the closing rate on 29 February 2020. There are also RM24,298 bad debts incurred in FYE 2020 from 2 customers who could not be contacted.

For FYE 2021, other expenses increased by RM1.0 million or 408.9% from RM0.2 million in FYE 2020 to RM1.2 million in FYE 2021, due to partial listing expense of RM1.1 million in preparation for our Listing, despite the absence of net fair value loss on derivative financial instruments.

For FYE 2022, other expenses decreased by RM0.2 million or 94.6% from RM0.2 million in FYE 2021 to RM11,000 in FYE 2022, due to the absence of unrealised loss on foreign exchange as we recorded unrealise gains instead, and also the absence of net fair value loss on derivative financial instruments, both of which were incurred in FYE 2021.

11. FINANCIAL INFORMATION (Cont'd)

11.2.8 Finance costs

Our finance costs consist of interest on bankers' acceptances, lease liabilities and term loans. Bankers' acceptances are used to finance purchases of raw materials while term loans are used to finance the purchase of leasehold land and working capital. Lease liabilities are used to finance the purchase of plant, machineries and motor vehicles, and includes rental obligations for the rental of properties.

The breakdown of our finance costs is as follows:

	FYE 2019		Audited		FYE 2020		FYE 2021		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bankers' acceptances interest	7	5.4	87	20.0	76	16.3	23	24.2	19	13.7		
Lease liabilities	82	63.6	179	41.1	153	32.8	40	42.1	39	28.0		
Term loans	40	31.0	169	38.9	237	50.9	32	33.7	81	58.3		
	129	100.0	435	100.0	466	100.0	95	100.0	139	100.0		

Comparison between FYE 2019 and FYE 2020

For FYE 2020, finance cost recorded an increase of RM0.3 million or 237.2% from RM0.1 million in FYE 2019 to RM0.4 million in FYE 2020. The increase in finance cost was mainly due to higher interest in bankers' acceptances, lease liabilities and term loans. During FYE 2020, we drew down a term loan of RM3.2 million for the purchase of 4 parcels of leasehold lands in Muar Furniture Park, finance insurance premium scheme for entrepreneur term loan assurance and working capital. We also secured new finance leases of RM1.8 million for the purchase of motor vehicle, plant and machineries. Included in lease liabilities were also our rental obligations for the rental of properties.

Comparison between FYE 2020 and FYE 2021

For FYE 2021, our finance cost increased by approximately RM31,000 or 7.1%, mainly due to higher interest on term loan. During FYE 2021, we drew down term loans amounting to RM4.1 million for progress payment of 4 parcels of leasehold land in Muar Furniture Park and working capital purpose. The higher interest on term loan is offset by the lower interest on bankers' acceptance (due to lower interest rates and shorter maturity) and lease liabilities, being deferrals in relation to the 6-month loan moratorium from 1 April 2020 to 30 September 2020 allowed by the Government during the MCO.

11. FINANCIAL INFORMATION (Cont'd)

Comparison between FPE 2021 and FPE 2022

For FPE 2021, our finance cost increased by approximately RM44,000 or 46.3%, mainly due to higher interest on term loan. We recorded higher interest on term loan in FPE 2022 attributable to the higher outstanding term loans in FPE 2022 as compared to FPE 2021, as we further drew down term loans amounting to RM1.8 million in September and November 2020 for progress payment of 4 parcels of leasehold land in Muar Furniture Park and a new term loan amounting RM1.0 million in December 2020 for working capital.

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11. FINANCIAL INFORMATION (Cont'd)**11.2.9 Tax expense, PBT and PAT**

The following tables sets out the comparison between the statutory tax rates and our effective tax rates from FYE 2019 to 2021 and FPE 2021 to 2022:

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
Taxation (RM'000)	193	815	1,600	⁽²⁾ (34)	750
Statutory tax rate ⁽¹⁾	17% / 24%	17% / 24%	24%	17% / 24%	24%
Effective tax rate	5.5%	12.3%	15.8%	(5.3%)	23.8%

Notes:

- (1) We qualified for lower statutory tax rates of 17% on the first chargeable income of RM500,000 for FYE 2019 to 2020 respectively. Subsequently, in FYE 2021, as our share capital exceeded RM2.5 million, our income tax was based entirely on the statutory tax rate of 24%.
- (2) The negative tax expense of RM34,000 was due to the overprovision of taxation in FYE 2020.

The following tables sets out our PBT, PBT margin, PAT and PAT margin from FYE 2019 to 2021 and FPE 2021 to 2022:

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
PBT (RM'000)	3,534	6,642	10,119	638	3,148
PBT margin (%)	14.6	15.7	18.0	10.8	16.8
PAT (RM'000)	3,341	5,827	8,519	672	2,398
PAT margin (%)	13.8	13.7	15.1	11.4	12.8

Comparison between FYE 2019 and FYE 2020

Our PBT increased from RM3.5 million for FYE 2019 to RM6.6 million for FYE 2020, mainly due to higher gross profit. Our PBT margin increased from 14.6% for FYE 2019 to 15.7% for FYE 2020, mainly attributed to higher gross profit margin. However, despite the increase in PBT, our PAT margin recorded a slight decrease from 13.8% in FYE 2019 to 13.7% in FYE 2020 mainly due to higher tax expenses, while our PAT increased from RM3.3 million in FYE 2019 to RM5.8 million in FYE 2020.

For FYE 2020, the effective tax rate increased to 12.3% due to higher non-deductible expenses and deferred tax liabilities. The lower effective tax rate in FYE 2019 was contributed by business losses brought forward from prior years as well as the utilisation of tax incentive in the form of allowance for increased exports.

Comparison between FYE 2020 and FYE 2021

Our PBT increased from RM6.6 million for FYE 2020 to RM10.2 million for FYE 2021, mainly due to higher gross profit as well as lower other expenses in FYE 2021. Our PBT margin increased from 15.7% for FYE 2020 to 18.0% for FYE 2021, mainly attributed to higher gross profit margin. In line with our PBT margin increase, our PAT margin increased from 13.7% in FYE 2020 to 15.1% in FYE 2021. This margin was also supported by a lower effective tax rate compared to statutory tax rate, through the utilisation of increased export allowance brought forward of approximately RM4.1 million in FYE 2021.

11. FINANCIAL INFORMATION (Cont'd)

For FYE 2021, the effective tax rate increased to 15.8% from 12.3% in FYE 2020 due to higher non-deductible expenses incurred in FYE 2021.

Comparison between FPE 2021 and FPE 2022

Our PBT increased from RM0.6 million for FPE 2021 to RM3.1 million for FPE 2022, mainly due to higher gross profit generated in line with our sales growth, supported by higher other operating income as well as lower other expenses in FPE 2022. Our PBT margin increased from 10.8% in FPE 2021 to 16.8% in FPE 2022 mainly due to the higher other operating income and lower other expenses despite a lower GP margin. In line with our PBT margin increase, our PAT margin increased from 11.4% in FPE 2021 to 12.8% in FPE 2022, notwithstanding the normalised taxation compared with FPE 2021.

For FPE 2022, the effective tax rate increased to 23.8% was slightly lower than statutory tax rate principally attributable to overprovision of taxation in previous financial year amounting to RM215,000.

