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**6. BUSINESS OVERVIEW**

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The estimated cost of construction of the new plant is expected to amount to RM4.0 million whilst the estimated cost of purchase of new machinery and equipment is expected to amount to RM1.72 million, both of which will be financed via the proceeds to be raised from the Listing. To date, we have yet to incur any significant expenditure relating to the construction of the new plant.

Besides constructing our new plant, we also intend to set up manufacturing operations in Vietnam. We are presently in advanced stage of negotiation to lease an existing two (2) single-storey factory buildings (with a double storey office annexed) with a built-up area of about 4,900 square metres located in Binh Duong Province, Vietnam. We expect to obtain the investment certificate and other necessary approvals from the local authorities in Vietnam by the end of 2<sup>nd</sup> quarter of 2010. Our Vietnam operations are expected to produce about 24,000 sofa sets annually.

The estimated cost of setting up the Vietnam plant, including purchase of new machinery and equipment, is approximately RM3.4 million which will be financed via a combination of internally generated funds and/or external borrowings. To date, we have yet to incur any significant expenditure relating to the Vietnam plant.

**(b) To develop new product designs**

Over the past three (3) FYE 2007 to 2009, we have designed more than 480 new models for our existing products, out of which more than 70% of the models were successfully commercialised. Further, we have successfully introduced and commercialised two (2) new products in FYE 2008 and 2009, namely wooden dining tables and sofa beds respectively.

In order to further gain and exploit the market opportunities, we have been continuously developing new products and designs for the existing products. 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 in FYE 2009.

In addition, we are presently 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.

To strengthen our R&D and as part of our R&D plans, we are committed to invest at least 1% of our annual revenue for R&D related activities annually. We also plan to increase our Group's involvement in the various areas of product R&D, which include 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.

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**6. BUSINESS OVERVIEW**

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***(c) To further expand and diversify our customer base and broaden our geographical coverage***

Apart from maintaining relationships with our existing customers, we are also focused on acquiring new customers as well as penetrating into new markets. In particular, we intend to further expand our products into North and South America and Africa. Although we have already made inroads into some of these regions, the present revenue contribution is relatively minimal. For the FYE 2009, our revenue contributions from Canada, USA, countries in Africa (on aggregate) and countries in South America (on aggregate) were 1.3%, 4.2%, 2.2% and 2.4% respectively. Hence, we are planning to increase our marketing efforts in these regions with the aim of increasing the revenue contributions from these countries.

We believe that by expanding our presence to new customers and new markets, we can increase our revenue sources as well as reduce our reliance on any one particular region or customer.

***(d) To place greater emphasis and focus on our own brand***

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. We have successfully registered the trademark in New Zealand, Australia and Malaysia (Class 20) and we intend to register the trademark in certain European countries in FYE 2010.

Over the years, we have built up a wealth of experience, resources and achieved optimal economies of scale to enable us to explore the potential of producing our own products. We also understand that to achieve the goal, we would require considerable amount of time and investments and would face stiff competition from existing players.

As part of the marketing strategies, we have and will continue to commission suitable sales agents and distributors to market and distribute our “ERITZ” products in selected countries. In addition, we have and will continue to carry out strategic promotional activities and advertisement campaign to create awareness for our own products. Countries targeted include Australia, New Zealand as well as those within the European region, as these are the countries in which we have already established a foothold or presence.

**Future Prospects**

Based on our future plans and strategies as well as our competitive strengths as outlined above, our Board foresees that we will achieve revenue growth and be able to provide a meaningful return to all our stakeholders. Whilst our Group recognises the existence of market challenges of the upholstered home furniture industry and the various risk factors faced by our Group as outlined in Section 4 of this Prospectus, we are committed to our business and growth strategies which have been put in place to propel the Group towards achieving its vision to be one of the top ten (10) Asian players in the supply of conceptualized lifestyle home furniture worldwide; recognized for its brands, design innovations and quality commitment.

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## 7. INDUSTRY OVERVIEW AND OUTLOOK

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### 7.1 OVERVIEW OF THE GLOBAL ECONOMY

The world economy showed signs of emerging from the worst recession since World War II, earlier than expected. The turnaround in early 2009 was encouraging given the unprecedented severity of the global financial crisis which emanated from the United States (US) and Europe and evolved into an economic crisis as asset prices fell and global demand plunged. The subsequent fall out impacted developing economies and resulted in a moderation in their growth.

The recovery was attributed to a number of factors. Principal among them were the trillions of dollars injected by major central banks to unlock credit markets and the coordinated efforts to keep interest rates low to boost investments and consumption. At the same time, a number of countries launched fiscal stimulus packages to mitigate the effects of the crisis and to pump prime the economies. As a result, the global downturn is expected to stabilise, albeit with a smaller contraction, spurred by the better-than-expected performance of China, India and the rest of Asia.

The prospect for emerging and developing economies is expected to be positive in 2010. This is due to the full impact of monetary and fiscal measures working through the economies and efforts to diversify away from export dependency to domestic consumption taking effect. Developed economies, on the other hand, continue to grapple with financial institutions that face additional losses, businesses and households that experience difficulty accessing credit, as well as high unemployment. Notwithstanding the various uncertainties, the global economy is expected to register modest growth in 2010.

The positive prospect is primarily a reflection of the effectiveness of the stimulus packages undertaken by a number of economies as well as international efforts to manage the crisis. Various multilateral meetings helped generate a synchronised and coherent international response to forestall an even harder landing of the global economy. Economies remain committed to the longer term objectives of reforming the global financial architecture and safeguarding the world trading system. In the immediate term, they will continue to work together to restore financial stability and economic growth.

The growing signs of recovery in the global economy are expected to firm up in 2010, with emerging and developing countries, particularly Asia, leading the rebound. However, recovery is expected to be sluggish and not strong enough to mitigate the impact of high unemployment, especially in the developed countries. Additionally, with banks continuing to rebuild their balance sheets, credit flows will be constrained in advance economies. This could impact capital flows to emerging and developing economies.

The massive fiscal stimulus measures, which supported demand and lowered systemic risk in the financial markets, have also increased fiscal burdens significantly, especially in the developed countries. Public debt in developed countries, which was about 80% of GDP before the crisis, is projected to exceed 110% in the next five years. This raises issues of fiscal sustainability as well as the need to rein in spending and reduce debt levels over the medium term. Nevertheless, with consumption and investment continuing to be weak, caution remains against early unwinding of the stimulus packages before recovery is on firmer footing.

With growth among advanced economies expected to be tepid, global trade growth expected to remain weaker than usual at 2.5%. The US is projected to register a recovery of 1.5% in 2010, while the euro area is expected to grow at a slower pace of 0.3%. Stronger growth of almost 5% is nevertheless expected to be recorded by emerging economies, with Asian economies, particularly China and India, providing the impetus for global growth. As such, the global economy in 2010 is expected to resume growth at 3.1% (2009: -1.1%).

*(Source: Economic Report 2009/2010, Ministry of Finance)*

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## 7. INDUSTRY OVERVIEW AND OUTLOOK

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Signs of improvements in the global economy became more pronounced in the third quarter of 2009. Global production, trade and retail sales revived, while conditions in the international financial markets continued to stabilise. In some of the major advanced economies, notably the US, Japan, Germany and France, economic activity gained momentum as evidenced by the positive growth on a quarterly basis. The rebound in economic activity was stronger in the emerging economies, particularly in Asia. However, the pace of recovery in the global economy continues to be uneven and remains dependent on policy support.

Going forward, global economic conditions are expected to improve further as most of the policy measures supporting demand are still in place. While the risks to growth have receded in recent months, the pace of recovery in the global economy is likely to be gradual and uneven as the outlook remains uncertain. A strong rebound will be constrained by problems in the advanced economies as financial, non-financial and household sectors continue to repair their balance sheets amidst tight financial conditions.

*(Source: Quarterly Bulletin for Third Quarter 2009, Bank Negara Malaysia)*

### 7.2 OVERVIEW OF THE MALAYSIAN ECONOMY

Malaysia being an open economy is adversely affected with exports contracting sharply, following the global financial crisis and economic downturn. The significant decline in exports in turn affected domestic demand. Consequently, economic growth contracted 6.2% in the first quarter of 2009. However, the Gross Domestic Product (GDP) recorded a smaller decline of 3.9% in the second quarter, aided by speedy and effective implementation of stimulus packages as well as monetary easing. Economic performance is expected to improve in the second half of the year supported by counter-cyclical measures and reinforced by stabilisation in the global economic environment. As such, the economy is expected to turn around in the fourth quarter of 2009, though for the year it is estimated to contract 3.0%

Domestic demand will be the main driver of the economy attributed to public sector expenditure and private consumption. Public investment is estimated to expand following the implementation of projects under the stimulus packages. In contrast, private investment is expected to contract, reflecting the lower business sentiment. Meanwhile, private consumption is envisaged to record positive growth on account of firm household disposable income, as a result of stabilisation in the job market and recovery in commodity prices.

On the supply side, growth is expected to emanate from services and construction sectors. The services sector is envisaged to register positive growth contributed by strong performance in the communication, finance and insurance as well as accommodation and restaurant sub-sectors. The construction sector continues to strengthen driven by implementation of various Government projects, particularly construction works under the stimulus packages. However, manufacturing output is envisaged to decline on account of weak external demand. Growth in the agriculture sector is expected to be propelled by sturdy expansion of the non-commodity sub-sector, while the mining sector continues to contract due to lower crude oil production. The balance of payments (BOP) is expected to remain favourable despite the contraction in global trade. The current account surplus is anticipated to narrow in 2009, but remains large at RM91.8 billion or 13.5% of Gross National Product (GNP). The surplus in the goods account is expected to be lower with exports and imports recording slower growth in 2009. Nevertheless, the surplus will be more than sufficient to offset the deficits in the services, income and current transfers accounts.

Given the contraction of economic activities in the first half of the year and expected recovery in the second half, nominal national income as measured by GNP is estimated to decline 4.8% to RM681.0 billion (2008: 14.2%; RM715.0 billion). In terms of purchasing power parity (PPP), per capita income is envisaged to decrease 14.7% to USD12,826 in 2009 (2008: 13.7%; USD15,040).

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**7. INDUSTRY OVERVIEW AND OUTLOOK**

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The economy is expected to benefit from stabilising global economic conditions, augmented by fiscal measures and accommodative monetary policy. GDP growth is forecast to turn around to 2.0% - 3.0% in 2010 (2009: -3.0%) driven by domestic demand, particularly the private expenditure and supported by expected recovery with positive contribution from all sectors in the economy is expected to raise nominal per capita GNP by 2.5% to RM24,661 (2009: -6.7%; RM24,055). In terms of purchasing power parity (PPP), per capita income is expected to increase 2.7% to USD13,177 (2009: -14.7%; USD12,826).

*(Source: Economic Report 2009/2010, Ministry of Finance)*

The Malaysian economy registered an improvement in the third quarter with a reduced contraction of 1.2% (2Q 09: -3.9%) amidst positive growth in domestic demand and stabilisation of external demand. The growth impetus emanated mainly from domestic demand, as a result of stronger private consumption and higher public sector spending. Improvements in the global economy, particularly the regional economies, helped to stabilise the external sector. On the supply side, all economic sectors, except agriculture, recorded improved performance.

