

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 employees and 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	38,500,000	11.0
Enlarged number of Shares upon Listing	350,000,000	
IPO Price per Share	RM[•]	
Market capitalisation (calculated based on our IPO Price and enlarged no. of Shares upon Listing)	RM[•]	

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, BYD Capital Sdn Bhd, Mamba Capital Sdn Bhd and Koda Capital Sdn Bhd have also provided undertakings not to sell, transfer or assign their shareholdings in our Company during the period of 6 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.

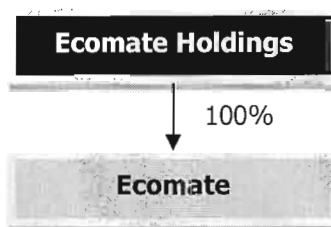
Further details of our IPO are set out in Section 4.

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.

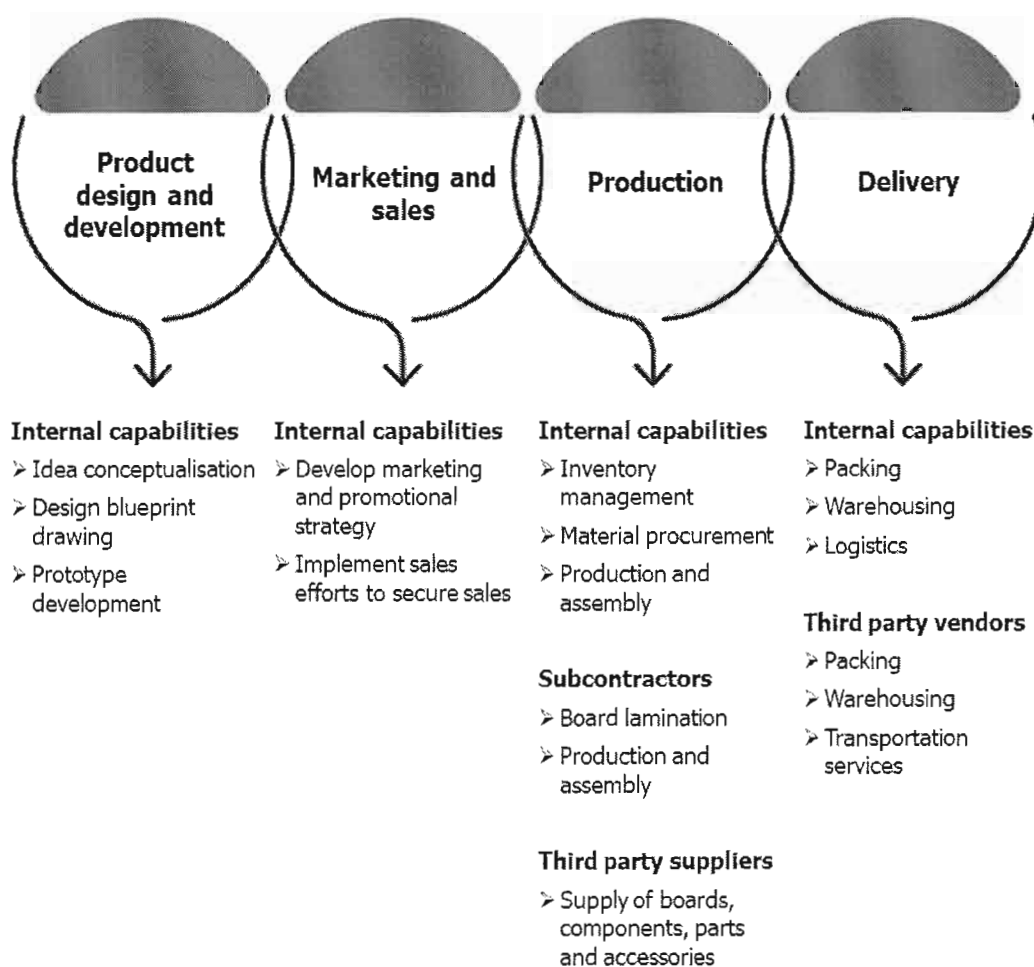
Our Group structure as at LPD is as follows:

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. 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

3. PROSPECTUS SUMMARY (Cont'd)

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, our Group's procurement and production operations as well as the operations of our subcontractors and suppliers were affected, which resulted in delays in supplying materials and completion of our subcontracted production and assembly works. The production backlogs resulted in delays in fulfilling selected orders during this period. Nevertheless, we did not experience any cancellation in sales orders or claims arising from delayed delivery during this period.

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.

(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

3. PROSPECTUS SUMMARY (Cont'd)

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 2020, we secured increased sales orders from e-commerce retailers and online marketplaces such as Amazon. Through e-commerce retailers and online marketplaces, our furniture products are now accessible to 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.