11.2.10 Review of financial position**(a) Assets**

Our assets as at FYE 2019 to 2021 and FPE 2022 are as follows:

	Audited			
	As at 28/29 February			As at 31 May
	2019	2020	2021	2021
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	2,447	4,031	4,856	4,837
Prepaid lease payment	-	5,096	6,900	6,900
Right-of-use assets	2,705	4,009	4,406	4,142
Total non-current assets	5,152	13,136	16,162	15,879
Current assets				
Inventories	3,729	4,176	10,161	12,550
Trade receivables	1,940	1,392	2,584	2,771
Other receivables, deposits and prepayments	411	881	1,519	2,908
Current tax assets	58	-	-	-
Fixed deposits with licensed banks	1,300	2,335	1,091	1,091
Cash and bank balances	2,540	5,795	7,322	8,321
Total current assets	9,978	14,579	22,677	27,641
TOTAL ASSETS	15,130	27,715	38,839	43,520

11. FINANCIAL INFORMATION (Cont'd)**FYE 2020****Non-current assets**

Our non-current assets increased by RM8.0 million mainly due to:

- (i) acquisition of 1 unit of panel saw machine (RM0.2 million) in Factory A;
- (ii) upgrading of new machinery, involving the acquisition of 1 unit of automatic curved edge banding machine (RM0.2 million) to enhance our existing production line in Factory A, as well as 1 unit of 6-sided boring machine (RM0.1 million) to enhance our existing production line in Factory B;
- (iii) acquisition of 1 unit of drilling machine (RM0.1 million) and 1 unit of point-to-point work centre (RM0.2 million) for Factory A;
- (iv) increase in right-of-use assets of 2 units of drilling machines (RM0.2 million) in Factory A;
- (v) upgrading of new machinery, involving the increase in right-of-use of 1 unit of double-sided edge banding machine (RM0.2 million) to enhance our existing production line in Factory A;
- (vi) increase in right-of-use of 3 units of point-to-point work centres and 3 units of automatic edge banding machines (RM0.9 million collectively) for Factory A;
- (vii) acquisition of 2 units of automatic screw packing machines (RM0.3 million);
- (viii) progress payment of RM5.1 million accrued for 4 parcels of leasehold lands in Muar Furniture Park acquired in FYE 2020 for our future expansion purposes, of which RM4.8 million was paid; and
- (ix) increase in right-of-use assets of 2 units of motor vehicles of RM0.5 million.

The increase in non-current assets was offset by the following:

- (i) decrease in property, plant and equipment of RM0.4 million resulting from depreciation charges during the year; and
- (ii) decrease in right-of-use assets of RM0.7 million resulting from depreciation charges during the year.

Current assets

Our current assets increased by RM4.6 million due to:

- (i) increase of RM0.4 million in inventories to cater for increasing orders;
- (ii) increase of RM0.5 million in other receivables mainly due to insurance payments for directors, plant and machinery as well as levy incurred for foreign worker permits; and
- (iii) increase of RM4.2 million in fixed deposits, cash and bank balances due to higher internally generated funds contributed by higher sales. The increase in fixed deposits in FYE 2020 was mainly due to better use of excess cash and bank balances,

11. FINANCIAL INFORMATION (Cont'd)

which were offset by the decrease in trade receivables of RM0.5 million significantly lower sales to an overseas customer as compared to FYE 2019.

FYE 2021**Non-current assets**

Our non-current assets increased by RM3.0 million as compared to the RM13.1 million in FYE 2021 mainly due to:

- (i) acquisition of plant and machinery of RM1.7 million, mainly comprising for 1 unit of automatic panel saw machine (RM0.2 million), 2 unit of packing machine (RM0.2 million), 5 units of forklifts (RM0.3 million) and pallet racks (RM0.2 million) for Factory A; 3 units of automatic edge banding machines (RM0.2 million), 1 unit of point-to-point work centre (RM0.2 million) and 2 unit of automatic feeding drilling machines (RM0.2 million) for Factory B;
- (ii) progress payment of RM1.8 million accrued for 4 parcels of leasehold lands in Muar Furniture Park acquired in FYE 2021 for our future expansion purposes, of which RM6.9 million was paid; and
- (iii) increase in right-of-use assets of motor vehicle (RM0.3 million), leases of Factory A and B (RM1.0 million) and leases of hostel (RM0.4 million).

The increase in non-current assets was offset by the following:

- (i) decrease in property, plant and equipment of RM1.0 million resulting from depreciation charges during the year (RM0.5 million) and disposal of property, plant and equipment (RM0.5 million) ; and
- (ii) decrease in right-of-use assets of RM1.3 million resulting from depreciation charges during the year (RM0.9 million) and reassessments/ modifications of lease (RM0.4 million).

Current assets

Our current assets increased by RM8.1 million as compared to the RM14.6 million as at FYE 2020 due to:

- (i) the increase of RM6.0 million in inventories to cater for increasing orders;
- (ii) the increase in trade receivables of RM1.2 million mainly due to higher turnover;
- (iii) the increase of cash and bank balances of RM1.5 million; and
- (iv) the increase of other receivables of RM0.6 million in relation to our sales of plant and machinery.

The above increase was offset by the withdrawal of fixed deposits of RM1.3 million. Since the outbreak of COVID-19 pandemic, we turned cautious and placed less fixed deposits while keeping more cash and bank balances instead.

11. FINANCIAL INFORMATION (Cont'd)**FPE 2022****Non-current assets**

Our non-current assets decreased by RM0.3 million as compared to RM16.2 million in FYE 2021 mainly due to the following:

- (i) decrease in property, plant and equipment of RM0.1 million resulting from depreciation charges during the period (RM0.1 million); and
- (ii) decrease in right-of-use assets of RM0.3 million resulting from depreciation charges during the period (RM0.3 million).

This was offset by the acquisition of plant and machinery of RM63,000 for 1 unit of reconditioned forklift, office equipment of RM43,900 for surveillance system for Factory A and B and 1 unit of motor vehicle of RM13,800.

Current assets

Our current assets increased by RM5.0 million as compared to the RM22.7 million as at FYE 2021 mainly due to:

- (i) the increase of RM2.4 million in inventories to cater for increasing orders;
- (ii) the increase of other receivables of RM1.4 million comprising a deposit paid for purchase of plant and machinery of RM1.0 million; and
- (iii) the increase of cash and bank balances of RM1.0 million.

(b) Liabilities

Our liabilities as at FYE 2019 to 2021 and FPE 2022 are as follows:

	Audited			
	As at 28/29 February			As at 31 May
	2019	2020	2021	2021
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Bank borrowings	1,165	4,023	7,517	7,402
Lease liabilities	1,799	2,326	2,242	1,918
Deferred tax liabilities	166	503	517	710
Total non-current liabilities	3,130	6,852	10,276	10,030
Current liabilities				
Trade payables	3,134	4,043	5,652	8,043
Other payables and accruals	1,501	2,651	4,887	6,463
Amount owing to directors	1,683	2,024	48	101
Bank borrowings	1,274	2,504	4,483	2,859

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	As at 28/29 February			As at 31 May
	2019	2020	2021	2021
	RM'000	RM'000	RM'000	RM'000
Dividend payables	1,400	-	-	-
Derivative liabilities	-	134	11	18
Lease liabilities	753	1,027	1,254	1,271
Current tax liabilities	-	10	239	348
Total current liabilities	9,745	12,393	16,574	19,103
TOTAL LIABILITIES	12,875	19,245	26,850	29,133

FYE 2020**Non-current liabilities**

Our non-current liabilities increased by RM3.7 million due to increase in borrowings of RM3.0 million and lease liabilities of RM0.5 million as our Group drew down on new term loans and lease liabilities in FYE 2020. Additionally, our deferred tax liabilities increased by RM0.3 million. During FYE 2020, we drew down on term loans of RM3.2 million for the purchase of 4 parcels of leasehold lands in Muar Furniture Park, and to purchase pre-requisite insurance on directors arising from new bank facilities taken up during the year. We further secured new lease liabilities of RM1.8 million for the purchase of motor vehicles, production line and rental of properties.

Current liabilities

Our current liabilities increased by RM2.6 million due to:

- (i) increase of RM0.9 million in trade payables due to increase in purchases;
- (ii) increase of RM1.2 million in other payables due to higher customer deposits and sundry payables;
- (iii) increase of RM0.3 million in amount owing to directors due to higher advances from directors during the year, mainly to partially finance the acquisition of the abovementioned 4 parcels of leasehold land in Muar Furniture Park;
- (iv) increase of RM1.5 million in short term lease liabilities and bank borrowings mainly due to higher drawdowns; and
- (v) increase in derivative financial instruments of RM0.1 million as we recorded net loss in our foreign currency forward contracts.

The increase in current liabilities was reduced by the absence of RM1.4 million in dividend payable.

11. FINANCIAL INFORMATION (Cont'd)**FYE 2021****Non-current liabilities**

Our non-current liabilities increased by RM3.4 million due to increase in borrowings of RM3.5 million. During FYE 2021, we drew down on new term loans of RM4.1 million for the progress billings of the 4 parcels of leasehold land in Muar Furniture Park and working capital.

The increase in non-current liabilities was offset by a net decrease in lease liabilities of RM0.1 million. This net decrease is a result of scheduled lease payments, offset by the non-current portions of 4 new rented properties for workers' quarters and our renewed tenancy of Factory A and Factory B.