The Malaysian economy has exhibited stronger signs of improvement in the third quarter and evidence suggests that domestic economic activity is gaining strength. Domestic demand, particularly private consumption and public sector spending, has been the main impetus of growth. Going forward, the pace of economic recovery is expected to gain momentum, as business and consumer sentiment improve further in an environment of continued implementation of fiscal measures, accommodative monetary policy and continued access to financing. In addition, the gradual improvement in the global economy will continue to contribute positively to the recovery of the domestic economy.

*(Source: Quarterly Bulletin for Third Quarter 2009, Bank Negara Malaysia)*

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## 7. INDUSTRY OVERVIEW AND OUTLOOK

*The contents of this section onwards have been extracted from the Independent Market Research Report on the Upholstered Furniture Market in Malaysia, Australia and Europe prepared by Frost & Sullivan.*

### 7.3 INDUSTRY OVERVIEW

#### 7.3.1 Furniture Industry

The furniture industry is one of the most basic industries; the furniture sector generally represents between 2 and 4 percent of total production value of most countries' manufacturing industries. The global furniture industry production value was approximately USD302.5 billion (RM1,058.8 billion) in 2008, having shown a growth rate of approximately 6.9 percent from 2007. China is currently the world's largest furniture exporting country with furniture exports of USD19.8 billion (RM69.3 billion) in 2008.

The furniture industry has a very wide range of products; it covers all movable objects that provide storage, or hold objects on horizontal surfaces above the ground, or objects which help support the human body such as beds and seating furniture. Storage furniture is used to hold or keep certain small items such as clothes, tools, books, and household goods.

Home or domestic furniture is one of the major categories of furniture; it includes beds, sofas, chairs, and tables that are used at home. The major groups of home furniture and its most common items are as set out below.

Category	Product Group	Most Common Items
<b>Furniture</b>	<b>Upholstered seating</b>	Sofas (including armchairs, reclining chairs and couches), footstools, seating elements upholstered with leather, wool, synthetic material, cotton, and so on
	<b>Non-upholstered seating</b>	Seats, armchairs, rocking chairs, seats convertible into beds, and stools
	<b>Dining and living room furniture</b>	Dining sets (tables and chairs), dressers, coffee tables, sideboards, shelf systems, room dividers, and television/ video/music system storage units
	<b>Kitchen furniture</b>	Fitted cabinets and kitchen units, kitchen tables and chairs, free-standing pieces such as moveable trolleys, and butcher blocks
	<b>Bedroom furniture</b>	Beds, headboards, bedside tables, dressing tables, chests of drawers, and wardrobes (fitted or free-standing)
	<b>Home office furniture</b>	Desks, chairs, drawer unit, filing cabinets, and integrated workstations, also known as Small Office Home Office (SOHO)
<b>Other Furniture</b>	<b>Storage furniture</b>	Cupboards, bookcases, and wall units
	<b>Occasional furniture</b>	Small tables, desks, mirrors, and hall-stands
	<b>Bathroom furniture</b>	Storage cabinets, baskets, and so on
<b>Furniture Parts</b>	<b>Furniture Parts</b>	Parts of furniture or seats, also including semi-finished furniture

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## 7. INDUSTRY OVERVIEW AND OUTLOOK

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### 7.3.2 Market Segmentation

The global upholstered furniture industry had estimated revenues of USD42 billion (RM147 billion) in 2008. This represents approximately 13.9% of the global furniture industry in 2008.

At present, we export most of our upholstered home furniture products with about 80% being exported mainly to Europe and Australia whilst the rest are being sold to New Zealand, North America, Asia and South Africa. As such, general overview of upholstered furniture market in Australia and Europe (specifically the EU region) is presented herein together with an analysis of the upholstered home furniture competitive landscape in Malaysia. Both Europe and Australia have upholstered furniture market sizes of approximately USD33.5 billion (RM117.3 billion) and USD2.5 billion (RM8.8 billion) respectively.

### 7.3.3 General Overview of Furniture Market in European Union (EU)

The EU is a political and economic community of twenty-seven member states with supranational and intergovernmental features, located primarily in continental Europe. The EU's member states cover a combined area of 4,422,773 square kilometers and the total territory of the EU is the seventh largest in the world by area.

With almost 500 million citizens, the EU generated an estimated 30% share of the world's nominal Gross Domestic Product (GDP) in 2008. If it were considered a single unified state, the EU's twenty-seven member states would be the world's largest national economy, surpassing that of the USA by USD4.0 trillion (RM14.0 trillion) in 2008.

The EU is a single market economy created by a system of which apply in all member states; these laws guarantee the freedom of movement of people, goods, services and also capital. The EU member states also maintain a common agricultural, fisheries and trade policy. In 1999, the EU introduced a common currency, the Euro, which has been adopted by fifteen of its member states. The EU represents its members in the World Trade Organization (WTO) and also observes at United Nations (UN) and Group of Eight (G8) summits.

The European Commission, the European Parliament, the Council of the European Union, the European Council, the European Court of Justice and the European Central Bank are a few of the key institutions in the EU. EU citizens elect the Parliament every five (5) years.

The EU comprises 27 independent sovereign countries (EU27) which are known as member states: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

#### Market size and growth trends in the EU27:

The market size for furniture in the EU27 member states in 2008 was estimated to be USD119.4 billion (RM417.9 billion), having grown approximately 1.4% since 2007. However, this figure does not provide a clear picture of each individual country's growth rate. Generally, growth rates in the 12 new EU countries, along some of the smaller EU27 countries were higher than the rest of the member states. Bigger markets such as the United Kingdom, Germany and Italy generally showed a small positive growth rate.

In 2008, Germany accounted for approximately 23.1% of all sales and is currently the largest furniture market in the EU27.

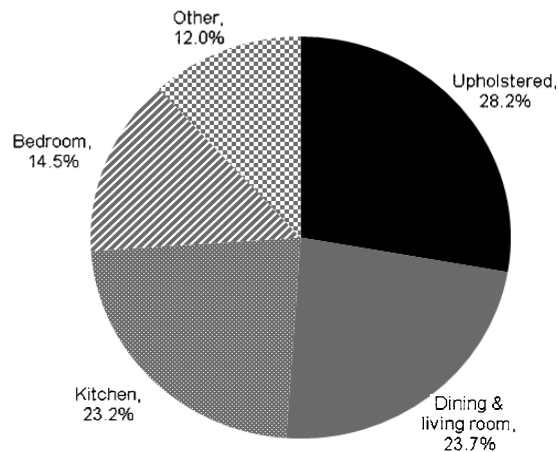
## 7. INDUSTRY OVERVIEW AND OUTLOOK

Domestic furniture production in the EU27 member states was estimated to be worth USD112.3 billion (RM393.1 billion) in 2008, accounting for approximately 35 percent of global production. Italy and Germany were the top two furniture manufacturers in the EU27 by far, accounting for 21.0 and 20.0 percent, respectively, of the total production. Most furniture manufacturers in Germany are large companies, which produce furniture on a large scale commercial basis. The situation in Italy is different, with most of the furniture manufacturers there being small-medium family owned enterprises.

Although the furniture industry in the EU27 is still largely dominated by large corporations, the vast majority of the companies involved in the furniture industry consist of small-medium enterprises with a low degree of clustering. It is estimated that there is only 8.1 employees for every furniture company in the EU27 member states, illustrating the small scale of the furniture manufacturing scenario in the EU27.

### Upholstered Furniture Market in the EU27:

The upholstered furniture market remains the single largest furniture market in terms of revenues. The upholstered furniture product group, which includes upholstered bed frames, sofas, and upholstered steel and wood based chairs, accounted for sales of an estimated USD33.5 billion (RM117.3 billion) in the EU27 in 2008. The chart below shows the market size percentage breakdown of the different furniture product groups in the EU27 market in 2007.



### Market Engineering Measurement Analysis of EU27:

In 2008, the EU27 upholstered furniture market was valued at USD33.5 billion (RM117.3 billion) having grown 4.4 percent from 2007. The market is expected to grow at a CAGR of approximately 4.3 percent during the forecast period of 2009-2013. The EU27 upholstered furniture market revenues from 2005-2008 are as depicted in the table below.

As a market that is currently mature, the EU27 upholstered furniture market will likely experience annual growth rates in the region of 3 to 5 percent. The growth rates in the three years prior to 2007 had risen from a low of 0.4 percent in 2005 to a relative high of 4.4 percent in 2008.

However, in the EU27 upholstered furniture market a growth rate of 4.4 percent translates to a significant value of approximately USD1.4 billion (RM4.9 billion), as was experienced by the industry in 2008. Therefore, growth rates in EU27 upholstered furniture market should not be taken at face value, because they represent a fairly large quantum in terms of dollar value.



## 7. INDUSTRY OVERVIEW AND OUTLOOK

### *Historical Revenue Growth for the EU27 Upholstered Furniture Market, (2005-2008)*

Year	Approximate Market Size (USD billion)	Growth Rates (%)
2005	26.8	0.4
2006	28.7	7.1
2007	32.1	11.6
2008	33.5	4.4

Overall, the upholstered furniture markets in many Western European countries are mature, with growing supplies mainly from China and Eastern Europe.

Consumer tastes are experiencing a long-term shift from traditional to contemporary style of furniture. This shift is mostly due to the fact that currently, most houses lack the space to fit more items; contemporary furniture that has been developed using intelligent space saving ideas has thus become very popular.

### *Market Engineering Measurement and Analysis – EU27 Upholstered Furniture Market (2008)*

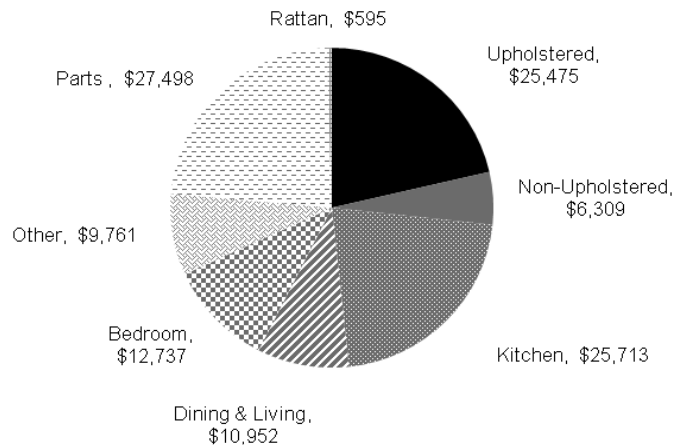
Measurement Name	Measurement	Trend
Market age	Mature stage	Stable
Approximate revenues, 2008	USD33.5 billion	Stable
Market growth rate, 2008	4.4%	Stable
Compound annual growth rate (2009-2013)	4.3%	Stable
Pricing trend	Medium to High	Increasing
Competitors (active market competitors in base year)	Industry is highly fragmented with few players dominating a major share. Cheap imports are increasingly becoming a threat	Increasing but competition remains stable for established brands
Degree of competition	High	Increasing

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## 7. INDUSTRY OVERVIEW AND OUTLOOK

### Production of Upholstered Furniture in the EU27:

The EU27, as a bloc, is the largest upholstered furniture manufacturer in the world. Production of upholstered furniture was the second biggest product group in the EU27 member states in 2008 after kitchen furniture. Production of upholstered furniture was valued at USD25.4 billion (RM88.9 billion) and constituted approximately 21.4 per cent of the total EU27 production value in 2008. The chart below shows the percentage breakdown of the different furniture product groups in the EU27 market in 2008.



