



# MONITORING OF THE CHINESE FURNITURE SECTOR

March 2000

**Union Européenne de l'Ameublement**

*in cooperation with*  
**ID Consulting**

*Co-funded by the*  
**Asia-Invest Programme**

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## **PREFACE**

This Guide is intended as a general introduction to China and to the Chinese market. It is intended to cover the market conditions pertaining to a particular range of product that is household, contract and office furniture.

The material for this Guide has been collected from a wide range of report statistics and media sources but also from an extensive number of personal interviews in China.

This Guide has four elements:

an **introduction** which explains the attractions of exporting and distributing furniture to China

a **descriptive portion** which describes:

the Chinese furniture market

trends in Chinese homes and use of EU-style furniture

Chinese consumers

Furniture distribution channels

a **business-oriented portion** that focuses on what EU furniture makers need to consider when tackling the Chinese market. This includes:

how to select your Chinese partner

how to develop your products for China

how to promote your sales in China

trade regulations and trade incentives

legal framework for production and distribution in China

some case studies of companies that successfully export and develop sales in China

**Appendices** which include a list of data sources and contacts.

This Guide is aimed primarily at EU furniture manufacturers who have little experience in the Chinese market.

Reports like this can only help to a limited extent, as there is no substitute for gaining personal knowledge of the Chinese market. The added value of this report is in its attempt to provide the audience with a sound framework for understanding how the furniture market in China works.

The material in this Guide has been collected from a wide range of sources, statistics and media sources and also from a number of interviews with actors in the industry. We believe that the range of information presented in this volume is unique, as some of the information has not, to our knowledge, previously been available in a European language.

### **How to use this document**

This Guide has seven sections covering specific areas of information. The sections of this Guide are reviewed here as a quick reference.

### **Section one – Introduction**

### **Section two - Regulatory structure and policy**

### **Section three – The Chinese furniture industry**

### **Section four – The Chinese furniture market**

### **Section five – The consumer profile**

### **Section six – The legal framework for doing business in China**

### **Section seven – Conclusions and recommendations**

Note of caution

Reliable and accurate statistical data is rare and sketchy in China. We have used several sources, including government ministries and agencies, as well as foreign sources. Government statistics should always be treated with caution as the official lack of transparency makes them impossible to verify. We have, however, sought to keep data as accurate as possible. Where some of the data appears outdated, it remains however the latest information available.

**Abbreviations**

The following abbreviations are used in this report:

JV – Joint Venture

WFOE – Wholly Owned Foreign Enterprise

FIE – Foreign Invested Enterprise

SOE – State Owned Enterprise

RMB – Ren Min Bi (Chinese for the People's money), also referred to as Yuan

CNFA - China National Furniture Association

**Exchange rate**

Chinese RMB is fixed to the US Dollar. At the time of publication in Winter 1999, the exchange rate was fixed at RMB 8.27 to US\$ 1.00.

# Chapter 1

## Introduction

### 1.1 China: Economic and Political Outlook

Napoleon said: “Let China sleep, for when she wakes, she will move the world”. Not only has China woken from its sleep, but also the country is moving rapidly in its participation in the global economy.

China’s population – nearly twice that of the United States, the European Union and Japan combined – and its strong economic growth mean that few companies can avoid having a strategy for China.

*The rapidly developing economy and the large market size of China has drawn attention from the world. For international furniture suppliers, China is a market they can not afford to neglect.*

**Table 1-1 Population in Asian countries**

	2025 year total population (millions)	mid- 1998 mid-year total population (millions)	Average annual growth rate (%)
China	1.561,4	1.242,5	0,85
Singapore	4,2	3,9	0,30
Vietnam	109,5	78,5	1,24
Hong Kong	7,8	6,7	0,60
India	1.441,2	970,9	0,85
Indonesia	275,2	204,4	1,11
Pakistan	258,1	130,8	2,55
Bangladesh	165,6	125,8	1,03
Japan	120,9	126,4	-0,16
Philippines	116,8	73,2	1,75
Thailand	71,6	61,1	0,60
Myanmar	67,8	47,1	1,35
South Korea	52,5	46,1	0,50
Malaysia	37,0	22,2	1,90
Taiwan	28,6	21,9	1,00

Source: Asiaweek, 1999

With continuing growth prospects, the allure of China as a market will not fade soon. In addition, companies are finding China to be a source of production, products and even a source of research.

At the same time, China presents significant political uncertainties as power is transferred to a new generation from the last of the original leaders of the Communist revolution.

## **1.2 Background**

Starting in 1979, China adapted an “Open Door” policy of reforms that, for the first time since the Communists came to power, allowed for foreign participation in the domestic economy in order to encourage growth and development. Since then, China’s GDP has maintained an annual average growth rate of 9,8%, with a 15,6% growth rate for import and export trade.

With the 1/4 of the world’s population, rising incomes, and a revival of traditional Chinese values regarding the accumulation and expression of wealth, China is a market with selective long-term potential. It is estimated that by the end of the 21<sup>st</sup> century, China will become the world's second largest furniture manufacturer and be among the world's five largest furniture markets.

China's economic growth has been tempered slightly over the past two years due to the economic crisis which has engulfed much of Asia, however it still maintains a GDP growth rate of 7.0% or more.

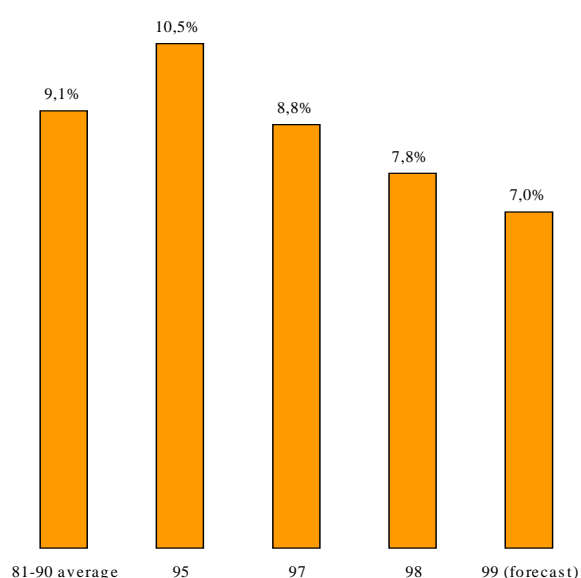
China is already Asia’s second largest retail market, following Japan. Retail analysts project that by 2005, retail sales in China will exceed US\$ 900 billion, and China's consumer class will include more than 230 million middle-income families who will earn over US\$ 1.000 annually. Consumption of furniture is growing steadily in China, particularly in coastal urban centuries.

1990 to 1995 represents a particularly lucrative period for vendors of imported furniture. During this period, competition was very light and the few distributors of imported furniture experienced record sales from a private



consumer boom and a large rush of foreign corporations who were hurrying to open offices in major Chinese cities. In contrast, today's furniture market in China is far more competitive. Profit margins and sales are dependent on well-conceived marketing plans and highly competitive products.

**Table 1-2 China GDP growth**



Source: 1998 Statistical Yearbook

**Table 1-3 Some economic indicators for China**

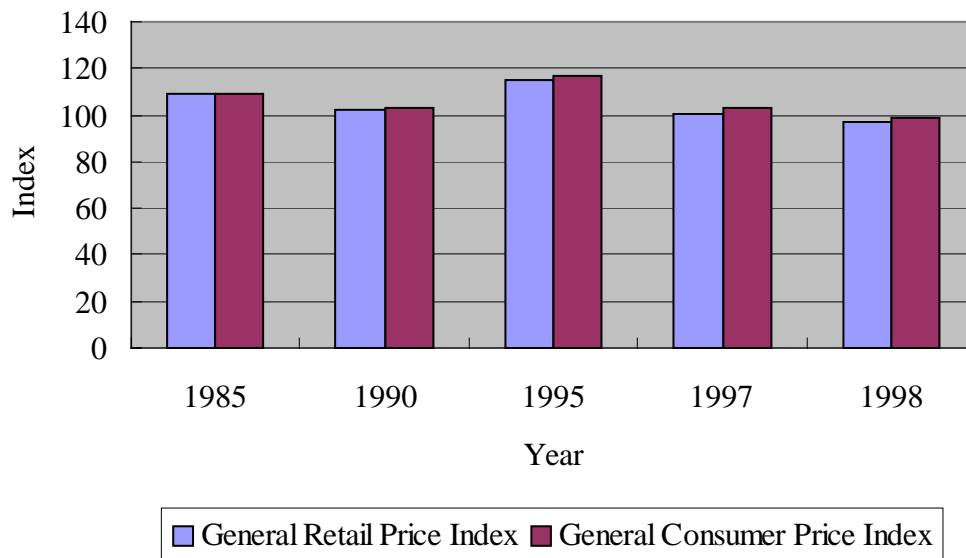
	1985	1990	1995	1997	1998
General Retail Price Index	108,8	102,1	114,8	100,8	97,4
General Consumer Price Index	109,3	103,1	117,1	102,8	99,2
Total Retail Sales of Consumer Goods *	46,3	88,4	251,5	333	355,5

\* Unit bil.USD

Source: 1998 Statistical Yearbook

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Source: 1998 China Statistical Yearbook

## Chapter 2

# Regulatory structure and policy

### 2.1 Key government policies

In China there is a group of government institutions that are the leading bodies responsible for the formulation and implementation of economic and industrial development strategies for the furniture industry. The administrative framework is divided as follows:

**Table 2-1 The key actors of China furniture industry**

1) For administrative set-up	<ul style="list-style-type: none"> <li>▪ China National Council of Light Industry</li> <li>▪ Provincial and municipal government's administrative departments of light industry</li> <li>▪ China national Furniture association (CNFA)</li> <li>▪ Provincial and municipal furniture associations (27 provincial associations with &gt;3000 members in China)</li> </ul>
2) For quality supervision	<ul style="list-style-type: none"> <li>▪ State Bureau of Technological Supervision</li> <li>▪ National furniture QC station</li> </ul>
3) For research	<ul style="list-style-type: none"> <li>▪ Local furniture R&amp;D institutes</li> <li>▪ Furniture R&amp;D organisations affiliated to some of the furniture enterprises</li> </ul> <p>Related colleges and universities in Northeast area, Beijing, Tianjin, Dalian, Zhengzhou, Nanjing, etc</p>
4) For advertising and promotion	<p>Published by CNFA, "China Furniture" began in June 1997. Aimed at promoting China's furniture industry in the local market and abroad, it provides information on the development of international furniture, hardware, raw materials &amp; accessories, manufacturing facilities as well as market analysis, seminars and international activities. The 10,000-circulation magazine is the most important furniture media in China.</p>

The main tasks of these institutions are to put forward proposals to the government, implement trade policy and organise capital constructions. The China National Furniture Association (CNFA) has the responsibility of issuing production permits and quality certificates. They organise trade exhibitions and monitor the Chinese furniture market. They are also a source of assistance to find local partners or investors in the furniture business.

## 2.2 The China National Furniture Association

The China National Furniture Association is the main authority in the industry. It is headquartered in Beijing, with a number of local branches in the main cities such as Shanghai and Canton. In Shanghai the Association has over 300 members, most of which are private furniture companies. Its main activity is to offer the members updated information about the industry and the market, including the latest regulations, demands, trends, etc.

### China National Furniture Associations:

#### Beijing:

Tel: 86-10-6426-0244

Fax: 86-10-6426-0544

#### Shanghai:

Tel: 86-21-6437-1178

Fax: 86-21-6437-0982

#### Guangdong

Tel: 86-20-8335-6412

Fax: 86-20-8380-4447

#### Sichuan:

Tel: 86-28-779-2342

Fax: 86-28-779-2335

## Chapter 3

# The furniture industry

### 3.1 Natural resources

In the summer of 1998, the state council decided to prohibit lumbering in the provinces of the upper reaches of the Yangtze and the Yellow Rivers, as well as reducing, stopping and even prohibiting lumbering in North-eastern forests.

In China, furniture materials only began to diversify within the last 20 years and domestic manufacturers are still heavily reliant upon wood. After the prohibition and limitation on lumbering, domestic timber production decreased. Timber supply met market demand for a short period as furniture manufacturers and suppliers had all kept some stocks. But in the coming years shortage are predicted to become sever. After the lumbering ban in 1998, the price of timber for the furniture industry rose slightly and there was a correspondent rise in the price of solid-wood furniture, despite the de-flationary trend in most China markets.

In general, the lumbering ban hasn't had a great influence on China's furniture production and market supply as the deficits have been made up by imports from the large wood manufacturing countries. According to tariff standards executed from January 1999, tariffs for logs and boards were reduced to zero to encourage wood imports. From 1999, timber imports should increase greatly and Chinese furniture manufacturers will use more wood from USA, Russia, Australia, Africa, South America and Southeast Asia in order to supplement the strained domestic situation.

*China's overall wood supply is predicted to tighten over the next few years and the import of timber will increase due to the government's restriction and limitation on domestic lumbering.*

China's imported wood comes primarily from Southeast Asian countries. After the fallout from the Asian financial crisis settles and these countries' economies become stronger, many of these nations may no longer find it necessary to rely so heavily on exports. Moreover, these countries are also likely to pursue strict environmental measures in order to protect their own forests, which could translate into severe supply shortages for China's wood market.

Since the ban is expected to reduce China's timber output by 15 million m<sup>3</sup> by the year 2000 and the future of abundant timber imports is in doubt, China's timber market is growing uneasy. Lumber companies affected by the ban are expected to restructure, but the government is giving no clear leadership and by late 1999, there have been the beginnings of major market corrections.

Since the ban on logging from old growth forests at the headwaters of the Yangtze River, lumber prices have shot up to near panic levels in these timber-producing regions. (It should be noted that timber prices in the coastal areas are more stable, largely due to the easy availability of imports.) In some areas timber prices have increased by 150%. Much of this may be a result of speculation, and prices in the medium term may fall as timber companies, faced with the chance to make quick profits by illegal felling, may be tempted to defy the ban. Price stability will depend upon local government enforcement coupled with the availability of cheap wood imports.

### **3.2 The local and foreign manufacturers**

There is an old saying in China stating that "success will come after one's home is settled". A home and a place of one's own in China takes on great significance.

The furniture sector in China has recently shown signs of great vitality: From 1993-1997 the sector developed at an average rate of 11%, thanks both to the domestic consumer and a boom in exports.

Despite this large growth, the Chinese furniture industry is not in a healthy state and is faced with problems such as raw material and skilled labour shortages, and tough competition within the industry.

*The Chinese favours wooden furniture. Lumber is mainly imported from South East Asia countries.*

Some facts concerning the Chinese furniture manufacturers are:

**- The industry is characterised by a large number of small manufacturers, which produce limited products.**

The domestic furniture industry in China is fragmented into a large number of small manufacturers, accounting for 80% of all enterprises. According to the China National Furniture Association, in 1998, the number of Chinese furniture manufacturing enterprises was around 30.000, employing some of 2,5 million people.

Among the 30.000 furniture enterprises, 17.000 of them are private companies, 600 are joint ventures (mainly invested by foreign partners from Hong Kong, Singapore, US, Japan and Taiwan) and about 1.500 are large companies (mainly state-owned and each with over 200 employees). The remaining companies are township and collective companies.

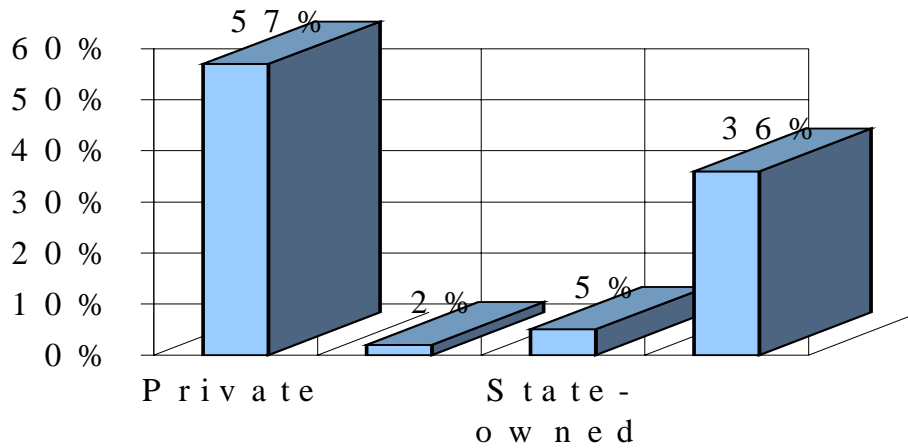
**The geographical location of the manufacturers is quite concentrated.** Given the size of China, furniture production has developed around the areas of greatest economic growth: The province of Guangdong (with cities of Guangzhou and Shenzhen), the area around Shanghai (including the wealthy provinces of Zhejiang and Jiangsu) and, in general, along the entire southern coastal area. In addition to being markets of great importance, these areas are also the poles of intense activity for furniture production.

**Low to medium quality product lines are the main of most local manufacturers.** Despite China's imports of advanced wood working machinery, most furniture is still of low to medium quality. This is a result of poor management, unwilling to take the necessary steps to improve quality and a consumer that buys primarily on price.

*The local furniture manufacturers in China can be characterised as a large number of small producers concentrated in coastal areas and producing low to medium quality furniture.*

*The furniture industry in China is facing many problems in terms of quality, design, publicity, service and price.*

**Table 3-1 The legal status of Chinese furniture manufacturers**



*Source: China National Furniture Association, 1999*

The state-owned companies belong to large corporations under a specific ministry (mainly the Ministry of Light Industry). These large companies are involved in all aspects of the wood and furniture business.

The main products of the Chinese furniture industry are:

- Wooden furniture
- Metal furniture
- Plastic furniture



**Table 3-2 The largest Chinese furniture manufacturers**

No	Enterprise	City/Province	Legal Status	Main Products	Yearly capacity (pcs)
1	Beijing Tian Tan Furniture Corporation	Beijing	State-owned	Metal Furniture	2 mio
2	Zhanjiang Suixi County Bilhua Model Wood Manufacturing Factory	Canton Province	State-owned	Wooden furniture	1,07 mio
3	Zhanghe Dalian Hua Feng Wood Co. Ltd.	Liaoning Province	Joint-venture	Wooden furniture	500.000
4	Bright Furniture Group	Heilongjiang	Joint-venture	Wooden furniture	340.000
5	He Lin Multiple-Producing Furniture Co. Ltd.	Heilongjiang	Joint-venture	Wooden furniture	300.000
6	Rizhao San Mu Group	Shandong Province	Collective-owned	Wooden furniture	260.000
7	Qingdao Yi Mu Group	Shandong Province	Collective-owned	Wooden furniture	250.000
8	Yantai Wood industry General Corporation	Shandong Province	Collective-owned	Wooden furniture	100.000
9	Nanjing Wooden Products Factory	Jiangsu Province	State-owned	Wooden furniture	80.000
10	Shandong Zibo Fengyang Holding Co. Ltd.	Shandong Province	Joint-stock	Sofa	100.000

*Source: The General Information of Industrial Enterprises of the People's Republic of China, Light Industry Section, 1998*

These large companies target the middle to low segments of the Chinese market; therefore, high production volume does not necessarily mean a high turnover value. The largest Chinese furniture manufactures in terms of turnover are:

- Guangming Enterprise which is run in the form of a share holding and is the first listed furniture company in China, with an annual turnover of 470 million yuan ( US\$ 64.4 million );
- Ouya Mattress Co. Ltd. is a joint venture between Suibao of China and a foreign enterprise;
- Founded in 1984, Landbond Furniture Co. Ltd. is a large-scale private-owned enterprise whose markets have been expanded to Southeast Asia and as far away as Europe and the United States.

