

4. RISK FACTORS

There can be no assurance that any changes to the political and economic conditions of Vietnam will not materially and adversely affect our expansion plan into that country. In addition, no assurance can be given that we will be successful in the foreign manufacturing operations.

4.1.20 Unfavourable Economic, Social and Political Conditions

Any adverse change in the political, economic and regulatory environment and uncertainties in Malaysia and regions where we operate could have unfavourable effect on our financial and business prospects. These include but not limited to the risk of war, terrorist attacks, riots, changes in political leadership, global economic downturn and unfavourable changes in government policies such as changes in the methods of taxation, interest rates, licensing or introduction of new regulations. Whilst we would continue to take effective measures such as prudent financial management and continue seeking new markets, there is no assurance that any change to these factors will not materially and adversely affect our financial position or business in the future

4.2 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

4.2.1 No Prior Market for Our Shares

Prior to our Listing, there was no public trading for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Listing or, if developed, that such market will be sustained. The IPO Price of RM0.65 per Share was determined after taking into consideration a number of factors including but not limited to our historical earnings, prospects and future plans, our financial and operating history and the market value of our assets. There can be no assurance that the IPO Price will correspond to the price at which our Shares will be traded on the Main Market of Bursa Securities upon or subsequent to our Listing or that an active market for our Shares will develop and continue upon or subsequent to our Listing.

The price at which our Shares will trade on the Main Market of Bursa Securities after the IPO may be influenced by a number of factors including, amongst others, the depth and liquidity of the market for our Shares, investors' individual perceptions of our Group, market and economic conditions.

4.2.2 Failure / Delay in or Abortion of the Listing

Our Listing is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:-

- (a) Force majeure events or events/circumstances including war, riot, flood, fire, storm, hijacking, sabotage crime, epidemic and acts of God, which are beyond the control of our Company and/or the Sole Underwriter, arising prior to our Listing;
- (b) The identified investors fail to subscribe for the portion of the Offer Shares allocated to them pursuant to the Offer for Sale;
- (c) The Sole Underwriter exercising its rights pursuant to the Underwriting Agreement discharging itself from the obligations therein; and
- (d) We are unable to meet the public shareholding spread requirement, which is at least 25% of our total number of Shares for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each upon the completion of the IPO and at the point of Listing.

In this respect, we will exercise our best endeavour to comply with the various regulatory requirements, including, *inter-alia*, the public shareholding spreads requirement in paragraph (d) above. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or non-implementation of our Listing.

4. RISK FACTORS

In the event of the failure of our Listing, we will return in full without interest, monies paid by the investors in respect of all applications in accordance with the provision of sub-Section 243(2) of the Capital Markets and Services Act, 2007.

4.2.3 Dividend Payment

Our Company, an investment holding company, derives its income mainly from dividends received from our subsidiary companies. Hence, our ability to pay future dividend and our ability to sustain our dividend policy in the future are largely dependent on the performance of our subsidiary companies. In determining the size of any dividend recommendation, we will also take into consideration a number of factors, including but not limited to our financial performance, cash flow requirements, debt servicing and financing commitments, availability of distributable reserves and tax-exempt profits/tax credits, future expansion plans, loan covenants and compliance with regulatory requirements.

4.2.4 Continued Control by Promoters

Upon Listing, the Promoters will collectively hold a total of approximately 74.9% of our enlarged issued and paid-up share capital. Depending on how they choose to vote and because of their shareholdings, these shareholders will generally be expected to have significant influence on the outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities. Nevertheless, as a step towards good corporate governance, we have appointed 3 Independent Non-Executive Directors and set up an Audit Committee to ensure that, inter-alia, all future transactions involving related parties are entered into at arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of our minority shareholders.

4.3 OTHER RISKS

4.3.1 Forward-Looking / Prospective Statements

Certain statements in this Prospectus are based on historical data which may not be reflective of future results and others are forward-looking in nature that are based on assumptions and subject to uncertainties and contingencies which may or may not be achievable. Whether such statements would ultimately prove to be accurate depends upon a variety of factors that may affect our businesses and operations, and such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, plans, performances and achievements, expressed or implied, by such prospective statements. Although we believe that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such prospective statements or expectations will prove to be correct in the future. Any deviation from the expectations may have a material adverse effect on our business and financial performance.

The above is not an exhaustive list of challenges we are currently facing or that may develop in the future. Additional risks whether known or unknown, may in the future have a material adverse effect on us and/or our Shares.

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5. GENERAL INFORMATION ON OUR GROUP

5.1 INCORPORATION AND HISTORY

We were incorporated in Malaysia as a public limited company on 6 February 2008. Our principal activities are those of investment holding and the provision of management services. The Company is a listing vehicle incorporated to undertake the flotation exercise of HUI and USF, our wholly-owned subsidiaries. The sole activity of USF is property investment holding where it owns Lot 8726, which houses Factory A and our head office.

We are principally an integrated ODM and OEM player with a complete range of upholstered home furniture products. As an ODM, we design and manufacture furniture for our customers whereas, as an OEM, we manufacture furniture based on their designs provided to us. For the FYE 2009, approximately 86% of our Group's revenue was contributed by ODM sales with the remaining 14% from OEM sales. Our primary activity revolves around the design, manufacture and sale of upholstered home furniture which includes upholstered sofas, upholstered dining chairs and upholstered bed frames.

We are one of the leading upholstered home furniture manufacturers in Malaysia and our products are mainly focused on 'medium to high end range' of upholstered home furniture. We design our furniture products primarily based on Western stylishness and preferences. We believe we have earned a strong reputation for our product quality and reliability with approximately 99% of our Group's revenue contributed from overseas.

Since commencement of business in 1997, Chua Fen Fatt, our Managing Director, has been instrumental in the success, growth and development of our Group. He has had over 22 years of working experience in the furniture industry, particularly in the upholstered furniture industry.

We made our first foray into the overseas market in 1997 when we exported to Singapore and in 1999, we ventured into Reunion Island, Bahrain, Australia and Cyprus. Presently, we export our products to more than 40 countries across the world covering Europe, Australasia, North and South America, Asia and Africa. In 2001, we started participating in the Malaysian International Furniture Fair and thereafter, we continued to participate annually in the fair as well as other international furniture fairs held in different countries such as Spain, Ukraine, Belgium, Germany and China. The participation in the furniture fairs is very important to us as they provide a platform for us to create awareness for our products in the international markets.

Initially, we were only involved in the manufacturing of upholstered sofas from a tenanted factory with a built up area of 7,200 sq. ft. and in 2002, we began manufacturing upholstered dining chairs. To cater for the rapid growth in demand for our products, we moved our operations into several tenanted factories with total built up area of about 32,200 sq. ft. in 2003. To improve overall efficiency and to achieve greater economy of scale, we then acquired Factory A with a total built up area of 97,400 sq. ft. and shifted our entire operations to Factory A from the tenanted factories in 2005.

In 2005, we introduced upholstered bed frames in addition to the upholstered sofas and dining chairs to accomplish our main vision in becoming one of the manufacturers/producers of a complete range of upholstered home furniture products in Malaysia.

With Factories B and C commissioned in November 2006 and August 2007 respectively, we now own and occupy 3 manufacturing plants with a total built up area of 330,000 sq. ft. All of our plants are located in Kawasan Perindustrian Bukit Bakri, Muar, Johor. In addition, since November 2007, we have been renting Factory D with a built up area of 18,000 sq. ft., which is principally used for woodworking activities for our upholstered dining chair frames as well as for our wooden dining tables.

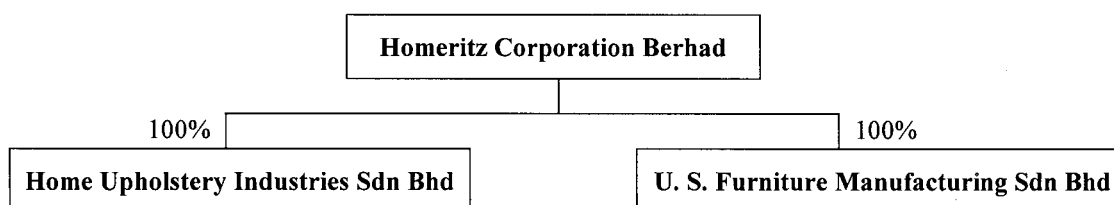
5. GENERAL INFORMATION ON OUR GROUP

Further, we have acquired 2 pieces of freehold land in 2007 with a total land area of 167,315 sq. ft. located adjacent to our existing manufacturing plants and head office where we intend to set up our new plant, which we envisage to commence construction work within the next 24 months (from the Listing), to increase our production capacity. Besides, the new plant is also intended to house the operation of the woodworking activities for our upholstered dining chair frames as well as the wooden dining tables which are currently being carried out in the rented Factory D.

In 2008, we attained the ISO 9001:2000 certification and were honoured at the prestigious Golden Bull Awards 2008 organised by Nanyang Siang Pau, where we ranked 1st out of 100 Outstanding Small and Medium Enterprises. We were also declared a winner of the Enterprise 50 Award Programme 2008 which was jointly organised by the Small and Medium Industries Development Corporation (SMIDEC) and Deloitte Consulting (M) Sdn Bhd. We believe such awards have been accorded to us in recognition of our business acumen, entrepreneurship and vision in running our Company.

In 2009, in line with our continuous effort in new product development, we had introduced and successfully commercialised the sofa bed, our new product, to the Australian market. For the 2nd year running, we won the Enterprise 50 Award Programme 2009. In addition, we also won the 2009 Product Excellence and Asian Furniture Leadership Award at the Malaysian Furniture Leadership Award organised by the Furniture & Furnishing Export International.

Our current group structure is set out as follow:-



5.2 SHARE CAPITAL

Our authorised share capital is RM100,000,000 comprising 500,000,000 ordinary shares of RM0.20 each, of which 191,000,000 Shares have been issued and fully paid-up as at the date of this Prospectus. Upon completion of the Public Issue, our enlarged issued and paid-up share capital will be increased to RM40,000,000 comprising 200,000,000 Shares.