### Import Trends of Upholstered Furniture into the EU27:

It should be noted that although the EU27 is taken as a bloc in most of this research service, when discussing import statistics, import sources also include imports from other EU27 member countries (intra-EU27). Therefore, import statistics for the EU27, unless otherwise stated, translates to the summation of total imports of each individual EU27 member country.

Since a peak in production attained in 2000, production volume of upholstered furniture in the EU27 has been on a downward trend. This is despite the marginal increase in production value during the same period.

This trend is expected to continue in the near future with the EU27's furniture manufacturing industry facing significant competitive pressure, not just from Asia Pacific, but also from Latin America and parts of Africa.

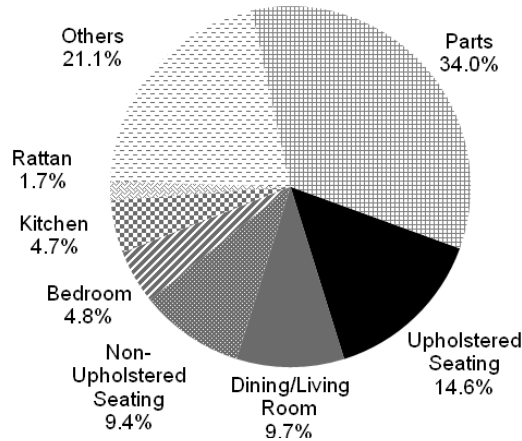
The import of upholstered furniture was the single largest imported product group in 2008 at approximately 14.6 percent of total imports. This import of upholstered furniture has been increasing in recent years and has grown over 40 percent from 2002 to 2008.

Main import sources for upholstered furniture were from Italy, Poland, and China, who accounted for 58 percent of total imported upholstered furniture in 2008. It has to be noted that although Italy and Poland were still the main suppliers of upholstered furniture to the EU27 with 24 and 17 percent shares, respectively, China's share of 17 percent is increasing at a rate of approximately 10 percent per annum.

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7. INDUSTRY OVERVIEW AND OUTLOOK

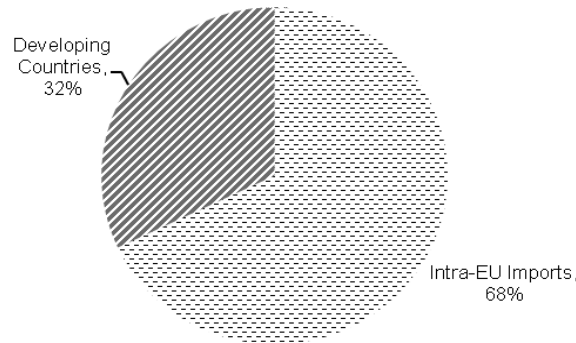
The chart below illustrates the breakdown of imported furniture into the EU27 in 2008.



Traditionally, this product group has been less susceptible to low-cost foreign imports from developing countries due to the complexity and value-added design element required to produce upholstered furniture. However, the share of imports from developing countries has been increasing in recent years as manufacturers have become more proficient at producing upholstered furniture products that meet the standards required by their EU27 customers.

In addition to this, social and environmental standards in developing countries are much less stringent compared to the EU27. This translates into huge amounts of costs savings for these third-world manufacturers, as they do not have to invest in costly machinery and equipment to process industrial waste.

Currently, Asia Pacific accounts for approximately 80 percent of the developing countries' exports to the EU27. The dominant exporter of upholstered furniture from Asia Pacific is China, followed by Vietnam and Malaysia, which are registering particularly strong growth. The chart below illustrates the breakdown of the EU27 upholstered furniture importing sources in 2008.



Notes:-

1. *Intra-EU imports include imports from all other parts of Europe*
2. *Developing countries imports include imports from developing countries worldwide, with China (53%), Malaysia (2%), Thailand (1%), Turkey (1%) and others (2%).*

## 7. INDUSTRY OVERVIEW AND OUTLOOK

### Key Demand Conditions:

#### (i) Market Drivers

The EU27 upholstered furniture market is largely driven by growth from Eastern European countries, appreciation in the Euro and domestic household sales. The impact of these drivers is illustrated below.

Rank	Driver	2009-2010	2011-2013
1	Growth from Eastern European countries	Medium	Medium/High
2	Appreciation in the Euro	Medium	Medium
3	Shift in consumer preference to upholstered furniture with minimalist and contemporary designs	Medium	Medium
4	Growth in residential housing sales	Medium	Low/Medium
5	Decrease in size of households leading to the increase in number of households	Low/Medium	Low/Medium

#### (ii) Market restraints

The EU27 upholstered furniture market, although growing at a moderate pace, is restrained by the low spending on durable goods and the EU27 population growth rate. Impacts of these restraints are illustrated below.

Rank	Restraint	2009-2010	2011-2013
1	Lower spending on durable goods	High/Medium	Low /Medium
2	Relatively low population growth rate	Medium	Medium
3	World Market expected to recover from financial crisis	Low/Medium	Low/Medium

### Consumer Buying Trends

Most Europeans consider their homes as a very important place and this contributes to the forecast that there will be continuous growth in the mature furniture industry in Europe, although a relatively slow one due to its large size.

Upholstered furniture is a key item in every household's consideration when purchasing furniture to decorate their homes. Essentially, this means that each home would ideally like to own a set of sofas for the living room/home theater, upholstered bed frames for the bedrooms, and also upholstered chairs for the dining room.

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## 7. INDUSTRY OVERVIEW AND OUTLOOK

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### Shift from Traditional to Contemporary Style Furniture

There is currently a sustained long term trend whereby consumer tastes have shifted from traditional to more contemporary furniture. Contemporary furniture has been mostly designed and developed using intelligent space saving ideas. This furniture must be multi-functional with attractive designs that can suit all kinds of moods and tastes.

Consumer tastes when purchasing upholstered furniture can be segregated into four basic trends, most of which indicate the purchasing trends of general furniture. The trends are:-

- Lightweight furniture with increasingly smaller dimensions.
- A high degree of functionality.
- High quality designs with clear cut forms and a degree of aesthetic features.
- Excellent material quality such as leather and textiles.

### Simplistic Luxurious Design

A trend that is increasingly becoming popular is the luxury furniture set in the minimally decorated living room. With the decrease in household size, many European homes have thus decreased in size, with space to fit more items increasingly lacking. This has consequently led to a process of reduction of furniture sizes, which can be seen in the design of upholstered items sold in Europe. Upholstered furniture, mostly sofas, which have sold well, exhibited simplistic yet luxurious designs and qualities.

### Increased Demand for Furniture Functionality

The increasing lack of space has resulted in more consumers demanding greater functionality from their furniture items. TV armchairs with integrated massage systems and easy action snap hinges on upholstered furniture are some of the items combining furniture and functionality. The same also applies to a single sofa recliner with an integrated multimedia system.

### Relevance and Importance of Branding

The European furniture market is a highly competitive one. To ensure growth in this competitive environment, manufacturers need to differentiate themselves through devising and implementing branding strategies by advertisements placed in print media, on the Internet or television and participating in a greater number of trade fairs and exhibitions. In addition, manufacturers must constantly develop innovative products so as to attract more customers.

Although large companies dominate the European furniture industry, in numerical terms, the European furniture industry is highly fragmented and is largely characterized by the presence of small to medium-sized companies. The top ten countries provide less than 11 percent of total European furniture supply, a large proportion of their output being destined for export.

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## 7. INDUSTRY OVERVIEW AND OUTLOOK

### 7.3.4 General Overview of Furniture Market in Australia

#### Brief Overview of Australia

As a whole, Australia is a prosperous western-style market economy with services contributing the majority of GDP at 68.0 percent in 2008. Rich in natural resources, Australia is a major exporter of agricultural products, particularly grains and wool, and minerals, including various metals, coal, and natural gas. Due to its high cost base, there is very minimal manufacturing activity in Australia.

Service industries have expanded in recent decades at the expense of the manufacturing sector, which currently accounts for less than 12 percent of its GDP.

#### Overall Furniture Market in Australia

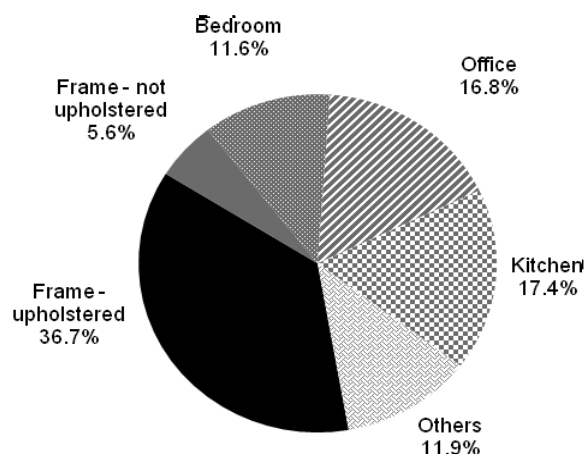
The total Australian furniture market size was estimated to be USD6.9 billion (RM24.2 billion) in 2008; with the wood and upholstered furniture markets being one of the largest furniture market segments in terms of revenues.

Due to the extremely high freight costs in Australia, most transportation across the country is done by rail; the majority of furniture manufacturers are located around the major population centers in the coastal cities such as Sydney, Melbourne, Brisbane, Adelaide, and Perth. Furniture selling and distribution centres also only focus on population centres closest to it.

It has to be noted that throughout this chapter, the upholstered furniture market is classified as the wood and upholstered furniture market. This is mainly because in Australia the market is classified as such, and market data specifically on upholstered furniture are not readily available.

#### Upholstered Furniture Market in Australia

The wood and upholstered furniture market accounted for USD2.5 billion (RM8.8 billion), or 36.7 percent of the total Australian furniture market size, in 2008, growing 0.8 percent over 2007. The chart below shows the market sizes of different product groups in Australia in 2008.



## 7. INDUSTRY OVERVIEW AND OUTLOOK

### Market Engineering Measurement Analysis

The Australian wood and upholstered furniture market was estimated to have a market size of USD2.5 billion (RM8.8 billion) in 2008. During the forecast period of 2009-2013, the market size is expected to grow at a CAGR of 2.6 percent. Overall, the market is mature with a significant amount of imports from developing countries.

Similar to the EU27 upholstered furniture market, the Australian wood and upholstered furniture market is a mature one. Growth rates in the market are in the region of 1 to 3 percent per annum. Although the market for wood and upholstered furniture in Australia is relatively small if compared to the EU27 market, a growth rate of 0.80 percent still represents a fairly large quantum, approximately USD51.0 million (RM178.5 million) as was experienced by the market in 2008.