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### 3.3 Wooden furniture

**Table 3-3 Top 10 wooden furniture manufacturers (by turnover)**

Name	Tel	Ownership	Revenue (RMB)
Guang Ming Furniture Group Co. Ltd.	0455-3605088	Joint Venture	254.064.000
Dalian Huateng Furniture Co. Ltd.	0411-8614156	Joint Venture	177.332.000
Dongguan Fuhe Furniture Co. Ltd.	0769-7722447	Joint Venture	142.473.000
Shandong Zibo Feng Yang Co. Ltd.	0533-6182520	Joint Venture	146.824.000
Universal Furniture ( Tianjin) Co. Ltd.	022-25329198	WOFE	107.246.000
Shunde Long Jiang Nan Tian Industrial Co.	0765-33658768	Collective-Owned	88.186.000
Shenzhen Huasheng Furniture Decoration Co. Ltd.	0755-6600522	Joint Venture	85.890.000
Shenzhen Richman Furniture Industry Co. Ltd.	0755-6602240	Joint Venture	84.602.000
Hangzhou Furniture Industrial Co.	0571-5152751	Private	71.490.000
Jilin city Timber General Co.	0432-2553675	State-owned	67.852.000

Source: China National Furniture Association

**Table 3-4 Top 10 cities by production volume**

Cities	Province	Market share (by output)*	Number of firms
Shanghai	Shanghai	5,29%	151
Beijing	Beijing	3,28%	136
Suzhou	Jiangsu	3,19%	70
Guangzhou	Guangdong	3,15%	64
Zhaoqin	Guangdong	2,57%	71
Nanjing	Jiangsu	2,50%	51
Shenzhen	Guangdong	2,20%	17
YiChun	Heilongjiang	2,14%	30
Zibo	Shandong	2,07%	27
Dalian	Liaoning	1,95%	32

\* % On total national production volume

Source: China National Furniture Association

**Table 3-5 Major wooden furniture wholesalers**

Names	City	Province	Contact number
Changling General Merchandise Co	Longyan	Fujian	0597-8833711
Jiangsu Wuxi Hui Hua Group Co	Wuxi	Jiangsu	0510-2443082
Xiamen Temo Corp	Xiamen	Fujian	0592-5059188
Xiamen Jianfu Group Co., Ltd.	Xiamen	Fujian	0592-5051435
Suzhou General Merchandise General Co	Suzhou	Jiangsu	0512-5232421 (phone) 0512-5222247 (fax)
Yu Hang Supply & Marketing Co-operative	Hangzhou	Zhejiang	0571-8862810
Wuhan State-owned Commercial Group Co	Changsha	Hunan	0731-4442765 (phone) 0731-4447519 (fax)
Foshan Shangping General Merchandise General	Foshan	Guangdong	0757-2280737 (phone) 0757-2268867 (fax)
Chengdu General Merchandise Co.	Chengdu	Sichuan	028-8664881 (phone) 028-6866776 (fax)
Zhengzhou Baiwen Co., Ltd. (Group)	Zhengzhou	Henan	0371-3935993

Source: China National Furniture Association

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Monitoring of the Chinese Furniture Sector

### 3.4 Metal furniture

**Table 3-6 Top 10 metal furniture manufacturers (by turnover)**

Names	City	Province	Telephone/ Fax	Ownership	Turnover (Rmb)
Beijing TianTan Furniture Corp.	Beijing	Beijing	010-64212631 010-64212419	State-Owned	352.880.000
Zhejiang Yaxia Ornaments Co.	Shaoxing	Zhejiang	0575-2096888 0575-2096888	Collective Ownership	182.508.000
Tianjin Bokolai Industrial Co. Ltd.	Tianjin	Tianjin	022-28589749 022-28589007	WOFE	14.464.000
Tangshan Tianhai Metal Products Co.	Tianjin	Tianjin	022-25588086 022-25588039	Collective Ownership	112.896.000
Himark Furniture Industrial Co., Ltd.	Hangzhou	Zhejiang	0571-2727703 0571-2726809	JV	92.422.000
Hefei Hualian Industrial Co.	Liuan	Anhui	0551-3410500 0551-3414902	Collective Ownership	90.489.000
Yangchun Yiya Furniture Co., Ltd.	Yangjiang	Guangdong	0662-7738023	JV	81.940.000
Guangdong Metal Furniture Factory	Yuntu	Guangdong	0786-3730096 0786-3722789	Collective Ownership	66.240.000
Xiantao Longhua Welfare Mill	Suizhou	Hubei	0728-3232797	Collective Ownership	64.230.000
Panyu Shiqiao Bicycle Parts Co.	Guangzhou	Guangdong	020-84899933 020-84899938	Collective Ownership	61.314.000

Source: China National Furniture Association

**Table 3-7 Top 10 cities by production volume**

Cities	Province	Market share (by output)	Number of firms
Beijing	Beijing	13,57%	43
Guangzhou	Guangzhou	8,02%	17
Tianjin	Tianjin	5,08%	27
Shanghai	Shanghai	4,58%	56
Shaoxing	Zhejiang	4,09%	6
Hangzhou	Zhejiang	13,57%	20
Jiangmen	Guangdong	3,68%	13
Langfang	Hebei	2,76%	17
Huzhou	Zhejiang	2,76%	31
Tangshan	Hebei	2,51%	8

\* % On total national production volume

Source: China National Furniture Association

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### 3.5 Plastic furniture

**Table 3-8 Top 10 plastic furniture manufacturers (by turnover)**

Names	City	Province	Telephone/ Fax	Ownership	Turnover (Rmb)
Shengche Enterprise Ltd.	Foshan	Guangdong	0765-6889266 0765-6883069	Collective Ownership	28.626.000
Boai Jincheng Craft Weaving Mill	Jiaozuo	Henan		Collective Ownership	15.978.000
Yuquan Plastic Cement Products Co.	Qingdao	Shandong	0532-7321170 0532-7321121	Joint Venture	12.902
	Anqing	Anhui	0665-2472408	Collective Ownership	8.547
Baihua Steel Furniture Factory	Huizhou	Guangdong	0752-8760583 0752-8762233	Collective Ownership	7.928
Boai Ornaments Articles Factory	Jiaxing	Zhejiang	0573-2085477 0573-2085477	Collective Ownership	7.132
Singfung Decoration Furniture Co. Ltd.	Fuzhou	Fujian	0591-5380255 0591-5380808	Overseas Chinese-funded	5.112
Dongsheng Steel Plastic Products Co.	Zhangzho	Fujian	0596-2572350 0596-2572350	Collective Ownership	4.520
Renxian Door & Window Manufacturing Plant	Xingtai	Hebei	0319-7532077	Collective Ownership	4.151
Fengmao Decorative Materials Co	Wuhan	Hubei	027-7872844	Joint Venture	2.632

Source: China National Furniture Association

**Table 3-9 Top 10 cities by production volume**

Cities	Province	Market share (by output)	Number of firms
Foshan	Guangdong	23.03%	2
Jiaozuo	Henan	12.19%	1
Qingdao	Shandong	10.58%	2
Anqing	Anhui	8.05%	2
Huizhou	Guangdong	6.05%	1
Zhaoqing	Guangdong	6.01%	1
Zhangzhou	Fujian	5.45%	3
Jiaxing	Zhejiang	5.44%	1
Fuzhou	Fujian	4.78%	2
Xingtai	Hebei	3.17%	1

\* % On total national production volume

Source: China National Furniture Association

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### 3.6 Other furniture

**Table 3-10 Top 10 manufacturers (by turnover)**

Names	City	Province	Telephone Fax	Ownership	Revenue (RMB)
Eurasia Mattress Furniture Co., Ltd.	Guangzhou	Guangdong	020-81816006 020-81821638	Joint Venture	184.443.000
Aolong Industrial Co.	Chengdu	Sichuan	028-5183501 028-5189553	Collective Ownership	156.198.000
Bayi Furniture Industrial Co	Chengdu	Sichuan	028-5189553 028-51895531	Collective Ownership	111.263.000
Lexing Industry & Commerce Co	Suzhou	Jiangsu	0512-8252499	Collective Ownership	69.580.000
Eurasia Mattress Machinery Co., Ltd.	Tianjin	Tianjin	022-26973388 022-26974341	Joint Venture	61.829.000
Mengshen Mattress Machinery Co., Ltd.	Ningbo	Zhejiang	0574-7357713 0574-7357713	Joint Venture	58.720.000
Qilin Bedclothes General Factorytd.	Nanjing	Jiangsu	025-88428705 025-8840858	Stated Owned	57.230.000
Flower Furniture Co.	Xian	Shanxi	029-7284103 029-7217768	Joint Venture	49.832.000
Furniture Engineering Co., Ltd.	Zhengzhou	Henan	0371-7444802 0371-7874754	Joint Venture	35.841.000
Huayu Furniture Co	Weifang	Shandong	0536-6211281 0536-6213663	Joint Stock	34.337.000

Source: China National Furniture Association

**Table 3-11 Top 10 cities by production volume**

Cities	Province	Market share	Number of firms
Chengdu	Sichuan	15,9%	6
Guangzhou	Guangdong	15,5%	11
Nanjing	Jiangsu	5,5%	7
Suzhou	Jiangsu	5,1%	11
Ningbo	Zhejiang	5%	9
Xian	Shanxi	3,7%	7
Tianjin	Tianjin	3,6%	7
Luoyang	Henan	2,3%	3
Zhengzhou	Henan	2,3%	2
Weifang	Shandong	2,1%	2

\* % On total national production volume

Source: China National Furniture Association

### 3.7 The geographic location

Overall production capability of the local furniture manufacturers is relatively high in coastal areas (like Guangdong, Zhejiang, Jiangsu and Shanghai) Beijing and North-eastern areas.

The furniture market is divided into 6 geographically areas:

1. *The Eastern market with Shanghai as the centre*
2. *The Southern market with Guangzhou (Canton) as the centre*
3. *Southwest market with Chengdu as a centre*
4. *Central Plain market with Wuhan and Zhengzhou as the centre*
5. *The North-eastern market with Harbin as the centre*
6. *The North-western market Xian as the centre*

Guangdong province is the area that benefits from being closest to Hong Kong and its production accounts for 30% of the total. The most developed furniture-making area is around the Zhujiang Delta, and includes the cities of Guangzhou, Shenzhen, Baoan, Dongguang, Huizhou, Shunde, Zhongshan, Fushan and Panyu. Because the financial strength and technology levels of enterprises along the coast are relatively higher, and their locations make exchange of ideas easier, many investors from Hong Kong, Taiwan, Thailand and Singapore come to these areas to open factories. This has given a lift to the development of the furniture industry in the Southeast.

Other rapidly developing furniture industry areas can be found along the southern coast: Zhejiang, Fujian, Shanghai, and Wenzhou.

Shanghai constitutes the most competitive and advanced market where most of the foreign investors that have invested in China are present. By comparison, Beijing is still relatively unexplored and offers some potential for development. Other cities that are in the process of expansion are Dalian, Tianjin, Hangzhou and Chengdu.

*Overall capability of Chinese furniture manufacturers is relatively high in coastal areas. Guangdong and Shanghai are the two most important furniture markets in China.*

### 3.7.1 Guangdong Province

Guangdong is the economic leader in China, and its furniture industry is no exception. The following table shows the Guangdong furniture industry in comparison to the whole of China:

**Table 3-12 Profile of Guangdong economic performance (1997)**

	Guangdong	Whole Nation	Percentage(%)
Furniture sale earnings	US\$ 2.500 million	US\$ 7.500 million	33
Number of manufacturer	6.000	30.000	20
Total pieces of production	15.000.000	45.000.000	33
Export earnings	US\$ 370 million	US\$ 870 million	42,5

Source: China National Furniture Association

The annual average growth rate for imported furniture in Guangdong is about 10%. This is because Guangdong is the area where most of the furniture imports and export companies are located coupled with the rapid growth of the Southeast coastal area. The main import items are whole-set bedroom furniture, living room furniture and office furniture. The annual average growth rate of furniture exports is about 12%, and valued at US\$ 2.250-2.500 million. The main export items are outdoor furniture and metal furniture.

### 3.7.2 Shanghai

It is estimated that the demand for furniture in the Shanghai market is growing by 20% annually. The city's construction plans call for considerable office building and housing expansion and the increasing popularity of computers will also help to fuel demand for office furniture.

In the 1980s, the number of multi-storied buildings in Shanghai was 650, with a construction rate of around 65 per year. By the 1990s, the number was 1664, and increasing by around 200 per year. In 1997 alone, 484 buildings were completed. In 1999, another 1.000 was constructed.

Shanghai's furniture market remained strong in 1998 (total sales value of US\$ 420 million) and the total sales

value in 1999 topped US\$ 480 million (a growth rate of 15%). Strong demographics support such expansion: In 1998, 90.000 new couples were married and 250.000 families moved into new houses. Purchase of new residential apartments reached 9,6 million sqm.

The Shanghai market is expected to remain strong for the following reasons:

### **Residential housing market**

Newly completed residential housing equalled 15,2 million sqm in 1998. Of this, economical housing accounted for 1 million sqm and renovations of important old districts contributed up to 3.7 million sqm. The remaining were new projects aimed at Chinese homebuyers. According to the CNFA, 60% of Shanghai's residential homes have been sold and furnished at an average cost of 200 Rmb (US\$ 24) per sqm. About 250.000 families move into new homes every year and, according to a survey conducted by the China National Furniture Association, 72% could afford to spend from 5.000 to 8.000 Rmb (US\$ 600 to 970) to buy furniture. If we also consider kitchen furniture, the total investment per household can reach US\$ 1.200.

Furniture consumption for the 90.000 newly wed couples is comparatively high, as younger Chinese tend to have a higher income and spend more lavishly.

### **Social demand**

By the end of 1998, 454.000 sqm of new educational facilities, 946.000 sqm of new financial and trade facilities and 350.000 sqm of administration facilities had been completed. Every year 1,5 million sqm of available office and commercial buildings are rented out. Usually, 0,4 pieces of furniture are purchased per sqm, creating a demand for 1,2 million pieces of furniture. With an average market price of each piece at Rmb 1.000 (US\$ 120, the market value of this segment is US\$ 144 million. Furthermore, Shanghai's 117 2-star or better hotels and over 1.500 restaurants have to replace their facilities regularly, and many corporations and governmental organisations need new office appliances. These end-users will spend about US\$ 96 million annually.

### **3.8 Foreign Trade**

In recent years the furniture sector in China has shown

*Shanghai residents spend an average of US\$24 per sqm to furnish their homes.*



signs of great vitality. Over the period 1993-1997 the sector developed at an average rate of 11% thanks mainly to the boom in exports. In 1997 Chinese furniture production was worth just less than US\$ 8 billion, with apparent consumption of US\$ 6,3 billion.

According to CNFA's forecast, further developments can be expected in the furniture industry in China over the next few years.

Not only will production and export increase, but also the domestic market, which is currently worth US\$ 18,1 billion at prices to the public.

**Table 3-13 China furniture industry key figures (US\$ million)**

	1995	1996	1997
Production	6.770	6.884	7.972
(+) Import	111	89	93
(-) Export	1.104	1.294	1.818
= Apparent consumption	5.765	5.679	6.247

Apparent consumption: Production+import-export

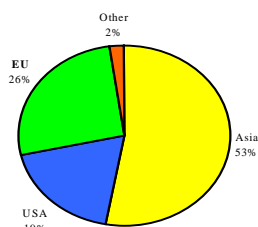
Source: China National Furniture Association

### Imported furniture products

By the first decade of the next millennium the Chinese market could be worth as much as US\$ 30 billion (at prices to the public). The country's economic growth and the consequent improvement in living conditions should encourage foreign companies to intensify their presence in China at both a production and a distribution level. There are already some foreign companies in the furniture industry in China, (mainly Asian, but also American and European) who have invested in joint ventures with local partners to try to penetrate the local market more rapidly.

*Imported furniture constitutes a small percentage of the total retail market in China.*

**Table 3-14 Breakdown of China's furniture imports (1997)**



Source: China Customs Statistics

Despite some market penetration by imported furniture in the mid-90's, the domestic manufacturers dominate the market and imported furniture constitutes only a small percentage. In value terms, imported furniture product account for only 1,4% of total furniture consumption in China. We estimate that EU furniture accounts for about 25% of furniture imports (by value, for all types of furniture).

In the past, this low share was due to high tariff and other trade barriers that made it very expensive and difficult to export furniture to China. Recently, these barriers have been lowered and now the market seems to hold good prospects for firms with the commitment and the right product/service mix.

An analysis of Chinese furniture imports for 1997 shows that parts continue to dominate the imported furniture market with a 31% share of all furniture imports (as recorded by the Chinese Customs), followed by wooden furniture with a 23% share<sup>1</sup>.

**Table 3-15 Breakdown of China's furniture imports by market segment (1997)<sup>1</sup>**

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<sup>1</sup> Figures provided refer to the following HATS codes:

Asia-Invest Furniture Project  
Monitoring of the Chinese Furniture Sector

MARKET SEGMENT	VALUE OF IMPORTS RECORDED BY CUSTOMS (US\$ MILLION) (1997)
PARTS	25.573
WOODEN FURNITURE	18.349
SPECIALIST	17.071
OFFICE FURNITURE	7.691
METAL	6.121
OTHER	5.947
TOTAL	80.022

Source: China Customs Statistics, 1998

**Table 3-16 Breakdown of China's furniture imports from EU by market segment**

MARKET SEGMENT	VALUE OF IMPORTS RECORDED BY CUSTOMS (US\$ MILLION) (1997)
WOODEN FURNITURE	6.590
SPECIALIST	5.069
PARTS	4.086
OTHER	2.761
OFFICE	1.927
METAL	1.161
TOTAL	21.594

Source: China Customs Statistics, 1998

94013000	Swivel seats with variable height adjustment	94017900	Other seats with metal frames
94031000	Office-use metal furniture	94032000	Other metal furniture
94033000	Office-use wooden furniture	94016100	Seats with wooden frames
94019000	Parts of seats	94016900	Other seats with wooden frames
94039000	Parts of furniture	94034000	Kitchen wooden furniture
94011000	Seats for aircraft	94035010	Bedroom mahogany furniture
94012000	Seats for motor vehicles	94035091	Bedroom wooden furniture
94021090	Dentist's , barber's and similar chairs	94035099	Other bedroom wooden furniture
94029000	Medical and veterinary furniture	94036010	Other mahogany furniture
94017100	Seats with metal frames	94036091	Other wooden furniture
94036099	Other wooden furniture	94018000	Other seats
94014000	Seats other than garden seats	94037000	Plastic furniture
94015000	Seats made of cane, bamboo or similar materials	94038010	Furniture made of cane, bamboo etc
94038090	Furniture made of other materials		

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**Table 3-17 Breakdown of China's furniture imports from EU by country of origin**

MARKET SEGMENT	VALUE OF IMPORTS RECORDED BY CUSTOMS (US\$ MILLION) (1997)
ITALY	5.896
UK	5.457
GERMANY	4.872
SWEDEN	1.504
DENMARK	1.059
FRANCE	708
SPAIN	578
FINLAND	365
NETHERLANDS	315
BELGIUM	271
AUSTRIA	101
TOTAL	21.126

Source: China Customs Statistics, 1998

**Table 3-18 Value of China's imports by area of origin (figures in '000 US\$)**

	Office	Parts	Specialist	Metal	Wooden furniture	Other	Total
Asia	4.956	16.241	6.802	3.084	9.078	2.110	42.271
Europe	1.927	4.086	5.069	1.161	6.590	2.761	21.594
USA	724	3.926	5.177	1.664	2.471	1.018	14.980
Other	354	320	23	212	210	58	1.177
Total	7.961	24.573	17.071	6.121	18.349	5.947	80.022

Source: China Custom Statistics

**Table 3-19 Breakdown of China's imports from EU by segment and country of origin (figures in '000 US\$)**

	Office	Parts	Specialist	Metal	Wooden furniture	Other	Total
Italy	533	986	125	221	3.721	310	5.896
Germany	753	1.169	747	258	825	1.120	4.872
France	35	191	25	59	153	245	708
UK	27	871	3.429	321	79	730	5.457
Spain	69	55	157	40	214	43	578
Netherlands	41	124	-	55	86	10	316
Belgium	66	114	-	15	73	5	273
Ireland	-	-	32	-	-	-	32
Other	403	576	554	192	1.439	298	3.462
Total	1.927	4.086	5.069	1.161	6.590	2.761	21.594

Source: China Statistical Yearbook

Asia-Invest Furniture Project  
Monitoring of the Chinese Furniture Sector

**Table 3-20 China-Italy trade (figures in '000 US\$)**

Year	1996	1997	96/97	1998	97/98
Import to China from Italy	3.245.945	2.450.094	-24,5%	2.279.034	-7,0%
Export to Italy from China	1.837.605	2.237.352	21,7%	2.557.422	14,3%
Balance	1.408.349	212.742		-278.388	

*Source: China Custom's Statistics-Monthly Bulletin*

**Table 3-21 Shanghai-Italy trade (figures in '000 US\$)**

Year	1996	1997	96/97	1998	97/98
Import to Shanghai from Italy	862.000	682.660	-20,8%	769.926	12,8%
Export to Italy from Shanghai	523.000	663.480	26,9%	646.144	-2,6%
Balance (China)	-339.000	19.180		123.782	

*Source: Shanghai Statistical Bureau*

**Table 3-22 China-Italy furniture trade (figures in '000 US\$)**

Year	1996	1997	96/97	1998	98/97
Import from other countries	174.253	159.871	-8,2%	172.026	7,6%
Export to other countries	3.048.320	3.803.443	24,8%	4.317.661	13,5%
Balance (China)	2.874.067	3.643.572		4.145.635	

*Source: China Custom's statistic-Monthly Bulletin*

**Table 3-23 China-Italy furniture trade (figures in '000 US\$)**

Year	1996	1997	96/97	1998	97/98
Import from Italy	5.699	8.360	46,7%	13.062	56,2%
Export to Italy	40.555	45.971	13,3%	60.138	30,8%
Balance ( China )	34.856	37.611		47.076	

*Source: China Custom's statistic-Monthly Bulletin*

The above figures are from the China Statistical Yearbook, but differ when a comparison is made with figures from the EU. On the following pages, EU figures for furniture trade with China are presented in order to offer a more accurate picture.

