

## **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 invested RM1.3 million in capital 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 CIFF 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 CIFF 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.

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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 the year, 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.

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

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

As at LPD, we occupy 2 factories and operate 5 production lines with a total annual production capacity of 396,000 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:

<b>Year</b>	<b>Key milestones</b>
2016	<ul style="list-style-type: none"> <li>• Incorporation of Ecomate and commencement of operations in Factory A</li> <li>• Launched living room range of furniture products</li> <li>• Secured first local sales and export sales to Singapore, Australia and New Zealand</li> </ul>
2017	<ul style="list-style-type: none"> <li>• Expanded to bedroom range of furniture products</li> <li>• Secured orders from customers in USA, Belgium, India, Saudi Arabia and South Africa</li> </ul>
2018	<ul style="list-style-type: none"> <li>• Secured orders from customers in Chile, Middle East and Spain</li> <li>• Expanded production area of Factory A</li> <li>• Commercialised operations in Factory B</li> </ul>
2019	<ul style="list-style-type: none"> <li>• Acquired 4 parcels of leasehold land in Muar Furniture Park, Johor</li> </ul>
2020	<ul style="list-style-type: none"> <li>• Ecomate was certified compliant to ISO 9001:2015 by VE International Certification Group of Companies</li> </ul>
2021	<ul style="list-style-type: none"> <li>• Ecomate was certified compliant to ISO 9001:2015 by ACM-CCAS Limited</li> </ul>

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

<b>Date of allotment</b>	<b>No. of Shares allotted</b>	<b>Consideration/ Type of issue RM</b>	<b>Cumulative share capital RM</b>
11 November 2020	2	2/ Subscribers' shares	2
[●]	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 RM20.1 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 term sheets with 3 third party investors for the subscription of 262,500 new ordinary shares in Ecomate for a subscription consideration of RM2,187,570. The subscription consideration represents a PE Multiple of 5.0 times based on the PAT of Ecomate for FYE 2019 of approximately RM3.3 million.

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:

<b>Name</b>	<b>No. of Ecomate shares allotted</b>	<b>% of enlarged share capital</b>	<b>Subscription consideration RM</b>
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
	<b>262,500</b>	<b>13.1</b>	<b>2,187,570</b>

**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

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

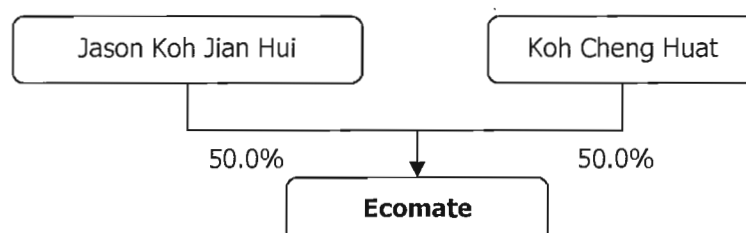
<b>Vendors</b>	<b>No. of Ecomate shares acquired</b>	<b>% of share capital in Ecomate</b>	<b>Purchase consideration RM</b>	<b>No. of Shares issued</b>
Koh Cheng Huat	868,750	43.4	3,203,298	130,746,874
Jason Koh Jian Hui	868,750	43.4	3,203,298	130,746,874
BYD Capital Sdn Bhd	67,500	3.4	248,889	10,158,750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

The Acquisition of Ecomate was completed on [●]. 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:

