

3. PROSPECTUS SUMMARY

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

3.1 PRINCIPAL DETAILS OF OUR IPO

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

	No. of IPO Shares	% ⁽¹⁾
Malaysian Public (via balloting)	18,492,600	5.00
Eligible Persons	12,100,000	3.27
Private placement to selected investors	16,676,000	4.51
Private placement to selected Bumiputera investors approved by MITI	46,231,400	12.50
	93,500,000	25.28

Note:

(1) Based on our enlarged issued Shares of 369,850,420 after our IPO.

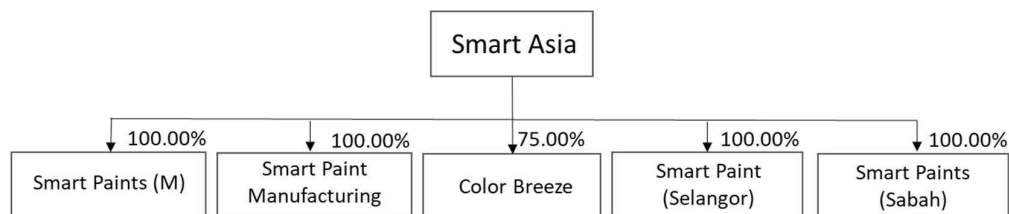
Enlarged number of issued Shares upon Listing	369,850,420
IPO Price per Share	RM[.]
Market capitalisation upon Listing	RM[.]

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

In compliance with the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Specified Shareholders and Pre-IPO Investor. Further details of the moratorium are set out in Section 2.2 of this Prospectus.


3.2 GROUP STRUCTURE AND BUSINESS MODEL

Our Company was incorporated in Malaysia on 13 May 2019 under the Act as a private limited company under the name of Smart Asia Chemical Sdn Bhd. Subsequently, our Company was converted to a public limited company on 30 May 2023 and assumed our present name as Smart Asia Chemical Bhd. Our Company is an investment holding company. Our Group structure after our IPO is as follows:



3. PROSPECTUS SUMMARY (Cont'd)

Through our subsidiaries, we are principally involved in the development, manufacturing, distribution and sale of decorative paints and protective coatings for household and industrial applications. In addition, we are also involved in the development, manufacturing, distribution and sale of related products, namely colourants, and binding and coating chemicals; sale and trading of painting tools and accessories, aerosol spray paints and other related products to complement our decorative paints and protective coatings offerings. We also provide ODM services of decorative paints, protective coatings as well as binding and coating chemicals for third party brand owners. Our business model is set out as follow:

Principal activities	Development, manufacturing, distribution and sale of decorative paints and protective coatings for household and industrial applications	Development, manufacturing, distribution and sale of related products	Sale and trading of painting tools and accessories, aerosol spray paints and other related products	Provision of ODM services of decorative paints, protective coatings as well as binding and coating chemicals for third party brand owners
Products	<ul style="list-style-type: none"> Decorative paints Protective coatings 	<ul style="list-style-type: none"> Colourants Binding and coating chemicals 	<ul style="list-style-type: none"> Painting tools and accessories Aerosol spray paints Raw materials 	<ul style="list-style-type: none"> Decorative paints Protective coatings Binding and coating chemicals
House brands				Third party brand names
Distribution channels	<ul style="list-style-type: none"> Third-parties Local: Wholesalers and dealers Overseas: Authorised distributors 	<u>In-house team</u> <ul style="list-style-type: none"> Own sales and marketing team 		Own sales and marketing team
Customers	<ul style="list-style-type: none"> Wholesale segment Wholesalers (local) Authorised distributors (overseas) 	<ul style="list-style-type: none"> Retail segment Dealers (local retail hardware stores and retail paint shops) Retail end-users (local) Business end-users (local and overseas) 	ODM customers	
Locations	<ul style="list-style-type: none"> Headquarters and manufacturing factory Current: Johor New manufacturing factory: Batu Gajah, Perak (under construction) 			<u>Sales and administrative office</u> <ul style="list-style-type: none"> Selangor

Further details of our Group and our business model are set out in Sections 6 and 7 of this Prospectus.