The movements in our issued and paid-up share capital since the date of our incorporation are set out below:-

Date of Allotment	No. of Shares Allotted	Par Value RM	Consideration/ Types of Issue	Resultant Issued and Paid-up Share Capital RM
06.02.08	2	1.00	Subscribers' shares	2
25.02.08	4	0.50	Subdivision	2
15.09.09	72,358,950	0.50	Acquisition of HUI	36,179,477
26.11.09	361,794,770	0.10	Share split 1 : 5	36,179,477
26.11.09	180,897,385	0.20	Share consolidation 2 : 1	36,179,477
30.11.09	10,102,615	0.20	Rights Issue	38,200,000

5. GENERAL INFORMATION ON OUR GROUP

5.3 LISTING SCHEME

In conjunction with and as an integral part of our Listing, we undertook a listing scheme which was approved by the SC on 26 September 2008, 26 March 2009, 8 September 2009 and 6 November 2009 as well as the MITI on 25 July 2008, 1 September 2009 and 26 November 2009, involving the following:-

5.3.1 Acquisitions

Acquisitions by our Company in respect of the entire issued and paid-up share capital of:-

- (a) HUI comprising 450,000 ordinary shares of RM1.00 each for a purchase consideration of RM36,179,475 to be satisfied by an issuance of 72,358,950 new Homeritz Shares at an issue price of RM0.50 per Share.

The purchase consideration was based on the audited consolidated NTA of the HUI Group as at 31 August 2008 of RM36,179,475 (after adjusting for the payment of first and final dividend of RM3.0 million in respect of the financial year ended 31 August 2008).

- (b) USF comprising 50,002 ordinary shares of RM1.00 each for a purchase consideration of RM1,012,324 to be satisfied in cash.

The purchase consideration was based on the original cost of investment in USF in the books of HUI.

The Acquisitions were completed on 15 September 2009. Following the Acquisitions, the existing subscribers' shares in the Company were also transferred to Chua Fen Fatt and Tee Hwee Ing on an equal basis on the same date.

5.3.2 Subdivision

A share split involving the subdivision of each of the existing 72,358,954 ordinary shares of RM0.50 each in Homeritz (after the Acquisitions and transfer of the existing subscribers' shares in the Company) into 361,794,770 ordinary shares of RM0.10 each in Homeritz by subdividing one (1) ordinary share of RM0.50 each in Homeritz into five (5) ordinary shares of RM0.10 each in Homeritz. The Subdivision was completed on 26 November 2009.

5.3.3 Share Consolidation

A share consolidation was undertaken immediately after the Subdivision but prior to the Rights Issue involving the consolidation of each of the 361,794,770 ordinary shares of RM0.10 each in Homeritz into 180,897,385 ordinary shares of RM0.20 each in Homeritz by consolidating two (2) ordinary shares of RM0.10 each in Homeritz into one (1) ordinary share of RM0.20 each in Homeritz. The Share Consolidation was completed on 26 November 2009.

5.3.4 Rights Issue

A renounceable rights issue of 10,102,615 new Homeritz Shares at an issue price of RM0.20 per share to all shareholders of the Company was implemented after the Acquisitions, Subdivision and Share Consolidation on the basis of approximately 0.0558 new Homeritz Shares for every one (1) existing ordinary share then held in the Company. The Rights Issue was completed on 30 November 2009.

5. GENERAL INFORMATION ON OUR GROUP

5.3.5 Offer for Sale

The Offerors shall offer for sale an aggregate of 35,020,000 existing Homeritz Shares at the IPO Price in the following manner:-

- (a) 20,000,000 Shares by way of private placement to Bumiputera investors approved by the MITI;
- (b) 8,020,000 Shares by way of private placement to identified investors; and
- (c) 7,000,000 Shares available for application by the Malaysian Public,

as detailed below:-

Offerors	No. of Shares
Chua Fen Fatt	17,510,000
Tee Hwee Ing	17,510,000
Total	<u>35,020,000</u>

5.3.6 Public Issue

In conjunction with our Listing, we are undertaking a public issue of 9,000,000 new Homeritz Shares at the IPO Price comprising the following:-

- (a) 1,000,000 new Shares available for application by our eligible Directors, employees and business associates under the Pink Form Allocations; and
- (b) 8,000,000 new Shares available for application by the Malaysian Public.

5.3.7 Listing and Quotation

Following the Offer for Sale and Public Issue, we shall seek the permission of Bursa Securities for the listing of and quotation for our entire enlarged issued and paid up share capital comprising 200,000,000 Homeritz Shares on the Main Market of Bursa Securities.

5.4 SUBSIDIARY COMPANIES

All of our subsidiary companies are wholly-owned by our Company. As at the date of this Prospectus, we do not have any associated companies. Details of our subsidiary companies are summarised as follows:-

Company	Date/ Place of Incorporation	Authorised Share Capital (RM)	Issued and Paid-up Share Capital (RM)	Equity Interest %	Principal Activity
HUI (Company No: 441363-V)	4 August 1997 / Malaysia	500,000	450,000	100.00	Design, manufacture and sale of upholstered furniture products
USF (Company No: 251531-U)	24 October 1992 / Malaysia	100,000	50,002	100.00	Property investment holding

5. GENERAL INFORMATION ON OUR GROUP

5.4.1 HUI

(a) History and business

HUI was incorporated in Malaysia under the Act on 4 August 1997 as a private limited company under its present name. The principal activity of HUI is that of design, manufacture and sale of upholstered furniture products.

(b) Share capital

HUI's present authorised share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which 450,000 ordinary shares of RM1.00 each have been issued and fully paid-up. The movements in issued and paid-up share capital of HUI since its incorporation are as follows:-

Date of Allotment	No. of Shares Allotted	Par Value RM	Consideration/ Types of Issue	Resultant Issued and Paid-up Share Capital RM
04.08.1997	3	1.00	Subscribers' shares	3
05.11.1997	49,997	1.00	Cash	50,000
22.10.2002	50,000	1.00	Cash	100,000
19.03.2004	100,000	1.00	Bonus issue 1 : 1	200,000
09.06.2006	100,000	1.00	Cash	300,000
30.06.2006	100,000	1.00	Cash	400,000
30.08.2007	50,000	1.00	Cash	450,000

(c) Substantial shareholders and Directors

HUI is a wholly-owned subsidiary company of Homeritz and the Directors are Chua Fen Fatt and Tee Hwee Ing.

(d) Subsidiary and associated companies

As at the date of this Prospectus, HUI does not have any subsidiary or associated company.

5.4.2 USF

(a) History and Business

USF was incorporated in Malaysia under the Act on 24 October 1992 as a private limited company under its present name. The principal activity of USF is that of a property investment holding since incorporation.

(b) Share Capital

USF's present authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 50,002 ordinary shares of RM1.00 each have been issued and fully paid-up. The movements in issued and paid-up share capital of USF since its incorporation are as follows:-

Date of Allotment	No. of Shares Allotted	Par Value RM	Consideration/ Types of Issue	Resultant Issued and Paid-up Share Capital RM
24.10.1992	2	1.00	Subscribers' shares	2
12.08.1995	50,000	1.00	Cash	50,002

5. GENERAL INFORMATION ON OUR GROUP

(c) Substantial shareholders and Directors

USF is a wholly-owned subsidiary company of Homeritz and the Directors are Chua Fen Fatt and Tee Hwee Ing.

(d) Subsidiary and associated companies

As at the date of this Prospectus, USF does not have any subsidiary or associated company.

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5. GENERAL INFORMATION ON OUR GROUP

5.5 MAJOR APPROVALS AND LICENCES

The details of major approvals and licences granted to or held by us are as follows:-

Issuing Authority	Date of Issue (Renewal)	Date of Expiry	Nature of Approval/ Licences	Equity and/or Major Conditions Imposed	Compliance
MITI	07.09.2005	Not applicable	Manufacturing licence for the manufacture of wooden furniture at Lot 8726, Batu 8, Kawasan Perindustrian Bukit Bakri, 84200 Muar, Johor	<ul style="list-style-type: none"> (i) The site is subject to the approval of the State Government and DOE. (ii) MITI needs to be informed of any sale of shares in HUI. (iii) HUI shall train Malaysians to ensure the transfer of technology and expertise is filtered to all levels. (iv) HUI shall implement its project as approved and in compliance with the law and other regulations of Malaysia. 	<ul style="list-style-type: none"> Complied. Noted. Complied. Complied.
MITI	07.05.2008	Not applicable	Manufacturing licence for the manufacture of upholstered furniture at Lot 8726, Batu 8, Kawasan Perindustrian Bukit Bakri, 84200 Muar, Johor	<ul style="list-style-type: none"> (i) The site is subject to the approval of the State Government and DOE. (ii) MITI needs to be informed of any sale of shares in HUI. (iii) HUI is not allowed to use logs in the manufacturing without prior approval of the relevant State Forestry Department. (iv) HUI shall train Malaysians to ensure the transfer of technology and expertise is filtered to all levels. (v) HUI shall implement its project as approved and in compliance with the law and other regulations of Malaysia. 	<ul style="list-style-type: none"> Complied. Noted. Complied. Complied. Complied.
MITI	07.05.2008	Not applicable	Manufacturing licence for the manufacture of upholstered furniture and wooden furniture at Lot PTD 9495, Batu 7 ½, Jalan Bakri, Kawasan Perindustrian Bukit Bakri, 84200 Muar, Johor	<ul style="list-style-type: none"> (i) The site is subject to the approval of the State Government and DOE. (ii) MITI needs to be informed of any sale of shares in HUI. (iii) HUI is not allowed to use logs in the manufacturing without prior approval of the relevant State Forestry Department. (iv) HUI shall train Malaysians to ensure the transfer of technology and expertise is filtered to all levels. (v) HUI shall implement its project as approved and in compliance with the law and other regulations of Malaysia. 	<ul style="list-style-type: none"> Complied. Noted. Complied. Complied. Complied.