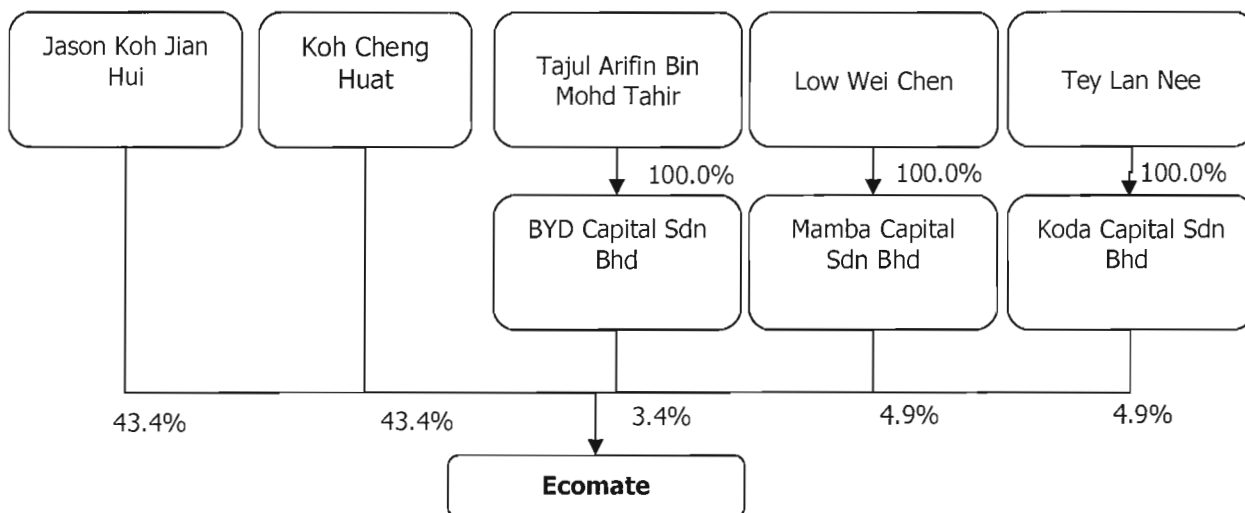
**Before the pre-IPO investment in Ecomate**



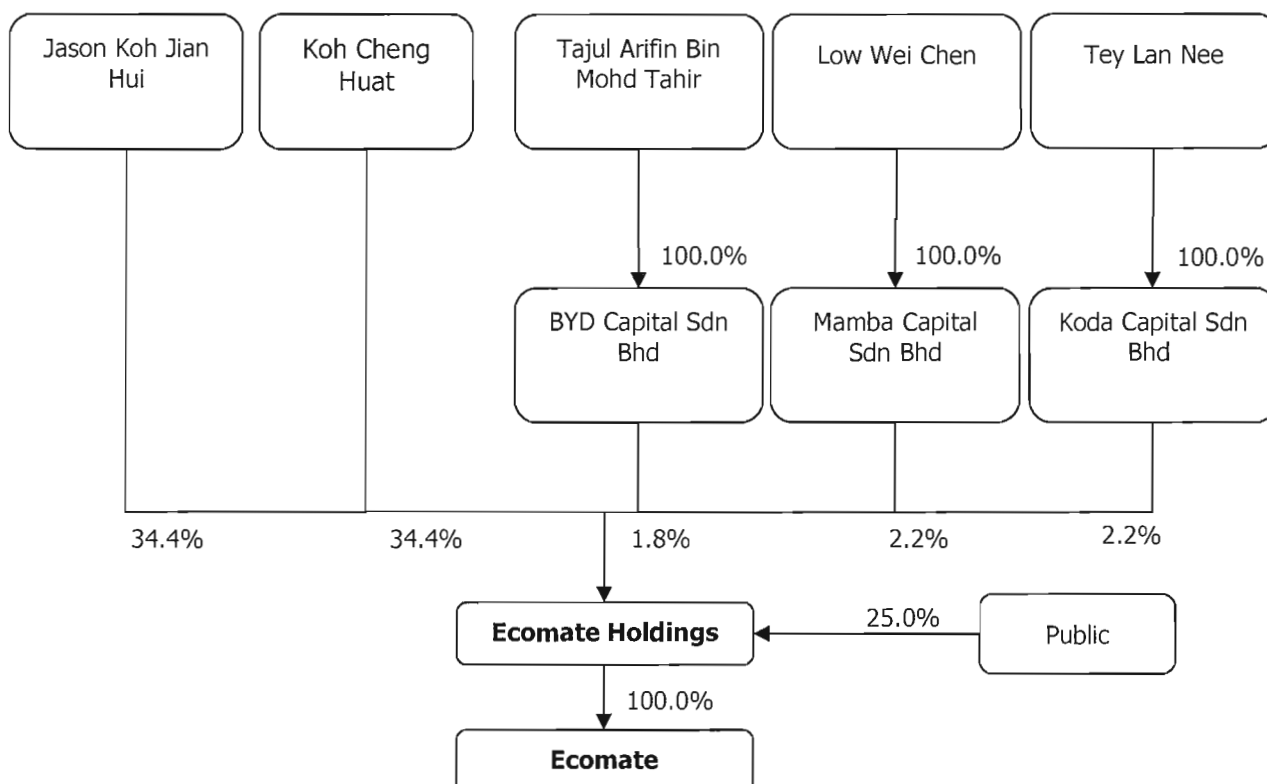
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**After the pre-IPO investment in Ecomate**