Asia-Invest Furniture Project  
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**Table 3-24: 1998 Total EU imports from China ( Unit: 1000 Euro)**

Countries	Office	Upholster	Chairs	Rattan	Bedroom	Kitchen	Dining room	Plastics	Mattresses	Parts	Others	Total
Austria	48	96	815	355	49	15	31	88	36	383	622	2538
Belgium	245	1271	5768	1652	2999	119	5736	556	143	1014	5362	24865
Denmark	60	396	1839	284	214	18	382	307	250	791	2762	7303
Sweden	5	184	553	89	103	16	75	55	0	143	463	1687
France	1493	4998	9037	6242	12373	445	8494	5013	1255	2738	20705	72794
Germany	1475	6010	22305	5984	5239	230	6524	3363	716	4581	15199	71625
Greece	56	20	1014	365	46	0	597	110	0	423	1347	3979
Ireland	279	73	408	395	82	28	1031	285	0	43	647	3272
Italy	515	446	7887	2403	1332	107	1775	801	135	9143	7083	31624
Netherlands	2653	1152	16403	1333	1535	41	4317	409	557	2075	11439	41914
Portugal	4	51	712	323	16	4	259	154	0	67	461	2052
Finland	181	1982	3612	1993	391	428	2544	668	16	1365	5650	18831
Spain	29	1760	2877	427	277	37	1255	72	69	1017	1853	9673
UK	913	3485	23018	11227	4357	460	21429	3531	653	4804	28635	102512
Total	7956	21924	96249	33072	29012	1950	54449	15411	3829	28588	102227	394669

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**Table 3-25: 1998 Total EU exports to China (Unit: 1000 Euro)**

Countries	Office	Upholster	Chairs	Rattan	Bedroom	Kitchens	Dining room	Plastic	Mattresses	Parts	Others	Total
Austria	44	4	34	0	8	0	5	0	1	11	23	129
Belgium	0	0	1	5	91	27	39	0	128	128	26	445
Denmark	352	270	70	93	387	0	803	0	2	74	296	2349
Sweden	13	9	0	0	0	10	8	0	0	415	5	459
France	132	51	77	14	294	3	127	29	15	2597	1556	4896
Germany	1180	434	29	0	1419	919	840	36	158	1700	1998	8711
Greece	0	0	0	0	0	0	0	0	0	0	0	0
Ireland	0		0	0	0	0	17	0	0	0	4	21
Italy	1778	1005	759	834	3882	427	3446	46	74	1097	3392	16741
Netherlands	71	28	15	51	5	0	69	23	59	0	308	629
Portugal	0	3	1	0	18	0		0	0	0	0	22
Finland	98	279	24	694	807	12	1091	65	30	30	221	3352
Spain	268	73	123	31	236	137	396	36	21	1039	454	2914
UK	1398	0	52	5440	32	498	63	49	310	769	328	8939
TOTAL EU	5434	2155	1187	7163	7178	2033	6904	284	798	7860	8610	49606

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**Table 3-30 Important furniture imports from Italy to China (figures in '000 US\$)**

Article	1996	1997	96/97	1998	97/98
Swivel sets with variable height adjustment	12	25	108,3%	22	-12%
Other seats, upholstered with wooden frames	158	365	131,0%	542	48,5%
Other seats with wooden frames	86	46	-46,5%	79	71,7%
Seats of metal frames, upholstered	4	115	2.775%	88	-23,5%
Other seats of metal frames	42	18	-57,1%	50	177,8%
Other seats	51	132	158,8%	115	-12,9%
Parts of seats	471	559	18,7%	14	-97,5%
Barbers' chairs and parts thereof	48	18	-62,5%	4	-77,8%
Other medical, surgical or veterinary furniture and parts thereof	34	96	182,3%	0	-
Metal furniture for offices	20	139	595%	15	-89,2%
Other metal furniture	403	88	-78,2%	22	-75%
Wooden furniture for office	147	369	151,0%	618	67,5%
Wooden furniture for bedroom	129	653	406,2%	233	-64,3%
Wooden furniture of rose wood for bedroom	126	5	-96,2%	0	-
Wooden furniture of lacquered wood for bedroom	23	261	1.034,8%	67	-74,3%
Other wooden furniture for bedroom	401	1002	149,9%	744	-25,7%
Other wooden furniture of rose wood	1	100	9.90%	0	-
Other wooden furniture of lacquered wood	54	74	37,0%	118	59,4%
Other wooden furniture	455	1215	167,0%	914	-24,8%
Furniture of plastics	30	24	-20%	9	-62,5%
Furniture of other materials	24	153	537,5%	146	-4,6%
Parts of furniture	497	421	-14,1%	271	-35,6%
Mattress supports	7	9	28,6%	0	-

Source: China Custom's Statistics

### China's imports from Asia

Asian countries dominate the China's import furniture market – Asia is a source for 53% of China's furniture imports. Countries like Taiwan, Thailand and Korea are well established.

Asian furniture products are positioned in the low to middle sectors of the market, both on the basis of price and design.



Most of China's imports from North America are from the USA. The USA's share of furniture imports in China has risen significantly in recent years and is expected to continue rising.

American furniture products are a significant section of the Chinese furniture market, accounting for 19% of all furniture product imports into China in 1997. Aircraft seats (28,4%) and parts of furniture (24,5%) dominate American exports to China.

European countries are the second largest exporters of furniture to China, with a 26% share.

### **China's furniture exports**

China has for many years ranked among the top ten furniture-exporting countries. In 1997 exports were over US\$ 1,8 billion.

## Chapter 4

# The furniture market

In the 20 years since the reforms were launched, China's consumer market has transformed a drab nation into an explosion of colours. The government wants the consumer market to spur economic growth, so it is easing credit in order to persuade people to spend more. The construction boom is one of the tools used by the government to boost the national economic growth rate. Consequently, the demand for decoration materials is increasing and, at the same time, becoming more sophisticated.

### 4.1 Construction plans

Thanks to the new construction, China's per capita living housing space reached 9 square meters by the end of 1998, up from 8.8 square meters in year 1997 (*Source: Ministry of Construction*).

The recent construction boom in many major Chinese cities like Beijing, Shanghai and Guangzhou, has resulted in a market surplus of prime office space. As a result, commercial rental rates have dropped significantly and many Chinese and foreign enterprises are now taking advantage of low rental rates and relocating to superior office space. Frequently, companies who upgrade their office space also upgrade their furnishings when they move. This large-scale movement has created a significant rise in the middle and upper end of the office furniture markets starting in 1998.

Related to this trend, much of the newly constructed prime office space in China now features airy, open floor plans typical of American construction. As a result of these architectural changes, many companies in China are now converting to modular styled office furniture.

*The demand for decoration material is increasing in China due to a boom in construction.*

*Both Chinese and foreign enterprises are taking advantage of low rental rates by relocating to superior offices and upgrade their office furnishing.*

Significantly, it is now also becoming a fashionable hallmark of modernity for Chinese companies to feature modular office furnishings in their most visible office spaces. Although there are many local manufacturers of modular furniture in China their quality and design features are clearly inferior to imported and foreign joint venture manufactured products.

Construction and economic forecasts indicate that the surplus of prime office space in major coastal Chinese cities will likely continue through to the year 2001, and high-grade commercial rental rates are expected to continue to fall over the near term.

#### **4.2 Office furniture**

For most Chinese companies, price is still a very important criteria for purchasing furniture. According to the Shanghai office of Steelcase, one of the largest US office furniture manufacturers, less than 5% of the office market in China is for premium products, such as those supplied by Herman Miller, Haworth or Steelcase. The premium office furniture's target customers are large foreign companies rather than Chinese enterprises. For example, Steelcase Shanghai currently has only one Chinese customer. However there is a growing demand from Chinese companies, particularly banks, for premium imported furniture, but only at the executive-level: It has been realised that a Chinese company hoping to have international-level operations should have corresponding furniture, at least for the senior management.

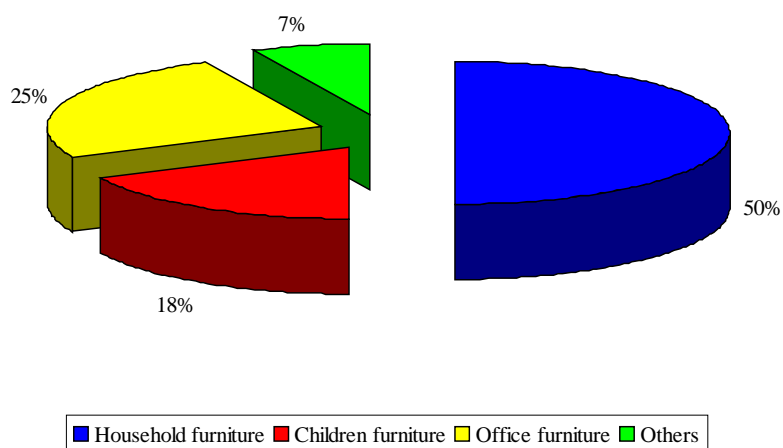
*Price is still a important purchasing criteria for Chinese consumers.*

The end users in the premium office furniture market tend to be "origin conscious" rather than "brand conscious". Different countries' offices in China tend to buy the most famous, stylish and high quality brands from their home country, primarily because they are not necessarily familiar with other "foreign" brands. For example, European companies favour French, Italian or German brands rather than US brands. In contrast, however, US companies will also purchase European brands.

About 20% of the office furniture market are for mid-level quality and the leaders are joint venture producers such as

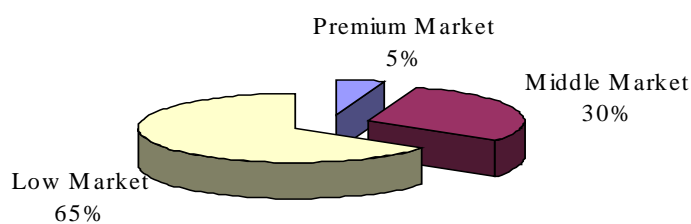
Lamex, Aurora, Logic and UB. The rest of the market is for low-end quality furniture. The main players are Landbond, Huali, Shengang and Ousheng, all locally owned manufacturers.

**Table 4-1 The composition of furniture demand**



Source: field research in Shanghai, Beijing and Canton

**Table 4-2 Market share for office furniture market in China**



Source: field research

### 4.3 Household furniture

Two factors contribute to the growing demand for household furniture in China. The first is the rising disposable income of Chinese consumers, and the second is the new housing reform laws, which permits and encourages the average Chinese urban citizen to purchase their homes and apartments.

Rising personal incomes has enabled many urban Chinese to purchase high quality furniture. The three most affluent cities in China are Beijing, Shanghai and Guangzhou with respective average annual household income of US\$2.490, US\$3.310 and US\$3.370. (Furniture Style '99)

Income distribution patterns show that the wealthiest and most conspicuous consumers are young, urban professionals under 45 years of age. For example, 51% of 18 to 34 year olds in Shanghai are in the mid-to high income brackets (US\$181 to 301 per month), versus only 21 per cent of 34 to 54 year olds. Generally speaking, the younger generation has adapted best to the recent market reforms in China and have profited the most through entrepreneurial endeavours and their willingness to work with foreign invested enterprises. These Chinese "Yuppies" present an attractive niche market for furniture manufacturers, and their tastes and preferences should be carefully monitored.

Another factor that has inspired a rise in demand for household furniture and home improvement products in China are the recent changes in Chinese law. The July 1, 1998 Housing Reform Legislation formally legalised the right of Chinese to buy their own homes and apartments, a trend which had been growing in China for several years. While the vast majority of Chinese still reside in state-owned housing, it is projected that most Chinese in major cities will choose or be forced to take ownership of their residences over the next two decades.

Privatisation of home ownership in China has sparked growth in the home improvement and home furnishings markets. Private studies have observed that those Chinese citizens living in buildings that have converted to private ownership have seen dramatically higher investments in

*Rising disposable income and housing reform are encouraging the Chinese to spend more on household furnishings.*

furnishings and improvements compared to those apartment buildings still under public ownership.

At present, China has 70 million urban households. Over the next 15 years, China's construction of residential buildings is projected to increase at the rate of 15% each year. China's Ninth Five-Year Plan calls for the construction of over 1.2 billion square meters of residential buildings. This equates to more than 240 million square meters in residential building construction each year.

The China National Interior Decoration Association underlines that the use of interior decoration has been gradually extended from public facilities into individual households. Individual households spend half of the 12 billion USD earned every year across the country in decorating projects.

The 1998 Housing Reform Legislation has implied much-needed new housing being built, and a spin-off for a host of related industries, from construction to transport, banking and insurance, all proving a new engine for economic growth.

The potential prospects are enormous, and manufacturers of household goods and furnishings are rubbing their hands in anticipation. With the bulk of new local housing coming on the market devoid of any fittings or decorations, new home buyers have to purchase everything themselves - from paint to wiring to kitchen and bathroom fixtures.

To help people buy their own homes, commercial banks are stepping up their efforts to provide mortgages, with the central bank allowing them to devote 15% of their loan portfolios to mortgage lending. The Construction Bank of China has huge billboards around cities advertising its mortgage lending.

Under new rules announced in May 1998, mortgage lending has also been extended beyond a few key cities. Individuals will also be allowed to borrow as much as 70% of the value of a home for a maximum of 20 years. China has injected 100 billion Rmb into loans for massive

housing construction this year. A public-housing fund-raising system has also been established to stimulate home-buying nation-wide.

According to official estimates, the sale of apartments exceeded 48 billion Rmb in 1998 – an increase of 41,8% over 1997. “The housing industry is the key and will stimulate growth” according to a recent report by Credit Suisse First Boston, which said the need to boost domestic demand would “force Beijing into a fully-fledged promotion of the mass housing industry”. The report predicted, “(t)his could be a booming sector for three to four decades”.

However, there is some uncertainty surrounding the pace of the government housing-reform program. While government officials originally said the reform would begin on July 1, 1998 they were later forced to push back the deadline when they realised that the project might have been overly ambitious.

According to a real-estate analyst at Qinghua University, the plan now is to let each city move ahead with the program in line with its own economic situation. Beijing has drawn up its own plan and is has started its implementation since 1999.

There's every indication that China's consumers will be willing to spend to improve their living standards. Liu Da, a forestry worker, put down 30.000 Rmb (\$3.624) in cash earlier this year to buy his apartment from his work unit - for which he paid only 70 Rmb a month in rent. He then dug deeper into his pocket for an additional 20.000 Rmb for renovation. “Most people in Beijing can afford this much,” he said.

Liu concedes that he probably could have rented the apartment for as long as he liked. But he brushes away the thought that had he paid rent for 40 years, it would still not add up to the cost of his new apartment. “At the end of the day, when I come home from work it's my own apartment, and that's a good feeling” says Liu. “And furthermore, I can sell it, or eventually hand it down to my son”.

Business is already beginning to boom. Walls around major cities are plastered with advertisements for moving companies, and shops selling imported kitchen, bathroom and lighting fixtures are springing up around the country.

Swedish furniture retailer Ikea opened its first China outlet in Shanghai in January 1998. The company distributed a million catalogues upon opening, and business took off immediately. Sofas and dining tables soon sold out as the store handled upwards of 30.000 customers every week. Ikea has plans to open a second shop in Shanghai and outlets in Beijing and Guangzhou.

OBI, one of Europe's top do-it-yourself retailers, launched its Shanghai office in May 1998, which will run 30 franchises set to open in eastern China over the next seven years.

Homeway, a manufacturer of wood products, tiles, bathrooms and kitchens, opened an outlet in the Northeast port city of Tianjin, and has plans for new openings in Xian and Tangshan by 2000.

Producers of construction materials are also keen on China. Owens Corning Inc., a leading American manufacturer of fibreglass insulation, has four plants in China and expects to see its mainland business grow by 35% in 1998, boosted by housing privatisation.

Emery Williams, president of Sure Block Co., a manufacturer of concrete masonry, is hoping that as Chinese buy their own homes, they will also begin to concerned about what the house is made of. "Buying a house will be the single largest purchase in their life" he says. "And there's a big difference when you get something for free and when you have to pay for it with your own hard-earned money".

He says the company's concrete masonry is more economical and safer than the traditional clay bricks that are used for much of the housing in cities today. But getting Chinese to understand the benefits of new and better products is a struggle, he says "We have to change attitudes about the way things have been built for the past 1.000 years".



ICI Swire Paints, which opened a state-of-the-art paint factory in Shanghai in May 1998, is one of the many companies hoping to benefit from the reform program. "We have been encouraged by what the government is saying about private housing," says Lee Meng, general manager of ICI Swire Paints. "When people own their own homes, and take pride in home ownership, they will want to use quality products, and that's good news for us".

The Chinese homes have become more Westernised in style over the last years. As the majority of people live in apartments there are, however, key differences that distinguish Western from Chinese homes. The size and the arrangement of space are very different than to that in the West. Overall, the average Chinese home has two or three rooms and a total available floor area of 65 to 130 square meters. Space is divided between one to two bedrooms and an entrance hall that is also used as a living room.

#### *4.3.1 Living room*

The typical living room set in China consists of a three-seat sofa, two armchairs and a low table. Most of the sofas imported into China are upholstered products, either in cloth or leather.

Computers, VCD, screen size television sets, large screen projectors are becoming affordable to more and more families, and furniture made for these appliances (e.g. TV or stereo cabinets) will be in great demand.

#### *4.3.2 Dining room*

The dining room and the sitting room furniture are usually combined. Reproductions of classic tables and chairs are selling well and this segment of the market presents opportunities for those manufacturers that produce furniture in a classic style. Rare woods are most popular.

#### *4.3.3 Bedroom*

Imported furniture for the bedroom has the highest level of market penetration. A set includes a double bed (but the size is comparatively smaller than in western countries),

two side tables and a wardrobe. There are no built-in closets in Chinese flats as there are in Europe, and wardrobes are an important feature in bedroom furniture and are always bought together with the bed.

#### *4.3.4 Kitchen furniture*

The market for kitchen furnishings is booming in China. In response, more and more furniture manufacturers are diversifying their product lines to include kitchen furniture and cabinets.

Worthy of mention is that Chinese kitchens are different in style and size to their European counterparts and imported kitchen furnishings need to be adjusted to meet the size requirements of Chinese homes.

Traditionally, Chinese cooking does not use an oven and as most meals are pan fried with a very high flame, the presence of a fan is essential. The size of the Chinese kitchen is much smaller and the arrangement of space is different than European kitchens.

For retailing, kitchen furniture is sold in department stores and decoration centres. For contracting, kitchen manufacturers co-operate with agents on specific projects.

#### *4.3.5 Children's furniture*

Since the "One Child" policy in China, a family's only child becomes tantamount to a "little king" and parents tend to spend lavishly on the many needs of the child in order to provide the best living and studying environment. Therefore, the demand for children's furniture gradually intensifies. With the constant improvement of the dwelling conditions of the citizens, children's furniture has become one major focus of the furniture market and amounts to 18% of the total volume. Nowadays, many children have their own rooms and parents buy beds, writing desks and bookcases. Furniture designed for small floor space with new styles and with a reasonable price will be popular.

*Contract furniture is growing rapidly in China.*

#### 4.4 Contract furniture

Commercial furniture and hotel furniture normally use the services of a contractor in China. Worthy of mention is that the function of the design institute is not the same as in western countries. According to Ms Wang Jia-yi, the sales manager of the design firm HLW International in Shanghai, designers in China generally do not receive the same respect as in foreign countries. This is because style, for most of the Chinese, is a luxury concept, and function and price is more important to them. In this case, Chinese customers might invite designers to give suggestions, but in the end, while the choice of furniture may closely resemble what a designer suggested, it will be locally produced, cheaper and with less quality and style.

In China, interior design companies play a purely artistic role, and while they work closely with the developer, they do not have a very strong influence on the decision making process of the clients, unless a client truly appreciates art and design.

However, the commercial market is certainly very large. China has about 50 million square meters of public buildings come on the market annually, and the annual decoration spending for this market is around 2,5 billion Yuan. Additionally, it is estimated 20 % of the country's 1,6 million shops will redecorate each year, spending over 10 billion Yuan. The best way for a foreign furniture manufacturer to tap this market is to establish good relations with a local Chinese design firm.

Following is a database of the important design institutes in China for high-end customers.

*Design institutes play a purely artistic role in China, and they do not have a strong influence on Clients' choice for furniture.*

**Table 4-3 Major design firms for high-end clients in Shanghai**

Company	Telephone	Address	Contact
WHL Consultants Asia Limited	021-64453199	4 Floor, Kuen Yang International Business Plaza 798 Zhao Jia Bang Road. Shanghai	Tony Kwok
Interior Action Ltd.	021-64713073	1303 Chang Xing Building, 1219 Changle Road, Shanghai.	Debbie Krogan
Environment Design Group International, inc.	021-64640538	No.134 Cao Xi Road, Shanghai.	Vincent Tam
CTL International	021-62829718	Suite 138, Block C. Fa Hua Men Mansion, No.555 Fa Hua Road, Shanghai	Simon Ma
Art Trend Investments Limited	021-53825798	Rm 210-213, No.58. Tai Cang Road, Shanghai	Gina Xia
Roland Marc Design Associates			
MMOSER Associates Ltd.	021-62898177	4/F Mayfair Tower, 85 Fu Min Road, Jing An District, Shanghai	Robert Ma
HLW International	021-2123534707	Suite 601, Xiang Yang Building, No.97 Xiang Yang Bei Lu, Shanghai	Jiayi Huang

Source: field research

#### 4.5 Hotel furniture

Although China has experienced recent declines in the number of foreigners visiting China, primarily as a result of the Asian economic crisis, hotel construction and hotel renovation continues at record pace. At present, there are over 2.000 star-ranked hotels in China and it is estimated that more than 3 million hotel rooms need refurbishing and upgrade. It is estimated that national investments related to hotel refurbishment exceeded US\$ 120 million in 1999.

Based on the national tourist development plan, China plans to increase hotel rooms by 200.000 suits in the 1996-2000 period. The construction of foreign-funded enterprises, development zones and holiday villages in various parts of the country will also propel demand of decoration material, with the annual sales coming to 1,5 to 2 billion Yuan. The total value of decoration material market is about US\$ 12 billion each year.

*The market for hotel furniture in China is also very optimistic.*

#### 4.6 The marketing of furniture products in China

If given a choice, Chinese generally preferred imported furniture to local made furniture for the following reasons:

1. European design is deemed to be a status symbol
2. High quality material is often not found in China
3. The special finishing and carvings are very much appreciated by the customers
4. High level of technology
5. Use of ecologically healthy material

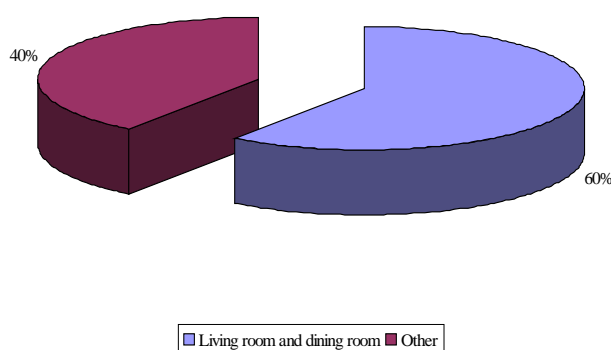
##### 4.6.1 Wooden furniture

China has a strong tradition of using wooden furniture and it is the most popular furniture type in China. Most of all furniture imported into China is wooden. The major suppliers of wooden furniture are Thailand, Singapore, South Korea, Italy, Germany, Spain and United States.

More than 60% of all wooden furniture imported into China is for the living room and the dining room. Living room sets from Europe are in the 'prestige range' of furniture products.