5. GENERAL INFORMATION ON OUR GROUP

Issuing Authority	Date of Issue (Renewal)	Date of Expiry	Nature of Approval/Licences	Equity and/or Major Conditions Imposed	Compliance
MITI	07.05.2008	Not applicable	Manufacturing licence for the manufacture of wooden furniture and upholstered furniture at Lot 4943 & 4944, Batu 7 ½, Jalan Bakri, Kawasan Perindustrian Bukit Bakri, 84200 Muar, Johor	<ul style="list-style-type: none"> (i) The site is subject to the approval of the State Government and DOE; (ii) MITI needs to be informed of any sale of shares in HUI; (iii) HUI is not allowed to use logs in the manufacturing without prior approval of the relevant State Forestry Department; (iv) HUI shall train Malaysians to ensure the transfer of technology and expertise is filtered to all levels; and (v) HUI shall implement its project as approved and in compliance with the law and other regulations of Malaysia. 	<p>Complied.</p> <p>Noted.</p> <p>Complied.</p> <p>Complied.</p> <p>Complied.</p>
MITI	07.05.2008	Not applicable	Manufacturing licence for the manufacture of upholstered furniture and wooden furniture at Lot 4947, PTD 9493, Batu 8, Kawasan Perindustrian Bukit Bakri, 84200 Muar, Johor (rented Factory D)	<ul style="list-style-type: none"> (i) The site is subject to the approval of the State Government and DOE; (ii) MITI needs to be informed of any sale of shares in HUI; (iii) HUI is not allowed to use logs in the manufacturing without prior approval of the relevant State Forestry Department; (iv) HUI shall train Malaysians to ensure the transfer of technology and expertise is filtered to all levels; (v) HUI shall implement its project as approved and in compliance with the law and other regulations of Malaysia. 	<p>Complied.</p> <p>Noted.</p> <p>Complied.</p> <p>Complied.</p> <p>Complied.</p>
MITI	02.06.2008	30.09.2012	Pioneer Certificate for Pioneer Status with 70% tax exemption on statutory income for 5 years from the manufacture of "Wooden Furniture" and "Upholstered Furniture With Wooden Frame".	<ul style="list-style-type: none"> (i) Value-added of the products should be at least 35%. (ii) Design and development expenses should be at least 1% of the gross annual sales of HUI. (iii) A minimum of 51% of HUI's shares must be acquired and held by Malaysian citizens. 	<p>Complied.</p> <p>Complied.</p> <p>Complied.</p>

5. GENERAL INFORMATION ON OUR GROUP

Issuing Authority	Date of Issue (Renewal)	Date of Expiry	Nature of Approval/ Licences	Equity and/or Major Conditions Imposed	Compliance
Johor Forestry Department*	13.05.2008 (01.01.2010)	31.12.2010	Licence to site, erect, establish, operate or maintain a woodworking/furniture/wood moulding factory	<p>(i) HUI shall not: (a) transfer the licence; (b) rent, lease, lend, mortgage or sell the whole factory or any part thereof or any equipment or any part of any equipment therein; or (c) effect any change in the shareholding of the whole factory or any part thereof, without the written approval of the State Authority.</p> <p>(ii) The woodworking/furniture/wood moulding factory shall be constructed according to the location, site, layout and building plans approved by the State Director of Forestry and no alteration/addition shall be carried out without the written approval of the State Director of Forestry.</p> <p>(iii) The woodworking/furniture/wood moulding factory shall be used for manufacture of finished or semi-finished wood products from sawn timber, rattan, bamboo and other forest produce. Under no circumstances shall logs of any kind, including those that are quartered and halved be brought into or processed in the factory compound.</p> <p>(iv) The licensee shall obtain approval from the Local Authority/DOE within the period of the temporary licence. Failure to obtain the approval from the agencies shall result in the issuance of the permanent licence being disrupted.</p>	Noted & to be complied with, where required. Complied. Complied. Complied.
Malaysian Timber Industry Board	06.06.2005 (25.08.2009)	30.09.2010	Registration as exporter of timber products (Type J)	None	-
Department of Customs and Excise	06.09.1997	Not applicable	Manufacturer's Licence under the Sales Tax Act, 1972	None	-

5. GENERAL INFORMATION ON OUR GROUP

Issuing Authority	Date of Issue (Renewal)	Date of Expiry	Nature of Approval/Licences	Equity and/or Major Conditions Imposed	Compliance
DOE	30.06.2005	Not applicable	Letter of no objection to application of business premise licence at Lot 8726 (PTD 6023) Batu 8, Kawasan Perindustrian Bukit Bakri, 84200 Muar, Johor	<p>(i) HUI is only allowed to operate at the premises for the industry of wooden furniture and upholstered furniture. Any activity other than the above stated is not allowed.</p> <p>(ii) The Department is entitled to withdraw and/or impose additional terms if necessary and the approval is subject to the approval of the State Authority and any other relevant agencies.</p>	<p>Complied.</p> <p>Noted.</p>
DOE	03.08.2006	Not applicable	Letter of no objection to application to construct a furniture factory at Lot PTD 9495, Kawasan Perindustrian Bukit Bakri, Mukim Jalan Bakri, 84200 Muar, Johor	<p>(i) HUI is only allowed to operate at the premises for the industry of wooden furniture and upholstered furniture. Any activity other than the above stated is not allowed.</p> <p>(ii) The Department is entitled to withdraw and/or impose additional terms if necessary and the approval is subject to the approval of the State Authority and any other relevant agencies.</p>	<p>Complied.</p> <p>Noted.</p>
DOE	21.02.2008	Not applicable	Letter of no objection to application of business premise licence at Lot PTD 9495, Kawasan Perindustrian Bukit Bakri, 84200 Muar, Johor	<p>(i) HUI is only allowed to operate at the premises for the industry of wooden furniture and upholstered furniture. Any activity other than the above stated is not allowed.</p> <p>(ii) The Department may withdraw and/or impose additional terms if necessary and the approval is subject to the approval of the State Authority and any other relevant agencies.</p>	<p>Complied.</p> <p>Noted.</p>
DOE	16.04.2007	Not applicable	Letter of no objection to application to construct a furniture factory and 2 storey office at Lot 4943 GRN 85825 and Lot 4944 GRN 85826, Kawasan Perindustrian Bukit Bakri, Mukim Jalan Bakri, 84200 Muar, Johor	<p>(i) HUI is only allowed to operate at the premises for the industry of wooden furniture and upholstered furniture. Any activity other than the above stated is not allowed.</p> <p>(ii) The Department may withdraw and/or impose additional terms if necessary and the approval is subject to the approval of the State Authority and any other relevant agencies.</p>	<p>Complied.</p> <p>Noted.</p>

5. GENERAL INFORMATION ON OUR GROUP

Issuing Authority	Date of Issue (Renewal)	Date of Expiry	Nature of Approval/ Licences	Equity and/or Major Conditions Imposed	Compliance
DOE	06.02.2008	Not applicable	Letter of no objection to application of business premise licence at Lot 4943/4944, Kawasan Perindustrian Bukit Bakri, 84200 Muar, Johor	(i) HUI is only allowed to operate at the premises for the industry of wooden furniture and upholstered furniture. Any activity other than the above stated is not allowed. (ii) The Department may withdraw and/or impose additional terms if necessary and the approval is subject to the approval of the State Authority and any other relevant agencies.	Complied. Noted.
MPM	01.01.2010	31.12.2010	Business premise licence for Lot PTD 6023 (Lot 8726), Bt 8, Kaw. Perindustrian Bukit Bakri, Bukit Bakri, 84200 Muar, Johor	None	-
MPM	01.01.2010	31.12.2010	Business premise licence for Lot PTD 9495, Kaw. Perindustrian Bkt Bakri, 84200 Muar, Johor	None	-
MPM	01.01.2010	31.12.2010	Business premise licence for Lot 4943 Kaw. Perindustrian Bkt Bakri, 84200 Muar, Johor	None	-
MPM [^]	01.01.2010	31.12.2010	Temporary business premise licence for Lot 4947 PTD 9493, Bt 8, Kaw. Perindustrian Bkt Bakri, 84200 Muar, Johor (rented Factory D)	None	-
MPM	01.01.2010	31.12.2010	Advertising licence for Lot 8726, PTID 6023, Bt. 8, Kawasan Perindustrian Bukit Bakri, 84200 Muar, Johor	None	-

Notes:-

* Pending issuance of the final licence by Johor Forestry Department.

[^] Pending issuance of final business premise licences by MPM.

5. GENERAL INFORMATION ON OUR GROUP

5.6 PROPERTIES OF OUR GROUP

5.6.1 Land and Buildings

The summary of the information on the material land and buildings owned/leased by our Group is set out below:-

Registered Owner	Description	Tenure/ Expiry of Lease	Age of Buildings (Years)	Category of Land Use/ Land Area	NBV as at 31.08.09 RM	Market value ¹ RM	Date of Issuance of Certificate of Fitness for Occupation	Encumbrances	Restrictions in Interest
USF	A plot of industrial land erected with a block of single-storey factory building together with a three-storey office annexe, a guard house, a pump house, a TNB sub-station, an extended first floor factory and lean-to sheds, located at Lot No. 8726, PN 9634, Mukim of Jalan Bakri, District of Muar, State of Johor ²	Leasehold for a term of 99 years/ Expiring on 29 December 2094	9	Industrial/ 9,030 sq. m. (about 97,198 sq. ft.)	5,088,397	5,020,000	03.01.2001	Presently charged to Public Bank Berhad vide Presentation No. 28626/2004, registered on 26 April 2004	This alienated land cannot be sold, mortgaged, charged, leased or transferred in anyway whatsoever, including by way of entering into any contract with the purpose to part with/sell this land, without the consent of the State Authority.
HUI	A plot of industrial land erected with a block of single-storey factory building and a guard house, located at Lot PTD No. 9495, HSD 31616, Mukim of Jalan Bakri, District of Muar, State of Johor	Freehold	2	Industrial/ 7,262 sq. m. (about 78,168 sq. ft.)	2,970,922	3,050,000	10.07.2009 ³	Nil	This land cannot be transferred in anyway whatsoever unless the construction of a factory building as imposed in the Express Conditions has commenced in accordance with the plans approved by the State Authority.