**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:

<b>Company</b>	<b>Registration No.</b>	<b>Date / Place of incorporation</b>	<b>Principal place of business</b>	<b>Effective equity interest %</b>	<b>Principal activities</b>
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 2018 to 2020, FPE 2021 and up to LPD:

<b>Description</b>	<b>FYE 2018 RM'000</b>	<b>FYE 2019 RM'000</b>	<b>FYE 2020 RM'000</b>	<b>FPE 2021 RM'000</b>	<b>Up to LPD RM'000</b>
Motor vehicles	-	1,192	536	-	262
Office equipment, renovation, furniture and fittings	52	168	151	7	16
Plant and machinery, tools and equipment	266	<sup>(1)</sup> 1,711	<sup>(2)</sup> 3,161	<sup>(3)</sup> 1,148	<sup>(4)</sup> 447
Computing hardware and software	15	25	80	-	103
	<b>333</b>	<b>3,096</b>	<b>3,928</b>	<b>1,155</b>	<b>828</b>

**Notes:**

- (1) For the purchase of 1 production line each in Factory A and Factory B.
- (2) For the purchase of 1 production line in Factory A and upgrade of our existing machinery in Factory A and Factory B.
- (3) For the upgrade of our existing machinery in Factory A and Factory B.
- (4) Mainly forklifts and storage racks.

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

Save for a write-off of computing hardware and software of approximately RM1,000 in FYE 2020 and disposal of machinery and equipment in September 2020 for a consideration of approximately RM0.6 million, there were no other material capital divestitures and write-offs (including interest in other corporations) made by our Group during FYE 2018 to 2020, FPE 2021 and up to LPD. The disposal of machinery and equipment in September 2020 relates to 1 unit of panel saw machine, 2 units of drilling machines, 3 units of edge banding machines and 1 unit of point-to-point work centre. We had disposed such machinery and equipment as

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we had during FPE 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.

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

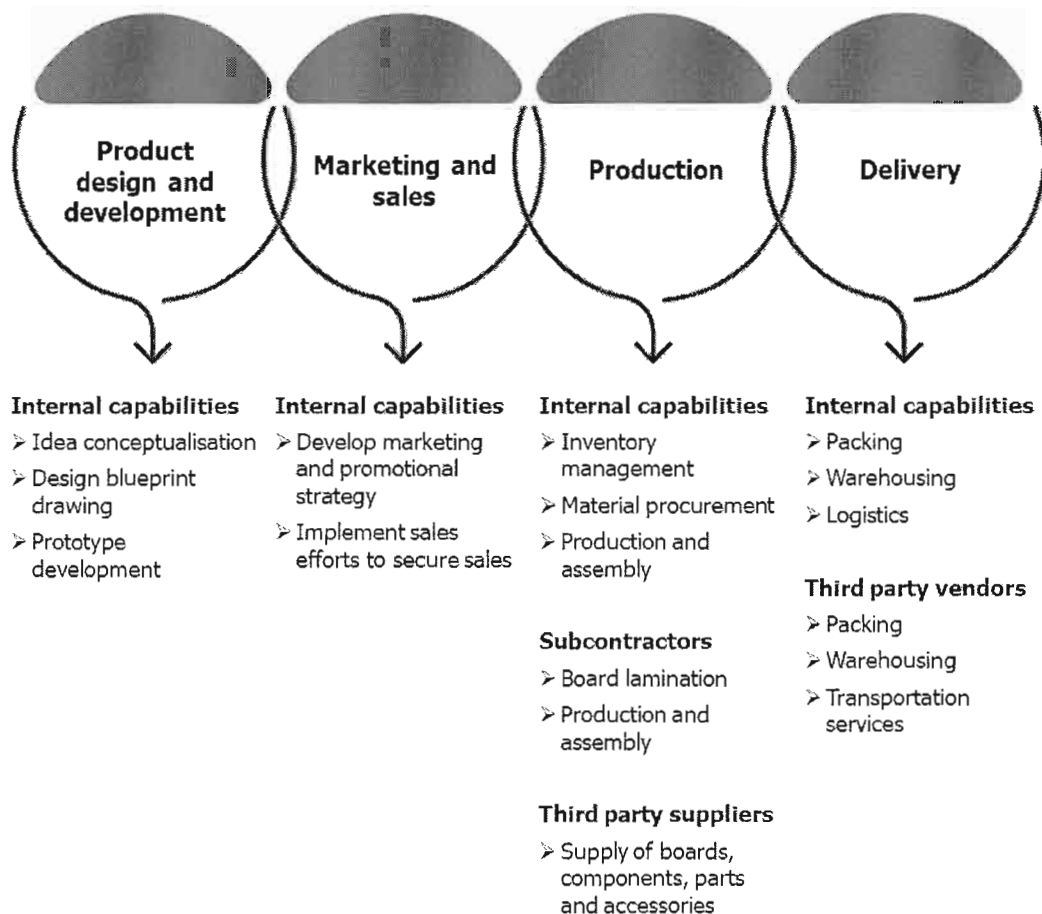
**6.5 PRINCIPAL BUSINESS ACTIVITIES AND PRODUCTS**