*The Chinese prefers wooden furniture. The major suppliers are from other South East Asian countries.*

**Table 4-4 The use of wooden furniture**



Source: field research

#### 4.6.2 Metal furniture

Metal furniture is also an important import market, which has been growing in recent years. Over 90% of metal furniture are for business use, while the remaining 10% are for household use. The largest suppliers are Taiwan and South Korea.

*90% of metal furniture is for office use.*

The Chinese demand for metal office furniture is expected to rise as offices are constantly refurbished and upgraded.

#### 4.7 Design

The style of imported furniture available on the market can be divided in two categories:

Modern design furniture imported from Italy, Spain, and Denmark: 80% of the market.

Classical style furniture made of solid wood and rare veneers: 20% of the total market share.

Chairs and tables have been the most successful Western style imports whereas cabinet-like products are not so large.

The continuing developments in the housing market have brought about an overall improvement in Chinese living conditions. This has had a positive impact on the demand for quality Western style furniture. As the average size of new homes is becoming larger, they are more suited to Western style furniture.

The standards of local designs are not very high in China although there is growing interest paid to modern and foreign design trends and the Furniture Association is actively engaged in developing the standards of Chinese design. With the co-operation of the Shanghai Furniture Association, the University of Shanghai has instituted a furniture design department with a yearly competition where Italian designers take part as member of the jury. The association encourages partnerships between local and foreign manufactures by exchanging and co-operating on design and production of furniture.

## 4.8 Pricing

**Table 4-5 Retail prices of imported furniture**

### Friendship Store (Shanghai)

Origin	Style	Price (Rmb)
Spain	Bedroom set: elaborate with golden finishing and inlaid woodwork	130.000
Italy	Bedroom set: solid wood, traditional, simple design*	40.000
Italy	Bedroom set: traditional, simple design no special finishing*	38.000
Italy	Bedroom set: simple design, wood of less good quality	12.000

\*best seller

### Oriental Shopping Centre (Shanghai)

Origin	Style	Price (Rmb)
Italian/Creta	Bedroom set: solid wood, elaborate design, golden decoration	96.000
Italy/ Paolo Gucci	leather sofa, one table, 2 armchairs, richly decorated	188.000
Spain/lamina	Bedroom set: Solid wood, traditional design	60.000
Spain/Lamina	Bedroom set: solid wood traditional design	20.000
Italy	Bedroom set: simple modern design	16.000
Spanish	Sofa set: table, sofa, cupboard, book shelf	68.000
Spanish	table glass and wood with 6 chairs, modern design.	13.000
Belgium/karel	glass and wood cupboard	13.900
German	Bed set, modern style, not solid wood	16.900

### Wellborn department store (Shanghai)

Origin	Style	Price (Rmb)
Italy	Bed set, 5 pieces	80.000
Italy	Table set with 6 chairs	76.000
Italy	Bed set, richly decorated	39.000
Italy	Bed set, 5 pieces	31.000
Italy	Table with four Chairs	15.000
Belgium/Hammel	Bed set	20.000

Source: Field research

**Table 4-6 Retail prices of local furniture**

Origin	Style	Price (Rmb)
Hong Kong/ Dickson	Bed set, 5 pieces	12.000
Hong Kong	Bed and cupboard	17.000
Hong Kong	Sofa set, 3 pieces, leather	16.000
China	Sofa set 3 pieces, artificial leather	8.000
China	Kitchen set	3.800
China	kitchen furniture set	2800

*Source: field research*

### Lamex

Origin	Style	Price (Rmb)
Italy	1 chair, inlaid wood	10.000
Italy	Table, inlaid wood	54.000
Italy	Glass cupboard	92.000
Spanish/Lyon	sofa 1 piece	46.000
Spanish	table	53.000
Italy	Cupboard	85.000

*Source: field research*

The prices for bedroom sets range from:

1. More than 100.000 RMB for high quality, solid wood furniture decorated with carvings, inlaid wood, golden finishing. They are traditional and elaborate in design.
2. Sets from 40 to 100.000 RMB are of high quality solid wood, the decoration is simple and it can be traditional or modern in design.
3. Sets from 15 to 40.000 RMB are of lesser quality wood, particle wood and are modern and simple in design.

Typical products in this category are bedroom sets (usually 5 pieces: 1 double bed, 2 side tables, 1 dressing table, 1 wardrobe), sitting room sets (3/4 pieces: 1 sofa, 1/2 set armchair, table), dining table with chairs, furniture for electrical appliances, side cupboards. The most popular materials (in order of popularity) are wood, leather and fabric.



#### 4.9 Promotion

Large-scale furniture fairs have become the first choice for furniture enterprises to deal and show their products. Many visitors regard the fairs as an important business activity that affects 40-70% of their enterprise's revenue. A survey from the 4th International Furniture Expo '98 shows that 46.4 % of overseas exhibitors have reached agreement or intention of appointing agent/distributor in China.

Recently, the quality of Chinese fairs has decreased remarkably with many fewer attendees. It is important to choose a trade fair carefully and only attend fairs in the main cities (Beijing, Shanghai and Canton - Guangzhou - ) and that have been established for several years.

Although design institutes play a different role in China, it is still important for the furniture suppliers to keep in close touch with them. Updated brochures and handouts, new product information and presentations to the design institutes are very helpful: Those who do listen to the designers are those that are willing to pay for the premium style and quality.

Apart from the design institutes, the most useful promotional media are billboards (according to UB), because this is the best way to educate the Chinese customer to become more brand conscious. TV advertising is the most expensive tool, and normally only a few companies like Lamex would be willing to use this method. For office furniture and hotel furniture, the purchasing managers normally make the purchasing decision and client presentations are useful.

Other common tools include: sponsorship, advertising on professional design magazine, presentations to real-estate agents and construction developers.

*Exhibitions, billboards and direct presentations are the most useful tools for furniture advertising in China.*

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**Table 4-7 Furniture Exhibitions in China ( 1998-1999)**

Location	Date	Trade Fairs	Exhibitors	Visitors
Beijing	1998.03.10-14	7 <sup>th</sup> int'l Exhibition on Furniture Manufacturing	389	39.000
	1998.07.06-09	The 2 <sup>nd</sup> China Int'l Furniture and office Equipment Fair	400	40.000
	1998.12.08-11	Int'l Furniture Show '98	289	27.000
	1999.04.27-30	The 6 <sup>th</sup> China National Furniture Show'99	---	---
	1999.11.18-21	Int'l Furniture Show'99	---	---
Dalian	1998.07.04-08	98 Dalian Int'l Furniture and Woodwork Machinery Exhibition	500-600	108.000
	1999.07.14-18	99 Dalian Int'l Furniture and Woodwork Machinery Exhibition	---	---
	1999.08.18-22	The 4 <sup>th</sup> Dalian Int'l Furniture and Woodwork Machinery Exhibition	---	---
Guangzhou	1998.03.12-15	Guangzhou Int'l Furniture & light Trade Fair '98	300	---
	1998.03.19-22	98 China Int'l Furniture ( Spring ) Fair	496	120.000
	1998.08.27-30	98 China Int'l Furniture ( Autumn) Fair	---	---
	1999.03.11-14	99 China Int'l Furniture ( Spring) Fair	---	---
	1999.03.12-15	Guangzhou Int'l Furniture & lighting Trade Fair'99	---	---
	1999.03.12-15	4 <sup>th</sup> Guangzhou Furniture, Lighting & Woodwork Machinery Trade Fair	---	---
Shanghai	1998.06.26-29	Furniture & Office Facilities China'98	173	25.000
	1998.09.15-18	The 4 <sup>th</sup> China Int'l Furniture Manufacturing & Supply Expo ( Furniture manufacturing China'98) The 4 <sup>th</sup> China Int'l Furniture Expo ( FURNITURE CHINA'98)	450T40.64 80gether	Together
	1998.11.05-08	Shanghai Int'l Furniture Salon Exhibition	200	93.000
	1999.03.23-26	2 <sup>nd</sup> Shanghai Int'l Furniture, Accessories and Manufacturing Fair	---	---
	1999.03.23-26	8 <sup>th</sup> Int'l Exhibition Manufacturing	---	---
	1999.05.27-30	Furniture & Office Facilities China'99	---	---
	1999.09.14-17	The 5 <sup>th</sup> China Int'l Furniture, Manufacturing & Supply Expo ( FURNITURE MANUFACTURING CHINA '99) The 5 <sup>th</sup> China Int'l Furniture Expo ( FURNITUDRE CHINA '99)	---	---
	1999.10.12-	The 3 <sup>rd</sup> Int'l Exhibition of Machinery and	---	---

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	15	Accessories for Furniture Production Upholstery and Furnishing		
	1999.11	Shanghai Int'l Furniture Salon Exhibition	---	---
Tianjin	1998.10.08-12	The 4 <sup>th</sup> Tianjin Int'l Fair for Furniture & Woodwork Machinery ( FURNITURE TIANJIN '98)	200	20.000
	1999.10.28-31	The 5 <sup>th</sup> Tianjin Int'l Fair for Furniture & Woodworking Machinery ( FURNITURE TIANJIN '99)	---	---

Source: HK TDC

**Table 4-8 Shanghai TV ads price ( RMB )**

Period name	Time	15 second		30 second	
		Channel 1	Channel 2	Channel 1	Channel 2
<b>E period</b>					
1	07:00-17:00	1.500	1.440	2.500	2.400
<b>C period</b>					
2	17:00-18:00	3.000	1.440	5.000	2.400
3	About 18:20	13.200		22.000	
<b>A period</b>					
4	About 19:00	19.200	8.400	32.000	14.000
5	About 19:20	16.800		28,000	
6	About 19:50		10.800		18.000
7	About 20:15	15.000	13.200	25.000	22.000
8	About 20:55	13.200		22.000	
9	About 21:10		13.200		22.000
10	About 21:40	10.800		18.000	
<b>B period</b>					
11	About 22:35	4.800		8.000	
<b>D period</b>					
12	About 23:00	2.400		4.000	
<b>F period</b>					
13	About 21:00 special	overseas media	19.200		32.000

Source: HK TDC

It is suggested that the foreign furniture supplier choose central channels and selectively some of the national wide, provincial and local TV channels. Timing is very important, and to play once in the prime time period (18:20-21:40) is much better than ten times in other periods.

#### 4.10 Distribution Channels

The following chart is for the importation of completed furniture set, there are also other channels to lower the cost:

1. CKD ( Complete Knock Down )

Companies like the Forte ( Polish ), import all the parts of the furniture to Bonded Zone in China, where they are assembled into complete sets for “export” into China or export to other countries.

2. Import important and essential parts

Companies like Didue ( Italy ), import the important parts from abroad, e.g. walnut and cherry wood, which bear less knots than that of the same kind of wood found in China, and metal hardware like knobs, trims and handles from Europe, which are of much better quality than those found in China. Didue then manufactures the rest of the parts in China at a much lower cost, and is able to take advantage of lower labour costs for assembly of the complete sets.

The second method is more financially viable because the lower cost to produce some of the parts in China.

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<b>Table 4-9 Import furniture distribution channels in China</b>	
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## Chapter 5

# Demographics and consumer profiles

### 5.1 Regional tastes

Cultural differences, economic strength, living conditions and daily habits that vary greatly affect furniture consumption. China is a vast country with distinct market requirements between different provinces and cities. The consumption behaviour between the south and north is markedly different.

#### 5.1.1 North China

In general, northern Chinese are relatively conservative. They like darker coloured furniture that has a strong and noble appearance. Additionally, furniture that is made of dehydrated or degreased hardwood can easily crack in the dry weather of northern China.

#### 5.1.2 South China

Southern Chinese are much more fashion conscious than their northern counterparts. Shanghainese are affected by a colonial culture and have an almost religious-like passion for European style furnishings. They are pursuing a unique and romantic feeling which any relatively cheap European bourgeois style can give them. The middle-aged and youth in Shanghai are fond of European furniture for its simple lines, versatility and small size.

*Chinese consumers have distinct requirements that vary between different provinces, and they are strongly affected by advertising media. There is also growing brand awareness in China.*

## 5.2 Style

In the past three years, there have been enormous changes in the style of the China furniture market.

### 5.2.1 Domestic furniture

In the past, the popular colours were pink, sky blue, or even contrasting colours such as black and white. The furniture was mostly coated by coloured rubber board or hand painted. Now furniture with a grain pattern in light colours, or coated by decorative paper or rubber sheet with grain patterns, or various kinds of wood veneer are demanded. Due to the influence of imported furniture, the design tends to be simple and smooth. Those with innovative and functional design are the most popular ones.

For the time being, set-furniture that co-ordinates well with the interior and the environment is very popular. Consumers are more concerned with good ambience, thus style, colour and the environment must be perfectly matched. Western furniture is the most popular while traditional Chinese furniture has become a craftsmanship or special furniture.

### 5.2.2 Office Furniture

For office furniture, Chinese consumer preferences are much less segmented by different regions, as almost all customers want a “Western” look to their office furniture. The difference is the investment amount, which corresponds very much to what region the customer is from. Coastal and more affluent areas will purchase more expensive JV or some imported furniture, while less developed regions will choose cheap, poor quality imitations. In general, old fashioned and bad quality products are losing its appeal.

Imported products are favoured by FIEs, while JV products have the biggest market as its medium-high level quality and new design compliment their pricing.

*Chinese tastes are evolving to more lighter, natural colours. Wood grain finishes are popular.*

*Modular office furniture is the standard approach for Chinese companies wishing to adopt a “Western” style office environment.*

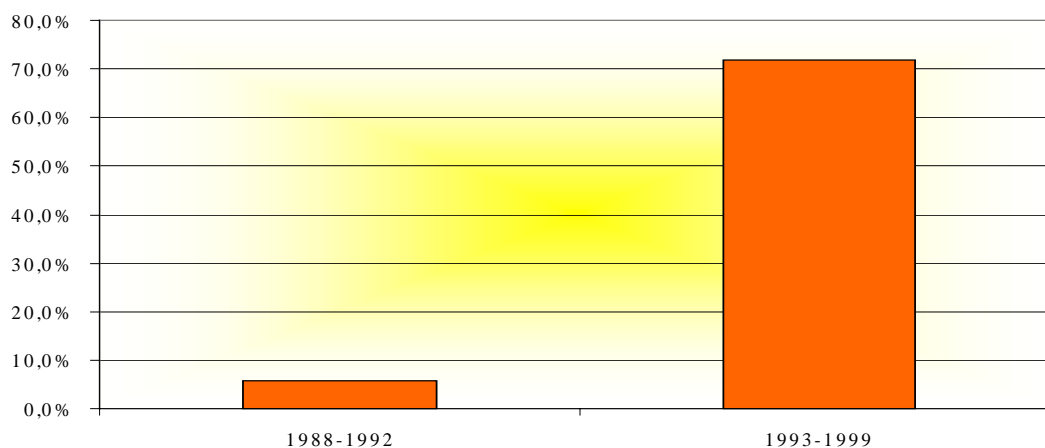
### 5.3 Brand Awareness

The China market is still very much undeveloped. The consumers do not have specific preferences and they are greatly affected by the advertising media. Immature consumers usually follow trends, blindly requesting for high-end and fashionable products while neglecting their personal needs.

The brand consciousness of the consumers strengthens. According to the field research, during the years 1988 to 1992, brand-name furniture only constituted 5,9% of the market; but from 1993-1997, brand-name furniture held 72%. Thus, it is important for any furniture manufacturer to try to develop a brand image and, if not an actual brand name, then at least establish the country of origin. The best way to achieve this is to include the country of origin in the Chinese brand name.

**Table 5-1 Brand loyalty of Chinese consumers**

*Source: Field research in Shanghai, Beijing and Canton*



As the consumers in China do not have good product knowledge and are merely trend followers, they mainly pay attention to the style and the price but neglect quality and after-sales service. As a result, distributors are more concerned with price and style competition and tend to sacrifice product quality and after-sales service. In return, manufactures are forced to introduce new designs



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frequently and they are not able to concentrate on producing good products and improving their quality.

#### 5.4 Purchasing power in China

**Table 5-2 Population and personal income for major urban areas in China**

	Population (millions)	Average Personal Income (Yuan)	Retail Sales (billions, yuan)	% Amount	Increase from previous year (97/96)
<b>China</b>	<b>1.236,00</b>	<b>4.800,00</b>	<b>2.720,00</b>	<b>100,00</b>	<b>11,6</b>
Chongqing	30,42	4.854,00	50,79	1,87	14,0
Shanghai	14,57	7.929,10	132,52	4,87	15,2
Beijing	12,40	7.356,00	105,15	3,87	13,8
Chengdu	9,81	5.590,90	41,01	1,51	18,1
Tianjin	9,53	6.123,80	53,50	1,97	14,1
Shijiazhuang	8,55	5.148,60	20,11	0,82	Na
Wuhan	7,16	5.160,20	46,55	1,71	20,1
Changchun	6,77	4.367,50	20,31	0,75	18,5
Panyu	6,71	4.296,00	42,46	1,56	14,2
Xi' An	6,55	4.994,00	24,93	0,92	17,2
Guangzhou	6,56	9.666,80	80,26	2,95	16,9
Hangzhou	6,03	7.564,50	27,27	1,14	Na
Harbin	9,46	3.852,80	33,96	1,25	15,1
Nanjing	5,25	6.113,10	34,51	1,27	15,6
Dalian	5,37	5.534,50	36,00	1,32	21,4
Jinan	5,43	6.005,60	26,19	0,96	16,0
Qingdao	6,90	5.913,80	19,49	0,84	Na
Lanzhou	5,89	5.167,20	21,57	0,82	Na
Kunming	3,79	5.803,50	13,62	0,55	15,3
Changsha	5,68	5.415,70	18,81	0,74	Na
Fuzhou	5,70	6.126,60	Na	Na	Na
Nanning	2,78	5.331,70	10,07	0,41	Na
Shenzhen	1,03	17.597,40	32,47	1,19	9,3
Xianmen	1,23	7.997,90	13,23	0,49	22,2
Haikou	0,50	5.989,40	5,51	0,22	Na

More than 30% of China's population, 380 million people, is located in 28 major cities. When an urban Chinese family chooses to redecorate, most households can be expected to spend about 15% of their income for furniture.

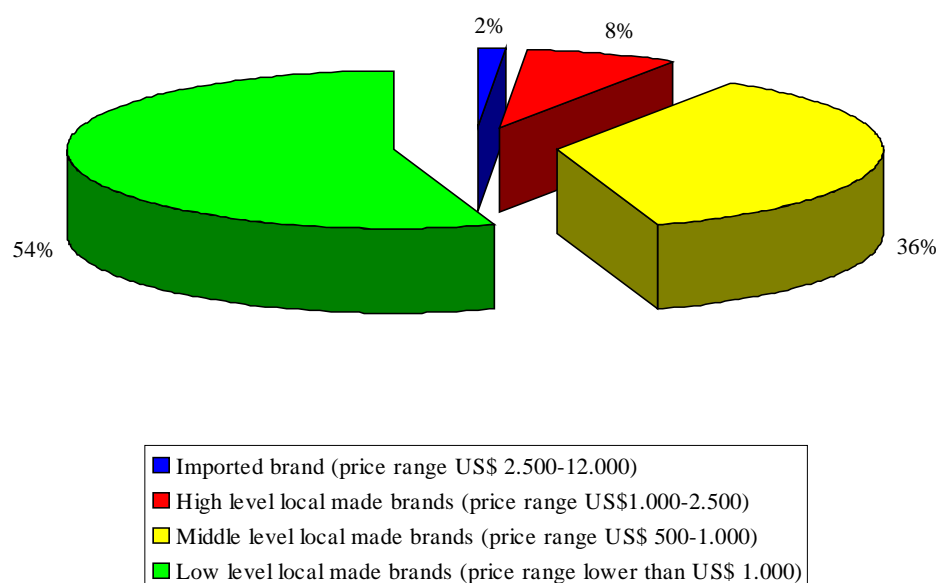
The budgets for furniture purchasing can be divided into three categories:

- US\$ 2.500-3.500 for low wage earners,
- US\$ 3.500-6.000 for medium wage earners, and
- US\$ 10.000 and up for high wage earners or entrepreneurs.

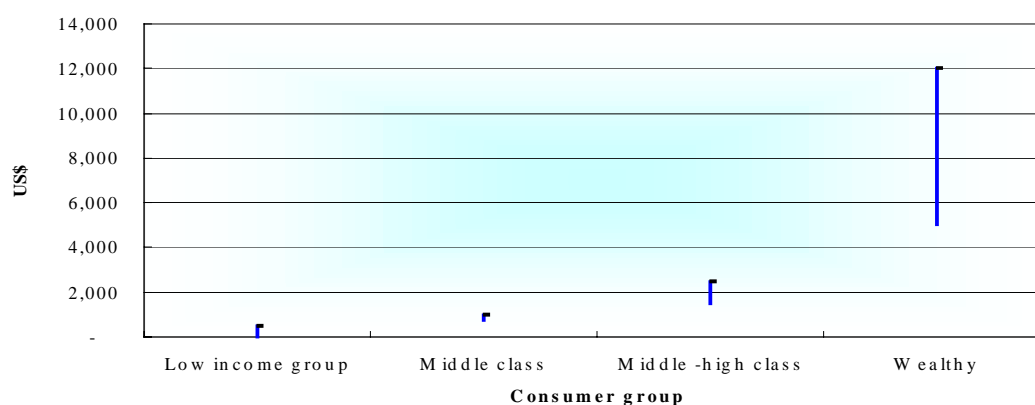
About 2%-5% (i.e. 13.3 million) can be classified as high wage earners with the capacity to buy imported furniture. Another 8% - 10% of this 380 million urban residents (i.e. 30.4 - 38 million) can be expected to purchase domestic furniture of high quality and some imported pieces, spending around US\$ 1500-2500. For furniture in the middle class range, costing between US\$ 750-1.000, about 36% (i.e. 137 million) of urban dwellers can afford such an amount. The remaining 54% (i.e. 205 million) are only able to buy furniture of low quality, spending below US\$ 500.