Current liabilities

Our current liabilities increased by RM4.2 million from the RM12.4 million as at FYE 2020 mainly due to:

- (i) increase of RM1.6 million in trade payables due to higher purchase of raw materials and supplies to support our increase in sales;
- (ii) increase of RM2.2 million in other payables due to higher customer deposits and sundry payables; and
- (iii) increase of RM2.2 million in short term lease liabilities and bank borrowings mainly due to higher drawdowns.

The increase in current liabilities was partially reduced by the settlement of amount owing to directors of RM2.0 million.

FPE 2022**Non-current liabilities**

Our non-current liabilities decreased by RM0.2 million due repayment of borrowings of RM0.4 million. The decrease in non-current liabilities was offset by an increase in deferred tax liabilities of RM0.2 million in relation to timing differences of capital allowance claim.

Current liabilities

Our current liabilities increased by RM2.5 million from the RM16.6 million as at FYE 2021 mainly due to:

- (i) increase of RM2.4 million in trade payables due to higher purchase of raw materials and supplies to support our increase in sales; and
- (ii) increase of RM1.6 million in other payables due to higher customer deposits.

The increase in current liabilities was partially reduced by the net repayment of short term bank borrowings of RM1.6 million.

11. FINANCIAL INFORMATION (Cont'd)

11.2.11 Recent developments

Other than the Acquisition of Ecomate, there were no significant events subsequent to our Group's audited combined financial statements for FPE 2022.

11.3 LIQUIDITY AND CAPITAL RESOURCES

11.3.1 Working capital

We have been financing our operations through existing cash and bank balances, cash generated from our operations, credit extended by our supplies and external sources of funds. Our external sources of funds comprise term loans and trade facilities such as bankers' acceptances as well as finance lease. The principal use of our borrowings is for our acquisition of property, plant and equipment and working capital.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflow and outflow, future working capital requirements, future capital expenditure requirements and the interest rate on borrowings.

After taking into consideration the following, our Board is confident that our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus:

- (a) Our deposit, cash and bank balances as at 31 May 2021 of approximately RM8.3 million (excluding RM1.0 million which is pledged as security for our banking facilities);
- (b) Our banking facilities (excluding lease liabilities) of up to a limit of RM23.4 million as at 31 May 2021, of which RM17.7 million has been utilised;
- (c) Our expected future cash flows from operations from major customers who provide us with the forecast of their orders up to 6 months in advance. In addition, there are outstanding sales orders in hand to be fulfilled in next 6 months. These forecasted orders generally materialise, and, coupled with our outstanding sales orders, will be converted to cash within the credit period given;
- (d) Our pro forma NA position and gearing level as at 31 May 2021 after the Acquisition of Ecomate and Public Issue (and utilisation of proceeds) of RM28.8 million and 0.5 times respectively; and
- (e) Our expected future cash flows from operations notwithstanding the impact from COVID-19 and MCO.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. Our finance personnel work closely with our marketing and sales staff for the collection of outstanding balances on a monthly basis. This measure has proven to be effective while allowing us to maintain cordial relationship with our customers.

11. FINANCIAL INFORMATION (Cont'd)**11.3.2 Review of cash flows****(a) Cash flow summary**

The table below sets out the summary of our combined statements of cash flows for FYE 2019 to 2021 and FPE 2022.

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	2,742	9,246	4,114	3,119
Net cash for investing activities	(1,445)	(6,981)	(3,064)	(103)
Net cash from / (for) financing activities	1,036	1,058	568	(2,046)
Net increase in cash and cash equivalents	2,333	3,323	1,618	970
Effects of foreign exchange translation	(53)	(68)	(91)	29
Cash and cash equivalents at beginning of the financial years/period	260	2,540	5,795	7,322
Net increase in cash and cash equivalents at the end of the financial year/period	2,540	5,795	7,322	8,321

(b) Commentary of cash flows**FYE 2019****Net cash from operating activities**

In FYE 2019, we recorded net cash from operating activities of RM2.7 million. We collected approximately RM23.2 million from our customers which was offset by cash payments of RM20.5 million. Such cash payments were due to:

- (i) payment to our suppliers for purchase of raw materials of RM13.3 million;
- (ii) payment for production labour, production overheads, operating expenses and salaries of RM7.0 million; and
- (iii) payment of interest expenses (RM0.1 million) and income tax (RM0.1 million).

Net cash for investing activities

We recorded a net cash outflow of RM1.4 million from our investing activities in FYE 2019, due to:

- (i) purchase of plant and machineries for RM1.1 million, refer to Section 11.2.10;

11. FINANCIAL INFORMATION (Cont'd)

- (ii) purchase of office equipment, renovation, furniture and fittings of RM0.2 million; and
- (iii) addition of right-of-use assets of RM0.1 million.

Net cash from financing activities

In FYE 2019, we recorded a net cash inflow of RM1.0 million from our financing activities, due to:

- (i) proceeds from increase in share capital of RM0.3 million due to the issuance of new share for the Pre-IPO investment; and
- (ii) drawdowns of term loans and movement in bankers' acceptances (RM2.5 million).

The abovementioned increase was partially offset by an increase in fixed deposits pledged (RM1.3 million) and repayment of lease liabilities and term loans (RM0.5 million).

FYE 2020**Net cash from operating activities**

In FYE 2020, we recorded net cash from operating activities of RM9.2 million. We collected RM43.0 million from our customers and RM0.1 million from interest income which was offset by cash payments of RM33.9 million. Such cash payments were due to:

- (i) payment to our suppliers for purchases of raw materials of RM21.9 million;
- (ii) payment for production labour, production overheads, operating expenses and salaries of RM11.1 million; and
- (iii) payment of interest expenses (RM0.4 million) and income tax (RM0.5 million).

Net cash from investing activities

In FYE 2020, we recorded a net cash outflow of RM7.0 million from our investing activities, due to:

- (i) purchase of plant and machineries for RM1.8 million, refer to Section 11.2.10;
- (ii) purchase of office equipment, renovation, furniture and fittings and computer hardware and software of RM0.2 million;
- (iii) addition of right-of-use assets of RM0.2 million; and
- (iv) addition of prepaid lease payments of RM4.8 million due to addition of progress payment under MFP SPAs.

11. FINANCIAL INFORMATION (Cont'd)**Net cash from financing activities**

In FYE 2020, we recorded a net cash inflow of RM1.1 million from our financing activities, due to:

- (i) proceeds from increase in share capital of RM0.8 million and share application money of RM2.2 million due to issuance of new shares to our pre-IPO investors;
- (ii) drawdowns of term loans and movement in bankers' acceptances of RM4.4 million.

The abovementioned increase was partially offset by an increase in the repayment of borrowings (RM1.2 million) and dividend payment (RM4.0 million) and increase in placement in fixed deposits with tenures exceeding 3 months of RM1.3 million.

FYE 2021**Net cash from operating activities**

In FYE 2021, we recorded net cash from operating activities of RM4.1 million. We collected RM55.4 million from our customers which was offset by cash payments of RM51.3 million. Such cash payments were due to:

- (i) payment to our suppliers for purchase of raw materials of RM32.7 million;
- (ii) payment for production labour, production overheads, operating expenses and salaries of RM16.8 million; and
- (iii) payment of interest expenses (RM0.5 million) and income tax (RM1.3 million).

Net cash for investing activities

In FYE 2021, we recorded a net cash outflow of RM3.1 million from our investing activities, due to:

- (i) purchase of property, plant and equipment for RM1.8 million, details of which are set out in Section 11.2.10; and
- (ii) addition of prepaid lease payments of RM1.8 million due to addition of progress payment under the MFP SPAs.

The outflow was offset by proceeds from disposal of property, plant and equipment amounting to RM0.5 million and proceeds from disposal of a motor vehicle amounting to RM0.1 million.

Net cash from financing activities

In FYE 2021, we recorded a net cash inflow of RM0.6 million from our financing activities due to:

- (i) drawdowns of term loans and movement in bankers' acceptances of RM6.0 million; and
- (ii) withdrawal of fixed deposits of RM1.3 million.

11. FINANCIAL INFORMATION (Cont'd)

The abovementioned increase was offset by an increase in the repayment of borrowings (RM1.6 million) and dividend payment (RM5.0 million).