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. The furniture that our Group produces may be rebranded by our customers for sale 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.

Our business model is as illustrated below:





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

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### **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. 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 and retailers who generally resell our products to end-user consumers through their respective retail networks and e-commerce channels. We mainly secure new overseas customers by participating in international furniture trade fairs; or by way of referrals from our customers in the

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

overseas markets. We may also sell our furniture products to sales agents that represent foreign distributors, wholesalers and retailers.

### **(b) Domestic sales customers**

Our domestic sales are made primarily to retailers 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, as well as the production and assembly of selected furniture products. 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:

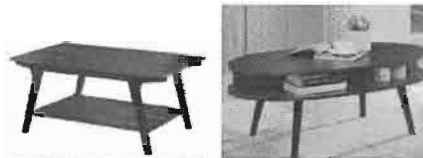
**6. INFORMATION ON OUR GROUP (Cont'd)**

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

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



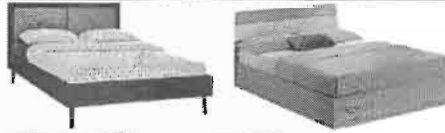
**6. INFORMATION ON OUR GROUP (Cont'd)**

Television cabinets



**Bedroom furniture**

Bed frames



Bookshelves



Drawer chests



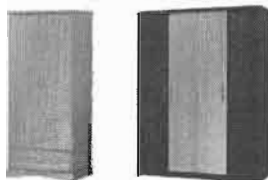
Dressing tables



Night stands



Wardrobes



Writing tables



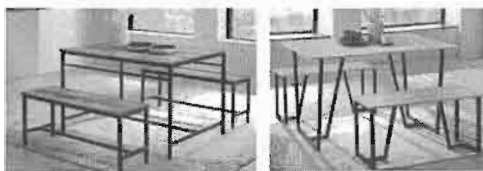
**Other furniture**

Bar and wine cabinets



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

Dining tables



Kitchen cabinets



### 6.5.6 Principal markets for our products

For FYE 2018 to 2020 and FPE 2021, our sales were from Malaysia and overseas markets/region as follows:

Country	Audited							
	FYE 2018		FYE 2019		FYE 2020		FPE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	5,037	52.1	5,620	23.3	6,406	15.1	3,406	17.1
<b>Foreign sales:</b>								
Asia, excluding Malaysia	1,121	11.6	5,650	23.4	19,178	45.2	7,422	37.2
Europe	2,410	24.9	10,233	42.4	10,302	24.3	2,914	14.6
North America	598	6.2	1,681	7.0	4,692	11.1	3,705	18.6
Australasia	372	3.8	285	1.2	1,126	2.7	1,744	8.8
Africa	132	1.4	401	1.7	475	1.1	728	3.7
South America	-	-	271	1.0	219	0.5	-	-
	9,670	100.0	24,141	100.0	42,398	100.0	19,919	100.0

Region	Countries
Asia, excluding Malaysia	Bahrain, Brunei Darussalam, Cyprus, India, Philippines, Saudi Arabia, Singapore, Republic of China (Taiwan), United Arab Emirates and Vietnam
Europe	Belgium, 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