5. GENERAL INFORMATION ON OUR GROUP

Registered Owner	Description	Tenure/ Expiry of Lease	Age of Buildings (Years)	Category of Land Use/ Land Area	NBV as at 31.08.09 RM	Market value ¹ RM	Date of Issuance of Certificate of Fitness for Occupation	Encumbrances	Restrictions in Interest
HUI	Two (2) adjoining plots of industrial land erected with a block of single-storey factory building together with a double-storey office annexe, a production office, a canteen building, a pump house, a TNB sub-station, 2 guard houses, a locker room and a compressor room, located at Lot Nos. 4943 and 4944, Geran 85825 and 85826, both in the Mukim of Jalan Bakri, District of Muar, State of Johor	Freehold	2	Industrial/ 24,282 sq. m. (about 261,369 sq. ft.)	11,030,624	11,100,000	24.11.2009	Presently charged to AmBank (M) Bhd and AmlIslamic Bank Berhad vide Presentation No. 58336/2009 and 58337/2009 respectively, registered on 13 August 2009.	Nil.
HUI	Two (2) adjoining plots of industrial land located at HS(D) 33704 and HS(D) 33703, Lots PTD 10628 and 10629, both in the Mukim of Jalan Bakri, District of Muar, State of Johor	Freehold	N/A	Industrial/ 15,544 sq. m. (about 167,315 sq. ft.)	2,095,180	N/A	N/A	Nil	This land as described in this title cannot be transferred in anyway whatsoever unless the construction of a factory building as imposed in the Express Conditions has commenced in accordance with the plans approved by the relevant State Authority.

5. GENERAL INFORMATION ON OUR GROUP

Notes:-

- (1) *Market values of the Properties are based on the valuation report prepared by the Valuers dated 12 February 2008 using the Cost and Investment methods of valuation. The net surplus on revaluation of the Properties amounted to RM2.43 million had already been incorporated in our audited financial statements for FYE 2008.*
- (2) *HUI owns the factory building which was built on Lot 8726.*
- (3) *The issuance of the final certificate of fitness for occupation for Factory B by the local council is pending the completion of construction of the access road by the land developer which is underway. Nonetheless, the Group had obtained the temporary certificate of fitness for occupation from MPM, which will expire on 10 July 2010 and which is renewable (if required) until the final certificate of fitness for occupation is issued. Upon completion of the construction of the access road, the Group would undertake all necessary and appropriate steps to obtain the final certificate of fitness for occupation.*

To the best of our Directors' knowledge and belief, there is no material non-compliance with current statutory requirements, land rules or building regulations in respect of the landed properties owned/leased by our Group. In addition, none of the above lands has breached any land-use condition or permissible land-use.

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5. GENERAL INFORMATION ON OUR GROUP

5.6.2 Plant and Equipment

The summary of the material plant and equipment owned by our Group is as follows:-

Type of Equipment	Description	No. of units	NBV as at 31.08.09 RM'000
PVC/Fabric cutting machine	Multi Ply Cutter/Multi Ply Table Size/XLC7000 Automatic Leather Cutting System, which is an automated, variable-speed cutting system that comes with cutter control, integrated vacuum system, automatic knife sharpening and chilled air coolant system	1	483
Leather cutting machine	Gerber Technology Taurus XD Leather Cutting System, which is an automated, high-speed, modular cutting system that comes with a cutting control computer, digital colour camera, automated colour hide scanning, flaw recognition, production tracking and reporting functions	4	2,591
Sewing machine	Sewing and lockstitch machines, which are automated, high speed sewing machines that come with automatic lubricating mechanisms and thread trimmers as well as a unique feed mechanism	193	1,160

5.6.3 Regulatory Requirements and Environmental Issues

To the best of our Directors' knowledge and belief, there are no regulatory requirements and/or major environmental issues which may affect our Company's operations arising from the utilisation of our assets.

Generally, the upholstered furniture manufacturing industry does not have any major environmental issues or concerns because there are no emissions of noxious gases or production of toxic fluids or industrial wastes. Our manufacturing wastes such as saw dust and leather cuttings are relatively minor, and we easily eliminate such waste in a hygienic and orderly manner, in accordance with guidelines and regulations as stipulated by the DOE.

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5. GENERAL INFORMATION ON OUR GROUP

5.6.4 Material Capital Expenditures and Divestitures

Save as disclosed below, there were no other material capital expenditures (including interests in other corporations) made by us for the past three (3) financial years:-

	FYE 2007	FYE 2008	FYE 2009
	RM'000	RM'000	RM'000
Land and buildings	10,341	2,095	-
Plant and machinery	1,492	900	1,667
Total	<u>11,833</u>	<u>2,995</u>	<u>1,667</u>

The above material capital expenditures were primarily financed by a combination of bank borrowings and internally generated funds. There were no material capital divestitures by our Group for the past 3 financial years.

Save for our planned capital expenditures relating to our expansion plans as set out in Section 6.18 of this Prospectus, we do not have any material capital expenditures and divestitures currently in progress, within or outside Malaysia.

5.6.5 Material Plans to Construct, Expand or Improve Facilities

We intend to construct our new plant which will be located nearby our existing plants and also to set up manufacturing operations in Vietnam, to increase our production capacity. The details of such expansion plans are set out in Section 6.18 of this Prospectus.

Save as disclosed above, we do not have immediate plans to construct, expand or improve our existing facilities.

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6. BUSINESS OVERVIEW

6.1 GENERAL OVERVIEW

Our Directors believe that we have established a reputation as one of the leading upholstered home furniture manufacturers in Malaysia. We are principally an integrated ODM and OEM player who produce a complete range of upholstered home furniture products. Our customers are mainly overseas wholesalers and retailers. Our primary activity revolves around the design, manufacture and sale of upholstered home furniture which include the following products:-

- (a) upholstered sofas;
- (b) upholstered dining chairs;
- (c) upholstered bed frames; and
- (d) other home furniture such as cushion seats, sofa beds and tables.

Our products are mainly focused on 'medium to high end range' of upholstered home furniture and the designs are primarily based on Western stylishness and preferences. We made our first foray into the overseas market by exporting to Singapore in 1997 and in 1999, we ventured into Reunion Island, Bahrain, Australia and Cyprus. Presently, we export our products to more than 40 countries across the world covering Europe, Australasia, North and South America, Asia and Africa. Approximately 99% of our Group's revenue is contributed from overseas.

6.2 PRODUCTS

Our principal products for the past five (5) years are as follows:-

		2005	2006	2007	2008	2009
1.	Upholstered Sofas	√	√	√	√	√
2.	Upholstered Dining Chairs	√	√	√	√	√
3.	Upholstered Bed Frames	√	√	√	√	√
4.	Dining Tables	-	-	-	√	√
5.	Sofa beds	-	-	-	-	√

In terms of revenue contribution, upholstered sofas, upholstered dining chairs and upholstered bed frames contributed 55%, 30% and 13% respectively to our revenue for FYE 2009, whilst other home furniture products accounted for the remaining sales. A brief description of our principal products is provided below:-

1. Upholstered Sofas

We manufacture a broad collection of both leather and fabric sofas including recliner chairs. Our sofas usually come in 1+2+3 seaters, 1+1+3 seaters, 2+3 seaters or L-shape seaters and are made using quality materials including treated leather imported from Vietnam, Korea, Thailand and India, and fabric imported from China and Taiwan. Behind every piece of ODM sofa is extensive planning and creativity with emphasis on simplistic, lightweight, space saving and contemporary designs.

6. BUSINESS OVERVIEW

2. Upholstered Dining Chairs

We manufacture a broad collection of both leather and fabric dining chairs using steel or wood based frames. Due to our unique and wide range of designs, our upholstered dining chairs would easily complement any types of dining table, from traditional to contemporary and wooden to glass designs. We have gained vast experience over the years manufacturing upholstered dining chairs which enable us to cater to the demands and requirements of our clients.

3. Upholstered Bed Frames

We manufacture a wide range of upholstered bed frames which undergo strict production supervision and quality control. Upholstered bed frames are considered premium products whereby typical wood or steel bed frames, which are common in the market, are upholstered with leather or fabric to provide a sense of luxurious comfort.

4. Dining Tables

We produce dining tables to complement our existing upholstered dining chairs, thus enabling us to market them easily as dining sets. Our dining tables are made using either wooden or steel frames, topped with glass or wood.

5. Sofa Beds

In 2009, we also began commercialisation of a new product, namely the sofa bed. The upholstery materials used in the manufacture of sofa beds are identical to that of upholstered sofas, however additional metal parts, springs as well as mattresses are required for sofa beds. Further, the technology and design of sofa beds are more complicated than sofas as they involve additional mechanisms to enable the sofa beds to be unfolded and refolded in a speedy and convenient manner.

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6. BUSINESS OVERVIEW

6.3 PRINCIPAL MARKETS

Approximately 99% of our Group's revenue was contributed from overseas and the segmental analysis of our revenue by countries for the FYE 2009 is as follows:-

	% Total Revenue
Australia	23.9
Norway	18.2
Poland	5.5
Belgium	5.1
Denmark	4.6
Netherlands	5.9
Portugal	4.7
USA	4.2
Sweden	3.1
Germany	2.9
Switzerland	2.4
Finland	3.0
France	1.7
South Africa	1.5
New Zealand	1.7
Canada	1.3
Kuwait	1.1
Malaysia	1.1
Peru	1.4
United Kingdom	0.7
Chile	0.8
Italy	0.7
United Arab Emirates	0.6
Angola	0.6
Mexico	0.3
Japan	0.3
Singapore	0.3
Other countries	2.4
Total	100.0

6.4 SEASONALITY

There is no significant seasonal pattern in our sales during the past financial year due to the diversity of our customer base. Nonetheless, our sales are usually higher in the months prior to the year-end and following our participation in the international furniture fairs.