The breakdown of our Group's revenue segmentation by principal markets is as follow:

	FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Malaysia	57,976	80.97	65,907	82.63	64,539	81.47
Singapore	4,901	6.84	6,911	8.66	7,845	9.90
Brunei	3,577	5.00	3,121	3.91	2,753	3.48
Cambodia	3,743	5.23	1,819	2.28	2,178	2.75
Others ⁽¹⁾	1,402	1.96	2,008	2.52	1,903	2.40
Total	71,599	100.00	79,766	100.00	79,218	100.00

Note:

(1) Comprises sales from Indonesia, PRC and Vietnam.

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3. PROSPECTUS SUMMARY (Cont'd)

3.3 COMPETITIVE STRENGTHS

A summary of our competitive strengths is set out as follow:

(a) We have a wide range of products sold under our house brands

With a history that spans approximately 10 years since the commencement of our business in 2012, we have successfully grown our product offerings to include a wide range of decorative paints and protective coatings for household and industrial applications, as well as colourants, binding and coating chemicals, painting tools and accessories, and aerosol spray paints. Our products are sold under our house brands, namely 'Smart Paints', 'Durra Paints', 'Toplus', 'Hunter', 'Aquatint', 'Unitint', 'Flexitint', 'King-Bond', 'Goldliner' and 'Bond7'.

(b) We adopt a multi-channel distribution network to distribute our products

Our Group adopts a multi-channel distribution network comprising wholesalers, dealers and authorised distributors as well as our own sales and marketing team, to reach out to a wide customer base to achieve economies of scale and grow our market share. As at the LPD, our Group has a total of 8 wholesalers and 747 dealers across Malaysia, and 12 authorised distributors overseas.

(c) Our technical expertise and product knowledge enable us to develop and manufacture decorative paints, protective coatings and colourants that align with current market trends and demand

Our technical expertise and knowledge on decorative paints, protective coatings and colourants are backed by our in-house product development team, consisting of 4 chemists and 3 lab assistants which is led by our Senior Lead Chemist, Nurul Farhah binti Abdullah, who has 10 years of experience in the paints and coatings industry. All our chemists hold degree qualifications. Our in-house product development capabilities have enabled us to innovate, develop new products and improve existing products that align with current market trends and demand. As at the LPD, our Group offers 50 decorative paints series, 15 protective coatings series, 9 colourants series, 4 binding and coating chemical series, 5 painting tools and accessories series, and 7 aerosol spray paints series.

(d) We have an experienced and hands-on key senior management team

Our Group is led by an experienced and technically skilled key management team that has accumulated years of industry experience and in-depth knowledge of our business operations. Our Managing Director, Goh Chye Hin, who has 40 years of experience in the paints and coatings industry, has played a pivotal role in steering the growth and success of our Group. His experience, drive and passion for our business have been instrumental to our Group's success to date. He has conceptualised and implemented various business and marketing strategies that led our Group to its current position in the industry.

Further details of our competitive strengths are set out in Section 7.6 of this Prospectus.

3.4 IMPACT OF COVID-19 ON OUR GROUP

Pursuant to the outbreak of the COVID-19 pandemic in 2020, we faced temporary suspensions of business operation. Save for the temporary suspensions, our Group was allowed to operate while complying with the SOP (e.g. reduced workforce capacity) outlined by MITI throughout the pandemic. The reduction of workforce capacity, as per MITI's SOP during this period, did not result in material adverse impact to our business and operations.

3. PROSPECTUS SUMMARY (Cont'd)

Our sales of decorative paints and protective coatings, in terms of volume sold, were affected due to the slowdown in demand as construction and renovation activities were disrupted by the SOPs that were implemented during the pandemic. Nevertheless, there was no material impact to our revenue as we recorded an increase in revenue in FYE 2021 with a slight decrease in FYE 2022 due to increase in average selling price for all products in our manufacturing segment in FYE 2021 and FYE 2022.

Further details of our impact of COVID-19 on our Group are set out in Section 7.5 of this Prospectus.