**Table 5-3 Purchasing power of China's main urban residents (total population 380 million)**

*Source: China Furniture Association and field research*



**Table 5-4 The price range of furniture and affordability**



Source: field research

The furniture purchased by the low-income family is generally produced by middle- or small-sized domestic enterprises; the middle income family purchases the domestic brand furniture or imported single-piece furniture. Middle-level customers spend about 50 to 60,000 RMB for their bedroom set and about 10,000 to 20,000 RMB for their children's bedroom

**Table 5-5 Disposable income per household in major cities (1997)**

	Disposable income (US\$)	Population (million)
Beijing	919	12.4
Tianjin	777	9.53
Shanghai	992	14.57
Jiangsu	676	71.48
Hebei	550	65.25
Henan	613	92.43
Guangdong	1008	70.51
Chongqing	626	30.42
Sichuan	560	84.30

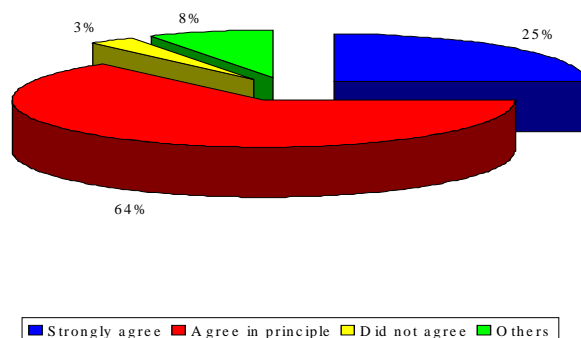
Source: China Statistical Yearbook, 1998

The high-income family prefers to purchase the imported furniture in whole sets. Consumers who buy imported furniture normally work for joint ventures, other FIEs or work as private entrepreneurs in a range of different industries. They have a monthly personal income of a minimum of 5.000 RMB and a minimum monthly household income that adds to 8.000 RMB. They own several imported goods, usually electrical appliances such as TV, video recorder, refrigerator, mobile phone as well as imported garments. Refurbishment usually takes place when moving into a new home.

#### 5.4.1 The purchasing decision

According to the results of the field research, advertising plays an important role in informing the middle and upper income groups about products and services.

**Table 5-6 “Is advertising an important source of information for product and service?”**



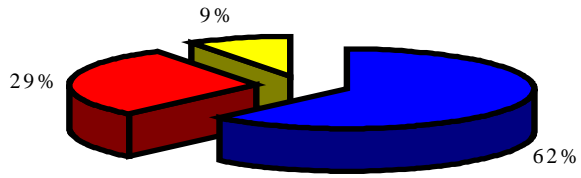
Source: field research

Before purchasing furniture, the consumers inform themselves in the following way:

- 41% from advertising (TV, newspapers, magazines)
- 22% from trade shows, presentations in department stores, hotels, ...
- 15% from visits to showrooms and furniture markets
- 14% from friends and relatives
- 8% from catalogues

**Table 5-7 “Where do you purchase your furniture?”**

Source: field research



■ Large furniture shops/chain shops ■ Local furniture shops ■ Second hand shops

## Chapter 6

# The legal framework for doing business in China

### 6.1 Business entities

A foreigner who wants to set up a business in the People's Republic of China ("PRC") has several options:

Joint venture in its two forms, equity joint venture and contractual joint venture;  
Wholly foreign owned enterprise ("WFOE");  
Co-operative exploitation<sup>1</sup>; or  
Representative office.

*The Representative Office is often the first step to establish a presence in the PRC, while the joint venture is the most common vehicle.*

The joint venture is the most common vehicle. This is true for many reasons one of which is that the Joint Venture Law of 1979 and its "Implementing Regulations" of 1983 were for many years the only statutes relating to foreign investments in China.

When a foreign investor wants to establish a presence in the PRC, the typical first step is to set up a Representative Office ("Rep. Office"). This enables the foreign investor to test its viability of operating in the PRC without jumping into a more complicated arrangement such as a joint venture with a Chinese company.

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<sup>1</sup> A form of ownership, that does not exist in EU countries. The land is owned by townships and villages.

### 6.1.1 Representative Office

As noted, the Rep. Office is often established as a liaison between the foreign investor and its local customers or as an intermediate step before setting up a branch or subsidiary. The procedure to set up a Rep. Office is quick and easy. It usually requires two or three months to obtain permission from the relevant authorities.

In order to apply, the following documentation must be filed with the State Administration for Industry and Commerce (“SAIC”):

- 1) a copy of the Articles and Memorandum of Association of the Company;
- 2) the business registration certificate;
- 3) the corporate resolution approving the establishment of a Rep. Office in China and indicating specifically the place where the office will be located (e.g. Shanghai, Beijing etc...); the name of the Rep. Office (having Rep. Office and the place where the office is located as part of the name), the name of the appointed representatives and the name of investors and the anticipated duration;
- 4) a corporate resolution appointing Representatives to be stationed in the Rep. Office;
- 5) a written explanation of the foreign investor’s objectives in the PRC;
- 6) the chief representative’s and the deputy representative’s career resumes;
- 7) four photographs of the representatives;
- 8) a presentation letter made by a foreign bank verifying the company’s financial integrity;
- 9) The representatives’ passport (copy); and
- 10) a lease agreement for the Rep. Office’s office space.

In addition, the local authorities might require further documentation and it is advisable to contact them as well. A Rep. Office may hire Chinese employees and foreign employees. It may publish brochures and catalogues on the company’s business and products, as well as coordinate the promotion activity of the products. The Rep. Office may also supervise the foreign company’s activities in China (e.g. investments, transfer of technology, etc...).

A Rep. Office is not allowed to carry on business in any

*Rep. Office applications must be handed in to State Administration for Industry and Commerce. A Rep. Office is not allowed to carry out profit-making business but only act as a liaison. However all Rep. Offices and employees are subject to income tax and business tax.*

form. Therefore it cannot: 1) invoice, 2) enter into contracts directly or on behalf of the foreign company or 3) even arrange for importing the foreign company's products. Because of this restriction a foreign company must directly invoice Chinese customers for the sale and after sale services rendered by the Rep. Office and arrange the import of the foreign products itself.

Even though a Rep. Office is not allowed to carry out profit-making or business activities, it must be registered with the local tax bureau. This shows that Chinese authorities are keen to consider the Rep. Office as profit centre for the head quarters apart from being a cost centre. Obviously, it is difficult to estimate the income of a Rep. Office, as the foreign company invoices all the customers.

For this reason, the PRC authorities use three methods to determine income and related tax liability:

- 1) Actual Income, which takes into account only the income reflected in the "Rep. Office's" accounting records;
- 2) Adjudged Income or Profit basis, which takes into account the supposed incomes arising from the business activities of the "Rep. Office";
- 3) Grossing up of expenditures, which calculates income on the basis of the expenses incurred by the Rep. Office.

The Rep. Office's representatives usually prefer not to give detailed information on their business activities. Such information is often sensitive because many Rep. Offices conduct business, even though they are prohibited from doing so. Therefore Rep. Offices prefer to adopt the "Grossing up of expenditures" method for calculation the taxable income.

Rep. Offices are also subject to Foreign Enterprises Income Tax ("FEIT"), which provides a rate of taxation of 33% based on the amount of taxable income (Income Tax) and a rate of taxation of 5% as Business Tax.

In the event of adopting the grossing up of expenditures method to calculate the supposed income, the regulations



of the Revenue Bureau provide the following mathematical formula:

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*Adjudged Income = Expenses divided by 0.9 multiplied by 0.1*

*The rate of taxation is calculated as follows:*

*Income Tax = Adjudged Income multiplied by 33%*

*The business tax is calculated as follows:*

*Business Tax = Expenses divided by 0.85 multiplied by 0.05*

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As a result the total rate of Foreign Enterprise Income Tax (“FEIT”) and Business Tax for a Rep. Office is 9.54% of the expenses the office incurs every year. China has tax treaties eliminating double taxation with various European countries (France, Germany, Holland, Belgium, UK, Spain, and Portugal). Therefore companies, liable for tax in China, are exempt from their obligation to pay full tax in their home country.

A Rep. Office subject to income tax and business tax is responsible for keeping the accounting records and for appointing an auditor to inspect them. The underlying principles that govern this activity are quite complicated and it is advisable to seek a local auditor’s advice on this matter.

### *6.1.2 Joint Ventures*

Joint ventures are associations of one or more persons or companies jointly undertaking some commercial enterprise with a Chinese partner. There are two types of joint ventures that can be utilised (activated) by foreigners, the equity joint venture and the contractual joint venture.

The equity joint venture is a separate legal entity from its founders and has its own assets and liabilities. Each partner is entitled to share in the profits of the venture in proportion to its investment and the non-Chinese investor must contribute a minimum of 25% of the venture’s registered capital.

*There are two types of joint ventures: equity*

The contractual joint venture is organised by means of contract and can be formed in one of two ways; the first is a purely contractual arrangement whereby each party agrees to undertake certain obligations and provide certain capital. The agreement also sets out the objectives of the venture but cannot provide protection from liability. The rights and obligations flow strictly from the contract. The second type of contractual joint venture is only available, if the venture satisfies the requirements of the definition of a PRC legal person. The venture will be treated as a separate limited liability entity, with the liability being limited to the amount of the total capital of the joint venture. The sharing of the profits can be governed entirely by agreement between the parties and does not have to be in proportion to each investor's investment. Both types of contractual joint ventures need to obtain approval from the MOFTEC.

*joint ventures and contractual joint venture.*

In all cases, approval for a joint venture will only be granted where the relevant authorities find the venture productive and useful for the PRC's national economy.

### *6.1.3 Wholly Foreign Owned Enterprise ("WFOE")*

The "WFOE" allows investment in the "PRC" without entering into a joint venture with a local partner. The "WFOE" is a company incorporated in China and its shares are held exclusively by the foreign investor (Art. 19 of "WFOE Implementing Regulations"). The "WFOE" may also be formed as a non-limited liability separate entity, provided that the relevant authorities grant approval. The "WFOE" Implementing Regulations are inconsistent with those of the PRC Company Law ("Company Law"), as the former allows to establish a WFOE with one shareholder and the latter requires at least two shareholders to form a company. However, WFOE regulations override PRC Company Law in this respect, as the discrepancy has been approved by the SAIC.

*The application for WFOE also has to be submitted to SAIC. The Chinese government's attitude towards the WFOE varies in different parts of China. Not all sectors are allowed to set up a WFOE by foreigners.*

To set up a WFOE the following are the necessary steps:  
The foreign investor shall file with the MOFTEC a report on:

- the object of the WFOE
- the technology on which the WFOE relies to conduct its business
- the company's anticipated power requirements
- the type of products produced
- the equipment and the space the WFOE will need to acquire.

Upon approval of this report, the investor shall apply to incorporate the WFOE, filing with the MOFTEC a copy of the articles and memorandum of association.

Once approval of the incorporation has been obtained, the investor shall apply to the local SAIC to register the WFOE.

The local Chinese authorities' attitudes toward the WFOE vary in different parts of the PRC. In some areas, namely Canton, Shanghai and Shenzhen, the authorities view it favourably and it is easy to obtain approval for a WFOE. Whereas approval for a WFOE is more difficult to obtain in Beijing.

There is no minimum capital required for a WFOE or a Joint Venture, although approval could be denied if the capital is deemed to be insufficient in light of the company's business objectives. The invested capital comprises the paid up capital of the WFOE (called "registered capital") and the loans the company intends to assume after registration.

*There is no minimum capital required for a WFOE or a Joint Venture, although approval could be denied if the capital is deemed to be insufficient*

However, the laws regulating the Foreign Invested Enterprises ("FIEs") provide that there shall be a ratio of total investment to registered capital, in order to grant the WFOE a financial basis for operation of the company's business. Therefore, the memorandum of association (the contract in the event of a Joint Venture) shall include a plan according to which the capital must be paid up. The investors may pay up the whole amount of capital they have undertaken to contribute upon the setting up of the company, or they can undertake to do it within six months from the registration of the company, or subsequently. The Chinese laws provide the obligation of paying up at least 15% of the capital within ninety days from the issue of the business license.

The contribution to capital may consist of foreign currency, equipment, technology, know-how and industrial property. However, a foreign investor cannot contribute real property to their company's capital.

The WFOE Law allows the setting up of a WFOE in the goods producing sector, whereas the establishment of a WFOE in the infrastructure, transportation and financial sectors is subject to specific approval. The Law prohibits the establishment of a WFOE in the insurance, postal service, communications and import and export trade sector.

Local statutes, however, allow foreign investors to establish a WFOE to conduct engineering business.

In addition the foreign investor may set up a WFOE for export trade only in the restricted areas ("Free Trade Zones") of Tianjin and Shanghai.

#### *6.1.4 Co-operative Exploitation*

This is another vehicle a foreign investor may use in China. It is mainly used in the mine and oil sectors and it is deemed to be quite risky, requiring a large amount of capital.

There are also other agreements a foreign investor can enter into which are similar to the Co-operative Exploitation:

Processing Assembly, an agreement between a foreign investor and a Chinese partner, by virtue of which the Chinese partner produces goods using its own equipment, its own labour force and its own manufacturing plant and the foreign partner supplies raw materials or unfinished goods. The raw materials and the unfinished goods are manufactured following the foreign partner's instructions. Once the manufacturing of products is finished, the foreign investor pays to the Chinese partner a processing fee and exports the goods.

Compensation Trade, an agreement by virtue of which the foreign investor supplies equipment, know how and technology and receives, as consideration, either part of the goods manufactured, or all of them. The duration of

*Co-operative exploitation - often used in the mine and oil sectors - is deemed to be quite risky.*

the agreement is usually two or three years. Once the agreement terminates, the Chinese partner retains the technology and know how.

Build Operate and Transfer (BOT), an agreement where the foreign investor builds, finances and operates works related to big infrastructure projects (railway, bridges, roads, etc...) and keeps the profits realised from the project for the period of time provided in the contract (concession period). At the end of the concession period, the resulting infrastructure is transferred to the principal.

#### *6.1.5 Acquisition of Chinese Enterprises*

Regulations enacted in 1997 introduced a new way of investing in China that is likely to become more popular than Joint Ventures and WFOEs in the years to come. It involves the acquisition of a Chinese enterprise. The recent political reforms and the decisions of the XV Congress of the Chinese Communist Party started the process of privatisation of state companies. Therefore a number of state companies are available for taking over.

The government of the PRC has established an office, Assets and Equity Exchange Bureau, that brokers the acquisition of state owned enterprises by foreigners. Once the target company has been identified, the Bureau appoints the State Asset Administration Bureau ("SAAB") to draft a report of appraisal of the enterprise's assets. Only state owned enterprises, which have been reorganised into a corporations under Company Law can transfer their shares to third parties.

On the basis of SAAB's appraisal of enterprise's assets, the parties can negotiate the price which shall be, however, not much lower than that suggested by SAAB itself. The parties can also negotiate the release of the buyer from company's debts and obligations incurred prior to acquisition, as well as mortgages and pledges. The State often assumes the enterprise's debts, especially if the creditor is one of the State owned banks.

*Acquisition of Chinese enterprise will become the most popular vehicle to operate in China. The State Assets Administration Bureau is responsible for the enterprise's asset appraisal.*

### 6.1.6 Foreign Investments in the Furniture Industry

According to the latest government guidelines on foreign investments, foreign investors are allowed to establish furniture-manufacturing ventures either in the form of Joint Venture or a WFOE. However, investment made under the WFOE structure carries with it a requirement to export minimum 50% of the products.

*Furniture investment made under the WFOE structure carries with it a requirement to export minimum 50% of the products*

## 6.2 Sales, payments and guarantees

### 6.2.1 Sales contracts

For many years, China has had two different sets of laws governing contracts; the first set regulating contractual relations between Chinese entities and individuals (“domestic law”) and the second set regulating contractual relations between foreign entities/individuals and Chinese entities/individuals.

The most important of the first set of laws is the “Civil Law General Principles” of 1986 and the “PRC, Economic Contract Law” of 1993.

The most important of the special laws governing contracts used for transactions between foreign and Chinese parties is the “PRC, Foreign Economic Contract Law” of 1985.

This system has been radically changed by the adoption, on March 13<sup>th</sup> 1999, of a unified law on all contracts (the “PRC, Contract Law”) which applies to foreign-Chinese as well as Chinese-Chinese economic transactions.

The new law, with over 400 articles, is a milestone in the legal development of the PRC and stipulates for the first time extremely detailed provisions on formation, validity and interpretation of contracts.

*The sales contracts for both Chinese and foreign companies are abided by the "PRC, Contract Law". For international business, regulations are similar to other industrialised nations.*

In addition, China is also a party to the United Nations Convention on Contracts for the International Sale of Goods (the UN Convention) since 1 January 1988, which, being an international treaty, prevails over domestic

legislation if provisions should differ.

International sales to and from China are therefore regulated, similarly to other industrialised nations, by two batches of laws: the international treaties to which China has acceded and the “Contract Law” (domestic law).

However, where a sales contract involves the transfer of technology from a foreign party to a Chinese entity/individual, specific legislation still applies (see the paragraph on “Technology Transfer”).

### 6.2.2 Payments

#### Letter of credit

The most widely adopted form of payment in international sales is the letter of credit. Chinese banks are signatories to the most recent agreements on international documentary credit (the so-called “Brochure 500”) and do therefore comply with all major provisions on issuing letter of credits and acceptance of documents. However, in many cases banks have refused to issue letters of credit if the buyer has not previously deposited sufficient funds with the bank itself. The recent credit squeeze and more stringent rules on guarantees released by local banks have reduced the opportunities for Chinese companies to use such an instrument.

#### Negotiable instruments

The use of negotiable instruments is limited mainly to transactions within the country and, in some cases, within certain administrative areas.

For instance, a promissory note is valid only if the issuer (which must be a bank) and the beneficiary are in the same “note-exchange” area. Bank cheques can be issued only if the issuer has a current account with the bank, and must be cashed within ten days from the date of issue.

*LC is widely adopted in international business, negotiable instrument is limited mainly to transactions within China, D/P carry more risks and are usually avoided when large amounts are involved.*

Therefore, it is more likely that a foreign funded enterprise in China will use negotiable instruments for its transactions than a foreign company trading with the country.

A negotiable instrument offers, of course, a comparative advantage over other forms of payment, as it is immediately enforceable upon default of the debtor.

### *D/P and instalment sales*

Sales settled by D/P (documents against payment) carry more risks and are usually avoided when large amounts are involved, unless a form of additional guarantee is used.

In addition, the new contract law allows the parties to stipulate “reservation of title clauses,” providing that the seller retains ownership over the goods if the buyer fails to pay the price or to perform other obligations.

The law also provides that if, in a contract of instalment payment, the buyer fails to pay a portion of the price equal or exceeding one-fifth of the total payment, the seller shall have the option to request the buyer to pay the full price or to dissolve the contract; in the second case, the seller may request the buyer pay utilisation fee for the goods.

### *6.2.3 Guarantees*

Under the PRC Security Law of 1995, guarantees are divided into “general guarantees” and “joint and several liability guarantees”.

A general guarantee is a guarantee that stipulates that the guarantor will pay and satisfy the guaranteed debt when the debtor fails to pay. If a lender obtains a general guarantee, he will in principle be required to first claim and exhaust all the remedies against the borrower.

A joint and several liability guarantee is a guarantee that stipulates that the guarantor and the borrower (the principal debtor) are jointly and severally liable for the principal debt. Under this type of guarantee, if the borrower fails to pay or discharge the principal debt, the lender is not required to claim first against the borrower before obligating the guarantor to perform the guarantee.

The law is very strict in determining who can act as a *There are two types of*



guarantor.

In particular, governmental organisations and authorities may not act as guarantors. A branch or department of a legal entity (including a branch of a bank or other financial institution) cannot act as guarantor under its own branch/department name. It may do so only if the branch is authorised by the legal entity (e.g. the bank's headquarters); in this event, the branch may provide guarantees (within its scope of authority) on behalf of the legal entity. If a guarantee is issued in excess of the authority granted, the portion exceeding the scope of authorisation will be void.

*guarantees in China: general guarantees and joint and several liability guarantees. The law is very strict in determining who can act as a guarantor.*

Any guarantee provided to foreign lenders or sellers for a foreign currency obligation of the buyer/borrower shall be registered with the State Administration of Foreign Exchange.

Mortgageable property in the PRC includes land use rights, buildings and other attachments to land, vessels, aircraft, vehicles, machinery and other movables.

There are some restrictions over foreign ownership of buildings, therefore a creditor should verify the existence of such restrictions before agreeing to take a mortgage over the building.

A mortgage on Chinese assets to guarantee a foreign exchange obligation shall be also registered with the SAFE.

### **6.3 Land use right and real estate**

One of the most interesting issues in the Chinese legal framework relates to land use rights and real estate. The concept of real property does not exist in China and therefore it is essential for the foreign investor to understand the difference between real property and land right use, as the Chinese partner very often contributes real estate in the form of land use right to the Joint Venture capital. The land use right is the right of one person (or company) to take the profits generated by land on which another party (state or collective) has the legal

title.

### 6.3.1 Land use right

Land in China is either state property or collective property<sup>1</sup>, therefore the Chinese entrepreneur is only entitled to a right of use of the land granted by the relevant authorities for agricultural and industrial purposes. There is no consideration for the land use right and the user can not transfer the right to third parties.

Since the early 1990s, however, the PRC has started to charge State owned and the collective enterprises an annual fee as consideration for the land use rights. In this case, the land use right is assignable.

Consequently there are two possible scenarios for the foreign investor:

1. The Chinese partner pays the land use fee. The land use right is, therefore, assignable and the Chinese partner can freely contribute the land to the Joint Venture capital. The value ascribed to the contribution shall be equal to the land use right value. The Joint Venture will be entitled to the land use right, but will not own or be able to assign the land. For this reason, creditors will not be able to claim any right in the land if the Joint Venture is wound up.