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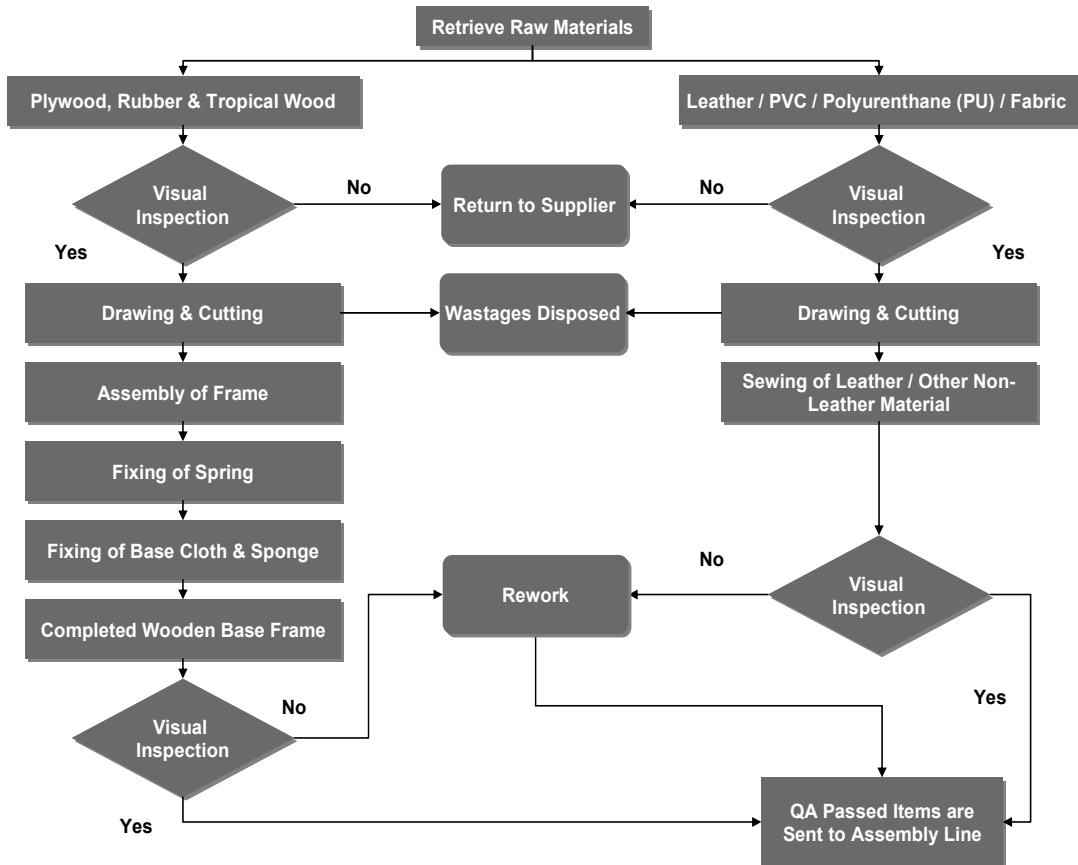
6. BUSINESS OVERVIEW

6.5 PRODUCTION PROCESS

All our current Group’s manufacturing processes are located in the same vicinity in Kawasan Perindustrian Bukit Bakri, Muar, Johor for better economies of scale and production efficiency.

The basic processes for our products are very similar and involve 2 key processes running in parallel. The production process for upholstered home furniture involves several key stages, from receiving of materials to delivery of products as shown in the diagram below.

Processing of Raw Materials



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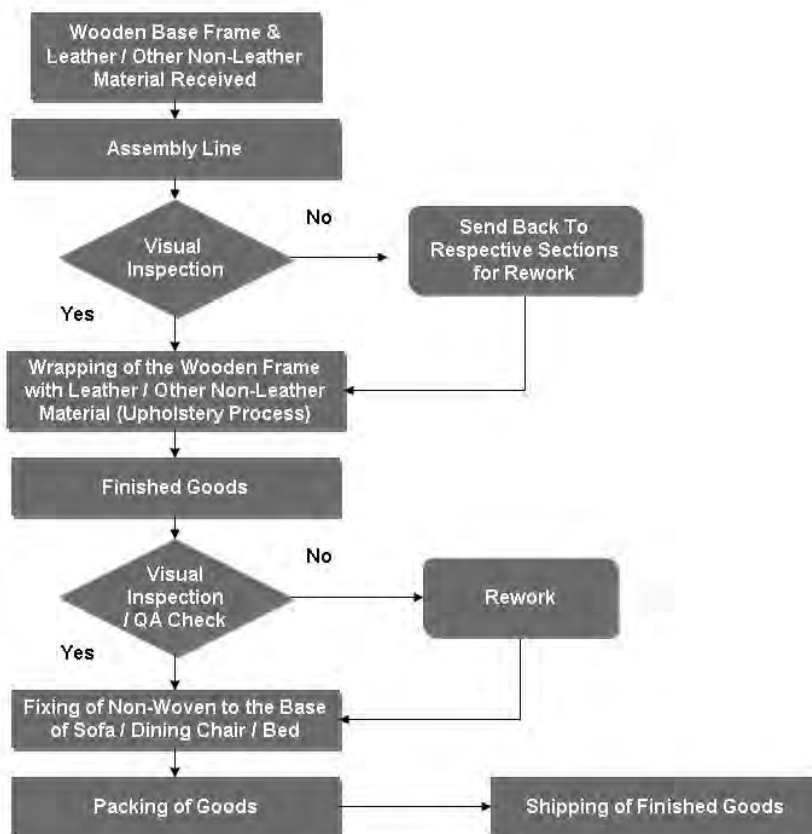
6. BUSINESS OVERVIEW

We source most of our wood and wooden frames domestically while our upholstery materials such as leather and fabric are mostly imported. The raw materials we purchase are subject to general visual and manual inspection by our quality control personnel. The leather and fabric we purchase are usually fully treated; as such, no further treatment is required on our part. Nevertheless, we will perform visual checking with regards to the type, colour and quality of the leather and fabric samples by comparison with master samples. Foam is normally inspected to ensure specification and density are acceptable. Wood is generally subject to inspection for correct specification, size, moisture content and quantity. Raw materials which do not meet our requirements would be returned to the suppliers.

Plywood, rubber and tropical wood are drawn and cut into the specific sizes or desired shapes required to form the wooden frames of the furniture. These customized wood parts are then assembled and processed into wooden frames. The assembled wooden frames are then passed on to be affixed with springs, base cloths and also sponges, this then becomes the wooden base frames used in many upholstered furniture.

Running in parallel at the start of the production process is the processing, drawing and cutting of upholstery material such as leather and fabric into the desired shapes and sizes that will fit into the wooden base frames. Thereafter, the various pieces are then sewn together using the sewing machines.

Assembly into Finished Goods



The wooden base frames, leather and other upholstery materials are received and inspected by our quality control personnel and then assembled into the finished product in this part of the manufacturing process. Final inspection would also be performed on finished products prior to packing. After the assembled products are ascertained to have met our stringent quality requirements, the base of the assembled products are then affixed with non-woven and then packaged and packed. Our products are now ready to be shipped and will be loaded into containers for transport.

6. BUSINESS OVERVIEW

6.6 RAW MATERIALS

Our major raw materials used in the production of our upholstered home furniture products and the principal sources of these raw materials are set out below:-

- (i) Upholstery materials:-
 - (a) Leather – Vietnam, Korea, Thailand and India.
 - (b) PU – China, Vietnam and Malaysia.
 - (c) PVC – Malaysia.
 - (d) Fabric – China, Taiwan and Malaysia.
 - (e) Non-woven fabric – China and Malaysia.
 - (f) Polyester/Loose fibre – China and Malaysia.
- (ii) Wood related materials including wood frame, rubber wood, oak wood, plywood and tropical wood which are mainly sourced locally.
- (iii) Foam which is sourced locally.
- (iv) Other raw materials such as metal base, packing material, sofa leg, elastic webbing, glue, hardware and nylon thread which are mainly sourced locally.

Set out in the table below is the analysis of our raw materials:-

Raw Materials	% of Total Group Purchases			Source of supply for FYE 2009	
	FYE 2007	FYE 2008	FYE 2009	Local (%)	Import (%)
Upholstery materials	49.0	53.3	51.4	3.6	96.4
Wood	24.6	17.7	15.7	98.6	1.4
Foam	13.2	13.3	13.4	100.0	-
Others	13.2	15.7	19.5	78.0	22.0
Total	100.0	100.0	100.0		

Volatility and Increase in Prices of Key Raw Material

Prices of certain raw materials such as leather, wood and wood frame, foam, PU and fabric may fluctuate rapidly due to intervening factors such as global demand and supply conditions. As such, the prices of raw materials at the point of commitment to our customers may differ from those at the time of actual billing. Any shortages or interruptions in the supply of raw materials, such as an outbreak of bovine spongiform encephalopathy (or commonly known as the mad cow disease), may affect the supply and price of leather, one of our key raw materials. If there are significant increases in costs of our major raw materials and our Group is unable to pass on such price increases in the costs of our major raw materials to our customers or our Group is unable to find alternative sources for such raw materials at competitive prices, our Group's financial performance may be adversely affected. However, we believe that we have the experiences and abilities to source from alternative suppliers should the need arises.

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6. BUSINESS OVERVIEW

6.7 KEY ACHIEVEMENTS AND MILESTONES

The major achievements and milestones achieved by our Group are listed below:-

Year	Key Milestones
1997	<ul style="list-style-type: none"> Commenced manufacturing of upholstered sofas in a rented factory with a built up area of 7,200 sq. ft. Successfully exported for the first time to Singapore
1999	<ul style="list-style-type: none"> Penetrated into the European, Australasia and Middle Eastern markets.
2000	<ul style="list-style-type: none"> Penetrated into the South American market.
2001	<ul style="list-style-type: none"> Participation in the Malaysian International Furniture Fair for the first time.
2002	<ul style="list-style-type: none"> Introduction of a new product, upholstered dining chairs. Penetrated into the North American market.
2003	<ul style="list-style-type: none"> Shifted our manufacturing operation into several rented factories with total built up area of about 32,200 sq. ft.
2004	<ul style="list-style-type: none"> Penetrated into the African market.
2005	<ul style="list-style-type: none"> Commissioning of Factory A and relocation of our entire manufacturing operations from rented premises to Factory A with a built up area of 97,400 sq. ft. Introduction of a new product, namely upholstered bed frames. Participation in an overseas international furniture fair for the first time; namely the 42nd International Furniture Fair 2005 in Valencia, Spain. Participation in the 16th International Fair Kiev Expo Furniture 2005 in Ukraine for the first time.
2006	<ul style="list-style-type: none"> Commissioning of Factory B with a built up area of 47,300 sq. ft.. Participation in the International Furniture Fair in Cologne, Germany for the first time. Participation in the 69th Brussels International Furniture Fair 2006 in Brussels, Belgium for the first time.
2007	<ul style="list-style-type: none"> Commissioning of Factory C with a built up area of 185,300 sq. ft.. Participation in the 13th China International Furniture Expo in Shanghai, China for the first time. Upstream venture into manufacturing of wooden chair frames to have integrated production line for our upholstered dining chair. Reorganisation of production flow/facilities and commenced operations in rented Factory D with a built up area of 18,000 sq. ft.
2008	<ul style="list-style-type: none"> Created own brand "ERITZ" and registered the trademarks in Malaysia (Class 20), Australia and New Zealand. Ranked 1st out of 100 Outstanding Small and Medium Enterprises awarded with the Golden Bull Awards 2008 organised by Nanyang Siang Pau. Winner of the Enterprise 50 Award Programme 2008 jointly organised by the Small and Medium Industries Development Corporation (SMIDEC) and Deloitte Consulting (M) Sdn Bhd. Attained ISO 9001:2000 certification. Introduction of a new product, namely wooden dining tables to complement the upholstered dining chairs in making a complete dining set.