#### *Historical Revenue Growth for the Australian Wood and Upholstered Furniture Market, (2005-2008)*

Year	Revenues (USD Billion)	Revenue Growth Rate (%)
2005	2.36	3.51
2006	2.45	3.81
2007	2.50	2.04
2008	2.52	0.80

During the forecast period of 2009-2013 the market size of the Australian wood and upholstered furniture market is expected to grow at a CAGR of 2.6 percent. Overall, the market is mature with a significant amount of imports from developing countries. The table below provides a summary of the Australian wood and upholstered furniture market in 2008.

Measurement Name	Measurement	Trend
<b>Market age</b>	Mature stage	Stable
<b>Approximate revenues for 2008</b>	USD2.52 billion	Stable
<b>Market growth rate, 2008</b>	0.80%	Stable
<b>Compound annual growth rate (2009-2013)</b>	2.6%	Stable
<b>Pricing trend</b>	Medium to High	Increasing
<b>Competitors (active market competitors in base year)</b>	Industry is highly fragmented with few players dominating a major share. Imports make up an estimated 40% of domestic demand	Increasing, with many local manufacturers threatened by imports
<b>Degree of competition</b>	High	Increasing

## 7. INDUSTRY OVERVIEW AND OUTLOOK

### Production of upholstered furniture in Australia

The furniture manufacturing industry in Australia comprises a major part of the manufacturing economy. In 2008, production of furniture in Australia was estimated to be USD4.6 billion (RM16.1 billion), with furnishing-related activities contributing an estimated USD8.6 billion (RM30.1 billion) to the economy. The three main sectors of the industry are residential furniture/furnishings, commercial (office or corporate), and hospitality (hotels, motels, resorts, and so on). Residential furniture makes up about two-thirds of production output.

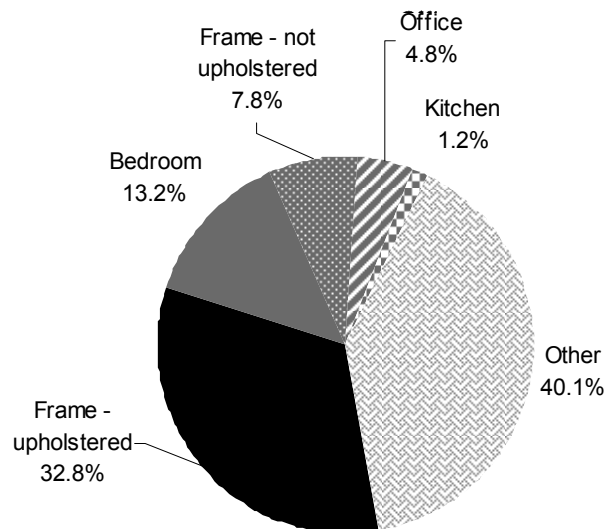
The furniture manufacturing industry in Australia is a highly fragmented one. In the wood and upholstered furniture sector alone, there are over 4,500 firms with approximately 90 percent employing fewer than 20 workers. It is estimated that approximately 4.5 percent of all manufacturing employees are employed in the wood and upholstered furniture industry.

### Import trends of upholstered furniture into Australia

In 2008, Australia imported approximately USD2.2 billion (RM7.7 billion) worth of furniture with upholstered furniture accounting for approximately 30 percent or USD660 million (RM2.3 billion).

Wood and upholstered furniture is the largest import category and registers almost three times the import value of the next largest category, which is bedroom furniture. Main import sources of wood and upholstered furniture are from Malaysia, Italy, and China. It has to be noted that, similar to existing trends in the EU27, China's share of the wood and upholstered furniture segment is growing, mostly at the expense of Italy.

The chart below depicts the estimated Australian import of wood and upholstered furniture ratios for 2008.





## 7. INDUSTRY OVERVIEW AND OUTLOOK

### Key Demand Conditions:

#### (i) Market Drivers

Rank	Drivers	2009-2010	2011-2013
1	Shift in consumer preference to upholstered furniture with minimalist and contemporary designs	Medium	Medium
2	Rising purchasing power of Australians	Low/Medium	Medium
3	World economy likely to recover in 2010	Low/Medium	Medium

#### (ii) Market restraints

Rank	Restraints	2009-2010	2011-2013
1	Flat per capita consumption growth	Medium/High	Medium/High
2	Global Financial Crisis	Medium/High	Medium

### Consumer Buying Trends

The Australian wood and upholstered furniture buying trends at present have not changed much in the past few years. The long standing preference of leather upholstered sofas over fabric covered ones has not changed. The quality of leather is still used as a determining factor by many consumers when purchasing a sofa.

Similar to the tastes of most EU27 markets, most Australian consumers are more focused on the purchase of wood and upholstered furniture with increased functionality. This means that consumer tastes are shifting from stationary sofas towards upholstered furniture that provide increased functionality.

Basically, Australian consumers prefer wood and upholstered furniture that have simplistic contemporary designs, smaller dimensions, increased functionality, and also excellent leather and textile quality.

With consumer tastes in Australia very similar to consumers in the EU27, there is not much customization needed by HUI in order for it to penetrate the Australian wood and upholstered furniture market. Its lightweight, simple, and space saving upholstered furniture are designed with targeting this specific type of customers.

### Relevance and Importance of Branding

The wood and upholstered furniture market in Australia is a mature one, with consumers who are very selective of the products they purchase. A few factors come into play when consumers decide to purchase a product, these factors being branding, pricing, quality of product, and also country of origin.

Similar to any consumer good, the perception on the quality and prestige of the brand plays an important part in determining whether the retailer is able to obtain a higher margin for the product or not.

Consumers are also highly brand conscious, when it comes to purchasing wood and upholstered products. Products that are designed in Italy or are remotely linked to having Italian origins can command a slightly higher price than a comparable model.

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## 7. INDUSTRY OVERVIEW AND OUTLOOK

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### 7.3.5 Analysis of Competitive Landscape in Malaysia

#### Industry Overview and Lifecycle

Malaysia's forests, with over 80 species of wood, provide abundant resources for the country's large furniture manufacturing and furniture export industry. The furniture industry in Malaysia continues to show strong growth in 2008 despite the global financial crisis with exports growing by 2.0 percent from 2007 to RM8.7 billion in 2008. The markets for furniture exports from Malaysia continues to be diversified, with the strongest growth in 2008 coming from countries such as United States of America, Japan, Australia, the United Arab Emirates, India, China, Germany, and Saudi Arabia.

Wooden furniture continues to be the largest export item, accounting for 78.2 percent of Malaysia's furniture exports, increasing by 6.5 percent from 2007 to RM6.8 billion in 2008. The total export value for upholstered wooden furniture in 2008 was estimated at RM870 million, holding approximately 12.8 percent of total wooden furniture exports.

The availability of Malaysian rubber wood, one of the main raw materials, is expected to keep pace with the demand for Malaysia-made furniture as the Malaysian Timber Industry Board (MTIB) has developed plans to plant 25,000 hectares of rubber forests plantations annually. Together with existing plantations of 1.7 million hectares of rubber plantations and the ones in the pipeline, the country is well placed in terms of raw material supply for future furniture industry demands.

There are approximately 60 to 70 medium to large upholstered home furniture manufacturers in Malaysia, out of which more than 80 percent focus on the manufacture of sofas. The major upholstered home furniture manufacturers in Malaysia are located in industrial areas mainly in Johor, Penang, and Selangor.

Malaysia's furniture industry was among the top ten largest exporters of furniture in the world in 2008; however, it lags behind other leading countries such as Italy and Canada. Due to the furniture industry being inherently labor intensive, the Malaysian furniture industry is increasingly seeing competition from emerging countries such as China and more recently, Vietnam. The Malaysian furniture industry, therefore, has to improve its design and quality and move up the value chain. It has to introduce a constant stream of models and designs that are trend setters, to stay competitive.

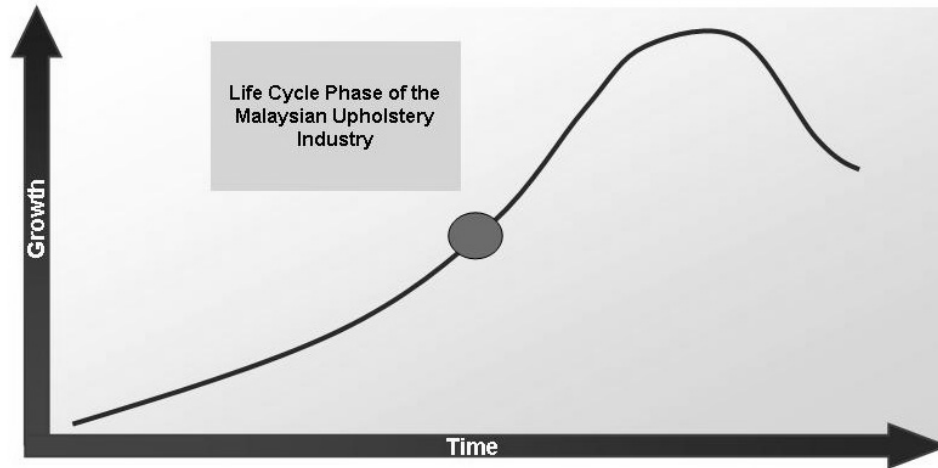
However, it has to be noted that although the overall furniture industry has a negative perception of being low-end, most Malaysian upholstered home furniture manufacturers only produce furniture for the medium to high end. This is evidenced by their sales to Western markets such as the European countries and Australia. These Malaysian manufacturers are well-positioned to change foreign consumer perception that Malaysia is a low-end producer and give the furniture industry an image overhaul.

The Malaysian upholstered home furniture manufacturer's landscape roughly mirrors the overall furniture industry's business model, that is, most of the furniture produced is for exports. Most Malaysian manufacturers have based their business model on an export-based one, where on average more than 90 percent of products are exported.

The Malaysian upholstered furniture industry is a growing one as depicted below. At this stage, there is expected to be entry of a number of competitors, products offered by these competitors are normally undifferentiated from one another and branding levels are still at a minimal.

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**7. INDUSTRY OVERVIEW AND OUTLOOK**



	Introduction	Growth	Maturity	Decline
Competitive Conditions	Few	Entry of some competitors Undifferentiated products/services	Likely price cutting for volume gain Shake-out of weakest competitors	Fight to maintain share Difficulties in gaining/taking share Emphasis on efficiency/low cost Exit of some competitors

**Industry Dynamics**

**Challenges**

The Malaysian upholstered home furniture industry faces numerous challenges; chief among them is the growing price competition from China and Vietnam, an over dependence on the USA market and a lack of branding activities. These challenges and their impact are depicted below.

Rank	Challenges	2009-2010	2011-2013
1	Growing price competition from China and Vietnam	High	High
2	Over Dependence on the U.S. Market for Wood and Upholstered Home Furniture Exports	High	High
3	Lack of branding in the upholstered home furniture industry in Malaysia	Medium/High	Medium

The biggest challenge Malaysia faces is the increasing competition from furniture manufacturers in China and more recently, from Vietnam. This competition comes mostly in the form of reduced prices.