3.5 BUSINESS STRATEGIES AND FUTURE PLANS

A summary of our business strategies and future plans is set out below:

(a) Construction of Perak Plant

Our Group has decided to set up our Perak Plant to streamline our manufacturing operations as well as to increase our manufacturing capacity. With the expanded manufacturing space, our annual manufacturing capacity for the decorative paints and protective coatings is expected to increase by 27.00 million litres (i.e. estimated monthly manufacturing capacity of 2.25 million litres), which is an increase of 309.99% from our current annual manufacturing capacity of 8.71 million litres in the FYE 2022. Our Perak Plant will also allow us to expand our customer-base within the Central and Northern regions of Malaysia due to closer proximity to our customers.

(b) Purchase and commissioning of an industrial tinting system and automated paint production system in our Perak Plant

Our Group intends to purchase and commission an industrial tinting system and automated paint production system upon the completion of our Perak Plant. Upon commissioning of our industrial tinting system and automated paint production system in our Perak Plant, we will integrate our automated colour matching software into the systems to support the manufacturing activities in our Perak Plant. Our industrial tinting system, which is also integrated with our automated paint production system, will enable the continuous flow of our manufacturing processes. The integration of our software and systems will enable our Group to reduce our dependency on human operators when carrying out our manufacturing activities.

(c) Purchase 250 sets of Smart Colour POS Tinting Machine to be distributed to our wholesalers and dealers to continue driving our sales

Our Group plans to purchase 250 sets of Smart Colour POS Tinting Machine over the next 3 years (i.e. 2024 to 2026) to be distributed locally to our new and existing wholesalers and dealers who set up new retail hardware stores or retail paint shops, across Malaysia. Our Smart Colour POS Tinting Machines allow our wholesalers, dealers and authorised distributors to offer a wide variety of paint colours to retail end-users without the need to store large inventories of coloured paints. This enables our wholesalers, dealers and authorised distributors to optimise their storage space, thus providing convenience to our wholesalers, dealers and authorised distributors to sell our products. Further, the distribution and sale of our Smart Colour POS Tinting Machines also enhances our brand recognition in the paints and coating industry as well as among retail and business end-users.

Further details on our business strategies and future plans are set out in Section 7.22 of this Prospectus.

3. PROSPECTUS SUMMARY (Cont'd)

3.6 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risk as set out in Section 9 of this Prospectus. Some of the more important risk factors are summarised below:

(a) **We rely on our reputation, brands and product quality for the continued success and growth of our business**

Any complaints by our wholesalers, dealers and authorised distributors in relation to amongst others, our failure to meet their expectations with respect to our products and services, delivery schedule, customer support or other matters could negatively affect our relationships with them. This may, in turn, affect our reputation in the market if we are unable to sufficiently address the complaints brought against us by our wholesalers, dealers and authorised distributors.

(b) **We are dependent on our wholesalers, dealers and authorised distributors to distribute and sell our products to retail end-users**

Our products are primarily distributed to our network of wholesalers, dealers and authorised distributors for onward sale to retail end-users. This is evidenced by the revenue contribution from our wholesalers, dealers and authorised distributors which accounted for 95.06%, 96.84% and 98.53% of our total revenue for the Financial Years Under Review, respectively. Should they fail to uphold their quality of services, it may reflect in negative perception towards our brand, thus resulting negatively on the demand for our products which may adversely affect our Group's financial performance as well as our future growth.

(c) **We are dependent on the construction and manufacturing industries in Malaysia for our continued success and growth**

The performance of our business is dependent on the construction (i.e. new building and infrastructure construction, as well as renovation of existing buildings and infrastructure) and manufacturing industries as we primarily provide decorative paints and protective coatings for household and industrial applications. As such, a decline in the construction and manufacturing industries may lead to a slowdown in the demand for our decorative paints and protective coatings.