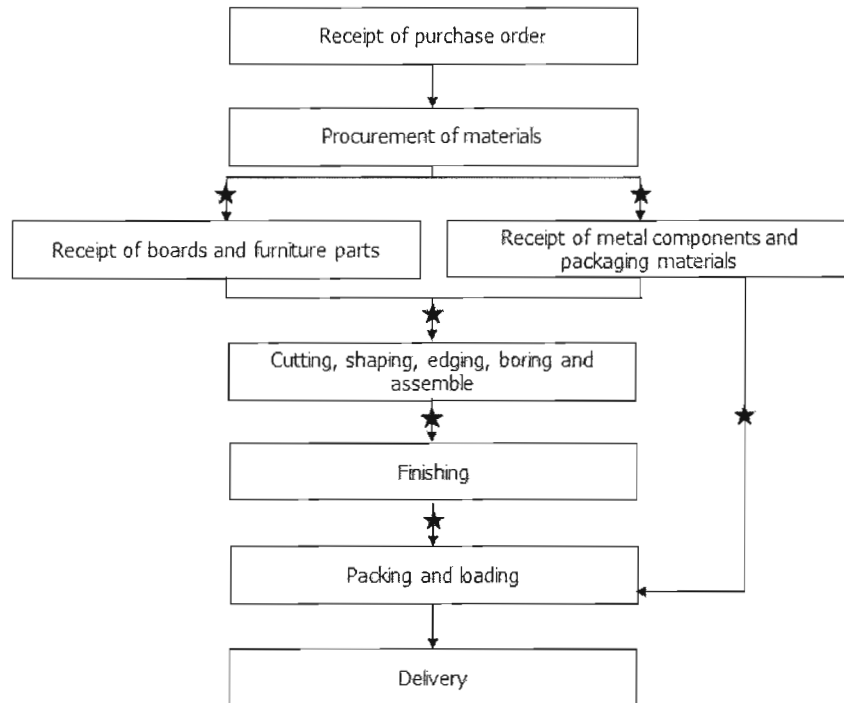
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**6.6 DESCRIPTION OF OUR BUSINESS**

**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:



**Legend**

★ QC inspection

**(a) Receipt of purchase order**

Our marketing and sales team secures purchase orders from our customers.

**(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. During this stage, they will closely monitor inventory levels to avoid shortage of materials.

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

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.

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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:

<b>Stage</b>	<b>Description</b>
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.

**(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.

**(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.

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

**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 2018 to 2020 and FPE 2021 are as depicted below:

	<b>Available annual capacity</b>	<b>Actual production</b>	<b>Utilisation rate</b>
	<b>units</b>	<b>units</b>	<b>%</b>
FYE 2018	(1)158,400	70,746	44.7
FYE 2019	(2)217,800	161,671	74.2
FYE 2020	(3)349,800	289,911	82.9
FPE 2021	(4)198,000	149,273	75.4

**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 annually in FYE 2018
- (2) 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.
- (3) 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.
- (4) Available machinery operating hours for 5 furniture production lines operating on 16-hour shifts daily over 26 working days a month for the for the period of March to August 2020 in FPE 2021.



**6. INFORMATION ON OUR GROUP (Cont'd)****6.6.3 Key machinery and equipment**

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

<b>Machinery and equipment</b>	<b>Function</b>	<b>No. of units</b>	<b><sup>(1)</sup> Average lifespan years</b>	<b><sup>(2)</sup> Average age years</b>	<b>NBV as at 31 August 2020 RM'000</b>
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	3.0	747.8
Woodworking machines	Shaping boards into desired shapes based on specifications	10	15	2.5	1,814.2
Edge banding machines	Bonding PVC edges on the exposed sides of boards	15	15	2.1	984.6
Panel saw machines	Cutting boards into desired sizes based on specifications	6	15	2.8	805.7
Screw packing machines	Sorting and packing of screws, nails, wood dowel pins and allen keys	2	15	1.4	277.4
Forklifts	Lifting of materials and finished furniture products to designated area	6	15	2.8	242.5
					<b>4,872.2</b>

**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.

**6.7 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.

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

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### **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***

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.

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.

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 and phone calls to promote our products.

#### ***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.

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

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

The total costs for the implementation of the COVID-19 standard operating procedures above is estimated to be approximately RM40,000 annually (of which about RM19,000 has been incurred up to LPD) which is not material to our Group.

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 have reserved appointments for all our factory workers to take the COVID-19 test by end of February 2021. We expect to incur approximately RM13,500 on these COVID-19 tests for all our factory workers. 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.

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

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**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.

**6.8.2 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 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, 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

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

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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.

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.

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.

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

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### **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. 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.

### **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.

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

Our export markets are varied and 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.

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. INFORMATION ON OUR GROUP (Cont'd)

### 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:

<b>Name</b>	<b>Designation</b>	<b>Years of relevant working experience</b>
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

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.

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

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

<b>Year first achieved</b>	<b>Current validity period</b>	<b>Certification</b>	<b>Scope</b>	<b>Awarding body</b>
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 6 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.