FPE 2022**Net cash from operating activities**

In FPE 2022, we recorded net cash from operating activities of RM3.1 million. We collected RM18.6 million from our customers which was offset by cash payments of RM15.5 million. Such cash payments were mainly:

- (i) payment to our suppliers for purchase of raw materials of RM10.2 million;
- (ii) payment for production labour, production overheads, operating expenses and salaries of RM4.7 million; and
- (iii) payment of interest expenses (RM0.1 million) and income tax (RM0.4 million).

Net cash for investing activities

In FPE 2022, we recorded a net cash outflow of RM0.1 million from our investing activities, due to purchase of property, plant and equipment for RM0.1 million, details of which are set out in Section 11.2.10.

Net cash for financing activities

In FPE 2022, we recorded a net cash outflow of RM2.0 million from our financing activities. A total repayment of RM7.3 million borrowings comprising term loan of RM0.1 million, bankers' acceptance of RM6.9 million and lease liabilities of RM0.3 million have been made, which was offset by the drawdowns of bankers' acceptances of RM5.3 million to arrive at a net repayment of RM2.0 million.

11.4 BORROWINGS AND INDEBTEDNESS

We utilise credit facilities such as bankers' acceptances to finance purchases of raw materials while term loans are used to finance the acquisition of leasehold lands and working capital. Lease liabilities are used to finance the purchase of production line and motor vehicles and includes our rental obligations for our factories and hostels.

Our total outstanding borrowings as at 31 May 2021 stood at RM13.5 million, details of which are set out below. All our borrowings are interest-bearing and denominated in RM.

	Purpose	Interest rate	As at 31 May
		% per annum	2021
			RM'000
Current			
Secured bankers' acceptances	Financing the purchase of goods, products, materials locally/overseas	2.0 – 3.5	2,409
Secured lease liabilities	Purchase of production line and motor vehicles and includes our rental obligations for our factories and hostels	3.0 – 7.3	1,271
Secured term loans	• Insurance premium scheme for Entrepreneur Term Loan Assurance	3.2 – 6.5	450

11. FINANCIAL INFORMATION (Cont'd)

	Purpose	Interest rate % per annum	As at 31 May 2021 RM'000
	<ul style="list-style-type: none"> Working capital Acquisition of 4 parcels of leasehold land in Muar Furniture Park 		
	Total current borrowings		4,130
Non-current			
Secured lease liabilities	Purchase of production line and motor vehicles and includes our rental obligations for our factories and hostels	3.0 – 7.3	1,918
Secured term loans	<ul style="list-style-type: none"> Insurance premium scheme for Entrepreneur Term Loan Assurance Working capital Acquisition of 4 parcels of leasehold land in Muar Furniture Park 	3.2 – 6.5	7,402
	Total non-current borrowings		9,320
	Total borrowings		13,450

Pro forma gearing (times)

After Acquisition of Ecomate but before the Public Issue ⁽¹⁾	0.9
After Acquisition of Ecomate, Public Issue and utilisation of proceeds ⁽²⁾	0.5

Notes:

- (1) Computed based on our pro forma shareholders' funds of RM14.4 million in the pro forma combined statements of financial position after the Acquisition of Ecomate but before the Public Issue.
- (2) Computed based on our pro forma shareholders' funds of RM28.8 million in the pro forma combined statements of financial position after the Acquisition of Ecomate, Public Issue and utilisation of proceeds.

Our pro forma gearing ratio is expected to decrease from 0.9 times (before the Public Issue) to 0.5 times (after the Public Issue and utilisation of proceeds) due to increase in shareholders' funds arising from the issuance of new Shares pursuant to the Public Issue.

Our interest-bearing borrowings carry the following interest rates for FYE 2019 to 2021 and FPE 2022:

	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	% per annum			
Lease liabilities	3.0 – 7.3	3.0 – 7.3	3.0 – 7.3	3.0 – 7.3
Bankers' acceptances	4.9 – 5.3	3.2 – 5.1	2.1 – 3.5	2.0 – 3.5
Term loans	6.0 – 8.0	6.0 – 7.5	3.5 – 6.5	3.2 – 6.5

11. FINANCIAL INFORMATION (Cont'd)

The following table sets out the maturities of our borrowings as at 31 May 2021:

	As at 31 May 2021
	RM'000
Borrowings	
Within the next 12 months	4,130
Later than 1 year but not later than 5 years	8,869
More than 5 years	451
Total borrowings	13,450

As at LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency. We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout FYE 2019 to 2021 and FPE 2022 as well as the subsequent financial period up to LPD.

As at LPD, neither our Group nor our subsidiary is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

From FYE 2019 to 2021 and FPE 2022, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

11.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

As at LPD, save for our borrowings as disclosed in Section 11.4 and the USD denominated forward contracts that we have entered into as disclosed in Section 11.10.1(b), we do not utilise any other financial instruments. We receive proceeds in USD in respect of our foreign sales and pay for purchases denominated in USD with our foreign currency accounts.

We finance our operations mainly through cash generated from our operations, credit extended by trade payables as well as external sources of funds which mainly comprise borrowings. Save for finance leases and bankers' acceptances which carry fixed interest rates, all other borrowings bear variable interest rates based on the bank's cost of funds plus a rate which varies depending on the different types of bank facilities.

The usages of these banking facilities are for working capital as well as acquisition of property, plant and equipment.

11.6 MATERIAL CAPITAL COMMITMENTS, MATERIAL LITIGATION AND CONTINGENT LIABILITY

11.6.1 Material commitments

Save as disclosed below, and as at LPD, our Group does not have any material capital commitment:

	RM'000
Authorised and contracted for: Leasehold vacant industrial land ⁽¹⁾	1,725

11. FINANCIAL INFORMATION (Cont'd)

	<u>RM'000</u>
Plant and machineries ⁽²⁾	3,194
	<u>4,919</u>

Notes:

- (1) Being the acquisition of 4 parcels of leasehold lands in Muar Furniture Park at a total consideration price of approximately RM8.6 million. As at LPD, RM6.9 million has been paid. As such, the remaining purchase sum payable of RM1.7 million has been recorded as a material commitment as at LPD.
- (2) Being the purchase of plant machineries at a total of RM4.2 million from a supplier, mainly comprising 3 units of point-to-point work centres, 1 unit each of automatic edge banding machines and power roller conveyor for Factory A. As at LPD, we have paid a deposit sum of RM1.0 million, representing 23.8% of the total purchase costs.

11.6.2 Material litigation and contingent liability

We are not engaged in any material litigation, claim or arbitration either as a plaintiff or defendant, and there are no proceedings pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our financial position or business as at LPD.

There are no contingent liabilities incurred by us or our subsidiary, which upon becoming enforceable, may have a material effect on our financial position or our subsidiary as at LPD.

11.7 KEY FINANCIAL RATIOS

The key financial ratios of our Group for FYE 2019 to 2021 and FPE 2022 are as follows:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2022</u>
Trade receivable turnover (days) ⁽¹⁾	22	14	13	13
Trade payable turnover (days) ⁽²⁾	50	44	46	46
Inventory turnover (days) ⁽³⁾	61	49	68	76
Current ratio (times) ⁽⁴⁾	1.0	1.2	1.4	1.4
Gearing ratio (times) ⁽⁵⁾	2.2	1.2	1.3	0.9
Net gearing ratio (times) ⁽⁶⁾	1.1	0.3	0.7	0.4

Notes:

- (1) Computed based on the average trade receivables by multiplying 365 days for FYE 2019 to 2021 and 92 days for FPE 2022:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Opening trade receivables	954	1,940	1,392	2,584
Closing trade receivables	1,940	1,392	2,584	2,771
Revenue	24,141	42,398	56,342	18,794

11. FINANCIAL INFORMATION (Cont'd)

	<u>FYE 2019</u> <u>RM'000</u>	<u>FYE 2020</u> <u>RM'000</u>	<u>FYE 2021</u> <u>RM'000</u>	<u>FPE 2022</u> <u>RM'000</u>
Average trade receivable turnover period (days)	22	14	13	13

(2) Computed based on the average trade payables by multiplying 365 days for FYE 2019 to 2021 and 92 days for FPE 2022:

	<u>FYE 2019</u> <u>RM'000</u>	<u>FYE 2020</u> <u>RM'000</u>	<u>FYE 2021</u> <u>RM'000</u>	<u>FPE 2022</u> <u>RM'000</u>
Opening trade payables	1,604	3,134	4,043	5,652
Closing trade payables	3,134	4,043	5,652	8,043
Cost of sales	17,379	29,544	38,665	13,787
Average trade payable turnover period (days)	50	44	46	46

(3) Computed based on the average inventories by multiplying 365 days for FYE 2019 to 2021 and 92 days for FPE 2022:

	<u>FYE 2019</u> <u>RM'000</u>	<u>FYE 2020</u> <u>RM'000</u>	<u>FYE 2021</u> <u>RM'000</u>	<u>FPE 2022</u> <u>RM'000</u>
Opening inventory	2,047	3,729	4,176	10,161
Closing inventory	3,729	4,176	10,161	12,550
Cost of sales	17,379	29,544	38,665	13,787
Inventory turnover period (days)	61	49	68	76

(4) Computed based on current assets over current liabilities as at year end for each of FYE 2019 to 2021 and FPE 2022.