2. The Joint Venture can directly acquire the land use right from the state for 50 or 70 years. In this case, the Joint Venture would be able to transfer the right, but the duration will be governed by the first assignment. The Joint Venture must file the application with the relevant authorities for the registration of the land use right.

### 6.3.2 Real Estate

If the Chinese partner is the proprietor of the real estate (factory etc...) he can contribute it to the Joint Venture capital. The rules governing the contribution of the land use right will apply.

The Joint Venture will, however, own the structure it

*Chinese law does not allow for direct ownership of real property. Instead investors are offered land use right which can be negotiated for a fixed term and a fixed price.*

builds on a property.

### 6.3.3 Forests

In China, forests can belong to the State or to a specific collective entity. The “PRC, Forest Law” of 1984 (amended 1998) has set a very stringent system of quotas for the cutting of trees and use of timber. For forests owned by the State, the quotas are managed and allocated by State units and enterprises and State owned farms, while for forest owned by the collective, the quotas are managed and allocated to collective enterprises and individuals by the government at county level.

## 6.4 Import - Export

In the PRC, the trading and the import- export activities are carefully regulated, although there has been a liberalisation process over the last few years.

The legal framework governing the import-export activities provides different regulations for local enterprises and foreign invested enterprises (“FIEs”).

### 6.4.1 Chinese Enterprises

The Foreign Trade Law, enacted in 1994, provides that Chinese companies can carry out import and export activities only if they have a license issued by the State Council Department authorising them to trade with foreign countries. Chinese enterprises without this license cannot enter into distributorship agreements and sale commission merchant agreements.

There are some minimum requirements to obtain this license: the Chinese enterprise must have a corporate structure, a business scope including export trade and sufficient human resources. The Chinese enterprises without a license must hire a licensed enterprise to carry out import-export activities.

Foreign enterprises must always ensure they are trading with an enterprise licensed to carry out import-export

*Companies who are involved in import and export business in China must have a license or co-operate with other quality companies.*

activities. Foreign companies should also make sure that the object of a sales agreement does not exceed the business scope of such an enterprise. If it does, the agreement will be deemed void.

*The scope of their business activities should not exceed the stipulation.*

#### *6.4.2 Foreign invested enterprises*

Under Foreign Trade Law, FIEs can carry out import-export trade once they have obtained a business license. The enterprise's import-export activity, however, shall not exceed the business scope, therefore it will be able only to import machinery, raw materials, equipment, fuel and spare parts that might be useful for the business and to export its finished products.

FIEs can neither export goods produced by other enterprises, nor commercialise foreign products on the Chinese market.

The PRC, however, might amend these regulations in light of its attempt to gain the entry into the WTO. In this respect, the "Establishment of Pilot Sino-Foreign Trading EJV Tentative Provisions" has been enacted in September 1996. Under these provisions, an import-export oriented trading company can be established in Pudong (Shanghai) and Shenzhen in a Joint Venture form.

This Joint Venture shall fulfil the following requirements:

- a) a minimum capital requirement of RMB 100 million;
- b) an annual turnover equal to US \$ 30 million;
- c) a Rep. Office of the parent company established in China for at least three years or an investment in the country of at least US \$ 30 million.

The foreign partner must contribute only cash to Joint Venture capital and the contribution shall be made within one month from the issue of the business license.

The Chinese partner shall meet some requirements as well. It shall have a trading volume at least equal to US \$ 200 million per year, during three years prior to filing the application for entering into the Joint Venture. US\$ 100 million of the above mentioned trading volume shall derive from export activities.

### *6.4.3 Trading of furniture*

Import of furniture for house and office use carries a 22% duty, as of May 1999. On top of that, a 17% VAT will be charged. VAT on imports is calculated on the CIF value + custom duty.

According to the “Forest Law of the PRC”, the exportation of precious wood and products thereof is prohibited. The list of “precious” woods is constantly updated.

## **6.5 Technology transfer**

Under the “Technology Import Contract Regulations” and the “Implementing Rules” importation of technology means acquisition of technology through trade and/or economic and technical co-operation, enterprise, organisation or individual within the territory of the PRC from any corporation, enterprise, organisation or individual outside the territory of the PRC, including:

- Assignment or licensing of patents or other industrial property rights;
- know-how provided in the form of drawings, technical data, technical specifications, etc... such as production processes, formulas, product designs, quality control and management skills;
- Technical services.

The technology to be imported must be advanced and appropriate and shall at least conform to one of the following requirements:

- capable of developing and producing new products;
- capable of improving quality and performance of products reducing production cost and lowering consumption of energy or raw materials;
- favourable to maximum utilisation of local resources;
- capable of expanding product export and increasing the entry of foreign exchange;
- favourable to improvement of management;
- contributing to advancement of technical and scientific progress.

Under the provision of article 9 of the above-mentioned “Regulations,” a transfer of technology contract shall not include a clause forbidding the use by the recipient of the imported technology after the expiration of the contract, unless the relevant authorities approve the clause.

The duration of the contract shall not exceed ten years, unless specially approved by relevant authorities.

## 6.6 Taxation

The regulations governing taxes in China are not uniform in the country. Some areas grant a preferential treatment to foreign investors with respect to tax and, sometimes, custom duties. These areas are referred to as “zones” and are discussed below.

### *Special economic zones.*

These zones include Shenzhen, Shenyang and Shantou, Xiamen and the island of Hainan. These areas are the most economically liberal and from here all the economic reforms have started.

### *Economic and technological development zone.*

The cities of Yantai, Dalian, Tianjin, Shanghai, Qingdao and Ningbo have created special areas where the investment policy is more favourable. The benefits granted to foreign investors are quite similar to those granted in the special economic zones.

### *The third zone*

It is the rest of Chinese territory, where no special benefits are granted to the foreign investor. The regulations governing taxes and custom duties, however, are slightly more favourable to the foreign investor than to the local investor, because of the way the regulations governing foreign investor are adopted.

#### 6.6.1 Income Tax

Under the Income Tax Law (1991), the income tax rate for all the FIEs is 33%, 30% of which is for national tax and

*Tax regulation in China is not uniform, special economic zone and the technological development zones are granted preferential treatment. Income tax in China is 33% , and VAT*

3% for local tax. The tax is levied on the net income of the company, after the deduction of expenses, costs, loss and depreciation. *varies from 0%-17%, depends on different products.*

Under the Income Tax Law, there are three methods to determine income and related tax liabilities.

The method varies according to the type of business conducted by the company.

**Table 6-1 Composition of taxable income**

TYPE OF BUSINESS	TAXABLE INCOME
Manufacturing	Sales revenue + Other direct revenues + Contingent asset - Non operating expenses <sup>2</sup>
Commerce	Sales from revenues + Other revenues + Contingent assets - Non operating expenses <sup>3</sup>
Service trades	Net revenues + Contingent assets – Non operating expenses <sup>4</sup>

There are also the following tax exemptions in the whole territory:

- the foreign invested productive enterprises with a duration of at least ten years are granted a relief from income tax for the first two years of activity and an exemption of 50% in the following three years. If the company is wound up before the expiration of the ten year term, the company will be liable at the minimum for the full income tax for the full two years;
- the export oriented Joint Ventures<sup>5</sup> are granted an exemption of 50% of the income tax for the following years;
- the technologically advanced Joint Ventures<sup>6</sup> are granted the 50% exemption for additional three years.

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<sup>2</sup> sales revenue = total sales revenue - selling expenses - sales taxes - ( marketing expenses + administrative expenses + financial costs)

<sup>3</sup> sales revenues = net revenues - selling expenses - sales taxes - (marketing expenses + administrative expenses + financial costs)

<sup>4</sup> Net revenues = gross income – (tax on service profits + operating expenses + administrative expenses + financial costs.

<sup>5</sup> a Joint Venture which exports at least 70% of the products and is profitable.

In addition, there are also other exemptions provided in the statutes of the above mentioned “special zones.”

- For the productive FIEs established in those areas, the income tax rate is 15%.
- For export oriented and technologically advanced FIEs the income tax rate is 10%.

Nevertheless, the Chinese Government is in the process of abolishing these exemptions and intends to give both foreign and Chinese companies the same conditions (“the levelling the playing field policy”). In particular, the preferential tax treatment will be soon abolished in the Special Economic Zones and, if PRC enters the World Trade Organisation, all the special zones will probably disappear.

*The Chinese Government is in the process of abolishing these exemptions and intends to give both foreign and Chinese companies the same conditions*

China has signed agreements for the avoidance of double taxation with most of the EU countries, including France, Germany, the Netherlands, United Kingdom, Belgium, Spain and Italy.

Under such agreements, the foreign investor can claim a tax credit in its home country for income tax paid in China. The agreements usually also allow a reduction of the withholding tax (set at 20%) levied by the Chinese government on remittances of royalties and services fees paid to foreign companies with no permanent establishment in China.

### 6.6.2 Indirect Taxes

The Value Added Tax was enacted on 1<sup>st</sup> January 1994. The tax rates are described below.

**Table 6-2 Value Added Tax rates**

TYPE OF BUSINESS	VALUE ADDED TAX RATES
Commerce or import of goods and after sale services	17%
Commerce or import of wheat, oil, gas, natural gas, coal, books, reviews, newspapers	13%
Enterprises or small taxpayers	6%
Export of goods	0%

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<sup>6</sup> a Joint Venture which has imported advanced technology.



Equipment and goods that are contributed to the capital of a Joint Venture are exempt under certain conditions from custom duties and value-added tax. In short, the VAT exemption applies to companies that invest in business areas that the Chinese government is promoting, such as high technology.

## Chapter 7

# Conclusions and recommendations

### Getting Started

It has been said that the acronym for the PRC, People's Republic of China, should actually stand for "Patience, Resources and Cash." If a furniture company is truly committed to developing a market in China, then it is best to keep the following points in mind.

#### *Know before you go*

There is no excuse for not taking the time and initial expense to research your potential in China. This is true of any new market, but for China, prior market research and cultivation of relations in the industry are especially important.

China is a vast geographical entity that is 75% mountainous region and has a climate that ranges from deserts and arid plains in the north and Northwest, to forests in the Northeast to semi-tropical in the south. Therefore, market needs and customer preferences vary. What sells in Guangzhou will not sell in Harbin.

China can also be deceiving to the visitor who just spends time in the main cities of Beijing, Shanghai or Guangzhou. If these three principle cities were used as a barometer, then a first time visitor to China would easily be under the impression that China is a developed country, ready to embrace European furniture. However, visits to Chinese

*The China market is not easy to penetrate. It is essential to make an initial investment in market research and networking in order to identify the best market opportunity.*

*China is not one market, but rather several markets inside a large country with varying climates and economic development.*

homes and offices, plus trips to other secondary Chinese cities will quickly show that China is a market that is vastly different from Europe and that the Chinese have much different needs and tastes. It is important to acquaint oneself with the “other” China and not fall victim over-positive media reports.

Maybe the most important figure to forget about China is the population. While the country remains the world’s most populous, more than 80% of Chinese live in rural areas and China is still a developing nation, primarily dependent upon agriculture. So while there may be a Chinese middle class of 200 million that have an annual income of US\$ 1.000, it is important to remember there are an equal number of Chinese without electricity.

The best way to become familiar with a market such as China is to be proactive. All EU countries maintain an embassy and at least one consulate in China. For a first time visitor, the commercial section attached to an embassy or consulate is an excellent starting place for information, referrals to consultants, distributors and business associations. Most information is available for a moderate price and often can be obtained from the world wide web. Non-EU countries, such as the United States, Australia and Canada, also maintain similar commercial services and can be visited as well.

Business associations for individual EU countries have been formed in most major cities and are another excellent resource. Most offer monthly or quarterly meetings or gatherings that are open to non-members and can be an effective way to begin building a network in China. Most business associations have their own publications which can be purchased, but are normally more expensive than that available from a governmental body and are more general in scope. It is often possible for companies without operations in China to join different business associations as non-voting members.

Retaining a consulting company to do market research is a step open to all and there are many European consulting companies with offices in China that can offer a variety of services. When dealing with a consulting company, it is best to be very specific. General trends and overall market

*China’s market size and population are mutually exclusive: A large population does not equal huge sales.*

*Respective EU countries’ foreign commercial service offices, consulting companies and business associations in China offer a good source for market information and networking.*

size often will not apply to most European furniture manufacturers and it is best to focus on a particular market.

### **Making a proper commitment**

After initial research has clearly identified a particular market and how to best approach such a market, a company may be ready to select an agent or distributor or actually try to establish a legal presence. It is important to stress that an investment in China should be treated like any other investment. Too many Western companies have ignored their own market research and instead have plunged blindly in to China on the premise that the risks, while considerable, were outweighed by the potential market size. This type of approach tends to end in disappointment.

If it makes economic sense to go to China, be prepared to make a large investment in time and money. When choosing an agent or distributor, always negotiate with two or more candidates. The Chinese never engage in unilateral negotiations and if a Chinese company is talking with you, assume they are also talking with your competitors.

Managing a local agent or distributor is best done from within China, not on occasional trips, especially if the volumes become large or high quality must be maintained. Never assume a local agent or distributor will not need direct supervision, especially in the initial phase of co-operation. Next, significant time must be spent in education. This not only includes educating the consumer, but also educating agents, distributors and local employees about your product and business operations. This includes everything from how to properly sell your product to how to deal with a potential customer. A note of caution: the local agent or distributor is also an excellent source of information and the ideas and market insights offered must not be discounted.

China can be a very expensive country in which to do business. Be careful not to underestimate costs and expenses when preparing budgets. Also, Western companies almost always overestimate the size of the China market. If the sales predictions look too good, they

*China should be treated the same as any other investment: It should make financial sense.*

*However, managing the China market will require more time and investment than other markets require.*

*It is best to have a local presence in order to manage agents and distributors.*

probably are and should be re-evaluated.

### **Be prepared for competition**

The China market is very dynamic and highly competitive. Where the China market was characterised by insufficient supply in the early 1990s, today it is a market of oversupply, resulting in greater pressure on profit margins. Therefore, the demand for all things new, in order to set oneself apart from the hordes of competitors is quite high - be prepared to introduce the latest designs and trends. But, given the rampant amount of counterfeiting in the furniture industry a manufacturer must also decide if it is worth introducing a new design that will surely be copied by local competitors.

Finally, the Chinese have their own tastes and ideas and if a European exporter is looking to target the mass China market, it must be prepared to alter its designs and colours so that its product is more easily accepted.

*The China market is now characterised by over-supply. Competition is fierce, leading to lower profits. Counterfeiting is also widespread*

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**Table 6-1**    *Composition of taxable income*

**Table 6-2**    *Value Added Tax rates*

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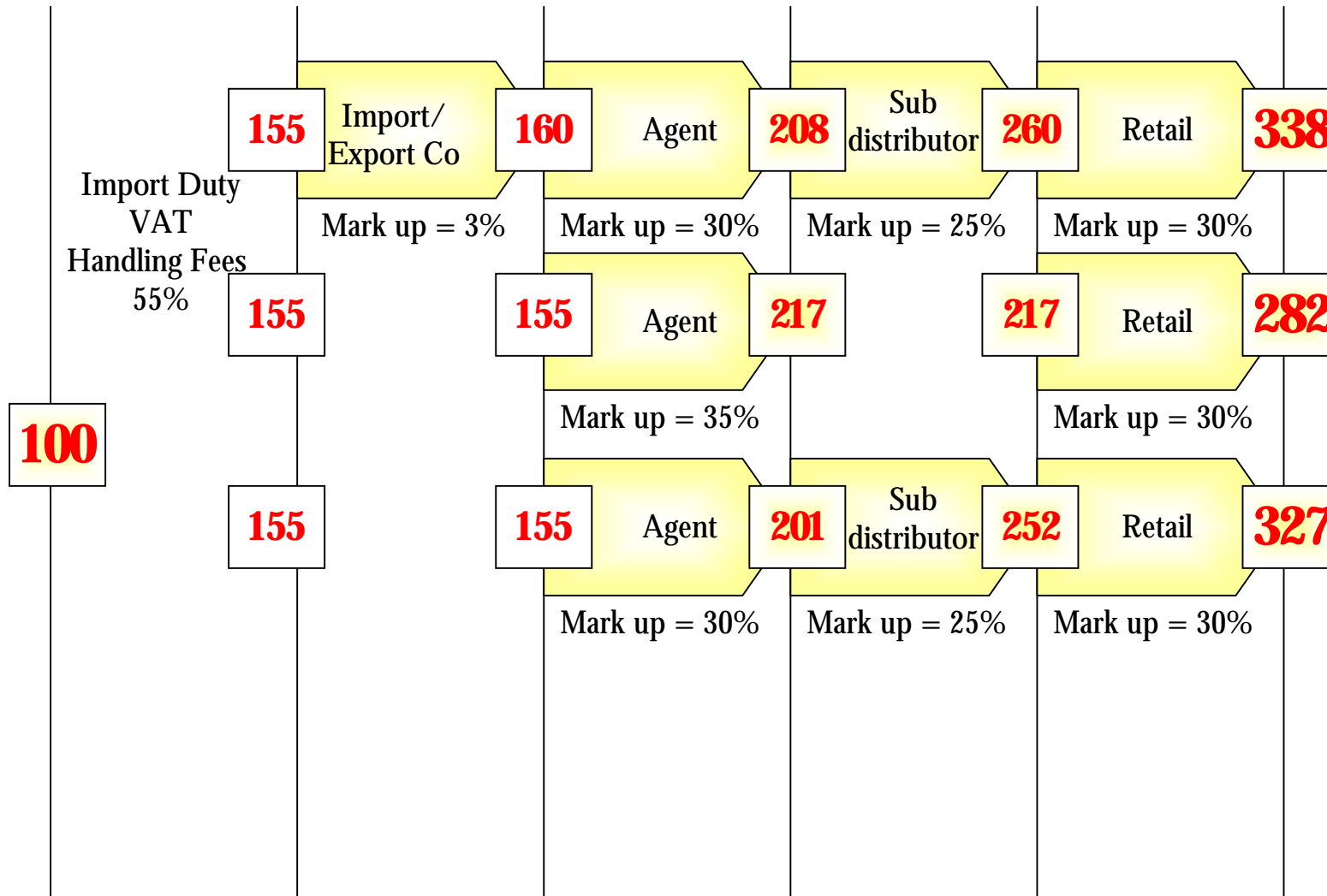
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# The Distribution Channels



Price/index  
CIF Shanghai

**ANNEX 1 - LIST OF FURNITURE MANUFACTURERS**

<b>No</b>	<b>Company Name</b>	<b>Address</b>	<b>Telephone</b>	<b>Contact</b>	<b>No. of workers</b>	<b>Main products</b>
1	Beijing Oulihang Furniture Manufacturing Factory	Nanyuan Airport, Fengtai District, Beijing	10-67961663	Mr. Li	100	upholstery, office & residential
2	Beijing Jinlize Furniture Factory	Changhong West Road, Liangxiang, Beijing	10-69363001	Mr. Qian	100	office, residential & contract
3	Bright Win Group	58# Renao Road, Shengyang, Liaoning	24-24126485	Mr.Tian		agent furniture from America, UK, Spanish, Italy
4	Changzhou Honlang Furniture Co., Ltd	125# Gukui Road, Henglin Town, Changzhou, Jiangsu	519-8785888	Ms. Fei	600	residential, chairs
5	China Hangzhou Xinnan Rattan & Bamboo Works Co., Ltd	18# Sunquan Road, Fuyang, Zhejiang	571-3324412	Mr. Zhu	100	chairs, contract & residential
6	Chinz Collection	Rm 606, No.2 Yulanhuayuan, Chaoxi (N) Road, Shanghai	21-64813286		100	residential
7	Chuangxin Furniture Co., Ltd	Santun Manageing district, Houjie Town, Dongwan, Guangdong	769-5822983	Mr. Huang	100	chairs, residential
8	Dalian Zhongyang Company	80# Dongbei Road, Shahekou, Dalian, Liaoning	411-3684377	Mr.Zhou		residential
9	Dongguan St.Paul Furniture & Resin Co., Ltd	105-109, Ruijin Yi Road, Shanghai	21-59766704	Mr.Luo	100	residential
10	Nanjing Wooden Goods Manufactory	2 1 Maqun Street, Xixia District, Nanjing, Jiangsu	25-4432804	Mr. Zhong Pei	1265	office, residential, contract, chairs, upholstery
11	Hainan Nongken Sanya Wooden Manufactory	Yezigou, Sanya, Hainan	898-273740	Mr. Li Ju Ping	1500	office, residential, upholstery
12	Guangzhou Zhujiang Furniture Manufactory	32# Haitian Siwant Street, Hongde Road, Guangzhou, Guangdong	20-8444837	Mr. Huang Zhi Hong	215	residential, upholstery, chairs
13	Tianjing No.3 Furniture Manufactory	469 Jiefang (S) Road, Hexi District, Tianjin	22-2382891	Mr. Dong Shuang Xi	285	residential, upholstery, chairs
14	Albailin Furniture (Shenzhen) Co., Ltd	33# Guihua Yuan, Guanlan Town, Shenzhen Guangdong	755-8018826	Mr. Feng	80	office, contract, chairs, residential, upholstery
15	Beijing Jiancheng Wood Co., Ltd	Wanziying Town (S), He Zhuang Hu Xiang, Beijing	10-65893488	Mr. Xie	200	contract, residential
16	Bardini Furniture Engineering Co., Ltd	572 Zhongshan Road, Wuchang, Wuhan, Hubei	27-88318121	Mr. Huang	250	office, contract, residential
17	Dacheng Industrial Co., Ltd	1394# Shengli West Road, Bengbu, Anhui	552-3116030	Mr. Wang De Chun	400	upholstery
18	Guangming Group Furniture Stock Co., Ltd	781# SiPing Road Shanghai	21-65219812	Mr. Lu Jin Min	100	office, residential, kitchen

