

HOMERITZ

HOMERITZ CORPORATION BERHAD

(Company No. 805792-X)
 Lot 8726, PTD 6023, Batu 8, Kawasan Perindustrian Bukit Bakri, 84200 Muar, Johor Darul Takzim, Malaysia.
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HOMERITZ CORPORATION BERHAD

PROSPECTUS

Prospectus

THIS PROSPECTUS IS DATED
 27 JANUARY 2010

HOMERITZ HOMERITZ CORPORATION BERHAD

(Company No. 805792-X)
 (Incorporated in Malaysia under the Companies Act, 1965)

PUBLIC ISSUE OF 9,000,000 NEW ORDINARY SHARES OF RM0.20 EACH COMPRISING:-

- 1,000,000 NEW ORDINARY SHARES OF RM0.20 EACH AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND BUSINESS ASSOCIATES; AND
- 8,000,000 NEW ORDINARY SHARES OF RM0.20 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;

AND

OFFER FOR SALE OF 35,020,000 ORDINARY SHARES OF RM0.20 EACH COMPRISING:-

- 20,000,000 ORDINARY SHARES OF RM0.20 EACH BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY
- 8,020,000 ORDINARY SHARES OF RM0.20 EACH BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED INVESTORS; AND
- 7,000,000 ORDINARY SHARES OF RM0.20 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC

AT AN ISSUE/OFFER PRICE OF RM0.65 PER ORDINARY SHARE PAYABLE IN FULL ON APPLICATION IN CONJUNCTION WITH OUR LISTING ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

Adviser, Sole Underwriter and Placement Agent



MIMB INVESTMENT BANK BERHAD (10209-W)
 A Participating Organisation of Bursa Malaysia Securities Berhad



INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS.
 IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER.
 PLEASE REFER TO "RISK FACTORS" AS SET OUT IN SECTION 4 HEREIN.

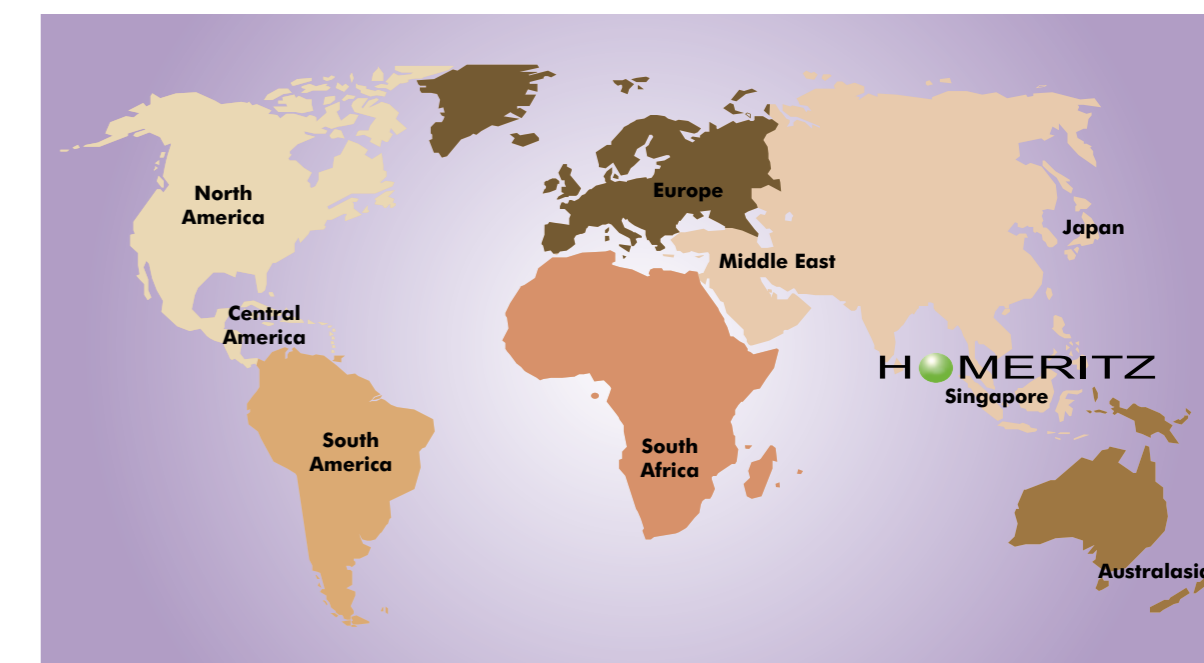
OUR VISION

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

OUR BUSINESS

- Manufacturer of a complete range of upholstered home furniture products.
- Principal products include leather or fabric based sofas, dining chairs and bed frames.
- Approximately 86% of total revenue for FY2009 is derived from Original Design Manufacturer (ODM) sales.
- Approximately 99% of total revenue for FY2009 is generated from overseas with over 40 countries worldwide.
- Manufacturing operations within 4 plants located in Muar, Johor with total built-up area of about 348,000 sq. ft.