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

<b>Stage</b>	<b>QC processes</b>
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"> <li>• Visual inspection on boards to ensure no surface defects such as scratches, chips and colour mismatches;</li> <li>• Measurement inspection on boards and packing materials to ensure no variation in dimensions and thickness; and</li> <li>• Measurement inspection on metal components to ensure that screws and mounting brackets are of correct length and accurate volume.</li> </ul> <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>



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

<b>Stage</b>	<b>QC processes</b>
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>

**6.11 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.

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.

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

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

The breakdown of the raw materials purchased by our Group for FYE 2018 to 2020 and FPE 2021 is as follows:

	<b>Audited</b>							
	<b>FYE 2018</b>		<b>FYE 2019</b>		<b>FYE 2020</b>		<b>FPE 2021</b>	
<b>Raw materials</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Boards	4,044.9	61.1	7,629.4	51.4	11,349.3	50.4	5,737.7	50.1
Metal	1,312.2	19.8	3,511.9	23.7	5,065.3	22.5	2,603.5	22.7
components								
Packaging materials	784.0	11.8	2,146.5	14.4	4,055.2	18.0	2,161.6	18.9
Furniture parts	209.3	3.2	597.5	4.0	932.3	4.1	471.6	4.1
PVC edges	176.0	2.7	436.1	2.9	679.8	3.0	278.3	2.4
Others <sup>(1)</sup>	94.2	1.4	538.3	3.6	459.6	2.0	204.5	1.8
	<b>6,620.6</b>	<b>100.0</b>	<b>14,859.7</b>	<b>100.0</b>	<b>22,541.5</b>	<b>100.0</b>	<b>11,457.2</b>	<b>100.0</b>

**Note:**

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

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

### 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
2017	CIFF	China Foreign Trade 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 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

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

<b>Year</b>	<b>Trade fairs</b>	<b>Organiser</b>	<b>Location</b>
2019	CIFF	China Foreign Trade Exhibition General Corporation and China Foreign Trade Centre Group	Guangzhou International Expo Centre, Shanghai, China

Due to the pandemic, MIFF and CIFF were not held in 2020. The upcoming MIFF 2021 is expected to be held virtually in March 2021, and we intend to participate in it.

**(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.

**(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**

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.

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

**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:

<b>Registration no. / Class</b>	<b>Design</b>	<b>Registered owner</b>	<b>Description/ Product name</b>	<b>Issuance date/ Expiry date</b>
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

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## 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	of or	Material conditions imposed	Compliance status
(a) Ecomate/ MITI/ A022427 (Factory A)	20 January 2020 / 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. (iii) Ecomate must comply with the conditions of the Capital Investment Per Employee (CIPE) of at least RM140,000.00.	To be complied Noted Complied
(b) Ecomate/ MITI/ A022674 (Factory B)	2 November 2020/ N/A	Manufacturing License pursuant to Industrial Co-ordination Act 1975		(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. (v) Ecomate must implement its project as approved and in accordance with the relevant laws and regulations of Malaysia.	To be complied <sup>(1)</sup> Noted
(c) Ecomate/ Malaysian Timber Industry Board / T/E – 5938/9/2019	22 August 2019 / 30 September 2021	Certificate of registration pursuant to the Malaysian Timber Industry Board (Incorporation) Act 1973	of	-	-

Registration No. 202001036445 (1392766-X)

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

<b>Licencee / Issuing authority / Registration no.</b>	<b>Date of issue / Date of expiry</b>	<b>Nature of approval licences</b>	<b>of or</b>	<b>Material conditions imposed</b>	<b>Compliance status</b>
(d) Ecomate/ District Forestry Office/ PHDJU 192/666/2/264(12)	N/A <sup>(2)</sup>	Wood-Based Furniture Factory License	-		-

**Notes:**

<sup>(1)</sup> As at LPD, 49.3% of our total workforce are Malaysians.

<sup>(2)</sup> Ecomate had, on 4 May 2020, submitted an application for a Wood-Based Furniture Factory Licence to the Johor Forestry Department and the approval of such application is still pending. Nevertheless, the Johor Utara District Forestry Office had via its letter dated 20 September 2020 stated that they have no objections to Ecomate's application and recommended to the Director of Johor State Forestry Department to consider issuing the said licence to Ecomate.