## ANNEX 2 - LIST OF DISTRIBUTORS/RETAILERS

<i>No</i>	<i>Company Name</i>	<i>Address</i>	<i>Telephone</i>	<i>Contact</i>	<i>Activity</i>
1	Zhengzhou Konglian Family Property City	No. 89 Zhengbiao Rd., Zhengzhou, Henan	371-6342319	Changzhi JIA	retailer
2	Tianjin Department Store Building Furniture City	No. 202 Hongqi Road Nankai District, Tianjin	22-27365169	Shixin HUANG	retailer
3	Beijing Huansanhuan Grand Furniture City	No. 217 Yuquanying Fengtai Dist., Beijing	10-63448686	Dongmei AN	retailer
4	Hangzhou Furniture Market	No. 146 Shixiang Road, Hangzhou, Zhejiang	571-5361588	Zhiyuan WANG	retailer
5	Dalian Yaming Industrial & Trade Co., Ltd.	No. 31 Raoshan Rd., Baiyunxincun, Xigang Area, Dalian, Liaoning	411-4320420	Yaming ZHENG	retailer
6	Kunming Gangdu Furniture Co., Ltd.	No. 26 Yuantong Street , Kunming, Yunnan	871-5141666	Gengcan BAI	retailer
7	Zhongshan Guanli Furniture Co., Ltd.	No. 70 Jucheng Avenue (E), Xiao Lan, Zhongshan, Guangdong	760-2101515	Takkeung CHEN	retailer
8	Newspace Furniture Countrywide Chain Company	Rm.A 407 Fuqian St., Lifu Buidling, Wenzhou, Zhejiang	577-8290733	Dongsheng WANG	retailer
9	Chengdu Greenland Furniture Store	3/F, Xindu Building (S), 3rd Block of one-circled Road, Chengdu, Sichuan	28-5178651	Jin WANG	retailer
10	Shantou Aifulan Furniture Show Center	No. 139 Zhongshan East Rd., Shantou, Guangdong	754-8532616	Muhua ZHENG	retailer
11	Henan Time Decoration Design Project Co., Ltd	No. 112-1 Chengdong Rd, Zhengzhou, Henan	371-6327764	Shiqiao LIU	retailer
12	Jinzhou Hualian Business Mansion	No. 47, 2nd Block of the Central Str., Jinzhou, Liaoning	416-3124477	Huiwen WANG	retailer
13	Xinjiaimei Fine Products Exhibition Hall, Tianjin Zhongbei Furniture & Ornaments City	No. 7 Bridge & No. 8 Bridge, Waihuan Road, Tianjin	22-27522810	Jinrong HAN	retailer
14	Caojiadu Furniture Shop	No. 121 Changning Road, Shanghai	21-62105380	Jinxiong TAN	retailer
15	Sanyang Furniture Market of Shangdong Province	No. 390 Beiyuan Road in Jinan of Shangdong	531-5953317	Changrong YU	retailer
16	Houjie International Furniture City	Dongguan Houjie Intern. Furniture City Houjie Town Guangdong	769-5828188	J.S. LIANG	retailer
17	Beijing Zhenyu Furniture Market Panjiayuan Furniture City	No. 43 Bldg.,Hua Wei Bei Li Panjiayuan, Chaoyang District, Beijing	10-67780476	Jingcai DI	retailer
18	China Harbin Mingliu International Furniture Decorated & Read Extensively Center	No. 1 Zhujiang Rd., Xiangfang Dist., Harbin, Heilongjiang	451-2321012	Guolin WANG	retailer
19	Wuhan Boda Industry Co., Ltd. Boda Furniture Market	No. 228 Pengliuyang Rd., Wuchang District, Wuhan, Hubei	27-88067693	Xieliang WANG	retailer

20	Shanghai Xujiahui Furniture World	No. 205 Yude Road, Shanghai	21-64868655	Qingbo YU	retailer
21	Shandong Yanzhou Furniture City	Xihuan Road (S), Yanzhou, Shandong	537-3410444	Rongxiang GUO	retailer
22	Jiangxi Shoujia Furniture Co., Ltd.	Flat A3/F, 135 Bayi Rd., Nanchang, Jiangxi	791-6261789	Huacheng DU	retailer
23	Beijing Dazhongsi World Trade Plaza	No. 23 West Road, North Three-Circled Avenue, Haidian District, Beijing	10-62550840	Xiao WU	retailer
24	Shenyang Bowang Furniture Co., Ltd.	No. 57 Renao Rd., Shenhe Distr, Shenyang, Liaoning	24-24116808	Xiaoying TIAN	retailer
25	Shanghai World Trade City Co., Ltd.	No. 2299 Yan'an Road (W), Shanghai	21-62366888	Xingbo TAO	retailer
26	Shandong Qinghe Furniture Market	No. 449 Beiyuan Road, Jinan, Shandong	531-5950139	Lizhu ZHANG	retailer
27	The Home Land	No. 1 Erjing Road, Dongli Development Area, Tianjin	22-24990838	Weiming ZHANG	retailer
28	Wuxi Hua Li Furniture Co., Ltd.	2/F, Zhongnan Commercial Bldg., Zhongqiao, Jiangsu	510-2716926	Zhiping WU	retailer
29	Heilongjiang Huahe Woodworking (Group) Co., Ltd.	No. 52 Xinli Street, Longsha District, Qiqihar, Heilongjiang	452-2347511	Xuesong WU	retailer
30	Tianjin Shengang Furniture Store Co., Ltd.	No. 8 Yuemuli Yuexiu Road, Hexi District, Tianjin	22-28310423	Fei YE	retailer
31	Modern Furniture City	No. 89 Zhengbian Rd., Zhengzhou, Henan	371-6345999	Hui ZHAO	retailer
32	Beijing Karpel Trading Co., Ltd.	China Carpet Exhibition Center, Gaomidian, Huangcun, Beijing	10-60264807	Charles ZHUANG	retailer
33	Xiamen Wanli Industrial & Trade Co., Ltd.	No. 11 Guangcai Street, Xiamen, Fujian	592-5161737	Peiping HONG	retailer

19	Guangzhou Kangsheng Furniture Co., Ltd	65# Xinhuangshi Furniture City, Baiyun District, Guangzhou, Guangdong	20-86653734		500	residential, chairs, office
20	Zhejiang Huangyan New Star Universal Wheel Factory	458# Guangyinshan Road, Huangyan, Zhejiang	576-4221201	Mr. Ye Gen Lin	100	chairs
21	Dalian Noda Wood Works Co., Ltd	13 Li,20 Li Bao Town, Jinzhou District, Dalian, Liaoning	411-7380863	Mr. Li		
22	Shenyang No.1 Wood products Manufactory	9# Shenliao West Road, Shenyang, Liaoning	24-5852040	Mr. Wang Tong Xiang	508	residential, office
23	Qinhuangdao Jianguo Furniture General Manufactory	20# Jianshe Ave.,Qinghuangdao, Shandong	335-331314	Mr. Song Lian Zhu	483	residential, office, chairs, upholstery
24	Anshan Metal Furniture Manufactory	141# Jiudao Street, Tiesi Qu, Anshan, Liaoning	24-843951	Mr. Liu Dong	1270	residential, office, chairs
25	Liaohai Machinery Factory	23 13 Wei Road, Shenyang, Liaoning	24-3866950	Mr. Tan Pan Da	1000	residential, office, chairs
26	Huanghe Furniture Manufactory	60# Jiangyang (S)Road, Shanghai	21-56651933	Mr. Zhang Sheng Heng	580	residential, upholstery, chairs
27	Guizhou Chemistry Manufactory	Tong Mu Lin, Huaxi District, Guiyang, Guizhou	851-3851167	Mr. Yang Sheng Li	200	residential, chairs
28	Chongqing Wooden Model Manufactory	1# Shayang Road,Shapingba District, Chongqing	23-9861329	Mr. Zhang Xiao	142	residential, office, chairs, upholstery
29	Sewing Board & Furniture Manufactory	291# Yaru Road, Liubei District, Liuzhou, Guangxi	772-2811263	Mr. Zhou Guo Bao	150	residential, upholstery, chairs
30	Guangdong Shilong Wooden Manufactory	Shilong Railway Station (W), Dongguan, Guangdong	769-6611121	Mr. Zhu Shi Wen	500	residential, chairs, office
31	Zhanjiang Leather Manufactory	5# Cekan Cunsha Road, Zhanjiang, Guangdong	759-3338602	Mr. Feng Hua Jian	170	upholstery
32	Xinhui Furniture Manufactory	Industrial Ave., Huicheng Town, Xinhui City, Guangdong	750-6692361	Mr. Li Guan Liang	247	residential, office, chairs
33	Gangye Furniture Manufactory	44# Huangchengbei Road, Taishan, Guangdong	750-5524327	Mr. Tan Ying Min	125	office, chairs
34	Jieyang Rattan Manufactory	Rongcheng District, Jieyang, Guangdong	663-622186	Mr. Lin Yin Bo	870	residential, chairs
35	Dongming Furniture General Manufactory	18# JiefangRoad, Dongming, Shandong	530-7212393	Mr. Liu Zong Yao	267	office, chairs, residential, contract
36	Daming Glass Furniture Co.,Ltd	38 Chentian Cun, Huangshi Road,Xinshi, Guangzhou, Guangdong	20-86626966	Mr. Li	300	residential
37	Donglin Furniture Industry Co.,Ltd	Industrial Zone, Meishan, Shaoxing, Zhejiang	575-8013218	Mr. Chen	200	chairs
38	Jiyi wooden Industry Furniture Manufactory	Mazaigang, Industrial Ave., Huaicheng, Zhaoqing City, Guangdong	758-5522584	Mr. Zhe Rao Yang	47	residential, chairs

39	Kaiping Jianyi Furniture Manufactory	112# Musha Road, Kaiping, Guangdong	750-2213965	Mr. Zhang Guo Fu	54	residential
40	Nanhai Huaqing Furniture Manufactory	Guanyao Town, Nanhai, Foshan, Guangdong	757-5886318	Mr. Huang Jia Jian	120	residential, chairs, upholstery
41	Xingjiang Binghu Foam Furniture Manufactory	Binghu, Xingjiang Xian, Yangzhou, Jiangsu	514-391908	Mr. Ji Tian Chang	40	chairs
42	Shanghai Mingyi Hongmu Furniture Co.,Ltd	555, Zhumei Road, Minghang District, Shanghai	21-64761580	Mr. Ma Hui Zong	245	residential, chairs
43	Botou Furniture Manufactory	424# Botouhe Dongbei Street, Qiangzhou, Hebei	317-222456	Mr. Chang Jing Chun	168	residential, chairs, office
44	Yueyi Furniture Manufactory	Huahu Huaxie, Huilai Xian, Shantou, Guangdong	663-6684568	Mr. Lin Yi Long	21	residential, chairs
45	Yuehua Furniture Manufactory	Henan, Jiangmen City, Guangdong	750-3355680	Mr. Lin Bing Hui	56	residential
46	Lao Dongfang Furniture Co., Ltd	Louxinzhongxiang, Chaoyang District, Beijing	10-64376638	Mr. Zhang Pei Li	208	residential, chairs, office
47	Beijing Beiou Furniture Co., Ltd	SuncunXiang, Daxing Xian, Beijing	10-69246428	Mr. Hu Ming Da		
48	Taian Industry Co., Ltd	Haixiu Road, Haishi City, Hainan	898-6778874	Mr. Lin Pei	17	residential, chairs
49	Taichuan Industry Co., Ltd	LianqianXilin Cun, Xiamen, Fujian	592-5053146	Mr. Wu Ai Tong	171	office, chairs
50	Telasi Kitchen Equipment Co	Jingyang Town, Fuqing City, Fujian	591-5215163	Mr. Chen Xiao Qing	10	kitchen
51	Dalian Wooden Products Co., Ltd	No.5 Yantai St., Lushunkou, Liaoning	411-2806600	Mr. Jin Zixiansheng	183	residential, chairs
52	Tianjin New Easter Furniture & Decoration Co., Ltd	Zeng 8 No.33 Changjiang Rd. Nankai Dist, Tianjin	22-27618773	Mr. Ding Yunxiang		office, residential, chairs
53	Shi Jia Zhuang Le Mei Furniture Co., Ltd	No.378 Yuhua West Road, Shijiazhuang, Hebei	311-7026424	Mr. Zhang Bailun		office, residential, contract
54	Soles Company Shanghai Furniture Corporation	No.540 Beijing(E) Rd., Shanghai	21-63222129	Mr. Wang Weiming	560	office, residential, contract, chairs, upholstery
55	Shenyang Shanxing Wooden Products Co., Ltd	Daxing Xiang, Yuhong District, Shenyang, Liaoning	24-9310533	Mr. Xing Gui Xiong	76	residential, chairs
56	Handan Yiyai Wooden Industry Co., Ltd	Chengbeijiao, Guangping county, Handan city, Hebei	310-221673	Mr. Liu Hai Wen	38	residential, chairs
57	Beijing Tiantan Furniture Company	No.9 Xiaohuangzhuang Road, Andingmen, Dongcheng District, Beijing	10-64212631	Mr. Sun Le Xin		office, residential, chairs
58	Guangdong Zhanjiang Suixi Bilihua Wooden Factory	Huanglue Town, Pingshi, Suixian, Guangdong	759-7974548	Mr. Chen Xian De		residential, chairs
59	Dalian Huafeng Wooden Co., Ltd	No.125 Yan'an Road, Chengguan Street, Zhaunghe, Liaoning	411-8614156	Mr. He Yun Feng		residential, chairs
60	Bright Group Co., Ltd.	Ailin Residents Committee, Fulin Str., Yicun District, Yicun city, Shanghai	21-3605088	Mr. Feng Yong Ming		
61	Helin Furniture Co., Ltd Heilongjiang	No.52 Songlin Road, Yonghong District, Jiamusi City, Heilongjiang	454-8240470	Mr. Liu Zhitian		
62	Rizhao Sanmu Group Co., Ltd	Fenshui Town, Donggang District, Rizhao City, Shandong	633-8221888	Mr. Yang Baoyou		

63	Qingdao Yimu Group Company	No.1 Yichang Road, Sifang District, Qingdao Shandong	532-4852221	Mr. Wang Jin Xun		
64	Yantai Wood Material General Company	No.29 Zhichu Road, Yantai, Shandong	535-6531753	Mr. Li Xiu Long		
65	Shandong Zibo Fengyang Co., Ltd	No.75 Zhouzhou Street, Zhoucun District, Zibo, Shandong	533-6182436	Mr. Kou Zu Shan		
66	Leling Wooden Arts & Crafts General Manufactory	Wenhua Road, Leling City, Shandong	534-6421997	Mr. Li Zhen Wu		
67	Haikou Furniture Manufactory	No.44 Zhengdong Str., Chengdong district, Haikou, Hainan	898-6223918	Mr. Chen Lian Fa	128	chairs
68	Wuhan Steel Furniture Factory	No.572 Zhongshan Road,Wuchang City, Wuhan, Hubei	27-3832490	Mr. Dai Xin Lin	474	residential, office, chairs
69	Wuhan Furniture Factory	No.26 Tangcai Road, Jiangnan District, Wuhan, Hubei	27-2837897	Mr. Wang Quan Sheng	235	residential, chairs
70	Zaozhuang Penglaige Sofa Manufactory	Qingtian Road, Shizhong District, Zaozhuang Shandong	632-313815	Mr. Chi Shi Song	280	upholstery, chairs
71	Tianjin Huanmei Furniture Co., Ltd.	No.59, 4th Avenue, Tianjin	22-25329198	Mr. Zhang Song Lin		residential
72	Tianjin House-Appliant Co., Ltd.		22 26341113	Mr. Wang Guang Rui		
73	Zhuanghe City Dalian Huafeng Wooden Co., Ltd	No.125 Yan'an Road, Chengguan Street, Zhuanghe, Liaoning	411-8614156	Mr. He Yun Feng		
74	Heilongjiang HeLin Furniture Co., Ltd	No. 52 Songlin Road, Yonghong District, Jiamusi City, Heilongjiang	454-8240470	Mr. Liu Zhi Tian		
75	Shanghai Zhonghua Furniture Manufactory	No. 42 Longwu Road, Shanghai	21-64702080	Mr. Gu Cheng Yi		
76	Shanghai Furniture Manufactory	No. 300 Lao Hudai Road, Shanghai	21-56036688	Mr. Cao Heng Tai		
77	Shanghai Huanghe Furniture Manufactory	No. 60 Jiangyang (N) Road, Shanghai	21-56881933	Mr. Zhang Sheng Heng		
78	Shandong Zaozhuang Furniture Co., Ltd	No. 113 Jiefang (S) Road, Zhongxin Street, Zaozhuang, Shandong	632-3304065	Mr. Cao Cheng		
79	Rushan Huatai Furniture Decoration Corporation	No. 17 Jianshe Street, Rushan, Shandong	632-6622649	Mr. Jiang Zong Tai		
80	Rizhao Riguang Decoration Co.	Haiqu Road(E), Donggang District, Rizhao, Shandong	633-8221888	Mr. Yang Bao You		
81	Shenzhen Jiale Industrial Development Co	No. 11 Yannan Road, Futian District, Shenzhen, Guangdong	755-3355453	Mr. Wang Zong Xiang		
82	Shanghai Furniture Co., Ltd	No. 349 Jiang Xi Chong Road, Shanghai	21-63606492	Dagang ZHANG		residential, office, upholstery
83	Shanghai Furniture Research Institute	No. 89, Shi Tan Lane, Nan Jin East Road, Shanghai	21-63224665	Yinghua CHENG		
84	Shanghai Furniture Factory Co., Ltd.	No. 1000 Pu Shan Road, Shanghai	21-56036688	Hengtai CAO		residential
85	Shanghai Furniture Co., Ltd. (Sales Corporation)	No. 540, Bei Jin East Road, Shanghai	21-63222129	Weiming WANG		residential, office



86	Shanghai Weidong Metal Furniture Factory	No. 1451, Kai Xuan Road, Shanghai	21-63802835	Yixian FAN		office
87	Shanghai Dong Feng Furniture Factory	No. 3585 Hu Tai Road, Shanghai	21-56509999	Hongcai CUI		residential, chairs
88	Shanghai Furniture Hardware Factory	No. 310 Shang Nan Road Pudong, Shanghai	21-68708667	Shenyang DONG		contract
89	Shanghai Jie Fang Furniture Factory	No. 550 Jiang Yang South Road, Shanghai	21-56889029	Jikang LU		residential, chairs
90	Shanghai East China Furniture Factory	No. 181 Nan Dan East Road, Shanghai	21-64382241	Wanquan SHEN		residential
91	Shanghai Sofa Factory	No. 48 Xin Hu Road, Shanghai	21-56615598	Yushu WANG		upholstery
92	Shanghai Qu Zhong Furniture Factory	No. 700 Xi Zang North Road, Shanghai	21-56907104	Honggen ZHAO		residential, chairs
93	Shanghai Interior Decoration (Group) Co., Ltd.	No. 18 Fei Hong Zhi Road, Shanghai	21-65018152	Guoping YE		office
94	Shanghai Oriental Woodwork Co., Ltd.	No. 651 Zhong Guang Road, Shanghai	21-56321181	Jianming LI		residential, decoration
95	Shanghai Li Ming Furniture Factory	No. 22 Ting Xi Road, Shanghai	21-63775028	Guanghan XU		residential, office
96	Shanghai Dong Feng Sofa Factory	No. 1205 Kai Xuan Road, Shanghai	21-62802337	Shiben WANG		upholstery
97	Shanghai Shu Guang Furniture Factory	No. 12, Lane 494, Xi Ping Road, Shanghai	21-65210871	Jinxing ZHU		residential
98	Shanghai Sheng Gang Furniture Factory	No. 2100 Nan Da Road, Shanghai	21-62508932	Xingding YANG		office
99	Shanghai Ji Li Furniture Co., Ltd.	No. 188 Chang Nan Road, Shanghai	21-56680977	Chunfa YANG		office
100	Shanghai Jin Pu Furniture Co., Ltd.	No. 3800 Pu Dong South Road, Shanghai	21-58838580	Jieping QIN		upholstery, residential
101	Shanghai Chun Shen Jiang Furniture City	No. 1 Guang Fu Road, Shanghai	21-63803501	Derong ZHOU		residential, chairs, upholstery
102	Shanghai Yong Xing Furniture Center	No. 310 Yong Xing Road, Shanghai	21-56636045	Fangyou GU		residential, upholstery
103	Shanghai Xing Yi Sofa Factory	No. 16 Xie Xu Zhi Road, Shanghai	21-63776596	Hongwei MA		upholstery, residential
104	Shanghai Xi Yang Furniture Co., Ltd.	No.6483 He Qin Town, Long Dong Street , Pudong, Shanghai	21-58971206	Jingguo WU		upholstery
105	Shanghai Hu Jiang Furniture Co., Ltd	No. 201 Wu Bao Road, Shanghai	21-62201204	Huifei ZHENG		residential, office
106	Shanghai Da Fang Furniture Factory	North Bridge No. 15 Cao An Road, Shanghai	21-59137079	Dinghong An		residential, office
107	Shanghai Jian Xing Furniture Co., Ltd.	No. 5 Xin Huang Road, Huang Du Town, Jia Ding District, Shanghai	21-59595145	Jianxing HE		residential, office
108	Shanghai Fang Hua Furniture Factory	No. 45, Lane 688, Da Hua Road, Shanghai	21-56610501	Lianfang YE		upholstery
109	Shanghai Xing Liang Sofa Factory	No. 5 Bridge, Xin Zhu Road, Min Hang District, Shanghai	21-64011786	Weiwei ZHOU		upholstery, residential
110	Shanghai Hai Hua Furniture Co., Ltd.	No. 1800 Wen Shui Road, Shanghai	21-56684047	Xiaoming LIU		upholstery, residential, interior decoration