China and Vietnam are able to offer much lower prices due to low labor and raw material costs in these countries. Labor costs are almost one-third in Vietnam as compared to Malaysia. Unless Malaysian manufacturers find ways to reduce their costs by automating or moving to high design quality furniture that are less price sensitive, it would be difficult to survive in this market. Malaysia could import inexpensive labor from neighboring countries, but it faces challenges on this front as this would create overdependence on foreign workers.

The increasing competition from China is more likely to impact the small furniture companies in the short term, while in the long term; it will pose a threat to all furniture makers who do not upgrade.

## 7. INDUSTRY OVERVIEW AND OUTLOOK

The impact of the challenge is expected to be high throughout the forecast period.

Malaysia-made upholstered home furniture is considered to be of good quality. The Malaysian companies are able to meet exacting European and American import requirements and standards and are able to extensively export their products to these countries.

However, Malaysia-made upholstered home furniture is sold only as brand-less products to importers and distributors. These products are then sold on to retailers, discounters, and DIY stores and are branded according to the company selling it.

This lack of branding significantly reduces the profit margin that could have been attained by upholstered home furniture manufacturers.

The impact of this challenge is expected to be medium to high in the short term, but decrease to medium in the long term of the forecast period.

### Barriers to Entry

Generally, the upholstered furniture industry is perceived to have relatively low barriers to entry and the challenge for furniture manufacturers is to maintain a leadership in the market. However, despite the relative ease in entering the market, it is not easy for a company to succeed in this industry. Numerous critical success factors have to be fulfilled before a company can thrive in the industry. The barriers to entry for the Malaysian upholstered furniture industry in 2008 are as illustrated below.

Rank	Barriers to Entry
1	Manufacturing setup start-up costs
2	Designs that are accepted in key markets
3	Efficient supply chain

#### ▪ Manufacturing Setup Start-up Costs

The setting up of any manufacturing facility requires a significant amount of start-up costs. This is the same with the upholstered home furniture industry. Machines such as industrial sewing machines, automatic PVC/PU cutting machines, wood cutting machines and dust collecting systems require a significant amount of capital investment. A huge amount of factory and warehouse space is also required as upholstered home furniture are bulky and fragile objects that cannot be stacked and which need to be handled with care to avoid any storage damages.

#### ▪ Designs that are accepted in Key Markets

Effective designs that cater to the tastes of key customer markets in developed countries such as European countries, USA and Australia are essential for any manufacturer wanting to thrive in this industry. However, changes in consumer tastes and demand are quite frequent. An upholstered home furniture manufacturer needs to constantly be able to update its designs and keep with these changing needs of the customers. Thus, only manufacturers with a suitable level of experience and skills can survive.

## 7. INDUSTRY OVERVIEW AND OUTLOOK

- **Efficient Supply Chain**

The manufacture of upholstered home furniture requires a number of raw materials that has to be sourced from countries around the world. Wood frames made from plywood, tropical wood and rubber wood are usually sourced from Malaysia, foam from Malaysia, leather/PVC/PU from Vietnam, South Korea, Thailand and India and fabric from China. This diverse supply of raw material requires a certain amount of experience to manage; not only to ensure timely delivery but also to ensure raw material quality.

### Critical Success Factors

The critical success factors for the Malaysian upholstered furniture industry in 2008 are as shown below.

Rank	Critical Success Factors
1	Penetration into key developed country markets
2	Moving up the value chain
3	Exposure resulting from furniture exhibitions
4	Availability of rubber wood and timber
5	Experienced management and workforce
6	Diversified and well established client base

- **Penetration into Key Developed Country Markets**

As an export oriented industry, the ability to penetrate the key furniture markets of the USA, Europe and Australia is critical to any manufacturer's success. Not only does it ensure a significant and steady quantity of orders, it also helps them to charge a higher premium on their products due to the higher exchange rates.

- **Moving Up the Value Chain**

To insulate themselves from undue pricing pressures from manufacturers in the low end of the upholstered home furniture market in Vietnam and China, Malaysian manufacturers need to position themselves in the medium to high end market. This is mainly because in the medium to high end market, pricing is not so important a buying factor for a purchaser as is design or reliability.

- **Exposure Resulting from Furniture Exhibitions**

As the Malaysian upholstered home furniture manufacturers do not enjoy any significant advantage through branding at present, they need to take part in furniture exhibitions for gaining exposure. Furniture exhibitions in Malaysia such as the Malaysian Furniture Exhibition (MAFEX) and Malaysian International Furniture Fair (MIFF) are a main source of sales for Malaysian furniture. Organizations such as Malaysian Furniture Industry Council (MFIC) have also been eagerly promoting these events and these are the main source for interaction between furniture manufacturers and end users from all over the world. Such initiatives are likely to continue to boost sales in the industry at a steady pace.

## 7. INDUSTRY OVERVIEW AND OUTLOOK

- Availability of Rubber Wood and Timber

Malaysia has adequate resources of timber and rubber wood for furniture. The Government has also ensured the continuous development of plantations to ensure the availability of rubber wood.

- Experienced Management and Workforce

Despite facing a threat from the manufacturers of China and Vietnam, Malaysia has a longer history of furniture making with skilled craftsman compared to those countries. The craftsmen have been in the business for several years and thus understand the needs of the market and specifications required for each destination country. This is an important advantage that Malaysia has, keeping it ahead in the learning curve. However, in the long term, unless the local craftsmen improve their design capability, Malaysia may see its share of imports taken up by China.

- Diversified and Well Established Client Base

A diversified and well established client base across vast geographies is essential for a manufacturer to survive in the global market. Manufacturers with such advantage will not be affected by any economic setback in a particular region.

### 7.3.6 Key Industry Players and Competition

The upholstered home furniture manufacturing industry in Malaysia is a largely fragmented and competitive one. At present, there are approximately 60 to 70 medium to large upholstered home furniture manufacturers in Malaysia, out of which more than 80% focus on the manufacture of sofas. The major upholstered home furniture manufacturers in Malaysia are located in industrial areas mainly in Johor, Penang, and Selangor.

Out of these 60 to 70 medium to large companies, Frost & Sullivan has identified six major Malaysia-based players that manufacture leather or fabric covered furniture.

Manufacturer	Upholstered Sofa	Upholstered Dining Chair	Upholstered Bed Frame
Home Upholstery Industries Sdn. Bhd.	✓	✓	✓
Master Sofa Industries Sdn. Bhd.	✓		
Sin Wee Seng Industries Sdn. Bhd.	✓	✓	
Virtual Couch Industries Sdn. Bhd.	✓		✓
White Feathers Industries (M) Sdn. Bhd.	✓		
Yew Hoong Sofa Products (M) Sdn. Bhd.	✓	✓	✓

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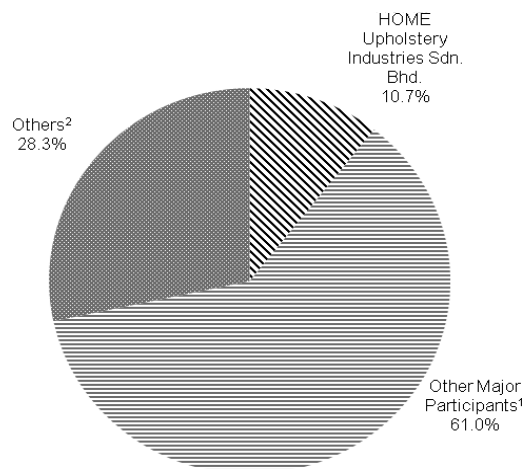
## 7. INDUSTRY OVERVIEW AND OUTLOOK

### 7.3.7 Industry Share and Positioning

The Malaysian upholstered home furniture industry mostly consists of companies focused on the manufacture of sofas for export. Most of these companies are OEM and ODM of upholstered home furniture and they export these to retailers and distributors in Europe, USA and Australia. More than 80% of the products of most manufacturers are exported at present.

Since the focus is on the upholstered home furniture manufacturer's export markets, market share of these companies in Malaysia is not covered. Moreover, most of these companies do not sell the majority of their products in the Malaysian market.

Therefore, Frost & Sullivan has ranked the major upholstered home furniture companies in Malaysia solely based on company revenues as shown in the chart below as at 2008 which is an estimated industry share based on revenues. Only Malaysian based companies are profiled in this study and ranked.



Notes:-

- 1 Other Major Participants include Master Sofa Industries Sdn. Bhd., Sin Wee Seng Industries Sdn. Bhd., Virtual Couch Industries Sdn. Bhd., White Feathers Industries (M) Sdn. Bhd., Yew Hoong Sofa Products (M) Sdn. Bhd.
- 2 Others include participants not listed in the Other Major Participants category.

Based on HUI's revenues of RM92.5 million in 2008, and estimated total revenues for the Malaysian upholstered home furniture industry of RM870 million, Frost & Sullivan estimates that HUI's industry revenue share was approximately 10.7 percent in 2008, ranking it fourth among the Malaysia-based upholstered home furniture manufacturing companies in that year.

This is a broad based comparison as some of these companies are solely in the manufacture of sofas, while some have a diverse product mix, ranging from upholstered home furniture made from a variety of raw materials (for example, leather, polyvinyl chloride (PVC), and fabrics) to upholstered dining chairs and upholstered bed frames.

In this respect lies HUI's key differentiating factor from many of its competitors. HUI appears to be one of the only two companies in Malaysia with a complete range of upholstered home furniture, which includes upholstered sofas, upholstered dining chairs, and upholstered bed frames. Frost & Sullivan believes the only other manufacturer with the same product mix as HUI is Yew Hoong Sofa Products (M) Sdn. Bhd. Although Yew Hoong has more than 20 years of experience in the industry compared to HUI's experience of more than ten years, HUI has managed to catch up with Yew Hoong. In 2008, HUI had revenues of RM92.5 million compared to Yew Hoong's revenues of RM67.0 million.

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## 7. INDUSTRY OVERVIEW AND OUTLOOK

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Companies in this category (that is, the other major participants' category) are estimated to have individual industry revenue shares ranging from approximately 7 to 18 percent. It is estimated that the top 3 companies in Malaysia have a combined revenue share of 47.0 percent and the 3 companies below HUI, the fifth to seventh placed companies, have a combined revenue share of 18.1 percent.

### 7.3.8 Key Supply Conditions

The upholstered furniture industry in Malaysia relies on several raw materials, the key ones being leather and wood:-

#### **Leather**

Leather is a material created through the tanning of hides and skins of animals, primarily cattle hide. The tanning process converts the skin into a durable, long-lasting, and versatile natural material for various uses.

Leather is the main cost component for the manufacture of upholstered home furniture. Traditionally, leather is mostly sourced from countries such as Italy, USA, and Brazil. However, there is a recent trend of companies sourcing from China. The Chinese leather industry has increasingly been able to provide significant savings on leather products with flexibility and depth of product range.