OUR OVERSEAS MARKETS

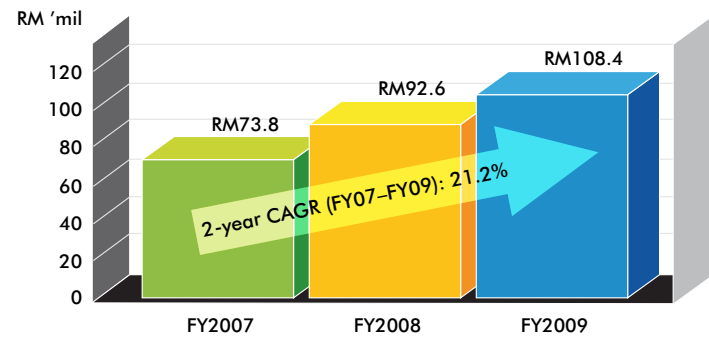


OUR STRENGTHS

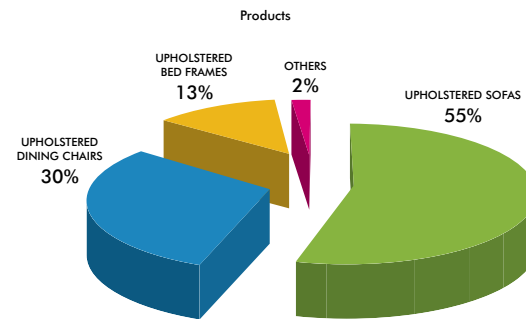
- One of the leading producers in Malaysia which offer a complete range of upholstered home furniture products.
- Possess fully integrated manufacturing operations.
- Outstanding product design and development.
- Strong commitment to produce quality home furniture products.
- Own the "ERITZ" brand name.
- Established and diverse clientele base worldwide.
- Low gearing and strong cash flows.

OUR FINANCIAL HIGHLIGHTS

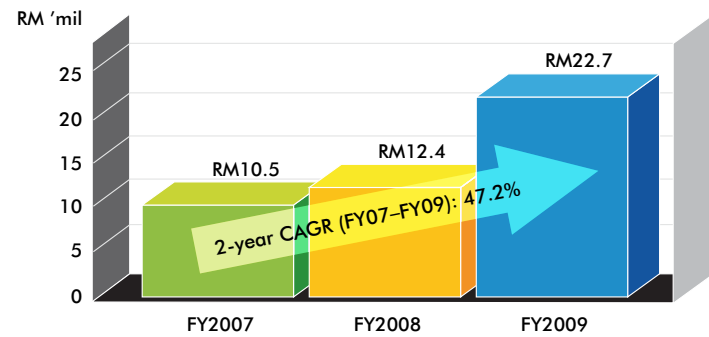
Group Revenue (RM 'mil)



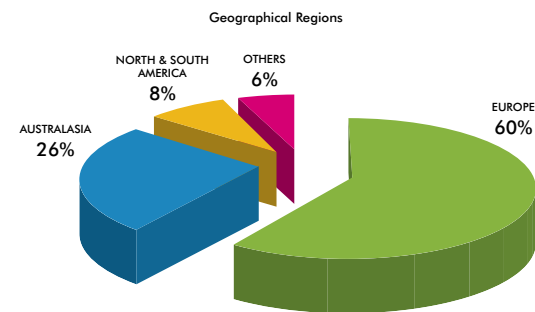
Revenue by Products FY2009



Net Profits (RM 'mil)



Revenue by Regions FY2009



OUR PRODUCTS

Upholstered Sofas



Upholstered Dining Chairs & Dining Tables



Upholstered Bed Frames



OUR ACHIEVEMENTS



- Received the **Golden Bull Award** in 2008, ranking 1st out of 100 outstanding SMEs
- Won the **Enterprise 50 Award** for 2 consecutive years in 2008 and 2009



- Received the **'Product Excellence Award'** and **'Asian Furniture Leadership Award'** at the Malaysian Furniture Leadership Awards in 2009

OUR FUTURE PLANS & STRATEGIES

- To increase production capacity by expanding locally and overseas to cater for the rising demand for our products.
- To introduce new products and new designs to the existing product range.
- To further expand and diversify customer base and broaden geographical coverage particularly into North and South America, and Africa.
- To produce and sell 50% of the total upholstered home furniture under own brand name, "ERITZ", within the next five (5) years.