111	Shanghai Heng Chang Furniture Co., Ltd.	No. 343 Yong Xing Road, Shanghai	21-56634013	Junheng CHENG		upholstery
112	Shanghai Yu Ni Furniture Decoration Co., Ltd.	No. 1, Lane 147, Tian Shan Road, Shanghai	21-62593490	Qi YANG		uphdstery, office, interior decoration
113	Shanghai Sheng Bang Modern Furniture Co. Ltd.	No. 111 Qing Song Road, Shanghai	21-59727784	Kunlin LI		upholstery, office
114	Shanghai Mei Lin Furniture Co., Ltd.	No. 887 Zhong Jiang Road, Shanghai	21-62658137	Junhong CAI		office
115	Shanghai Pu Fa Furniture Co., Ltd.	No. 358 Xia Nan Road, Pu Dong, Shanghai	21-58531240	Yifei DI		residential, office
116	Suzhou Shu Shi Furniture Co., Ltd.	Nan Jiao Town, Tai Cang City, Jiangsu	520-3405896	Haiguang Tang		upholstery
117	Shanghai Jin Yi Woodwork Co., Ltd.	No. 18 Wu Bao Road, Ming Hang District, Shanghai	21-64190840	Yi JING		residential, office, upholstery, decoration
118	Shanghai Ta Feng Furniture Co., Ltd.	No. 3104 Hu Tai Road, Shanghai	21-56132355	Jianping DING		upholstery
119	Shanghai Di Fen Ni Furniture Co., Ltd.	No. 390 Wu Bao Road, Qi Bao Town, MingHang District, Shanghai	21-64781195	Dingqi CHENG		
120	Shanghai Yi Li Furniture Co., Ltd.	No. 200 Tao Pu Road, Liu Yang Bridge, Pu Tuo District, Shanghai	21-62508115	Jianxiang QING		residential, interior decoration
121	Shanghai Ya Zheng Furniture Factory	No. 2087 Hu Tai Road, Shanghai	21-56684322	Wei GAO		residential, upholstery, interior decoration
122	Shanghai Dong Mei Woodwork Co., Ltd.	No. 17 Qio Jia Street, Zhen Jiang North Road, Shanghai	21-62502297	Cuili CHEN		residential, office
123	Tai Cang Jie Jia Woodwork Co., Ltd.	No. 230 Tian Tong An Road, Shanghai	21-56682440	Fangzen ZHENG		office, contract
124	Shanghai Chong Dao Furniture Co., Ltd.	No. 278 Hua Jin Road, Shanghai	21-64103577	Jianming XIE		residential, office
125	Shanghai Kang Li Furniture Co., Ltd.	Hong Da Road, Feng Cheng Town Industrial Feng Xian, Shanghai	21-57526619	Kangzhong SHI		contract, office
126	Shanghai Hua Hui Furniture Factory	Si Tuan Town, Feng Xian, Shanghai	21-57530858	Zuhua FA		office, contract
127	Shanghai Jia Yi Furniture Factory	No. 521 Hu Tai Zhi Road, Shanghai	21-56684924	Jianmin PAN		upholstery,office
128	Shanghai Zhen Nan Furniture Factory	No. 260 Yang Si South Road, Shanghai	21-58428323	Dongming LU		contract, office
129	Shanghai Xing Tai Furniture	No. 869 Yong He Zhi Road, Shanghai	21-56682307	Zhengen ZHONG		residential
130	Shanghai Wei Ming Furniture Factory	No. 19 Lane 1092, Hu Tai Zhi Road, Shanghai	21-56684392	Xiaoming YANG		contract, office
131	Shanghai Ben Lin Sen Furniture Factory	No. 1 Lane 330 You Yi Road, Bao Shan District, Shanghai	21-56600622	Daijun YANG		residential
132	Shanghai Shen Long Furniture Factory	No. 100 Nan Shen Zhai Wen Shui Road, Shanghai	21-56683383	Songpei CAO		residential
133	Shanghai Kang Jia Furniture Factory	No. 2929 Qi Xin Road, Qi Bao Town, Ming Hang District, Shanghai	21-64193958	Jianping TU		residential, interior decoration
134	Shanghai Ying Hao Co., Ltd.	Room 318, No. 6164A, Si Ping Road, Shanghai	21-65101229	Ying XU		residential, upholstery

135	Shanghai Yi Lu Fa Co., Ltd.	No. 1155 Tong Pu Road, Shanghai	21-62851608	Rongkui WANG		upholstery
136	Shanghai Jia Tao Furniture Decoration Co., Ltd.	No. 180 Lu Hua Zhuang, Miao Tou Town, Ling Shi Road, Shanghai	21-56774735	Huifeng FANG		residential, office, dcoration
137	Kunshan Gao Da Furniture Industrial Co., Ltd.	Bing Xi Industrial Area, Kunshan, Jiangsu	520-7631539	Zhien XU		kitchen, contract, chair
138	Shanghai Wei Le Furniture Decoration Co., Ltd.	No. 3508 Zheng Bei Road, Bao Shan District, Shanghai	21-56680453	Jingwei LI		residential, contract
139	Shanghai Ou Shen Morden Furniture Co., Ltd.	2F, No. 815 Dong Fang Road, Pudong, Shanghai	21-68157388	Wei ZHANG		residential, upholstery
140	Shanghai Mei Chi Furniture Co., Ltd.	No. 398 Cheng Tai Road, Bao Shan District, Shanghai	21-56131668	Songliang CAI		residential
141	Shanghai Hua Zhong Furniture Co., Ltd.	No. 903 Hu Tai Road, Shanghai	21-56612470	Chunyang MA		upholstery
142	Shanghai Ming Hong Co., Ltd.	No. 358 Chang Ning Road, Shanghai	21-62127177	Changhong YU		upholstery, office
143	Changshu Dong Da Furniture Co., Ltd.	Dong Xiang Men, Dong Zhang Town, Chang Shu, Jiangsu	5221-2646027	Peiyuan WANG		contract, residential, kitchen, upholstery
144	Shanghai Li Sheng Furniture Co., Ltd.	No. 1006 Zheng Jiang South Road, Shanghai	21-62500625	Wuyi WANG		office, chair
145	Shanghai Liang Tai Woodwork Co., Ltd.	No. 7 West Door, Hong Qiao Airport, Shanghai	21-62688899	Jun FANG		upholstery, office
146	Shanghai Jin Ya Huang Furniture Co., Ltd.	Room 102, No. 2, Lane 26, Hong Mei Road, Shanghai	21-64544942	Wenshao WANG		upholstery, kitchen, chair, office
147	Shanghai Hong Dong Yuan Furniture Co., Ltd.	No. 58 Hua Xi Road, Shanghai	21-62166688	Xiaorong LI		residential, office
148	Shanghai Jin Bei Ka Furniture Co., Ltd.	Chen Jian Cun, Huan Cheng Town, Qing Pu Shanghai	21-59728418	Longfa CAO		residential, upholstery
149	Changshu Hong Feng Furniture Co., Ltd.	Wu Shi Town (East), Chang Shu, Jiangsu	520-2656317	Zhenghong ZHANG		residential
150	Zhuhai Li Zhi Furniture Co., Ltd. Shanghai Office	Room 104, 18 F, Hong Kong Plaza, No. 283 Huai Hai Road, Shanghai	21-63906688	Jie JING		residential
151	Jin Shen Wei Bang (Shanghai) Furniture Decoration Center	4-6 F, No. 800 Qu Yang Road, Shanghai	21-65536258	Wenlong Zhou		residential, upholstery, chair, office
152	Shanghai Gao Shan Furniture Co., Ltd.	No. 8 Lane 2014, Bao Yang Road, Bao Shan District, Shanghai	21-56129813	Shaoxiang ZHUANG		office, kitchen, chair
153	Shanghai Shen Shi Furniture Co., Ltd.	No. 1 Lane 200, Long Cao Road, Shanghai	21-64845901	Yeyu SONG		upholstery, chair
154	Shanghai Xin Hai Ma Furniture Co., Ltd.	No. 4559, Hu Qing Ping Highway, Qing Pu Town, Shanghai	21-59727828	Xinrong YE		residential, upholstery
155	Shanghai Shen Fa Furniture Co., Ltd.	No. 108 Peng Yue Pu Road, Shanghai	21-56067213	Leming ZHEN		residential, upholstery
156	Shanghai Ya Luo Furniture Decoration Co., Ltd.	No. 3510 Zheng Bei Road, Shanghai	21-62508582	Qikang ZHANG		residential, office
157	Shanghai Shi Xin Furniture Co., Ltd.	No. 4030 Cao An Road, Shanghai	21-59591936	Zhengxin HUANG		contract, office

158	Shanghai Zheng Dan Office System Co., Ltd.	18 F Tang Chen Mansion, No. 710 Dong Fang Road, Pudong	21-59165258	Yisheng GU		office
159	Shanghai Jin Tian Furniture Co., Ltd.	No. 695 Tuo Ning Road, Shanghai	21-52176293	Shanying HONG		contract
160	Shanghai Zong Hui Furniture Co., Ltd.	Xing Chang Long Bridge Nan Hui Town, Shanghai	21-58171766	Wenlong HU		residential, office
161	Shanghai Tong Ji Furniture Factory	No. 1239 Si Pin Road, Shanghai	21-65983468	Mujin LIN		chair, upholstery
162	Shanghai Da Di Woodwork Co., Ltd.	No. 3190 Nan Da Road, Shanghai	21-62500395	Guoyu DONG		residential, contract
163	Shanghai Yuan Da Furniture Co., Ltd.	No. 1000 Zheng Jiang (North) Road, Shanghai	21-62507141	Pinhua HE		office
164	Shanghai Shen Qing Furniture Co., Ltd.	No. 2118 Nan Da Road, Shanghai	21-62508938	Lanfu HONG		residential, chair, office
165	Shanghai Tai Hao Decoration Woodwork Co Ltd.	No. 69 Lane 710, Zhen Nan Road, Shanghai	21-62502459	Jianping CHEN		office, contract
166	Shanghai Hong Jiang Furniture Co., Ltd.	No. 3 Lane 1279 Zhong Shan West Road, Shanghai	21-62194032	Chunliang CHEN		office
167	Shanghai Gang Ao Furniture Factory	No. 185 Wan Deng Road, Zhen Bei Road, Shanghai	21-62503983	Ruxian HAN		upholstery
168	Shanghai Yin Gong Furniture Center	No. 95 Wu Ning Road, Shanghai	21-62437321	Weikang HOU		residential, upholstery, chair
169	Shanghai Shi Mei Furniture Market	No. 2918 Zhong Shan North Road, Shanghai	21-62544056	Aiming ZHENG		residential, upholstery, chair
170	Shanghai Tai Wei Office Furniture Co., Ltd.	No. 780 Xie Tu Road, Shanghai	21-63051855	Jinlong ZHU		office, contract, kitchen
171	Shanghai Hu Gang Woodwork Co., Ltd.	Fang Dun Qian Cun Town, Feng Xian, Shanghai	21-57563502	Binguan LIU		chair, upholstery, furniture
172	Shanghai Long Da Furniture Co., Ltd.	No. 521 Hu Tai Zhi Road, Shanghai	21-56684154	Jianxiong QIAN		office, residential
173	Shanghai Yi Zhou Woodwork Co., Ltd.	No. 318, Lane 405, Wen Shui Road, Shanghai	21-56680125	Baoling ZHANG		office
174	Shanghai Liang Cheng Furniture Center	No. 1508 Liang Cheng Road, Shanghai	21-65171708	Zuer XU		residential
175	Zejiang An Ji Da Kang Furniture Co., Ltd.	No. 3 Lane 630 Qu Yang Road, Shanghai	21-65541385	Jianhua FU		chair, upholstery
176	Shanghai Yi Mei Yi Chu Furniture Co., Ltd.	No. 5 Lane 575, He Nan Zhong Road, Shanghai	21-63502619	Xinwen DENG		kitchen
177	Shanghai Zhi Sheng Office Furniture Factory	No. 1098 Jin Zhang Road, Pu Dong, Shanghai	21-58993824	Wenchang JIA		office
178	You Luo Sha (Kunshan) Co., Ltd.	Kunshan Development District, Jiangsu	520-7631981	Zhaoqian XU		residential, chair
179	Shanghai Dong Zhi Furniture Co., Ltd.	Room 7, 6 F, No.6 Lane 365 Zhi Zao Ju Road, Shanghai	21-62563295	Ming ZHANG		office
180	Shanghai Ji Da Furniture Co., Ltd.	No. 8 Hua Jiang Road, Ming Hang District, Shanghai	21-62204100	Weikang LI		residential, office
181	Shanghai Meng Da Furniture Sofa Factory	No. 100 Gu Dai Road, Shanghai	21-64806965	Falin XIE		upholstery, office

182	Shanghai Ha Xun Furniture Co., Ltd.	Mo. 5389 Hu Nan Highway, Pu Dong, Shanghai	21-58141555	Mingwei ZHANG		office, residential
183	Shanghai Lin Mu Furniture Co., Ltd.	No. 206(North) Nan Da Road, Shanghai	21-56683901	Xiaoyuan ZHANG		contract
184	Shanghai Po Liang Co., Ltd.	Room 1206, Jin Yu Lan Plaza, No. 1 Da Pu Road, Shanghai	21-53960343	Poliang HUANG		residential
185	Shanghai Zhi Gao Furniture Co., Ltd.	No. 8 Zhang Jia Zhai Industrial District , Pu San Road, Pudong, Shanghai	21-58391709	Zhien LI		residential, chair
186	Shanghai Jia Le Li Furniture Decoration Co., Ltd.	Njo. 37 Cheng Jia Qiao Road, Ming Hang District, Shanghai	21-64065246	Li WANG		upholstery, residential
187	Shanghai Zheng Yuan Furniture Decoration Co., Ltd.	No. 201 Zhong Yuan Road, Yang Pu District, Shanghai	21-65058690	Rongping ZHANG		chair, residential
188	Shanghai Pu Tuo Yi Xin Furniture Factory		21-59172835	Zongcao FENG		residential, office
189	Shanghai Bo Lin Furniture Co., Ltd.	No. 174 Zhong Shan Zhong Road, Song Jiang, Shanghai	21-57827148	Senglin XIANG		residential, decoration
190	Wu Xian Kai Li Co., Ltd.	Huang Li Town, Shanghai	21-5481670	Jianwei LI		office
191	Shanghai Feng Ye Furniture Factory	No. 2, Lane 1262, Bei Di Road, Shanghai	21-62397206	Yin ZHAO		residential, office
192	Shanghai Yi Hua Furniture Co., Ltd.	No. 115 Luo Jin Road, Min Huang District, Shanghai	21-64103937	Yuhua ZHU		residential
193	Shanghai Fu Da Furniture Co., Ltd.	No. 260 Lane 2358, Jin Sha Jiang Road, Shanghai	21-52805939	Jifu JIN		upholstery, residential
194	Shanghai Shang Jia Furniture Center	No. 578 Yan Chang Zhong Road, Shanghai	21-56651887	Guoqin ZHU		residential, upholstery, office
195	Shanghai Kang Chen Furniture Co., Ltd.	Kang Qiao Town, Nan Hui Shanghai	21-58121611	Mingde XUE		residential, chair
196	Shanghai Fu Di Furniture Co., Ltd.		21-59175125	Yongjiang WANG		residential
197	Hangzhou Hua Zhen Office System Shanghai Office	Room 217, Fang Xin Mansion, No. 2399, Zhong Shan (N) Road, Shanghai	21-62052397	Zhigen XU		office
198	Shanghai Hang Sheng Furniture Factory	No. 65 Gu Lang Road, Pu Tuo District, Shanghai	21-56682311	Zhihong LAI		office
199	Shanghai Yun Dong Furniture Factory	No. 700 Song Hu Road, Shanghai	21-65499307	Youming GUAN		residential, office
200	Shanghai Pu Dong New Area Shen Fu Furniture Factory	No. 2201, Yang Gao Road, Pu Dong, Shanghai	21-58656541	Yongfu LAI		office, upholstery
201	Shanghai Song Zdhu Furniture Factory	No. 100 Zhangjia Zhai , Dong Gou Town , Pu Dong, Shanghai	21-58651780	Xinfu MA		residential, upholstery, decorate
202	Shanghai Teng Huang Co., Ltd.	No. 321 Lan Gao Xi Road Pu Tuo District, Shanghai	21-62051026	Huang GAO		upholstery, chair

203	Shanghai Hong Seng Co., Ltd.	No. 1001 Zhao Jia Bang Road, Shanghai	21-64862201	Shuanbao LIU		residential
204	Shanghai Yi Li Da Furniture Factory	No. 3598 Bei Di Road, Shanghai	21-62202124	Shiming CHEN		residential
205	Shanghai Lu Jiu Furniture Co., Ltd.	No. 85 Cao Dong Zhi Road, Shanghai	21-64270683	Haiou WANG		residential, upholstery
206	Shanghai Ji Xiang Sofa Factory	No. 111 Xin Dong Road, Min Hang District, Shanghai	21-64788812	Jinglong FAN		upholstery
207	Shanghai Hui Lin Co., Ltd.	No. 868 Qu Yang Road, Hong Kou District, Shanghai	21-65542292	Yinqi SUN		residential
208	Shanghai Hua Shun Furniture Factory	No. 21 Lane 485 Zhen Da Road, Shanghai	21-56505028	Minghua LIU		residential, upholstery
209	Shanghai Fu Hui Furniture Co., Ltd.	No. 420 Chang Shou Road, Shanghai	21-62660585	Yilong FENG		residential, chair
210	Shanghai Cheng Gong Co., Ltd.	No. 407 Yang Qu Road, Shanghai	21-65914713	Huiqing JIANG		residential, chair
211	Shanghai Ming Zhong Co., Ltd.	No. 156 Yu De Road, Shanghai	21-64380721	Haiping YU		residential, chair, upholstery
212	Shanghai Wen Bei Furniture Factory	No. 2379 Yun Chuan Road, Shanghai	21-56803138	Wenxian CHEN		contract, office
213	Shanghai Qun Yi Furniture Co., Ltd.	No. 3508 Zhen Bei Road, Shanghai	21-63636587	Fugen YU		contract, office
214	Shanghai San Jiao Di Plaza	No. 250 Tang Gu Road, Shanghai	21-63244753	Zhixing DAI		residential, upholstery
215	Shanghai San Se Sofa Factory	No. 994 Chang Ping Road, Shanghai	21-62714402	Guoqiang ZHEN		upholstery
216	Shanghai Yi Yang Furniture Factory	No. 195 He Tian West Road, Shanghai	21-63144243	Xueliang CHEN		upholstery, residential
217	Shanghai Bi Li Hua Furniture Co., Ltd.	No. 172 Nan Dan East Road, Shanghai	21-64274162	Liufang LAN		residential, upholstery
218	Shanghai Article Furniture Market Co., Ltd.	No. 353 Pin Xin Guan Road, Shanghai	21-56304721	Guoxing HU		residential, upholstery, chair
219	Shanghai Zhong Run Furniture Co., Ltd.	No. 752 Zhu Xin Road, Min Hang District, Shanghai	21-64982821	Shenli ZHU		residential, chair

### Furniture Fairs in China 1999

Location	Date	Trade Fair	No. Exhibitors	No. Visitors
<b>Beijing</b>	1990.03.03-08	3r Furniture Fair		
	1999.11.18-21	Furniture World China		
<b>Guangzhou</b>	1999.03.12-15	The 4 <sup>th</sup> Guangzhou International Furniture, Lanterns and Woodworking Machinery Expo		
	1999.08.19-22	The 4 <sup>th</sup> China International Furniture Fair		
<b>Shanghai</b>	1999.05.27-30	Furniture & Office Facilities China '99 and Office & Automation China '99 and Lightening China '99	500	
	1999.08.18-21	The 3 <sup>rd</sup> Int'l Furniture Show '99		50.000
	1999.09.14-17	The 5 <sup>th</sup> China International Furniture Expo	450	40.000
	1999.11	Shanghai International Furniture Saloon		
	1999.03.23-26	2 <sup>nd</sup> Shanghai International Furniture Accessories and Manufacturing	153	15.000
<b>Dalian</b>	1999.07.14-17	The 4 <sup>th</sup> Dalian Int'l Furniture and Woodworking Machinery Exhibition	830	100.000

## FURNITURE ASSOCIATIONS

- 1. China Furniture Industry Information**  
No. 89, Shi Tan Lane  
East Nanjing Road  
Shanghai  
Tel: 021 63221159  
Fax: 63509665
- 2. Guangdong Furniture Association**  
Rm 1804, LiHua Building  
No. 92 Donghuaxi Road  
Guangzhou  
Tel. 020- 83860378  
Fax. 020 - 83804447
- 3. Guangzhou Furniture Association**  
9/F, No. 133 Wan Fu Road  
510110 Guangzhou  
Tel: 020 - 83389710  
Fax: 020 - 83389710
- 4. Shenzhen Furniture Association**  
3/F, No. 11 Yan Nan Road  
518031 Shenzhen  
Tel: 0775 - 3345773  
Fax: 0775 - 3321821
- 5. Dongguan Furniture Association**  
4/F Jin Ma Building  
Guan Tai Road  
511700 Dong Guan City  
Guangdong  
Tel: 0769 - 2452150  
Fax: 069 - 2469586
- 6. Shunde Furniture Association**  
2/F C, Long Jiang Commerce & Trade Plaza  
Long Zhou Road  
Long Jiang Town  
Shunde City  
Guangdong  
Tel: 075 - 3368413  
Fax: 0765 - 3369413



**Zhongshan Furniture Association**

4/F, No. 28 Qi Guan Xi Road

Shi Qi Zhongshan

Tel: 0760 - 8920772

Fax: 0760 - 8802772