(5) Computed based on the total borrowings over total equity as at year end for each of FYE 2019 to 2021 and FPE 2022.

(6) Computed based on the net borrowings (total borrowings net of cash and bank balances) over total equity as at FYE 2019 to 2021 and FPE 2022.

11.7.1 Trade receivable turnover

The ageing analysis of our trade receivables as at 31 May 2021 is as follows:

	Within credit period	Exceeding credit period but not impaired				Total
		1 to 30 days	31 to 60 days	61 - 90 days	More than 90 days	
Trade receivables (RM'000)	1,777	719	222	48	5	2,771
% of total trade receivables	64.1	26.0	8.0	1.7	0.2	100.0
Subsequent collections up to LPD (RM'000)	1,763	663	190	48	5	2,669

11. FINANCIAL INFORMATION (Cont'd)

	Within credit period	Exceeding credit period but not impaired				Total
		1 to 30 days	31 to 60 days	61 - 90 days	More than 90 days	
Trade receivables net of subsequent collections (RM'000)	14.0	56.0	32.0	-	-	102
% of total trade receivables (net of subsequent collections)	13.8	54.7	31.5	-	-	100.0
Turnover period (days)						13

Our normal trade terms are cash term and credit terms of up to 90 days. Our credit terms to customers are assessed and approved on a case-by-case basis taking into consideration various factors such as relationship with customers, customers' payment history, credit worthiness and quantum of amount owing. We use ageing analysis to monitor the credit quality of our trade receivables.

The outstanding amount of RM0.1 million was contributed by 2 local customers affected by the COVID-19 situation who took a longer time to pay due to their cash constraints.

Our average trade receivable turnover periods for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 were 22 days, 14 days, 13 days and 13 days respectively, which is within our credit period. The trade receivables turnover days decreased from FYE 2019 to FPE 2022 due to improvements in our collection over the years.

As at LPD, we have collected RM2.7 million of our total trade receivables as at 31 May 2021. Our management closely monitors the recoverability of the trade receivables on a regular basis. Our Board are of the view that the remaining trade receivables are recoverable and no further provision for impairment is required after taking into consideration its relationship with the customers as well as its effort to improve collection with various credit control measures to reduce the potential exposure on credit risk.

Our Group has not encountered any major disputes with our debtors. No allowance for impairment was provided as there were no doubtful receivables outstanding for FYE 2019 to 2021 and FPE 2022.

11.7.2 Trade payable turnover

The ageing analysis of our trade payables as at 31 May 2021 is as follows:

	Within credit term	Exceeding credit period				Total
		1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	
Trade payables (RM'000)	4,990	3,052	1	-	-	8,043
% of total trade payables	62.0	37.9	0.1	-	-	100.0
Subsequent payments up to LPD (RM'000)	4,990	3,052	1	-	-	8,043
Trade payables net of subsequent payments (RM'000)	-	-	-	-	-	-

11. FINANCIAL INFORMATION (Cont'd)

	Within credit term	Exceeding credit period			Total
		1 to 30 days	31 to 60 days	61 to 90 days	
% of total trade payables (net of subsequent payments)	-	-	-	-	-
Turnover period (days)					46

The normal trade terms granted to our Group by our suppliers are cash term and credit terms of up to 60 days.

Certain payables exceeded the credit period due to the COVID-19 situation where we were more prudent with our cash conservation to weather through the pandemic situation.

Our average trade payable turnover period for FYE 2019, FYE 2020, FYE 2021 and FPE 2022, were 50 days, 44 days, 46 days and 46 days respectively, which is within the credit period given. The trade payables turnover days decreased from FYE 2019 to FYE 2020 due to improvements as we paid suppliers more promptly in line with our improved collection over the years.

As at LPD, all the outstanding trade payables as at 31 May 2021 have been paid.

11.7.3 Inventory turnover

Our inventories consist of raw materials, packaging materials, work-in-progress and finished goods.

Our inventory turnover for FYE 2019 to 2021 and FPE 2022 is as follows:

	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Inventory turnover (days)	61	49	68	76

Our inventory turnover period from FYE 2019 to 2021 and FPE 2022 approximates an average of 2.1 months.

Our inventory turnover days vary year to year according to our sales orders. The inventory turnover for FYE 2020 of 49 days was lower due to higher sales orders received which outstripped our production speed. The inventory turnover days for FYE 2021 of 68 days were higher due to higher level of raw materials and finished goods at the end of FYE 2021. Higher level of raw materials was purchased to meet outstanding sales orders whilst higher level of finished goods was held owing to the container and vessel shortage towards the end of FPE 2022.

As at 31 May 2021, the inventories of our Group amounted to RM12.6 million and can be analysed as follows:

	1 to 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 days and above RM'000	Total RM'000
Raw materials (including packaging materials)	3,130	792	(1)306	(1)1,097	5,325

11. FINANCIAL INFORMATION (Cont'd)

	1 to 30 days	31 to 60 days	61 to 90 days	91 days and above	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Work-in-progress	1,513	-	-	-	1,513
Finished goods	4,812	614	(2)116	(2)170	5,712
	<u>9,455</u>	<u>1,406</u>	<u>422</u>	<u>1,267</u>	<u>12,550</u>
Turnover period (days)					76

Notes:

- (1) We purchased and kept more stock of raw materials for the outstanding customer orders and uncertainties in raw material pricing. Additionally, there are residual odd-sized boards useable for production, metal components and PVC edging. These raw materials are not subject to obsolescence and as such no impairment was made.
- (2) Ready stocks of furniture held for longer periods due to container and vessel shortage towards end of FPE 2022. As at LPD, these ready stocks have been fully sold.

We conduct monthly management meeting to review our inventory level and inventory ageing. Approval is required from authorised personnel at management level for replenishment of stocks and impairment on slow moving stocks.

Our Group practices first-in-first-out basis in computing the cost of inventories, work-in-progress, and finished goods. The costs of raw materials include invoiced value of goods purchased and expenditure incurred in acquiring inventories. The cost of finished goods and work-in-progress comprises raw materials, production labour and an appropriate proportion of production overheads.

11.7.4 Current ratio

Our current ratio for FYE 2019 to FYE 2021 and FPE 2022 is as follows:

	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Current ratio (times)	1.0	1.2	1.4	1.4

Our current ratio was between 1.0 time and 1.4 times from FYE 2019 to 2021 and FPE 2022. With our improving financial performance and position over the years, our current ratio rose to 1.4 time from FYE 2019 thereby indicating that our Group is capable of meeting our current obligations as our current assets such as inventory and trade receivables, which can be readily converted to cash, together with our cash in the bank are enough to meet immediate current liabilities.

Kindly also refer to Section 11.2.10 for further details on our current assets and current liabilities.

11.7.5 Gearing ratio

Our gearing and net gearing ratios for FYE 2019 to 2021 and FPE 2022 is as follows:

	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Gearing ratio (times)	2.2	1.2	1.3	0.9
Net gearing ratio (times)	1.1	0.3	0.7	0.4

11. FINANCIAL INFORMATION (Cont'd)

Our gearing ratio improved from 2.2 times in FYE 2019 to 1.2 times in FYE 2020 to 1.3 times in FYE 2021 and thereafter 0.9 times in FPE 2022 due to profits generated over the years. In addition to these profits retained, the share capital also increased over the years, which resulted in the increases in total equity and hence improved the gearing ratio over the years. The net gearing ratios are computed based on the net borrowings (total borrowings net of cash and bank balances) over total equity as at FYE 2019 to 2021 and FPE 2022, which illustrate our availability of cash and bank balances to repay our borrowings.