6. BUSINESS OVERVIEW

Year	Key Milestones
2009	<ul style="list-style-type: none"> • Introduction of a new product, namely sofa beds. • Winner of the Enterprise 50 Award Programme 2009 jointly organised by SME Corp Malaysia and Deloitte Consulting (M) Sdn Bhd. • Winner of Product Excellence Award and Asian Furniture Leadership Award 2009 organised by Furniture & Furnishing Export International.

6.8 RESEARCH, DESIGN AND DEVELOPMENT

6.8.1 R&D Policies

We recognise the importance of R&D to ensure we stay ahead of our competitors and sustain our continuous growth in the long run. Our R&D activities are divided into 2 main areas: (1) product design and development and (2) research activities, which are undertaken through the following initiatives:-

Product Design and Development

- Regular introduction and creation of new models/designs as well as new product lines to keep abreast with the latest market trends.
- Continuous monitoring and analysis of the latest designs introduced by our competitors both locally and overseas to stay competitive in the market.
- Identifying and utilising appropriate and cost effective raw materials for different products and designs to reduce costs of production.

Research Activities

- Continuous improvement in manufacturing processes and techniques to increase production output and efficiency.
- Continuous acquisition of and gaining up-to-date knowledge of production technology to keep abreast with rapid technological progress.

Through R&D, we aim to realise the following benefits:-

- (a) Sustain and grow our business through the development of new and improved designs/models and products.
- (b) Increase revenue and profitability by addressing new market segments.
- (c) Increase production output and efficiency whilst reducing costs of production through improved manufacturing processes and optimal use of raw materials.

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6. BUSINESS OVERVIEW

6.8.2 R&D Facilities and Personnel

Our in-house R&D facilities include a design workshop and prototyping laboratory which would enable us to undertake our R&D activities. We have in-house expertise to create prototypes and product samples for testing purposes which are vital in new design or product development. Such testing includes types of materials to be used and functionality of new designs. In addition, our in-house facilities are equipped with designing tools such as Computer Aided Design (CAD) system and upgraded computer systems to facilitate design activities.

Our R&D team is headed by our Managing Director, Chua Fen Fatt and aided by the Chief Designer, Tan Yang Song. They are aided by a team of 14 capable and experienced personnel.

6.8.3 Achievements in R&D

For the past three (3) FYE 2007 to 2009, our Group introduced more than 480 prototype models of our products with more than 70% of the models reaching commercialization and mass production. Further, we have successfully introduced and commercialised two (2) new products in FYE 2008 and 2009, namely wooden dining tables and sofa beds respectively. The wooden dining tables were introduced to complement our upholstered dining chairs as a complete dining set. As of FYE 2009, we have designed more than 10 new models of dining tables.

As for the sofa beds, they are initially intended to be sold in the Australian market. As of FYE 2009, we have designed 2 new models for the sofa beds.

We have also accomplished significant achievements where our research activities for the continuous improvement of manufacturing processes are concerned. In August 2007, we successfully undertook a reorganisation of the entire Group's production process flow. This has resulted in a smooth flow on the production floor, with the various production sections arranged in a systematic and complementary order, thus optimising worker output and production turnaround time.

6.8.4 On-going and Future R&D

Development of new product designs

We are targeting to design 260 new models for both our existing and new products in FYE 2010, which represents a 30% increase in the number of new models designed from the 200 new models designed in FYE 2009.

Presently, we are undertaking R&D activities to use cold cure moulded foam cushion for our recliner sofa products which provides enhanced comfort and superior quality seating medium. Cold cure cushions are individually moulded into the shape of the chair and is made from a high density classification foam. These moulded cushions use a high resilience polymer which is specifically designed for seating applications and has the ability to create a 'sit in' feel and has a greater durability compared to standard seats. We intend to introduce and commercialise it in FYE 2010.

Improvements in manufacturing processes

We are committed to undertaking continuous process improvements particularly in our manufacturing process which is critical as they have direct impact on our manufacturing efficiency, effectiveness and productivity. These include:-

- Improving the efficiency of existing processes;
- Identifying areas to reduce wastage, rejects and operation time;
- Increasing the productivity of our resources; and
- Maintaining consistency of output quality.

6. BUSINESS OVERVIEW

Our R&D personnel works closely with our production and marketing team to collate feedback pertaining to the design and quality of our products. In addition, some of our senior R&D personnel also attend trade missions along with production and marketing personnel. This enables improvements to be identified and effected where necessary in the production process and optimises our production capabilities to achieve desired quality products.

Through improvements in manufacturing processes, we aim to achieve the following key benefits:-

- Increased cost competitiveness of our products;
- Improved product quality and functionality;
- Increased production volume; and
- Improved customer satisfaction.

6.8.5 R&D Expenditure

Our R&D expenditure for the past three (3) FYE 2007 to 2009 are as follows:-

	FYE 2007 RM'000	FYE 2008 RM'000	FYE 2009 RM'000
Operating related expenses	362	966	1,158
Capital related expenses	61	93	8
Total R&D expenditure	423	1,059	1,166
Revenue	73,804	92,550	108,439
% of Revenue	0.57	1.14	1.08

To strengthen our R&D capabilities, we set aside a portion of our revenue for our R&D related activities. We plan to increase our Group's involvement in the various areas of product R&D, which involve the area of product design and manufacturing process development through more efficient product designs.

With the increased involvement and investment, we hope to substantially provide greater value-added products as well as improve our overall production techniques and efficiency.

Moving forward, we are committed to invest at least 1% of our total annual revenue for R&D purposes.

6.9 INTELLECTUAL PROPERTY

Within the next five (5) years, we aim to manufacture and sell 50% of the total upholstered home furniture under our own brand name. To realise this goal, we have created our own brand name "ERITZ" in January 2008.



During the FYE 2009, the sale of "ERITZ" brand of home furniture products contributed approximately 4% to our Group's revenue.

6. BUSINESS OVERVIEW

We have successfully obtained the following certificates of registration in respect of our trade mark:-

- (a) Certificate for Registration of Trade Mark No. 1237356 dated 15 January 2009 issued by IP Australia certifying that the trade mark "ERITZ and device" has been registered as a trade mark for a period of ten (10) years commencing from 29 April 2008.
- (b) Certificate of Trade Mark Registration No. 788348 issued by the Intellectual Property Office of New Zealand certifying that the trade mark "ERITZ and device" has been entered on the Register of Trade Marks on 30 October 2008 with a deemed date of registration of 29 April 2008 for a period of ten (10) years.
- (c) Certificate of Registration for Trade Mark No. 08003588 issued by the Intellectual Property Corporation of Malaysia certifying that the trade mark "ERITZ and device" has been registered under Class 20 for a period of ten (10) years commencing from 26 February 2008.

Nevertheless, the trademark application under Class 16 is still pending the approval from the Intellectual Property Corporation of Malaysia.

In addition to the above countries, we also intend to register our trademark in certain selected European countries in FYE 2010. Save as disclosed above, we do not have any other licences, franchises or technical assistance agreements in relation to the intellectual property rights.

6.10 QUALITY CONTROL

We recognise that our ability to produce consistently high quality products is critical to the success of our business. As such, we place extensive and substantial emphasis on the ultimate quality of our products and maintain stringent quality control throughout our manufacturing processes. This enables us to produce high quality products to satisfy the demands and expectations of our customers. We have a team of 15 quality control personnel headed by the Quality Assurance Manager with the relevant technical expertise to ensure that our quality control procedures are adhered to for all our products at every stage in our production process.

As a testament and recognition of the quality of our products and the manufacturing processes in place, we have obtained the following certifications/licences:-

Certification/ Licence	Product Testing and Organisation	Country of Issue	Expiry Date
ISO 9001:2000	SGS United Kingdom Ltd	United Kingdom	15 February 2011
Ontario Certificate of Registration for Upholstered and Stuffed Articles	Technical Standards and Safety Authority	Canada	25 September 2010
Importer Licence into the State of California	State of California Department of Consumer Affairs	USA	30 September 2010
Upholstered Furniture Manufacturer Certificate	Department of Health, Commonwealth of Virginia	USA	1 May 2010
Certificate for Registration for Bedding, Upholstered Furniture and Stuffed Toys	Ohio Department of Commerce	USA	31 May 2010

6. BUSINESS OVERVIEW

Certification/ Licence	Product Testing and Organisation	Country of Issue	Expiry Date
Pennsylvania Bedding and Upholstery Law Licence Certificate	Department of Labor and Industry, Commonwealth of Pennsylvania	USA	31 May 2010

Our main quality control procedures include the following:-

1. Raw Materials Inspection

To ensure that only raw materials of the highest quality are used in our products, we implement 100% inspection on in-coming raw materials. These checks are done by our Quality Control personnel to check for consistency in quality and quantity and then stored in designated areas. Prior to usage, these same raw materials are inspected again to ensure there are no storage damages.