However, it has to be noted that leather from China are still mostly used for low- to medium-end products. High-end leather is still sourced from countries such as Italy.

#### **Wood**

Upholstered home furniture manufacturers in Malaysia mostly use plywood, tropical wood, and rubber wood to produce wood frames for their furniture. These are all raw materials that are abundant in Malaysia.

There is an abundant supply of rubber wood in Malaysia with the MTIB developing plans to plant more than 25,000 hectares of rubber forests plantations annually. Together with existing plantations of 1.7 million hectares of rubber plantations and the ones in the pipeline, the country is well placed in terms of raw material supply for future furniture industry demands.

### 7.3.9 Labour Situation in the Upholstered Home Furniture Industry

According to the Third Industrial Master Plan (IMP3), in 2005, the Malaysian wood products and furniture industry employed a total of 373,800 workers. The total number of workers is expected to grow at an average annual growth rate of approximately 1.7% to become 405,800 in 2010.

Presently, the furniture industry in Malaysia is very labor-intensive. Shortages of labor are common mainly due to the local perception of the industry as a dangerous, dirty, and unskilled industry. It is estimated that about 60% of factory floor workers employed by most manufacturers are from developing countries such as Nepal, Vietnam, and Bangladesh.

This situation is further exacerbated in the upholstered home furniture industry, where handmade furniture is usually associated with high quality and premium price. The amount of non-mechanical processes used to manufacture upholstered home furniture is usually one of the determinants of the pricing premium that can be commanded in the market.

This situation is similar to the events that are and have been occurring in Europe, especially in Italy, also called the sofa capital of the world. Most Italian upholstered furniture manufacturers such as Natuzzi and Poltrona Frau have moved their high volume, low to medium end manufacturing to countries such as China and Vietnam to capitalize on the abundant low-cost skilled labor available there. High-end upholstered furniture production, which is just as labor intensive, is still maintained in Italy, mainly due to the very high premium these manufacturers are able to command having a sofa manufactured in Italy, which only the rich can now afford.



## 7. INDUSTRY OVERVIEW AND OUTLOOK

Several global upholstered furniture manufacturers such as Natuzzi and Poltrona Frau have been successfully listed on their respective bourses (New York Stock Exchange and Milan Stock Exchange) despite the labor-intensive nature of the upholstered furniture industry.

The inherent nature of upholstered home furniture manufacturing, with the required need of an operator to conduct manual sewing and stitching, the assembly of springs and sponges, makes it almost impossible to automate. There is currently no substitute machine or equipment for the human eye and hand that can handle the complex intricacies that is required in the upholstered home furniture manufacturing process.

### 7.3.10 Reliance and Vulnerability to Imports

The upholstered furniture manufacturing industry in Malaysia is mainly for exports and therefore is not vulnerable in anyway to any foreign imports.

### 7.3.11 Product Substitution

There are currently no direct substitutes for upholstered home furniture. Upholstered home furniture operates in a separate market from pure wood furniture. Although wood furniture can be considered an indirect substitute for upholstered furniture, usually this is not the case. Upholstered furniture has high value add and is usually categorized as more upscale and trendy compared to wood furniture, and typically command premium pricing.

### 7.3.12 Relevant Laws, Regulations and Incentives

There are currently no relevant laws and regulations in Malaysia governing the upholstered furniture manufacturing industry. However, the Malaysian Government in its efforts to stimulate and promote the growth of the manufacturing sector has put in place various incentives which are particularly pertinent to the furniture industry including:-

#### (i) Pioneer Status

A company granted Pioneer Status enjoys a five (5)-year partial exemption from the payment of income tax. It pays tax on 30% of its statutory income, with the exemption period commencing from its Production Day (defined as the day its production level reaches 30% of its capacity).

Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

#### (ii) Investment Tax Allowance

As an alternative to Pioneer Status, a company may apply for Investment Tax Allowance (ITA). A company granted ITA is entitled to an allowance of 60% on its qualifying capital expenditure (such as factory, plant, machinery or other equipment used for the approved project) incurred within five (5) years from the date on which the first qualifying capital expenditure is incurred.

The company can offset this allowance against 70% of its statutory income for each year of assessment. Any unutilized allowance can be carried forward to subsequent years until fully utilized. The remaining 30% of its statutory income will be taxed at the prevailing company tax rate.

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**7. INDUSTRY OVERVIEW AND OUTLOOK**


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**(iii) Reinvestment Allowance**

A manufacturing company that has been in operation for at least 12 months and incurs qualifying capital expenditure to expand, modernize or automate its existing business or diversify its existing business into any related products within the same industry can apply for Reinvestment Allowance (RA).

The RA is given at the rate of 60% on the qualifying capital expenditure incurred by the company, and can be offset against 70% of its statutory income for the year of assessment. Any unutilized allowance can be carried forward to subsequent years until fully utilized.

**(iv) Tax Exemption on the Value of Increased Exports**

To promote exports, manufacturing companies in Malaysia qualify for:

- A tax exemption on the statutory income equivalent to 10% of the value of increased exports, provided that the goods exported attain at least 30% value-added; or
- A tax exemption on the statutory income equivalent to 15% of the value of increased exports provided that the goods exported attain at least 50% value-added.

To further encourage the export of Malaysian goods, a locally-owned manufacturing company with Malaysian equity of at least 60% is eligible for:

- A tax exemption on the statutory income equivalent to 30% of the value of increased exports, provided the company achieves a significant increase in exports;
- A tax exemption on the statutory income equivalent to 50% of the value of increased exports, provided the company succeeds in penetrating new markets; or
- A full tax exemption on the value of increased exports provided the company achieves the highest increase in export in its category.

**(v) Brand Promotion Grant**

The objective of the Brand Promotion Grant (BPG) is to develop and promote in the international market, brand names owned by Malaysian companies for products and services originating from Malaysia. Companies can apply for either one of the following forms of grant:-

Small Medium Enterprises (SMEs):

- 100% reimbursable grant of up to a maximum of RM1 million per company per brand.
- A combination of 100% and 50% reimbursable grants. (Maximum grant of RM 2 million per company per brand)

Non SMEs:

- 50% reimbursable grant of up to a maximum of RM2 million per company per brand.

For the 100% reimbursable grant (SME):-

- Manufacturing companies - annual sales turnover must not exceed RM25 million or with not more than 150 full time employees.
- Services sectors enterprises - annual sales turnover not exceeding RM5 million or with full time employees not exceeding 50.

To encourage companies to promote the brand overseas, not more than 10% of the total grant approved should be spent on branding activities of the brand in the domestic market.

## 7. INDUSTRY OVERVIEW AND OUTLOOK

### 7.3.13 Environmental Issues and Concerns

The upholstered furniture manufacturing industry does not have any major environmental issues or concerns.

## 7.4 INDUSTRY OUTLOOK

### EU

The EU27 upholstered furniture market was valued at USD33.5 billion (RM117.3 billion) in 2008. It is a mature market expected to grow at a compound annual growth rate (CAGR) of 4.3 percent in the forecast period of 2009 to 2013.

A CAGR of 4.3 percent might seem low at first glance; however, a 4.3 percent growth in a USD32.8 billion (RM114.8 billion) market represents a fairly large quantum, where the approximate annual growth is USD1.4 billion (RM4.9 billion).

*Forecast Revenue Growth for the EU27 Upholstered Furniture Market, (2009-2013)*

Year	Revenues (USD billion)	Revenue Growth Rate (%)
2009	32.8	(2.12)
2010	33.8	3.05
2011	35.2	4.14
2012	36.9	4.83
2013	38.8	5.15

*Notes:-*

*Compound Annual Growth Rate (2009 - 2013): 4.3%*

*All figures are rounded; the base year is 2008.*

Eastern European countries are expected to provide the bulk of the growth expected from the EU27 upholstered furniture market. Although these countries represent only less than 10 percent of the total EU27 market, there is a high degree of opportunity for growth in this part of the EU27. It should be noted that although these countries are strong from a manufacturing point of view, much of their output are exported. This is mainly because it is much more profitable to export to western European countries that provide better margins, while importing low- to medium-end products from other developing countries for domestic use.

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## 7. INDUSTRY OVERVIEW AND OUTLOOK

### Australia

The Australian wood and upholstered furniture market was valued at USD2.5 billion (RM8.8 billion) in 2008. Similar to the EU27 upholstered furniture market, it is a mature market and is expected to grow at a CAGR of 2.6 percent in the forecast period of 2009 to 2013.

*Forecast Revenue Growth for the Australian Wood and Upholstered Furniture Market, (2009-2013)*

Year	Revenues (USD billion)	Revenue Growth Rate (%)
2009	2.49	(1.19)
2010	2.53	1.61
2011	2.59	2.37
2012	2.67	3.09
2013	2.76	3.37

*Notes:-*

*Compound Annual Growth Rate (2009 - 2013): 2.6%  
All figures are rounded; the base year is 2008.*

As a mature market, the Australian wood and upholstered furniture market is not expected to experience very high growth. Any increase in purchases of furniture will mostly depend on the consumers' perception of how well the economy is doing and the amount of disposable income they possess. As mentioned above, furniture is a durable good and its purchase is easily deferred if there is any change in the country's economy.

Revenue growth is expected to come mostly from replacements of furniture that have reached their end of life (EOL). The rate of replacement of wood and upholstered furniture will largely determine the growth of the market for the short to medium term.

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## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 8.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The profiles of our Promoters and substantial shareholders, all of whom are Malaysians, and their respective shareholdings in our Company before and after the IPO are set out below.

#### 8.1.1 Shareholdings

Name	Designation	----- Before IPO -----				----- After IPO -----			
		<----- Direct ----->		<-- Indirect -->		<----- Direct ----->		<-- Indirect -->	
		No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
Chua Fen Fatt	Managing Director	89,349,800	46.78	<sup>1</sup> 89,349,800	46.78	71,839,800	35.92	<sup>1</sup> 71,839,800	35.92
Tee Hwee Ing	Executive Director	89,349,800	46.78	<sup>1</sup> 89,349,800	46.78	71,839,800	35.92	<sup>1</sup> 71,839,800	35.92
Chua Fen Lee*	Assistant Purchasing Manager	6,150,200	3.22	-	-	6,150,200	3.08	-	-

Notes:-

<sup>1</sup> Deemed interested by virtue of his/her spouse's substantial interest in Homeritz.

\* Chua Fen Lee is regarded as one of our Promoters but is not a substantial shareholder of the Company.

#### 8.1.2 Profiles

(a) **Chua Fen Fatt**, a Malaysian aged 39 years, is our Managing Director. He was appointed to our Board on 2 November 2009. He is one of the founders of HUI in 1997 and since then, he has been the driving force in our Group and has been instrumental in the success, growth and development of our Group. He has had more than 22 years of hands-on experience in the furniture industry particularly in the upholstered home furniture. Throughout his working career, he has worked in different levels and capacities and involved in various aspects of the industry, from being a production operator to sample maker and product designer.

Prior to setting up of HUI, he was also involved in the sub-contracting of upholstered home furniture activities and started his own manufacturing business, Home Sofa Industries, in 1996. Over the years, he has accumulated various technical know-how and expertise in the art of manufacturing and designing upholstered home furniture.