11.8 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

There were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance from FYE 2019 to 2021 and FPE 2022 except for MCO imposed as detailed in Section 6.7.1.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 8.

11.9 IMPACT OF INFLATION

Our Group is of the view that the current inflation rate does not have a material impact on our business, financial condition or results of our operation. However, any significant increase in future inflation may adversely affect our Group's operations and performance if we are unable to pass on the higher costs to our customers through increase in selling prices.

11.10 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES

11.10.1 Impact of foreign exchange rates

We are exposed to transactional currency exposure as approximately 76.0%, 84.6%, 89.7% and 78.2% of our revenues were denominated in USD for FYE 2019 to 2021 and FPE 2022 respectively. Our Group's GP margin is therefore directly affected by fluctuations in RM and USD currency exchange rates.

An appreciation of the RM against the USD may adversely affect our financial performance and GP margin.

(a) Gain on foreign exchange

For FYE 2019 to 2021 and FPE 2022, our gain from foreign exchange fluctuations are as follows:

	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Realised gain on foreign exchange	200	370	453	179
Unrealised (loss)/ gain on foreign exchange	(53)	(68)	(91)	29
Net gain	147	302	362	208

11. FINANCIAL INFORMATION (Cont'd)

Realised gain on foreign exchange represents the difference in the foreign exchange rate as at the date of our invoice as compared to the foreign exchange rate when the payment for the invoice is received.

If the foreign exchange rate as at the date of our invoice is higher as compared to the rate when the payment for the invoice is received, we will record a realised loss on foreign exchange. Conversely, if the foreign exchange rate as at the date of our invoice is lower as compared to the rate when the payment for the invoice is received, we will record a realised gain on foreign exchange.

Unrealised loss on foreign exchange represents the difference in the foreign exchange rate as at the date of our invoice as compared to the foreign exchange spot rates as at the end of each financial year/period.

(b) Foreign currency forward contracts

We enter into foreign currency forward 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. The table below summarises our USD denominated forward contracts as at 28/29 February 2019, 2020 and 2021 as well as 31 May 2021:

	As at 28/29 February						As at 31 May	
	2019		2020		2021		2021	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
USD denominated forward contracts	-	-	2,294	9,557	1,135	4,607	2,996	12,350

During FYE 2019 to 2021 and FPE 2022, our gains and losses arising from the fluctuations in foreign exchange from the forward contracts that we entered into, are as follows:

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Net fair value (loss)/gain on derivative financial instrument	-	(134)	123	(7)

We will record a net fair value gain if the agreed exchange rate is higher than the rates as at the end of the respective financial year/period. Conversely, we will record a net fair value loss if the agreed exchange rate is lower than the rates as at the end of the respective financial year/period.

Resulting from the usage of foreign currency forward contracts, the net effect to the impact of foreign exchange rate fluctuations are as follows:

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Net gain on foreign exchange	147	302	362	208

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Net fair value (loss)/gain on derivative financial instrument	-	(134)	123	(7)
Gain on foreign exchange	147	168	485	201

For FYE 2019, our net gain on foreign exchange was RM0.1 million due to the appreciation of the USD against RM.

We were able to reduce the losses of net foreign exchange recorded in FYE 2020 of RM0.2 million as we had recorded a net gain on fair value (RM0.3 million) and net loss on fair value (RM0.1 million) via the use of foreign currency forward contracts.

For FYE 2021, we recorded net gain on foreign exchange (RM0.4 million) and net gain on fair value (RM0.1 million) via usage of foreign currency forward contracts. The overall impact was a gain on foreign exchange of RM0.5 million for FYE 2021.

For FPE 2022, we recorded net gain on foreign exchange (RM0.2 million) and net loss on fair value (RM7,000). The overall impact was a gain on foreign exchange of RM0.2 million for FPE 2022.

Kindly refer to Section 8.1.2 for the details on risk relating to fluctuations in foreign exchange rates.

11.10.2 Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. The interest coverage ratio from FYE 2019 to 2021 and FPE 2022 is as follows:

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Interest coverage ratio (times) ⁽¹⁾	28.3	16.1	22.5	23.6

Note:

⁽¹⁾ Computed based on EBIT over finance costs for FYE 2019 to 2021 and FPE 2022.

Our interest coverage ratio of between 16.1 times and 28.3 times for FYE 2019 to FYE 2021 and FPE 2022 indicates that our Group has been able to generate sufficient EBIT to meet our interest serving obligations.

Our Group's financial results from FYE 2019 to 2021 and FPE 2022 were not materially affected by fluctuations in interest rates. However, any major increase in interest rates would raise the cost of our borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

11.10.3 Impact of commodity prices

The raw materials that we use in our production process are not commodities.

11. FINANCIAL INFORMATION (Cont'd)

11.11 ORDER BOOK

Due to the nature of our business, we do not maintain an order book. We generate our revenue as and when we deliver our furniture products based on purchase orders received. Although we do not have any long term agreements with its customers, our Board is of the view that our revenue is sustainable as, our major customers provide us with the forecast of their orders up to 6 months in advance. These forecasted orders generally materialise, and coupled with our outstanding sales orders, will be converted to cash within the credit period given.

11.12 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

- (a) our Group's revenue will remain sustainable with an upward growth trend, in line with the growth outlook of the furniture industry as set out in the IMR Report;
- (b) our liquidity will improve subsequent to the Public Issue given the additional funds to be raised for us to carry out our future plans as stated in Section 6.19; and
- (c) our financial resources will strengthen, taking into account the amount to be raised from the IPO as well as internally generated funds. We may consider debt funding for our business expansion should the need arise.

There are no known circumstances which would result in a significant decline in our revenue and GP margin, and likely to have a material impact on our liquidity, revenue or profitability.

11.13 TREND INFORMATION

Based on our track record for the financial years under review, including our segmental analysis of revenue and profitability, the following trends may continue to affect our business:

- (a) Revenue contribution from living room furniture segment has been the main revenue contributor for our business. We expect the living room furniture segment to continue contributing significantly to our revenue in the future;
- (b) For FYE 2019 to 2021 and FPE 2022, our revenue is primarily derived from export sales. We expect this trend to continue in the future;
- (c) For FYE 2019 to 2021 and FPE 2022, sales to Asia (excluding Malaysia), Europe and North America have contributed between 45.3% and 80.6% of our revenue. We expect sales to these regions to continue contributing significantly to our revenue in the future; and
- (d) For FYE 2019 to 2021 and FPE 2022, the main component of our cost of sales is raw materials, which constituted more than 73.5% of total cost of sales. We expect this trend to continue.

11. FINANCIAL INFORMATION (Cont'd)

Save as disclosed in Section 11.2, there are no other factors which are likely to have a material effect on our financial condition and results of operations or cause our Group's historical financial statements to be not necessarily indicative of our future financial performance.

In 2020, due to the outbreak of COVID-19, the Government imposed an MCO which impacted most of the economic sectors and activities, especially those operating in non-essential services. During the initial MCO period from 18 March 2020 to 30 April 2020, as well as the period since 1 June 2021 up to 9 September 2021, our Group's procurement and production operations were affected. The pandemic also affected our foreign sales as we have a large export base of customers, and resulted in delayed delivery of furniture products to customers who are located in selected countries where their borders or logistics hubs were closed or restricted due to the COVID-19 pandemic.

Despite the impact of the COVID-19 pandemic, we continued to secure new orders and we did not experience any cancellation in sales orders from our customers. We also did not experience any claims arising from delayed delivery during this period. Thus, our Board is optimistic about the future prospects of our Group given the positive outlook of the furniture industry in Malaysia and globally as set out in the IMR Report in Section 7, our Group's competitive strengths as set out in Section 6.8 and our Group's business strategies and prospects as set out in Section 6.19.

11.14 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. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, and consent from our financiers as set out in the respective facility agreements, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us. Generally, consent from the financier is required if any payment or declaration of such dividend exceeds or will exceed the PAT or a specific PAT threshold as prescribed in the respective facility agreements. Moving forward, 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 board of directors deem relevant.

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group.