## 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 2018 to 2020, FPE 2021 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**")<sup>(1)</sup>;
- (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**")<sup>(1)</sup>;
- (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**")<sup>(1)</sup>;
- (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**")<sup>(1)</sup>;
- (e) Share sale agreement dated 9 December 2020 between our Company and the Vendors for the Acquisition of Ecomate, which was completed on [ ]; and
- (f) Underwriting agreement dated [ ] 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:**

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

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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.	<b>Factory A</b> Factory erected on the land held under HS(D) 31652 PTD 4447, Mukim Parit Bakar, 84200 Muar, Johor	Sern Kou Furniture Industries Sdn Bhd / Ecomate	Industrial use	71,784 sq ft	1 November 2020 to 31 October 2022 (with option to renew for another 2 years) / RM28,000
2.	<b>Factory B</b> Factory erected on the land held under PTD 7274 No. Hakmilik 4477 Lot 9155 Mukim of Jalan Bakri, 84200 Muar, Johor	Ler Leong Taen / Ecomate	Industrial use	11,200 sq ft	16 August 2018 to 15 August 2021 (with option to renew for another 2 years) / RM6,300
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	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

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

<b>No.</b>	<b>Description</b>	<b>Owner/ Tenant</b>	<b>Existing Use</b>	<b>Built-up area</b>	<b>Period of tenancy / Rental per month</b>
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	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

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 entered into a tenancy agreement to secure a warehouse space measuring approximately 19,200 sq ft, at a monthly rental rate of RM14,500 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 is located within close proximity to Factory A and B.

**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 2018 to 2020, FPE 2021 and up to LPD:

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

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**(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 <sup>(1)</sup>
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 March 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 <sup>(1)</sup>
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

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

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Purchase value (RM) : 2,090,880  
Expected Completion : Latest by March 2024

**(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 <sup>(1)</sup>  
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 April 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 <sup>(1)</sup>

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

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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 April 2024

**Note:**

<sup>(1)</sup> 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.

As at LPD, Ecomate has paid 80% of the purchase price pursuant to the MFP SPAs.

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**6. INFORMATION ON OUR GROUP (Cont'd)****6.18 RELEVANT LAWS, REGULATIONS, RULES OR REQUIREMENTS**

Save as disclosed in Section 6.15, there are no other material 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**

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 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 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. In 2021, we intend to install 1 additional production line and ancillary machinery to support the projected additional production.

We expect to spend RM[•] million for the acquisition of new machinery and equipment for Factory A, to be funded by proceeds from the Public Issue. The RM[•] 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	[•]
	Screw packing machinery	2	[•]
	Forklifts	2	[•]

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

<u>Factory</u>	<u>Type of machinery</u>	<u>No. of units</u>	<u>Total estimated cost</u>
			<u>RM million</u>
			[•]

The equipment above will contribute an incremental production capacity of 79,200 units per year with the use of 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.

**(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 RM[•] 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 RM[•] 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.

Subject to the timely vacant possession of the land by the developer, we intend to commence the construction of Factory C and the hostel in the last quarter of 2021 and anticipate the commissioning of Factory C in the third quarter of 2023. We intend to submit the building plan for approval to the relevant authority in the first quarter of 2021.

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

<u>Timeframe</u>	<u>Milestones</u>
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 + 16 months	(a) Complete the construction of Factory C and hostel
T + 23 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. INFORMATION ON OUR GROUP (Cont'd)**

### **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 30 countries and subsequently positioned our Group as an export-oriented furniture producer.

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 upcoming MIFF 2021 will be held virtually. 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 is expected to dip to USD400.4 billion in 2020, with China, USA and Germany as the top 3 consuming nations globally. Nonetheless, in 2016, global furniture e-commerce sales stood at USD28.6 billion, and accounted for 4.0% of global furniture sales. Global furniture e-commerce sales then increased to USD32.8 billion in 2017, and is expected to further grow to USD50.0 billion in 2020 at a CAGR of 15.1%. The furniture e-commerce industry is a growing industry due to the rapid growth in the number of Internet users and the corresponding rise in Internet usage as consumers are increasingly leveraging on the Internet to shop.