2. Inspection during production process

Our products are checked 100% for production defects, especially sewing and assembly. Checks are done by designated Quality Control personnel after every major stage of production such as completion of wooden base frames, sewing of leather / fabric, upon assembly of finished products and prior to the shipping.

3. Final Inspection

All finished goods are checked 100% prior to the packing and loading into the containers.

Being a manufacturer of export goods, we are required to adhere to the product quality requirements of countries in which we export to. These include, but are not limited to fire safety, fumigation and dye test requirements. To ensure that we keep ourselves updated with knowledge of the latest product quality requirements in such countries, we are a member of both the Malaysian External Trade Development Corporation (MATRADE), as well as the Malaysian Furniture Industry Council (MFIC) whereby any updates or information on such requirements would be disseminated to members via weekly and quarterly bulletins respectively. In addition, we also work closely with our customers to ensure that our products are in proper compliance with prevailing local requirements or quality standards.

We have not had any significant return of defective goods or faced any major cancellation of orders from our customers for the past twelve (12) months.

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6. BUSINESS OVERVIEW

6.11 MAJOR CUSTOMERS

Our major customers (i.e. those individually contributing 10% or more of our Group's revenue) for each of the past three (3) FYE 2007 to 2009 are as follows:-

Name of Customer	Country of Origin	Years of Relationship	Products Sales	----- As a % of Total Revenue ----->					
				FYE 2007		FYE 2008		FYE 2009	
				RM'000	%	RM'000	%	RM'000	%
Super Amart Pty Ltd	Australia	8	Sofas, dining chairs, bed frame and others	9,663	13.1	13,107	14.2	17,181	15.8
Interstil As Furniture	Norway	7	Sofas, dining chairs and others	19,402	26.3	25,201	27.2	19,688	18.2

With our diversified customer base originating from many different countries and our top customers each currently accounting for less than 20%, we believe we are not overly dependent on any single customer. Notwithstanding that, we have recorded significant revenue contribution from our top two (2) major customers, which collectively contributed 39.4%, 41.4% and 34.0% to our total revenue for the past three (3) FYE 2007 to 2009 respectively.

We have had good business relationships with them and have not encountered any major problems in our past dealings with them. In fact, we have been dealing with both of them for more than seven (7) years.

We have been successful in our efforts to widen our customer base to lower the dependence on our top two (2) major customers over the last three (3) financial years, which we aim to continue. This is an indication of our ability to increase revenue contribution from other customers but at the same time reduce our dependency on our top two (2) major customers. In addition, as part of our expansion plans, we intend to further diversify our customer base and expand our presence particularly in North and South America and Africa which presently has minimal sales contribution and at the same time to continue to identify new customers in countries to which we have been presently exporting.

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6. BUSINESS OVERVIEW

6.12 MAJOR SUPPLIERS

Our major suppliers (i.e. those individually contributing 10% or more of our Group's purchases) for each of the past three (3) FYE 2007 to 2009 are as follows:-

Name of Supplier	Country of Origin	Years of Relation-ship	Raw Material	←-----As a % of Total Purchases-----→					
				FYE 2007		FYE 2008		FYE 2009	
				RM'000	%	RM'000	%	RM'000	%
Recos Industries Sdn Bhd	Malaysia	10	Foam	6,651	13.2	9,196	13.2	8,232	13.4
Allied Exims	India	3	Leather	1,117	2.2	8,554	12.3	3,923	6.4
Green Tech Vietnam Co., Ltd	Vietnam	3	Leather	4,593	9.2	7,352	10.6	5,686	9.2
Veromca *	Malaysia	5	Wooden chair frames	6,976	13.9	1,447	2.1	-	-

* *Veromca is 90% owned by Chua Fen Fatt and Tee Hwee Ing. Please refer to Section 10.3.3 of this Prospectus for further information on Veromca.*

Our key raw materials include leather, wood and wood frame, foam, PU and fabric. We usually purchase in bulk and mostly on cash terms; hence we are in a better position for price negotiation. Over the years, we have built good business relationships with most of our suppliers and with our large supplier base, we believe we are not overly dependent on any single supplier. Notwithstanding, our senior management is constantly on the look out for new or alternative suppliers which offer similar or better quality materials at favourable terms or prices.

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6. BUSINESS OVERVIEW

6.13 LOCATION OF OPERATIONS AND PRODUCTION CAPACITY

6.13.1 Locations

Details of our present manufacturing operations and administrative office are as follows:-

Location & Address	Built-up Area (sq. ft.)	Main Functions
Factory A Lot No. 8726, PN 9634, Mukim of Jalan Bakri, District of Muar, State of Johor	97,400	<ul style="list-style-type: none"> • Administration office • Storage of raw materials • Draw & Cut sections • Studio and Showroom
Factory B Lot PTD No. 9495, HSD 31616, Mukim of Jalan Bakri, District of Muar, State of Johor.	47,300	<ul style="list-style-type: none"> • Sewing section
Factory C Lot Nos. 4943 and 4944, Geran 85825 and 85826, both in the Mukim of Jalan Bakri, District of Muar, State of Johor	185,300	<ul style="list-style-type: none"> • Assembly section • Woodworking section (sofa and bed frames) • Storage of raw materials and finished goods • Training centre • Production office • Purchasing office • Design workshop • Prototyping laboratory
Factory D Lot PTD 9493, HS(D) 31614, Mukim of Jalan Bakri, District of Muar, State of Johor	18,000	<ul style="list-style-type: none"> • Woodworking section (dining chair frames and dining tables)
TOTAL	348,000	

Factories A, B and C were commissioned in January 2005, November 2006 and August 2007 respectively whilst we began renting Factory D since November 2007. The close vicinity of all our plants enables us to facilitate administrative control and ensure production processes are carried out and linked smoothly and efficiently.

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6. BUSINESS OVERVIEW

6.13.2 Production Capacity

The estimated annual production output (for our principal products) and the utilisation capacity of our Group's manufacturing facilities for the past three (3) FYE 2007 to 2009 were as follows:-

Main Products	Actual Production (Units)	Estimated Annual Production Capacity (Units)	Capacity Utilisation (%)
FYE 2007			
Bed frames	23,741	70,000	75.2
Sofas	28,864		
Dining chairs	315,611		
FYE 2008			
Bed frames	31,522	120,000	73.8
Sofas	57,059		
Dining chairs	295,657		
FYE 2009			
Bed frames	28,348	120,000	70.1
Sofas	55,809		
Dining chairs	294,562		

Presently, our production is running on 1 shift per day of 8 hours for six working days per week. We have not experienced any major constraints in our production or operating activities.

6.14 SALES AND MARKETING

We have a dedicated marketing team led by our Marketing Manager who has made concerted efforts with strong initiatives and programs to maintain an ongoing long term strategy for our products. Our Group's sales and marketing arm utilises the following marketing strategies to sustain and expand our business:-

- Providing a platform to survey and gather market feedbacks which are used to observe and analyse industry and market developments.
- Introduction of suitable marketing techniques that are in line with our product development plan.
- Working thoroughly across departments to ensure that products have a competitive advantage and are commercially acceptable to clients.
- Participation in international furniture exhibition/fairs such as the International Furniture Fair (IMM), Cologne, China International Furniture Expo, Shanghai and Malaysian International Furniture Fair, Kuala Lumpur to expand customer network, to introduce our products to international buyers and to keep abreast of the current market trends.
- Placement of strategic advertorials in recognised furniture magazines and Internet websites to showcase our products and to constantly create public awareness.
- Regular goodwill visits to customers' premises to maintain good business relationships as well as to gather information on latest market trends. Likewise, we regularly invite our customers, both existing and new, to visit our plants to have a first hand look on our production facilities.
- Engagement of suitable sales agents for our new products under the "ERITZ" brand.

6. BUSINESS OVERVIEW

Participation in the local and international trade fairs is very important to us as they provide a platform for us to create awareness of our products in the international markets. Besides the annual Malaysian International Furniture Fair which we have taken part since 2001, we have also participated in other international furniture fairs held in Europe and China. Such participation would also enable us to collate relevant market information and trends, and further provide us with an opportunity to meet potential customers. Additionally, participation in these trade fairs enables us to further keep abreast of the latest market trends in our key target segment. Set out below are other international furniture exhibitions or fairs that we participated in the past.

Furniture Fair	Venue
42nd International Furniture Fair 2005 (FIM 2005)	Feria Valencia, Spain,
16th International Fair Kiev Expo Furniture 2005	Ukraine
69th Brussels International Furniture Fair 2006	Brussels, Belgium
IMM Cologne International Furniture Fair 2006 – 2009	Cologne, Germany
China International Furniture Expo 2007 – 2009	Shanghai, China

Going forward, in line with our goal to manufacture and sell 50% of the total upholstered home furniture under our own brand name “ERITZ” within the next five (5) years, more efforts would be directed towards its brand building and establishing its distribution channels.

6.15 MANAGEMENT AND EMPLOYEES

Our management team is spearheaded by our Managing Director, Chua Fen Fatt, who has more than 22 years of experience in the upholstered home furniture industry. He is supported by a team of dedicated and experienced management personnel who have contributed significantly to our progress and who have many years of experience in this industry. The knowledge and experience particularly of our Executive Directors and senior management are valuable assets to our Group and essential to our growth.