Dividends declared and dividends paid by our subsidiary from FYE 2019 to 2021 and FPE 2022 were as follows:

	FYE 2019	FYE 2020	FYE 2021	FPE 2022	Subsequent to FPE 2022 and up to LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Dividends declared	1,400	2,600	5,000	-	200

11. FINANCIAL INFORMATION (Cont'd)

	FYE 2019	FYE 2020	FYE 2021	FPE 2022	Subsequent to FPE 2022 and up to LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Dividends paid	-	(4,000)	(5,000)	-	(200)

The list of the entitled shareholders and their respective dividend entitlement were as follows:

	FYE 2019	FYE 2020	FYE 2021	FPE 2022	Subsequent to FPE 2022 and up to LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Ecomate Holdings	-	-	-	-	200
Koh Cheng Huat	700	1,300	2,368	-	-
Jason Koh Jian Hui	700	1,300	2,368	-	-
BYD Capital Sdn. Bhd.	-	-	68	-	-
Mamba Capital Sdn. Bhd.	-	-	98	-	-
Koda Capital Sdn. Bhd.	-	-	98	-	-
	1,400	2,600	5,000	-	200

Subsequent to FPE 2022 and up to the LPD, Ecomate had declared a dividend of RM0.2 million in respect of financial year ending 28 February 2022 to Ecomate Holdings on 15 July 2021 and paid on 22 July 2021. The amount was funded via internally generated funds. Our Board confirms that this dividend is not expected to affect the execution and implementation of our Group's future plans and strategies moving forward.

11.15 CAPITALISATION, BORROWINGS AND INDEBTEDNESS

The table below summarises our capitalisation, borrowings and indebtedness as at 31 August 2021 and after Public Issue, including the utilisation of proceeds from the Public Issue.

	Ecomate Holdings	I	II
	As at 31 August 2021⁽¹⁾	After Public Issue	After I and utilisation of proceeds
	RM'000	RM'000	RM'000
Capitalisation			
Shareholders' equity	12,579	28,749	27,674
Total capitalisation	12,579	28,749	27,674

11. FINANCIAL INFORMATION (Cont'd)

	<u>Ecomate Holdings</u>	<u>I</u>	<u>II</u>
	<u>As at 31 August 2021⁽¹⁾</u>	<u>After Public Issue</u>	<u>After I and utilisation of proceeds</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Indebtedness			
<i>Non-current</i>			
Borrowings	7,286	7,286	7,286
Lease liabilities	929	929	929
<i>Current</i>			
Borrowings	3,320	3,320	3,320
Lease liabilities	1,044	1,044	1,044
Total indebtedness	12,579	12,579	12,579
Gearing ratio⁽²⁾(times)	1.0	0.4	0.5

Notes:

- (1) On the assumption that the Acquisition of Ecomate has been completed.
- (2) Calculated based on the total indebtedness divided by total capitalisation.

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12. ACCOUNTANTS' REPORT

ECOMATE HOLDINGS BERHAD
(Incorporated in Malaysia)

Registration No.:202001036445 (1392766-X)

ACCOUNTANTS' REPORT

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12. ACCOUNTANTS' REPORT (Cont'd)



Date: **22 SEP 2021**

The Board of Directors
Ecomate Holdings Berhad
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Dear Sirs

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF ECOMATE HOLDINGS BERHAD ("ECOMATE HOLDINGS" OR "THE COMPANY")

OPINION

We have audited the accompanying combined financial statements of Ecomate Holdings which comprises the combined statements of financial position as at 28 February 2019, 29 February 2020, 28 February 2021 and 31 May 2021 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the financial years ended 28 February 2019, 29 February 2020 and 28 February 2021, and for three-months financial period ended 31 May 2021, and notes to the combined financial statements including a summary of significant accounting policies, as set out on pages 4 to 67. The Company and its combining entity, namely Ecomate Sdn Bhd are collectively known as "the Group" hereinafter.

These historical combined financial statements have been prepared for inclusion in the prospectus of Ecomate Holdings, in connection with the listing of and quotation for its entire enlarged issued share capital of Ecomate Holdings on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). This report is required by the *Prospectus Guidelines* issued by the Securities Commission Malaysia (the "Prospectus Guidelines") and is given for the purpose of complying with Chapter 10 of the Prospectus Guidelines and for no other purpose.

In our opinion, the combined financial statements give a true and fair view of the financial position of the Group as at 28 February 2019, 29 February 2020, 28 February 2021 and 31 May 2021 and of their financial performance and their cash flows for each of the financial years ended 28 February 2019, 29 February 2020, 28 February 2021 and for the three-months financial period ended 31 May 2021 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with the approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

12. ACCOUNTANTS' REPORT (Cont'd)**DIRECTORS' RESPONSIBILITIES FOR THE COMBINED FINANCIAL STATEMENTS**

The directors of the Company ("the Directors") are responsible for the preparation of the combined financial statements of the Company that gives a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. ACCOUNTANTS' REPORT (Cont'd)



REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)

- Obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

The comparative information in respect of the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity, combined statements of cash flows and related notes to the combined financial statements for the financial period ended 31 May 2020 has not been audited.

RESTRICTION ON DISTRIBUTION AND USE

We understand that this report will be used solely for the purpose of inclusion in the prospectus of Ecomate Holdings in connection with the listing of and quotation for its entire enlarged issued share capital on the ACE Market of Bursa Securities. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

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

Ng Kim Hian
02506/04/2023 J
Chartered Accountant

Muar, Johor Darul Takzim

12. ACCOUNTANTS' REPORT (Cont'd)**ECOMATE HOLDINGS BERHAD**

Registration No.: 202001036445 (1392766-X)

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	<----- Audited ----->			
		28.02.2019 RM'000	29.02.2020 RM'000	28.02.2021 RM'000	31.05.2021 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	2,447	4,031	4,856	4,837
Prepaid lease payments	5	-	5,096	6,900	6,900
Right-of-use assets	6	2,705	4,009	4,406	4,142
		<u>5,152</u>	<u>13,136</u>	<u>16,162</u>	<u>15,879</u>
CURRENT ASSETS					
Inventories	7	3,729	4,176	10,161	12,550
Trade receivables	8	1,940	1,392	2,584	2,771
Other receivables, deposits and prepayments	9	411	881	1,519	2,908
Current tax assets		58	-	-	-
Fixed deposits with licensed banks	10	1,300	2,335	1,091	1,091
Cash and bank balances		2,540	5,795	7,322	8,321
		<u>9,978</u>	<u>14,579</u>	<u>22,677</u>	<u>27,641</u>
TOTAL ASSETS		<u>15,130</u>	<u>27,715</u>	<u>38,839</u>	<u>43,520</u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital	11	700	1,500	3,926	3,926
Share application money	12	-	2,188	-	-
Retained profits		1,555	4,782	8,063	10,461
TOTAL EQUITY		<u>2,255</u>	<u>8,470</u>	<u>11,989</u>	<u>14,387</u>
NON-CURRENT LIABILITIES					
Bank borrowings	13	1,165	4,023	7,517	7,402
Lease liabilities	14	1,799	2,326	2,242	1,918
Deferred tax liabilities	15	166	503	517	710
		<u>3,130</u>	<u>6,852</u>	<u>10,276</u>	<u>10,030</u>
CURRENT LIABILITIES					
Trade payables	16	3,134	4,043	5,652	8,043
Other payables and accruals	17	1,501	2,651	4,887	6,463
Amount owing to directors	18	1,683	2,024	48	101
Bank borrowings	13	1,274	2,504	4,483	2,859
Dividend payable		1,400	-	-	-
Derivative liabilities	19	-	134	11	18
Lease liabilities	14	753	1,027	1,254	1,271
Current tax liabilities		-	10	239	348
		<u>9,745</u>	<u>12,393</u>	<u>16,574</u>	<u>19,103</u>
TOTAL LIABILITIES		<u>12,875</u>	<u>19,245</u>	<u>26,850</u>	<u>29,133</u>
TOTAL EQUITY AND LIABILITIES		<u>15,130</u>	<u>27,715</u>	<u>38,839</u>	<u>43,520</u>