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

**6.20 EMPLOYEES**

As at LPD, we have a total workforce of 134 employees, of which 66 are permanent employees and 68 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:

<b>Department/Division</b>	<b>Number of employees</b>
Executive Directors / Key senior management	7
Accounts and costing	4
Human resource and administration	4
Marketing and sales	6
Shipping	2
Production	80
Purchasing	9
Warehousing and raw materials	9
QC	6
Design & development	6
<b>TOTAL</b>	<b>134</b>

As at LPD, local employees accounted for approximately 49.3% of total workforce while the remaining 50.7% are foreign workers. As at LPD, we have 68 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 2018 to 2020 and FPE 2021 are as follows:

#### FYE 2018

No.	Customers	Country of export/ Region	Business activities	Category of products sold*	Revenue contribution		Length of relationship
					RM'000	%	Years
1	Marcoco Furniture Industries Sdn Bhd	Malaysia / Asia	Furniture wholesaler	(a), (b) and (c)	991.3	10.3	1
2	Bauwens Beernem N.V.	Belgium / Europe	Furniture distributor	(a), (b) and (c)	943.7	9.8	<1
3	Birlea Furniture Ltd	UK / Europe	Furniture distributor	(a), (b) and (c)	859.7	8.9	<1
4	Noble House Home Furnishings LLC	USA / North America	Furniture distributor	(a), (b) and (c)	597.7	6.2	<1
5	CKE Enterprise Sdn Bhd	Malaysia / Asia	Furniture retailer	(a) and (b)	491.4	5.1	<1
					<b>3,883.8</b>	<b>40.3</b>	

#### FYE 2019

No.	Customers	Country of export/ Region	Business activities	Category of products sold*	Revenue contribution		Length of relationship
					RM'000	%	Years
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) and (b)	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
					<b>11,172.8</b>	<b>46.3</b>	

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

**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
					<b>22,847.6</b>	<b>54.0</b>	

**FPE 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)	5,274.1	26.5	2
2	Noble House Home Furnishings LLC	USA / North America	Furniture distributor	(a), (b) and (c)	3,370.4	16.9	3
3	Uncle Bill's Australia Pty Ltd	Australia / Australasia	Furniture wholesaler	(a) and (b)	1,697.1	8.5	1
4	SPF Home Deco Sdn Bhd	Malaysia	Furniture wholesaler	(a), (b) and (c)	1,098.0	5.5	<1
5	Birlea Furniture Ltd	UK / Europe	Furniture distributor	(a), (b) and (c)	1,040.6	5.2	2
					<b>12,480.2</b>	<b>62.6</b>	

**Note:**

\* Categories of products sold:

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

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

Our major customers for FYE 2018 to 2020 and FPE 2021 contributed to the majority of our revenue, representing 40.3% to 62.6% of our total sales. Nonetheless we have a total of 53 customers originating from different countries as at FPE 2021. We believe that 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 2018 to 2020 and FPE 2021 are as follows:

#### **FYE 2018**

<b>No.</b>	<b>Suppliers</b>	<b>Country of origin</b>	<b>Key products/services sourced</b>	<b>Value of purchases</b>		<b>Length of relationship</b>
				<b>RM'000</b>	<b>%</b>	<b>Years</b>
1	Hua Joo Success Industry Sdn Bhd	Malaysia	Particle boards and MDF	2,285.5	34.5	1
2	Jacksing Deco-Board Sdn Bhd	Malaysia	Board lamination services	517.0	7.8	1
3	V Max Furniture Sdn Bhd	Malaysia	Metal components	483.1	7.3	1
4	SJ Global Marketing Sdn Bhd	Malaysia	Metal components and furniture parts	391.1	5.9	1
5	Digital Furniture Sdn Bhd	Malaysia	Furniture parts	346.7	5.2	1
				<b>4,023.4</b>	<b>60.7</b>	

#### **FYE 2019**

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

**6. INFORMATION ON OUR GROUP (Cont'd)****FYE 2020**

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

**FPE 2021**

<b>No.</b>	<b>Suppliers</b>	<b>Country of origin</b>	<b>Key products/services sourced</b>	<b>Value of purchases</b>		<b>Length of relationship</b>
				<b>RM'000</b>	<b>%</b>	<b>Years</b>
1	Great Platform Sdn Bhd	Malaysia	Particle boards	1,378.0	12.2	<1
2	Mieco Manufacturing Sdn Bhd	Malaysia	Particle boards	1,086.5	9.5	2
3	Jacksing Deco-Board Sdn Bhd	Malaysia	Board lamination services	752.7	6.6	4
4	Ultrafoam (Melaka) Sdn Bhd	Malaysia	Packaging materials	692.0	6.1	3
5	Z Metal Sdn Bhd	Malaysia	Metal components	689.5	6.0	1
				<b>4,598.7</b>	<b>40.3</b>	

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, our Group's sourcing of raw materials was temporarily delayed. This has since been resolved with the resumption of business activities by our suppliers.

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

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**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.