As the Managing Director, he provides the Group with its corporate vision and business strategies and is primarily responsible for the overall business, strategic planning, design and development, and the entire operations of our Group.

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

- (b) **Tee Hwee Ing**, a Malaysian aged 38 years, is our Executive Director. She was appointed to our Board on 2 November 2009. She is the co-founder of HUI together with Mr Chua Fen Fatt in 1997. Prior to joining the Group, she worked with UOB Card Centre (Singapore) and Avenue Securities Sdn Bhd in 1990 and 1992 respectively. She has over 12 years of working experience in the upholstered home furniture industry. As the Executive Director, she is primarily responsible for the overall corporate and administrative functions of the Group.
- (c) **Chua Fen Lee**, a Malaysian aged 27 years, is our Assistant Purchasing Manager. She joined HUI in 2006 upon her graduation from Universiti Kebangsaan Malaysia with a Bachelor's degree in Science with Honors in Food Science and Nutrition. She is primarily responsible for the procurement related activities of the Group which include material evaluation, price evaluation and supplier evaluation.

### 8.1.3 Changes in Shareholdings

Save for the following, there has been no change in the direct shareholdings of our Promoters and substantial shareholders since our incorporation.

Name	As at 6 February 2008 (Incorporation)		After first sub-division		After Acquisitions		After Subdivision and Share Consolidation		After Rights Issue		After IPO	
	No. of ordinary shares of RM1.00 each held	%	No. of ordinary shares of RM0.50 each held	%	No. of ordinary shares of RM0.50 each held	%	No. of ordinary shares of RM0.20 each held	%	No. of ordinary shares of RM0.20 each held	%	No. of ordinary shares of RM0.20 each held	%
Chua Fen Fatt	-	-	-	-	33,849,519	46.78	84,623,798	46.78	89,349,800	46.78	71,839,800	35.92
Tee Hwee Ing	-	-	-	-	33,849,519	46.78	84,623,797	46.78	89,349,800	46.78	71,839,800	35.92
Chua Fen Lee	-	-	-	-	2,329,958	3.22	5,824,895	3.22	6,150,200	3.22	6,150,200	3.08

### 8.1.4 Persons Exercising Control over the Corporation

Save for our Promoters, namely, Chua Fen Fatt, Tee Hwee Ing and Chua Fen Lee, who will collectively hold a total of approximately 74.9% of our enlarged issued and paid-up share capital upon our Listing, as disclosed in Section 8.1.1 of this Prospectus, we are not aware of any other person who are able to, directly or indirectly, jointly or severally, exercise control over our Company.

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## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 8.2 DIRECTORS

The profiles of our Directors, all of whom are Malaysians, and their respective shareholdings in our Company before and after the IPO are set out below:-

#### 8.2.1 Shareholdings

Name	Designation	<----- Before IPO ----->				<----- After IPO ----->			
		<----- Direct ----->		<----- Indirect ----->		<----- Direct ----->		<----- Indirect ----->	
		No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
Chua Fen Fatt	Managing Director	89,349,800	46.78	<sup>1</sup> 89,349,800	46.78	71,839,800	35.92	<sup>1</sup> 71,839,800	35.92
Tee Hwee Ing	Executive Director	89,349,800	46.78	<sup>1</sup> 89,349,800	46.78	71,839,800	35.92	<sup>1</sup> 71,839,800	35.92
Mohd Khasan Bin Ahmad	Independent Non-Executive Director	-	-	-	-	<sup>^</sup> 20,000	*	-	-
Shamsudin @ Samad Bin Kassim	Independent Non-Executive Director	-	-	-	-	<sup>^</sup> 20,000	*	-	-
Tay Puay Chuan	Independent Non-Executive Director	-	-	-	-	<sup>^</sup> 20,000	*	-	-

Notes:-

<sup>1</sup> Deemed interested by virtue of his/her spouse's substantial interest in Homeritz.

<sup>^</sup> Including his/her entitlements under the Pink Form Allocation.

\*

#### 8.2.2 Profiles

The profiles of **Chua Fen Fatt** and **Tee Hwee Ing** are set out in Section 8.1.2 of this Prospectus.

- (a) **Mohd Khasan Bin Ahmad**, a Malaysian aged 48 years, is the Independent Non-Executive Director. He was appointed to our Board on 2 November 2009. Mohd Khasan obtained a diploma in Accountancy and later graduated with a degree in Accountancy from Universiti Teknologi Mara. He is a member of the Malaysian Institute of Accountants (MIA). He served Bank Negara Malaysia for a period of about 7 years from 1986, the last 2 years of which he was seconded to the Capital Issues Committee (CIC) as its Principal Assistant Secretary. Subsequently, he joined the Securities Commission in 1993 for a period of about 5 years and his last capacity was an Assistant Manager in its Issues and Investment Division. During the tenure of his above appointments, he was involved in reviewing various corporate exercises, ranging from initial public offerings, mergers and acquisitions, reverse take-overs, issuance of bonds and other capital raising exercises.

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

He left the Securities Commission and joined the private sector in 1997. Currently, he sits on the Boards of Ta Win Holdings Berhad, Crest Builder Holdings Berhad, Wellcall Holdings Berhad, Farm's Best Berhad and Ralco Corporation Berhad as the Independent Director. He also sits on the Board of several other private limited companies.

- (b) **Shamsudin @ Samad Bin Kassim**, a Malaysian aged 63 years, is the Independent Non-Executive Director. He was appointed to our Board on 2 November 2009. He holds a Bachelor of Economics from Universiti Malaya and a Master in Public and International Affairs (MPIA) from the University of Pittsburgh. He started his career in the Malaysian government service as an Assistant Secretary in the Ministry of Works in 1970. He was subsequently posted to various ministries and agencies in the civil service. In 1985, he was appointed as Senior Assistant Secretary of Industry Division in the Ministry of International Trade and Industry (MITI). He was Malaysia's Trade Commissioner to Vienna, Austria from 1989 to 1996. From 1996 to 1999, he was the Director of Industries Division in MITI. In early 2000, he was appointed as the Chief Executive Officer of Small and Medium Industries Development Corporation (SMIDEC) and served until his retirement from the public service.

He also sits on the Boards of Perwaja Holdings Berhad, Century Logistics Holdings Berhad, Supermax Corporation Berhad, Kinsteel Berhad, Ingress Corporation Berhad (Chairman), Multi-Code Electronics Industries (M) Berhad, Impressive Edge Group Berhad (Chairman), Winsun Technologies Berhad, BHS Industries Berhad and several other private limited companies in Malaysia.

- (c) **Tay Puay Chuan**, Malaysian aged 45 years, is the Independent Non-Executive Director. He was appointed to our Board on 2 November 2009. He started his career with the Polis Di Raja Malaysia, Bukit Aman in 1987 and later left the police force as a Police Inspector in 1992. He joined Fajar Sawmill Sdn Bhd as a Factory Manager from 1992 to 1997. In 1997, he obtained a Bachelor of Law (Honours) degree from University of London, United Kingdom. He was called to the Bar and admitted as an advocate and solicitor in 1998. He was the partner in Fazilah, Ong Chee Seong & Associates from 1998 to 2003 until he set up his own legal practice, Tay Puay Chuan & Co in Muar, Johor in 2003.

Currently, he is the Independent Non-Executive Director of Sern Kou Resources Berhad and Guan Chong Berhad.

### 8.2.3 Directors' Remuneration

The aggregate remuneration (including any benefits in-kind) paid and proposed to be paid to our Directors for services rendered for FYE 2009 and FYE 2010 is RM394,240 and approximately RM945,000 respectively. The range of aggregate remuneration for FYE 2009 and FYE 2010 are as follows:-

Name	FYE 2009 Remuneration Band	FYE 2010 Remuneration Band
Chua Fen Fatt	RM150,001 to RM200,000	RM400,001 to RM450,000
Tee Hwee Ing	RM150,001 to RM200,000	RM400,001 to RM450,000
Mohd Khasan Bin Ahmad	-	RM0 to RM50,000
Shamsudin @ Samad Bin Kassim	-	RM0 to RM50,000
Tay Puay Chuan	-	RM0 to RM50,000



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## **8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL**

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Remuneration, which includes salaries, bonuses, fees, allowances and other benefits in-kinds, must be considered and recommended by the Remuneration Committees and subsequently, be approved by our Board. Our Directors' fees must be further approved and endorsed by our shareholders at a general meeting.

### **8.2.4 Board Practices/Directors' Terms of office**

According to our Articles of Association, all the Directors shall retire from office at the first annual general meeting and one-third (or the number nearest to one-third) of our Directors are required to retire from office at each annual general meeting. Accordingly, all our Directors are required to retire from office at least once in every three (3) years. However, a retiring Director is eligible for re-election at the meeting at which he retires. An election of Directors shall take place each year.

Any person appointed as Director, either to fill a casual vacancy or as an addition to the existing Directors shall hold office only until the next annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

In connection thereto, Chua Fen Fatt, Tee Hwee Ing, Shamsudin @ Samad Bin Kassim, Mohd Khasan Bin Ahmad and Tay Puay Chuan shall retire from office at the first annual general meeting and shall then be eligible for re-election.

All our Directors were only appointed to the Board on 2 November 2009 and have served for less than one year as at the date of this Prospectus.

## **8.3 RELEVANT COMMITTEES**

### **8.3.1 Audit Committee**

The main functions of the Audit Committee include the following:-

- (a) to review with the auditors the nature and scope of the audit plans, their audit reports, major findings and their evaluations of our accounting system and internal controls;
- (b) to review our quarterly and annual financial statements before submission to our Board, focusing in particular on any change in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, the going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (c) to consider the appointment and reappointment of the external auditors and matters relating to their resignation;
- (d) to review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group;
- (e) to review the assistance given by us or our employees to the auditors; and
- (f) to perform such other functions as may be requested by our Board.

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

The members of the Audit Committee are as follows:-

Name	Designation	Directorship
Mohd Khasan Bin Ahmad	Chairman	Independent Non-Executive Director
Shamsudin @ Samad Bin Kassim	Member	Independent Non-Executive Director
Tay Puay Chuan	Member	Independent Non-Executive Director

### 8.3.2 Remuneration Committee

The main functions of the Remuneration Committee include the following:-

- providing assistance to our Board in determining the remuneration of Directors and certain senior management personnel;
- providing assistance to our Board in discharging responsibilities relating to, amongst others, compensation strategy, succession planning, management development and other compensation arrangements; and
- ensuring corporate accountability and governance in respect of our Board remuneration and compensation functions.

The members of the Remuneration Committee are as follows:-

Name	Designation	Directorship
Shamsudin @ Samad Bin Kassim	Chairman	Independent Non-Executive Director
Mohd Khasan Bin Ahmad	Member	Independent Non-Executive Director
Tay Puay Chuan	Member	Independent Non-Executive Director

### 8.3.3 Nomination Committee

The main functions of the Nomination Committee include the following:-

- identifying and recommending to our Board, candidates for directorships of our Company and Directors as members of the relevant Board committees;
- evaluating the effectiveness of our Board and the relevant Board committees; and
- ensuring an appropriate framework and succession planning for our Board.