12. ACCOUNTANTS' REPORT (Cont'd)**ECOMATE HOLDINGS BERHAD**

Registration No.: 202001036445 (1392766-X)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	<----- Audited ----->				Unaudited
		01.03.2018 to 28.02.2019 RM'000	01.03.2019 to 29.02.2020 RM'000	01.03.2020 to 28.02.2021 RM'000	01.03.2021 to 31.05.2021 RM'000	01.03.2020 to 31.05.2020 RM'000
REVENUE	20	24,141	42,398	56,342	18,794	5,899
COST OF SALES		(17,379)	(29,544)	(38,665)	(13,787)	(4,054)
GROSS PROFIT		6,762	12,854	17,677	5,007	1,845
OTHER INCOME		214	518	881	385	94
SELLING AND DISTRIBUTION EXPENSES		(878)	(1,575)	(1,708)	(530)	(195)
ADMINISTRATIVE EXPENSES		(2,369)	(4,474)	(5,013)	(1,564)	(808)
OTHER EXPENSES		(66)	(246)	(1,252)	(11)	(203)
PROFIT FROM OPERATIONS		3,663	7,077	10,585	3,287	733
FINANCE COSTS	22	(129)	(435)	(466)	(139)	(95)
PROFIT BEFORE TAX	23	3,534	6,642	10,119	3,148	638
INCOME TAX EXPENSE	24	(193)	(815)	(1,600)	(750)	34
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		3,341	5,827	8,519	2,398	672
EARNINGS PER SHARE (RM)	25					
Basic		4.77	3.88	4.26	1.20	0.45
Diluted		N.A	N.A	N.A	N.A	N.A

Note:

N.A - Not applicable. There are no dilutive potential equity instruments that would give a diluted effect to the basic earnings per share.

12. ACCOUNTANTS' REPORT (Cont'd)**ECOMATE HOLDINGS BERHAD**

Registration No.: 202001036445 (1392766-X)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital RM'000	Non-Distributable Share application money RM'000	Distributable (Accumulated losses)/ Retained profits RM'000	Total equity RM'000
Audited					
Balance at 1 March 2018		400	-	(386)	14
Issuance of shares		300	-	-	300
Profit after tax and total comprehensive income for the financial year		-	-	3,341	3,341
Contributions by and distributions to owners of the Company:-					
- Dividends	26	-	-	(1,400)	(1,400)
Balance at 28 February 2019		700	-	1,555	2,255
Audited					
Balance at 1 March 2019		700	-	1,555	2,255
Issuance of shares		800	-	-	800
Share application money		-	2,188	-	2,188
Profit after tax and total comprehensive income for the financial year		-	-	5,827	5,827
Contributions by and distributions to owners of the Company:-					
- Dividends	26	-	-	(2,600)	(2,600)
Balance at 29 February 2020		1,500	2,188	4,782	8,470
Audited					
Balance at 1 March 2020		1,500	2,188	4,782	8,470
Bonus issue		238	-	(238)	-
Issuance of shares		2,188	(2,188)	-	-
Profit after tax and total comprehensive income for the financial year		-	-	8,519	8,519
Contributions by and distributions to owners of the Company:-					
- Dividends	26	-	-	(5,000)	(5,000)
Balance at 28 February 2021		3,926	-	8,063	11,989

12. ACCOUNTANTS' REPORT (Cont'd)**ECOMATE HOLDINGS BERHAD**

Registration No.: 202001036445 (1392766-X)

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

		Non- Distributable	Distributable		
		Share capital RM'000	Share application money RM'000	(Accumulated losses)/ Retained profits RM'000	Total equity RM'000
<u>Audited</u>					
Balance at 1 March 2021		3,926	-	8,063	11,989
Profit after tax and total comprehensive income for the financial year		-	-	2,398	2,398
Balance at 31 May 2021		3,926	-	10,461	14,387
<u>Unaudited</u>					
Balance at 1 March 2020		1,500	2,188	4,782	8,470
Issuance of shares		2,188	(2,188)	-	-
Profit after tax and total comprehensive income for the financial year		-	-	672	672
Contributions by and distributions to owners of the Company:-					
- Dividends	26	-	-	(3,000)	(3,000)
Balance at 31 May 2020		3,688	-	2,454	6,142

12. ACCOUNTANTS' REPORT (Cont'd)**ECOMATE HOLDINGS BERHAD**

Registration No.: 202001036445 (1392766-X)

COMBINED STATEMENTS OF CASH FLOWS

	←-----Audited-----→				Unaudited 01.03.2020 to 31.05.2020 RM'000
	01.03.2018 to 28.02.2019 Note RM'000	01.03.2019 to 29.02.2020 RM'000	01.03.2020 to 28.02.2021 RM'000	01.03.2021 to 31.05.2021 RM'000	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	3,534	6,642	10,119	3,148	638
Adjustments for:-					
Bad debt written off	-	24	-	-	-
Depreciation of property, plant and equipment	217	425	494	140	109
Depreciation of right-of-use assets	372	707	902	264	213
Fair value loss/(gain) on derivative	-	134	(123)	7	128
Gain on disposal of property, plant and equipment	-	-	(56)	-	-
Gain on disposal of right-of-use assets	-	-	(42)	-	-
Gain on reassessment and modification of leases	(1)	-	(4)	-	(1)
Property, plant and equipment written off	-	1	36	-	-
Unrealised loss/(gain) on foreign exchange	53	68	91	(29)	71
Interest on lease liabilities	82	179	153	39	40
Interest expenses	47	256	313	100	55
Interest income	(7)	(92)	(81)	(14)	(25)
Operating profit before working capital changes	4,297	8,344	11,802	3,655	1,228
Inventories	(1,682)	(447)	(5,985)	(2,389)	79
Trade receivables	(986)	524	(1,192)	(187)	773
Other receivables, deposits and prepayments	(140)	(470)	(638)	(1,389)	104
Trade payables	1,530	909	1,609	2,391	(2,014)
Other payables and accruals	690	798	2,236	1,558	(228)
Amount due to directors	(760)	341	(1,976)	53	(2)
CASH FROM OPERATIONS	2,949	9,999	5,856	3,692	(60)
Interest paid	(129)	(435)	(466)	(139)	(95)
Interest received	7	92	81	14	25
Tax paid	(85)	(472)	(1,357)	(448)	(185)
Tax refund	-	62	-	-	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES	2,742	9,246	4,114	3,119	(315)
CARRIED FORWARD	2,742	9,246	4,114	3,119	(315)

12. ACCOUNTANTS' REPORT (Cont'd)**ECOMATE HOLDINGS BERHAD**

Registration No.: 202001036445 (1392766-X)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	←-----Audited-----→				Unaudited
		01.03.2018	01.03.2019	01.03.2020	01.03.2021	01.03.2020
		to	to	to	to	to
		28.02.2019	29.02.2020	28.02.2021	31.05.2021	31.05.2020
		RM'000	RM'000	RM'000	RM'000	RM'000
BROUGHT FORWARD		2,742	9,246	4,114	3,119	(315)
CASH FLOWS FOR						
 INVESTING ACTIVITIES						
Addition to right-of-use assets	27(a)	(127)	(227)	(50)	-	-
Addition of prepaid lease payments		-	(4,744)	(1,804)	-	-
Proceeds from disposal of property, plant and equipment		-	-	551	-	-
Proceeds from disposal of right-of-use assets		-	-	89	-	-
Purchase of property, plant and equipment	27(a)	(1,318)	(2,010)	(1,850)	(103)	(25)
NET CASH FOR INVESTING ACTIVITIES		(1,445)	(6,981)	(3,064)	(103)	(25)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuance of ordinary shares		300	800	-	-	-
Proceeds from share application money		-	2,188	-	-	-
Dividends paid	26	-	(4,000)	(5,000)	-	-
Drawdown of term loans	27(b)	1,500	3,163	4,114	-	1,353
Net (increase)/decrease in fixed deposit pledged (Placement)/Withdrawal of fixed deposit with tenure of more than 3 months		(1,300)	265	(56)	-	-
Net movement of bankers' acceptances	27(b)	1,012	1,188	1,839	(1,630)	(98)
Repayment of lease liabilities	27(b)	(403)	(983)	(1,149)	(307)	(236)
Repayment of term loans	27(b)	(73)	(263)	(480)	(109)	(42)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		1,036	1,058	568	(2,046)	1,977
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,333	3,323	1,618	970	1,637
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(53)	(68)	(91)	29	(71)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		260	2,540	5,795	7,322	5,795
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	27(d)	2,540	5,795	7,322	8,321	7,361