(f) 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 30 countries comprising distributors, furniture showroom retailers, home furnishing chains stores and e-commerce retailers.

Our export markets primarily comprise countries in Asia and Europe. Asia (excluding Malaysia) contributed to 11.6%, 23.4%, 45.2% and 37.2% of our revenue in FYE 2018, FYE 2019, FYE 2020 and FPE 2021 respectively. Europe contributed to 24.9%, 42.4%, 24.3% and 14.6% of our revenue in FYE 2018, FYE 2019, FYE 2020 and FPE 2021 respectively.

(g) 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:

3. PROSPECTUS SUMMARY (Cont'd)

- (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 August 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 316,800 units per year (with the use of subcontractors), and we intend to install 1 additional production line and ancillary machinery in 2021 to support the projected additional production of 396,000 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 last quarter of 2021 and we anticipate its commissioning in the third quarter of 2023. 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.

(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.

3. PROSPECTUS SUMMARY (Cont'd)

(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.

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.

(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 47.9%, 76.7%, 84.9% and 82.9% of our revenue in FYE 2018, FYE 2019, FYE 2020 and FPE 2021 being derived from export sales. Our export sales are denominated in USD. Our export market primarily comprises customers from the Middle East, 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.

3. PROSPECTUS SUMMARY (Cont'd)

(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.

(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. PROSPECTUS SUMMARY (Cont'd)**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
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	10,500,000	3.0	120,246,875	34.4
Jason Koh Jian Hui/ Malaysian	130,746,875	43.4	10,500,000	3.0	120,246,875	34.4

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 RM[•] million shall accrue entirely to us and will be utilised in the following manner:

Utilisation of proceeds	Estimated timeframe for utilisation	RM'000	%
Machinery and equipment	12 months ⁽¹⁾	[•]	[•]
Factory construction	24 months ⁽¹⁾	[•]	[•]
General working capital	6 months ⁽¹⁾	[•]	[•]
Estimated listing expenses	Immediate	[•]	[•]
		[•]	100.0

3. PROSPECTUS SUMMARY (Cont'd)**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 RM[•] million shall accrue entirely to our Selling Shareholders.

3.9 FINANCIAL AND OPERATIONAL HIGHLIGHTS**3.9.1 Historical combined statements of profit or loss and other comprehensive income**

The following table sets out the financial highlights of our historical audited combined statements of profit or loss and other comprehensive income for FYE 2018 to 2020 and FPE 2021:

	Audited			Unaudited	
	FYE 2018	FYE 2019	FYE 2020	FPE 2020	FPE 2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	9,670	24,141	42,397	19,801	19,919
Cost of sales	(7,363)	(17,379)	(29,544)	(13,312)	(13,240)
GP	2,307	6,762	12,854	6,489	6,679
PBT	417	3,534	6,642	3,806	4,313
PAT	204	3,341	5,827	3,289	3,852
EBIT	441	3,656	6,985	3,910	4,432
EBITDA	884	4,298	8,319	4,611	5,123
GP margin (%)	23.9	28.0	30.3	32.8	33.5
PBT margin (%)	4.3	14.6	15.7	19.2	21.7
PAT margin (%)	2.1	13.8	13.7	16.6	19.3
Effective tax rate (%)	51.1	5.5	12.3	13.6	10.7

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 August 2020	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	[•]	[•]
Merger reserve	-	(3,449)	(3,449)
Retained earnings	5,396	3,396	1,309
Total equity	9,322	[•]	[•]
Number of Shares in issue (^000)	2,000	350,000	350,000
NA per share (RM)	4.66	[•]	[•]
Borrowings (All interest bearing debts)	10,944	10,944	10,944
Gearing (times)	1.2	[•]	[•]
Current ratio (times)	1.0	[•]	[•]

3.9.3 Operational highlights

As at LPD, we occupy 2 factories and operate 5 production lines with a total annual production capacity of 396,000 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, furniture showroom retailers, home furnishing chains stores and e-commerce retailers.

Export sales accounted for 47.9%, 76.7%, 84.9% and 82.9% of our Group's revenue for FYE 2018, FYE 2019, FYE 2020 and FPE 2021 respectively. Our export markets are varied and primarily comprise countries in Asia and Europe as follows:

- (a) Asia (excluding Malaysia) contributed to 11.6%, 23.4%, 45.2% and 37.2% of our revenue in FYE 2018, FYE 2019, FYE 2020 and FPE 2021 respectively; and
- (b) Europe contributed to 24.9%, 42.4%, 24.3% and 14.6% of our revenue in FYE 2018, FYE 2019, FYE 2020 and FPE 2021 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.