The members of the Nomination Committee are as follows:-

Name	Designation	Directorship
Tay Puay Chuan	Chairman	Independent Non-Executive Director
Mohd Khasan Bin Ahmad	Member	Independent Non-Executive Director
Shamsudin @ Samad Bin Kassim	Member	Independent Non-Executive Director

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 8.4 KEY MANAGEMENT PERSONNEL

The profiles of our key management personnel, all of whom are Malaysian except for Tan Yang Song who is a Singaporean, and their respective shareholdings in our Company before and after the IPO are set out below.

#### 8.4.1 Shareholdings

Name	Designation	<----- Before IPO ----->				<----- After IPO ^----->			
		<----- Direct ----->		< Indirect >		<----- Direct ----->		< Indirect >	
		No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
Chua Fen Fatt	Managing Director	89,349,800	46.78	<sup>1</sup> 89,349,800	46.78	71,839,800	35.92	<sup>1</sup> 71,839,800	35.92
Tee Hwee Ing	Executive Director	89,349,800	46.78	<sup>1</sup> 89,349,800	46.78	71,839,800	35.92	<sup>1</sup> 71,839,800	35.92
Pua Yu Heng	Marketing Manager	6,150,200	3.22	-	-	6,168,200 <sup>2</sup>	3.08	-	-
Wee See Yee	Group Accountant	-	-	-	-	10,000 <sup>2</sup>	*	-	-
Tan Yang Song	Chief Designer	-	-	-	-	14,000 <sup>2</sup>	*	-	-
Chua Fen Lee	Assistant Purchasing Manager	6,150,200	3.22	-	-	6,150,200	3.08	-	-
Wong Seah Wei	Administration and Human Resources Manager	-	-	-	-	10,000 <sup>2</sup>	*	-	-
Sia Chee Shong	Quality Assurance Manager	-	-	-	-	12,000 <sup>2</sup>	*	-	-

Notes:-

1 Deemed interested by virtue of his/her spouse's substantial interest in Homeritz.

2 Including his/her entitlements under the Pink Form Allocation.

\* Negligible.

#### 8.4.2 Profile

- (a) **Pua Yu Heng**, a Malaysian aged 32 years, is our Marketing Manager. He is responsible for sales and marketing strategies as well as the business development of the Group. He graduated with a Bachelor's degree in Science (Human Development) from Universiti Putra Malaysia in 2001. He worked as the Marketing Executive with Poh Huat Furniture Industries Sdn Bhd, a subsidiary of main market listed furniture manufacturer Poh Huat Resources Holdings Berhad, for a period of about 3 years prior to joining HUI in 2005.

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**8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL**

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- (b) **Wee See Yee**, a Malaysian aged 31 years, is our Group Accountant. Ms. Wee has 6 years of experience in the audit and accounting field. Ms. Wee graduated with a Bachelor of Accountancy (Honours) from University Putra Malaysia in 2002 and was named to the Dean's List. She was previously the Audit Senior in Messrs. SC Lim, Ng & Co. for 3 years, responsible for vast areas of the auditing process including planning and supervision of audits, evaluation of internal controls, preparation and review of profit/cash flow forecast, and review of interim financial information. Her audit experience includes a wide range of sectors/industries such as trading, manufacturing, construction, services and property development. She left the firm in 2006 and worked as the Assistant Accountant Edaran Precision Industries Sdn Bhd, a subsidiary of LNG Resources Berhad, prior to joining our Group in 2008. Ms Wee, who is also a member of the Malaysian Institute of Accountants, is currently responsible for the financial and accounting functions of the Group.
- (c) **Tan Yang Song**, a Singaporean aged 48 years, is our Chief Designer. With over 20 years of experience in the industry he has accumulated much experience and knowledge. Prior to joining HUI in 2006, he was involved in various design and development capacities in several Malaysian and Singaporean furniture companies. As the Chief Designer, he is assisting our Managing Director in overseeing the entire spectrum of our R&D with primary roles of designing and introducing new models and designs on a regular basis.
- (d) **Wong Seah Wei**, a Malaysian aged 36 years, is currently our Administration and Human Resources Manager. Ms. Wong is responsible for the office administration and human resource management of the Group. She has a background of more than 15 years of working experience in human resources and administrative related positions. Having graduated from Stamford Ladies College with a professional certificate in secretarial studies in 1992, she began her career with Sin Foong Hin Tayar & Bateri Sdn Bhd where she worked for more than 10 years with her last position as the Senior Executive. Subsequently, in 2004, she joined Funika (M) Sdn Bhd as the Senior Executive before she left in 2006. Prior to joining us in 2008, she was the Assistant Administrative Manager in the Human Resources Department in Bo Fung Industries (M) Sdn Bhd for almost 2 years.
- (e) **Sia Chee Shong**, a Malaysian aged 27 years, is currently our Quality Assurance Manager. Mr Sia has been with the Group for over 10 years since 1997 and initially started off as a Production Operator. Over the years, he had worked in various positions in the production and quality assurance departments prior to being promoted to his present post. His primary roles include maintaining and improving quality control procedures for our manufacturing processes.

The profiles of **Chua Fen Fatt**, **Tee Hwee Ing** and **Chua Fen Lee** are set out in Sections 8.1.2 of this Prospectus.

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## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 8.5 PRINCIPAL ACTIVITIES PERFORMED OUTSIDE THE GROUP

Save as disclosed below, none of our Directors has any directorship and/or principal activities performed outside our Group at present and in the past five (5) years up to the Latest Practicable Date.

Name	Company	Principal activities	Date appointed/ (resigned)	Designation
Chua Fen Fatt	Veromca	Dormant. Please refer to Section 10.3.3 of this Prospectus	1 August 2005	Director
Tee Hwee Ing	Veromca	Dormant. Please refer to Section 10.3.3 of this Prospectus	29 March 2004	Director
Shamsudin @ Samad Bin Kassim	Century Logistics Holdings Berhad	Provision of integrated logistics activities	1 November 2001	Independent Non-Executive Director
	Ingress Corporation Berhad	Manufacturing of automotive components	2 November 2001	Chairman and Independent Non-Executive Director
	Supermax Corporation Berhad	Manufacturing and sale of latex gloves	18 July 2002	Independent Non-Executive Director
	Kinsteel Berhad	Manufacturing and trading of iron and steel related products	12 August 2002	Independent Non-Executive Director
	Impressive Edge Group Berhad	Manufacturing of engineering spare parts, mould parts and related products	10 September 2004	Chairman and Independent Non-Executive Director
	H-Displays (MSC) Berhad	Manufacturing and marketing of Liquid Crystal Display (LCD) panels	3 November 2006/ (5 January 2010)	Independent Non-Executive Director
	BHS Industries Berhad	Commercial printing and publishing of educational books	7 August 2007	Independent Non-Executive Director

**8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL**

<b>Name</b>	<b>Company</b>	<b>Principal activities</b>	<b>Date appointed/ (resigned)</b>	<b>Designation</b>
	Winsun Technologies Berhad	Provision and design of industrial automation systems	12 November 2007	Independent Non-Executive Director
	Perwaja Holdings Berhad	Manufacturing and trading of primary steel products	25 June 2008	Independent Non-Executive Director
	Multi-Code Electronics Industries (M) Berhad	Manufacturing of electronics parts and accessories for the automotive industries	26 February 2009	Independent Non-Executive Director
	Maxbiz Corporation Berhad	Commercial dyeing and knitting fabrics	21 February 2005 (26 June 2007)	Independent Non-Executive Chairman
	Seal Polymer Industries Berhad	Manufacturing and sale of latex gloves	13 May 2005 (28 August 2007)	Independent Non-Executive Director
	Boon Koon Group Berhad	Manufacturing and trading of rebuilt and reconditioned commercial vehicles	7 January 2004 (19 February 2009)	Chairman (Non-Independent Non-Executive Director)
	Fjarrow (M) Sdn Bhd	Trading services	30 July 2002	Director
	Scenic Fareast Sdn Bhd	Property development	13 December 2005	Director
	Pro-TEST Consultancy Sdn Bhd	Provision of education services	16 June 2003	Director
	Eing Ven Language Centre Sdn Bhd	Provision of education services	11 August 2003	Director
Mohd Khasan Bin Ahmad	Ta Win Holdings Berhad	Manufacturing of copper wire	20 February 2002	Independent Non-Executive Director

**8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL**

<b>Name</b>	<b>Company</b>	<b>Principal activities</b>	<b>Date appointed/ (resigned)</b>	<b>Designation</b>
	Crest Builder Holdings Berhad	Construction and property development	25 February 2003	Independent Non-Executive Director
	Wellcall Holdings Berhad	Manufacturing of industrial hoses	17 April 2006	Independent Non-Executive Director
	MOL Accessportal Berhad	Internet media and e-commerce	10 September 2004 (6 November 2008)	Independent Non-Executive Director
	Farm's Best Berhad	Processing, marketing and distribution of poultry products and related activities	10 January 2002	Independent Non-Executive Director
	Ralco Corporation Berhad	Manufacturing of plastic products	19 September 2007	Independent Non-Executive Director
	Always Wealthy Sdn Bhd	Provision of security services	8 August 2006	Executive Director
	Arah Sistemantik (M) Sdn Bhd	Manufacturing of fibre optic cables	24 January 2008	Director
	Eurofine (M) Sdn Bhd	Production of media content and broadcasting	9 April 2008/ (31 August 2009)	Director
	System Protection & Maintenance Sdn Bhd	Engineering and construction in power, oil and gas industry	16 June 2008	Director
Tay Puay Chuan	Sern Kou Resources Berhad	Manufacturing and distribution of rubberwood and metal furniture	18 December 2003	Independent Non-Executive Director
	Guan Chong Berhad	Manufacturing and trading of cocoa-derived food ingredients	8 January 2005	Independent Non-Executive Director

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**8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL**

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**8.6 INVOLVEMENT OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT PERSONNEL**

As at the Latest Practicable Date, all our Executive Directors and key management personnel are involved in our Group on a full time basis and are not involved in other businesses or corporations in an executive capacity.

**8.7 RELATIONSHIPS OR ASSOCIATIONS**

Save as disclosed below, there is no relationship or association between our Promoters, substantial shareholders, Directors and key management personnel:-

- (a) Tee Hwee Ing is the spouse of Chua Fen Fatt.
- (b) Chua Fen Lee is the sister of Chua Fen Fatt.
- (c) Pua Yu Heng is the cousin of Chua Fen Fatt.

**8.8 SERVICE AGREEMENTS**

There are no existing or proposed service agreements between the companies within our Group and our Directors or key management personnel.

**8.9 DECLARATIONS FROM THE PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL**

As at the Latest Practicable Date, none of our Promoters, Directors or key management personnel is or has been involved in any of the following events (whether in or outside Malaysia):-

- (a) a petition under any bankruptcy or insolvency law filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (b) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (c) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (d) any judgment that was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (e) the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

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