As at the Latest Practicable Date, we have a total workforce of 451 employees including 384 foreign workers based on contractual basis out of which 7 are based in R&D department, 8 are clerical staff whilst the remaining 369 are based in production department. The breakdown of the total number of our employees by category is as follows:-

Category of Employees	<----- Number of Employees ----->			Total of Employees
	Less than 1 year	1 to 5 years	More than 5 years	
Management & professional	-	7	2	9
Production	27	333	32	392
R&D	1	10	4	15
Executive	3	2	2	7
Clerical & non executive	9	18	1	28
Grand Total	40	370	41	451

6. BUSINESS OVERVIEW

The breakdown of the total number of our employees as at the end of the past three (3) FYE 2007 to 2009 are as follows:-

As at the end of FYE 2007

Category of Employees	<----- Number of Employees ----->			Total of Employees
	Less than 1 year	1 to 5 years	More than 5 years	
Management & professional	1	2	2	5
Production	154	232	11	397
R&D	5	-	1	6
Executive	-	2	-	2
Clerical & non executive	11	4	-	15
Grand Total	171	240	14	425

As at the end of FYE 2008

Category of Employees	<----- Number of Employees ----->			Total of Employees
	Less than 1 year	1 to 5 years	More than 5 years	
Management & professional	4	3	2	9
Production	150	304	18	472
R&D	9	4	2	15
Executive	3	-	2	5
Clerical & non executive	12	15	-	27
Grand Total	178	326	24	528

As at the end of FYE 2009

Category of Employees	<----- Number of Employees ----->			Total of Employees
	Less than 1 year	1 to 5 years	More than 5 years	
Management & professional	3	5	2	10
Production	50	312	32	394
R&D	2	9	3	14
Executive	2	2	2	6
Clerical & non executive	11	19	-	30
Grand Total	68	347	39	454

None of our Group's employees are represented by any union and there have not been any major disputes between the management and our employees in the past. We have always enjoyed cordial relationships with our employees.

For the past three (3) FYE 2007 to 2009, all the employees of our Group have been based at our factories and head office in Muar, Johor.

6. BUSINESS OVERVIEW

Training and Development Programmes

We recognise the importance of our employees and place strong emphasis on human resource development to maintain a competent and dynamic workforce. Our training policies are geared towards ensuring that the knowledge and skills of our employees remain relevant in the rapidly changing environment.

Some of the past and current external training programmes undertaken by the employees of our Group are as follows:-

- (a) Standard operating procedure
- (b) Production productivity
- (c) Calculation & method
- (d) Inventory control
- (e) Quality control 5'S program
- (f) Obstacles to success
- (g) Industrial safety
- (h) Export/ import shipping procedure
- (i) R&D procedure
- (j) ISO 9001:2000 quality management services awareness
- (k) ISO 9001:2000 internal quality audit
- (l) 5'S housekeeping
- (m) Security awareness training
- (n) Fire prevention briefing/fire drill/fire practice
- (o) Productivity-Linked Wage System (PLWS) workshop
- (p) Perspectives on the Employment Act, 1955
- (q) "Beyond Excellence All Rounded Success" training
- (r) Team & culture establishment
- (s) Occupational health and safety in the small medium industry seminar
- (t) Marketing strategies
- (u) Orang Kurang Upaya (OKU) Training
- (v) Corporate Restructuring and Tax Management
- (w) Budget 2010
- (x) Seminar Pengurusan Penggajian Pekerja Asing
- (y) Understanding International Financial Reporting Standards and International Accounting Standards
- (z) Cardiopulmonary resuscitation (CPR) and First Aid Training

Management Succession Plan

We recognise the importance of our ability to attract and retain our key management personnel. Hence, we have made concerted efforts to identify and groom middle management at all key areas as an integral part of our management succession plan. The plan also includes offering a competitive remuneration package to and providing training and career development opportunities for our employees in all key functions of our operations.

6.16 INTERRUPTION IN BUSINESS OPERATIONS

We have not experienced any interruption in business which had significant effects on our operations for the twelve (12) months preceding the Latest Practicable Date.

6. BUSINESS OVERVIEW

6.17 COMPETITIVE STRENGTHS

Our competitive strengths and advantages include:-

(a) *A leading player with complete range of upholstered home furniture products*

Our products are mainly focused on 'medium to high end range' of upholstered home furniture. Unlike the majority of our local peers who are principally involved in the manufacturing and sale of wooden based products, we focus and specialise in upholstered home furniture, most of which are leather-based and normally considered to be premium products.

We are one of the leading upholstered home furniture manufacturers in Malaysia and Frost & Sullivan* estimates that our industry revenue share in 2008 is approximately 10.7%, placing us as the fourth ranked Malaysian based upholstered furniture manufacturing company. In addition, we present ourselves as a 'one-stop centre' by offering a complete range of upholstered home furniture which includes upholstered sofas, upholstered dining chairs (with dining tables) and upholstered bed frames. Frost & Sullivan* believes that we are one of the only two companies in Malaysia which produces complete range of upholstered home furniture, which is our key differentiating factor from many of our competitors.

* (Source: *Independent Market Research Report on the Upholstered Furniture Market in Malaysia, Australia and Europe prepared by Frost & Sullivan*).

(b) *Integrated manufacturing operations*

We are a fully integrated home furniture manufacturer as we are involved in the various key stages of the manufacturing process of all our products. We are involved in the design and development of our products, the manufacture of main components used in the manufacture of our products (including the wooden chair frames) and the assembly of our products. As a result, we are able to have better control over the quality of our products and our production costs. Hence, these would enable us to offer high quality home furniture products at competitive prices to our customers.

(c) *Outstanding product design and development*

Our product design and development team is led by our Managing Director, Chua Fen Fatt, and together with our Chief Designer, Tan Yang Song, the team has had extensive knowledge and hands-on experience in the upholstered home furniture industry. We have designed more than 480 new models in the past three (3) FYE 2007 to 2009, with more than 70% of the models successfully commercialised. The high number of designs has provided our ODM customers with more choices to meet their expectations.

As part of our R&D capabilities, we aim to introduce unique and innovative designs in our products and to continue to improve on our products range and to introduce new models in order for us to keep up with the changing markets or consumer preferences. In addition, we are also committed to undertaking continuous process improvements particularly in our manufacturing process to enable us to, amongst others, increase production output and efficiency whilst reducing costs of production.

6. BUSINESS OVERVIEW

(d) Strong commitment to quality

We place great emphasis on and have strong commitment to produce quality home furniture products that meet the demands and expectations of our customers, who are mainly from overseas. As a testament and recognition of the quality of our products and the manufacturing processes in place, we have obtained several certifications including the ISO 9001:2000 which was received in March 2008. We also recognise the importance of maintaining and improving our quality standards and as such, we have made efforts to implement stringent quality control procedures for the manufacturing process particularly in the sewing and assembly areas, where 100% checks are conducted to ensure high customer satisfaction thus resulting in low return of goods sold. We also use certain equipment and machinery in our production process to enhance the quality of our products. Due to our emphasis on overall quality control, we enjoy low rejection rates from our customers.

(e) Own brand name

We created our own brand name "ERITZ" in January 2008 and we aim to manufacture and sell 50% of the total upholstered home furniture under the brand name within the next five (5) years. We believe that our own products will give us a competitive advantage in capturing business opportunities in this highly competitive industry and provide us with a solid platform for expanding into new markets. We also believe that through our brand building process, we will develop brand loyalty among our customers. To protect our brand name, we have successfully registered the trademark in New Zealand, Australia and Malaysia (Class 20) and we intend to register the trademark in certain selected European countries in FYE 2010.

(f) Established and diversified clientele base

We have successfully established ourselves with a reputable track record associated with quality and reliability with more than 10 years of experience as a manufacturer of upholstered home furniture products particularly in the ODM sector. We strive to produce high quality products with unique and exclusive designs and deliver to our customers on a timely basis. This can be reflected by the fact that, over the past five (5) years, our diversified clientele base has grown from 23 countries (in FYE 2005) to more than 40 countries around the world particularly those from the Europe and Australasia regions.

To date, all of our top 10 customers (for the FYE 2009) have been dealing with our Group for more than 3 years, which we endeavour to maintain good business relationships with. In addition, we are also strategizing to further diversify into new markets and expand our presence in other regions such as North and South America and Africa which presently has minimal sales contribution.

(g) Low gearing and strong cash flows

Our Group's total proforma borrowings as at 31 August 2009 stood at RM7.8 million against the Group's proforma shareholders' funds of approximately RM36.4 million (after Acquisitions but before Rights Issue and Public Issue), giving a gearing ratio of 0.21 times. The Group's cash flow position is healthy as they are able to turn the profits into cash with our net cash and cash equivalents balance amounting to RM20.7 million as at 31 August 2009. In addition, most of our revenue is transacted on cash terms. For the FYE 2009, approximately 81.8% of our sales were based on cash terms thereby strengthening our cash flow position and minimising any potential credit risks.

6. BUSINESS OVERVIEW

6.18 PROSPECTS AND FUTURE PLANS

Vision and Mission Statements

Our performance to date, as a competitive player in the upholstered home furniture segment; is reflected in our corporate vision and mission of establishing our Group to be well respected by our clients and business associates for our product quality, competency, professionalism and contribution. This is clearly embodied in our Group's Corporate Vision and Mission Statement as follows:-

To be one of the top 10 Asian players in the supply of conceptualized lifestyle home furniture worldwide; recognized for its brands, design innovations and quality commitment

Our Corporate Vision and Mission are expected to be realised through the following commitment:-

- Strengthen our R&D capabilities to continue improving on existing designs in order to develop new innovative designs.
- Continually upgrade our equipment and machinery to boost efficiency and productivity and to enhance our product quality.
- Diligently seek and test new raw materials to facilitate production of quality products at competitive costs.
- Continue to diversify and introduce new products to clients.
- Build upon and strengthen our own brand of home furniture products.
- Adopt more aggressive marketing strategies and to continue to work hand-in-hand with our clients to secure bigger segments of the market.
- Improve production efficiency, hence becoming more competitive in pricing.
- Continually motivate our staff and personnel to achieve the highest level of commitment and performance.

Future Plans & Strategies

We are well positioned to further grow our business and further capitalise on the market opportunity given our strong competitive advantages. We seek to broaden our market reach and geographical presence by introducing new scope of products within the upholstery furniture market. In order to achieve these plans, we have set out the following key strategies:-

(a) To increase our production capacity by expanding locally and overseas

As part of our expansion plan, on 10 September 2007 we acquired two (2) contiguous pieces of freehold land measuring approximately 167,315 sq. ft. strategically located adjacent to our existing factories and head office. We intend to construct our new plant within 24 months from the Listing. Upon completion, the new plant, with a total built up area of approximately 100,000 sq. ft., is expected:-

- (i) to increase our existing production capacity by about 15%, to cater to the rising demand for our products;
- (ii) to undertake the woodworking activities for our upholstered dining chairs which are presently carried out in the rented Factory D; and
- (iii) to undertake the production of wooden dining tables which is presently being produced in the rented Factory D.