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3. PROSPECTUS SUMMARY (Cont'd)**3.7 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT**

Our Directors and key senior management are as follows:

Name	Designation
Directors	
Yau Yin Wee	Independent Non-Executive Chairman
Goh Chye Hin	Managing Director
Kee Hui Lang	Non-Independent Executive Director
Lim Kok Beng	Non-Independent Executive Director / Chief Operating Officer
Ang Hock Seng	Independent Non-Executive Director
Tan Suat Hoon	Independent Non-Executive Director
Yap Yung Chien	Independent Non-Executive Director
Key Senior Management	
Goh Chye Hin	Managing Director
Kee Hui Lang	Non-Independent Executive Director
Lim Kok Beng	Non-Independent Executive Director / Chief Operating Officer
Jiu Chieh Yin	Chief Financial Officer
Khoo Khiow Jin	Sales and Marketing Manager
Tan Kim Peng	General Manager
Nurul Farhah Binti Abdullah	Senior Lead Chemist

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

Name	Before IPO				After IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Goh Chye Hin	164,569,789	59.55	10,000,000 ⁽³⁾	3.62	164,569,789	44.50	10,000,000 ⁽³⁾	2.70
Kee Hui Lang	27,774,611	10.05	10,000,000 ⁽³⁾	3.62	27,774,611	7.51	10,000,000 ⁽³⁾	2.70

Notes:

- (1) Based on the total number of 276,350,420 Shares before our IPO.
- (2) Based on our enlarged total number of 369,850,420 Shares after our IPO.
- (3) Deemed interested by virtue of the direct shareholding of their children, Goh Sim Yee and Goh Ji Syuan pursuant to Section 59(11)(c) of the Act.

Further details of our Promoters, substantial shareholders, Directors and key senior management are set out in Section 5 of this Prospectus.

3. PROSPECTUS SUMMARY (Cont'd)**3.8 UTILISATION OF PROCEEDS**

The estimated gross proceeds arising from the IPO of approximately RM[•] million shall accrue entirely to us and will be utilised in the following manner:

Details of use of proceeds	Estimated timeframe for utilisation from the date of Listing	RM'000	%
(a) Establishment of Perak Plant:			
(i) Construction of Perak Plant	Within 12 months	[•]	[•]
(ii) Purchase and commissioning of automated paint production system	Within 12 months	[•]	[•]
(b) Purchase of 250 sets of Smart Colour POS Tinting Machine	Within 36 months	[•]	[•]
(c) Working capital	Within 12 months	[•]	[•]
(d) Estimated listing expenses	Within 1 month	[•]	[•]
	Total	[•]	100.00

Detailed information on our utilisation of proceeds is set out in Section 4.9 of this Prospectus.

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

The following table sets out the financial highlights of our historical audited combined statements of comprehensive income of our Group for the Financial Years Under Review:

	Audited		
	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
Revenue	71,599	79,766	79,218
GP	22,787	26,718	23,535
PBT	9,401	13,931	11,204
PAT	7,442	10,690	8,614
GP margin (%) ⁽¹⁾	31.83	33.50	29.71
PBT margin (%) ⁽²⁾	13.13	17.46	14.14
PAT margin (%) ⁽³⁾	10.39	13.40	10.87

Notes:

(1) GP margin is computed based on the GP over revenue of our Group.

(2) PBT margin is computed based on the PBT over revenue of our Group.

(3) PAT margin is computed based on the PAT over revenue of our Group.

There were no exceptional or extraordinary items during the Financial Years Under Review. Our audited financial statements for the Financial Years Under Review were not subject to any audit qualifications.

Further details of our Group's financial information are set out in Section 12 of this Prospectus.

3. PROSPECTUS SUMMARY (Cont'd)**3.10 DIVIDEND POLICY**

Our Group presently does not have a fixed dividend policy. As we are holding company, our ability to declare and pay dividends or make other distributions to our shareholders are depended upon the dividends we receive from our subsidiaries, present and future. Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business.

The dividends declared and/or paid by our Group during the Financial Years Under Review are as follows:

	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
PAT attributable to owners of our Group	7,489	10,680	8,665
Dividends paid	-	650 ⁽²⁾	351 ⁽²⁾
Dividend payout ratio (%) ⁽¹⁾	-	6.09	4.05

Notes:

(1) *Computed based on dividends paid over PAT attributable to owners of our Group for each financial year.*

(2) *The dividends paid in FYE 2021 and FYE 2022 were funded via internally generated funds.*

Subsequent to the FYE 2022 and up to the LPD, there are no dividend declared, made or paid by our Group to our shareholders.

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