

Dear Stakeholders

In our 2nd quarter (October to December 2008) Results Announcement dated 13 February 2009, we stated in Note 10 that the outlook for the global furniture market remained uncertain, due to the cascading impact of the global recession on the US and UK/Europe markets, markets which we are very dependent on. We further advised that the 3rd quarter (January to March 2009) production would be impacted by traditional factory holidays to mark Chinese New Year in China and the Tet New Year festival in Vietnam. Accordingly we highlighted that the Group could make a loss in the 3rd quarter.

Hence the board of directors wishes to inform shareholders that the Group will record a loss in the 3rd quarter and that this loss is likely to be more than that suggested by our 2nd quarter Note 10 statement on 13 February 2009.

The Gross Domestic Product (GDP) in the USA and UK continued to shrink in the 1st quarter of 2009 (January to March 2009) by 6.1% and 1.9% respectively. These GDP declines were fully reflected in the furniture demand from our key markets for that quarter.

Besides lower sales volumes, consumers have also been demanding less expensive furniture. For example, instead of full leather, a consumer may be willing to settle for half leather or for fabric. This has affected price per unit and margins. We could have boosted sales if we had loosened our stringent open-account policy, but our management and board remain concerned about credit risk.

Elsewhere outside US, UK/Europe demand has fared better but performance in these markets has been weakened on a US\$ basis (the US\$ is our functional and reporting currency). The weakness of the Vietnamese Dong and significant weakness of the Australian and New Zealand Dollars means lower sales derived from these markets when translated into US dollars.

Reduced demand means that our existing factories in Vietnam, Malaysia and China operated at a less-than-optimum capacity utilisation and our new factories in Vietnam could not cover fixed operating costs. However, the board has decided not to reduce capacity through mothballing given that:

1. US Retailers telling us that their inventories are low and that they have started re-ordering.
2. we secured some US\$2.1 million worth of confirmed orders from the recent international furniture fairs in Germany, Malaysia, Singapore and China. Whilst the orders are significantly lower when compared to last year, it will help our new factories in Vietnam to reach lower breakeven utilisation rates.

Despite the expected loss, the Group remains financially strong with positive cash balances and negligible gearing. Further details will be provided in our results announcement on 15 May 2009.

Released by Order of the Board of Directors