RESPONSIBILITY STATEMENTS

THE DIRECTORS AND PROMOTERS OF THE COMPANY HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THAT THERE IS NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS WHICH IF OMITTED, WOULD MAKE ANY STATEMENT IN THE PROSPECTUS FALSE OR MISLEADING.

MIMB INVESTMENT BANK BERHAD, BEING THE ADVISER, SOLE UNDERWRITER AND PLACEMENT AGENT, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE INITIAL PUBLIC OFFERING ("IPO").

STATEMENTS OF DISCLAIMER

THE SECURITIES COMMISSION ("SC") HAS APPROVED THE IPO AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE APPROVAL, AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS. **YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS, OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

THE VALUATION UTILISED FOR THE PURPOSE OF OUR CORPORATE PROPOSALS SHOULD NOT BE CONSTRUED AS AN ENDORSEMENT BY THE SC ON THE VALUE OF THE SUBJECT ASSETS.

APPROVAL HAS BEEN OBTAINED FROM BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") FOR THE LISTING OF AND QUOTATION FOR THE SECURITIES BEING OFFERED. ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE INVITATION, THE COMPANY OR ITS SECURITIES.

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

A COPY OF THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORMS, HAVE ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

ADDITIONAL STATEMENTS

ACCEPTANCE OF APPLICATIONS FOR THE SECURITIES BEING OFFERED WILL BE CONDITIONAL UPON PERMISSION BEING GRANTED BY BURSA SECURITIES TO DEAL IN AND QUOTATION FOR THE ENTIRE ENLARGED ISSUED AND FULLY PAID-UP SHARE CAPITAL ON THE MAIN MARKET OF BURSA SECURITIES. ACCORDINGLY, MONIES PAID IN RESPECT OF ANY APPLICATION ACCEPTED WILL BE RETURNED WITHOUT INTEREST IF THE SAID PERMISSION FOR LISTING IS NOT GRANTED WITHIN 6 WEEKS FROM THE DATE OF THIS PROSPECTUS (OR SUCH LONGER PERIOD AS MAY BE SPECIFIED BY THE SC) PROVIDED THAT THE COMPANY IS NOTIFIED BY OR ON BEHALF OF BURSA SECURITIES WITHIN THE AFORESAID TIME FRAME. IF ANY SUCH MONIES ARE NOT REPAYED WITHIN 14 DAYS AFTER THE COMPANY BECOMES LIABLE TO REPAY IT, THE PROVISION OF SUBSECTION 243(2) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("CMSA") SHALL APPLY ACCORDINGLY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THE PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DISTRIBUTION OF THIS PROSPECTUS AND THE IPO ARE SUBJECT TO MALAYSIAN LAWS. THE COMPANY, ITS PROMOTERS, OFFERORS, ADVISER, SOLE UNDERWRITER AND PLACEMENT AGENT TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS OUTSIDE MALAYSIA. NO ACTION HAS BEEN TAKEN TO PERMIT A PUBLIC OFFERING OF THE SHARES BASED ON THIS PROSPECTUS OR THE DISTRIBUTION OF THE PROSPECTUS OUTSIDE MALAYSIA. THIS PROSPECTUS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY THE SHARES IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH AN OFFER OR INVITATION IS NOT AUTHORISED OR IS UNLAWFUL. THIS PROSPECTUS SHALL ALSO NOT BE USED TO MAKE AN OFFER OF OR INVITATION TO BUY THE SHARES TO ANY PERSON TO WHOM IT IS UNLAWFUL TO DO SO. THE COMPANY, ITS PROMOTERS, OFFERORS, ADVISER, SOLE UNDERWRITER AND PLACEMENT AGENT REQUIRE YOU TO INFORM YOURSELF AND TO OBSERVE SUCH RESTRICTIONS.

THIS PROSPECTUS IS PREPARED AND PUBLISHED SOLELY IN CONNECTION WITH THE IPO UNDER THE LAWS OF MALAYSIA. THE SHARES ARE OFFERED IN MALAYSIA SOLELY BASED ON THE CONTENTS OF THIS PROSPECTUS. THE COMPANY, ITS PROMOTERS OFFERORS, ADVISER, SOLE UNDERWRITER AND PLACEMENT AGENT HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THIS PROSPECTUS.

ELECTRONIC PROSPECTUS

THIS PROSPECTUS CAN BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT WWW.BURSAMALAYSIA.COM. THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC ARE THE SAME.

YOU MAY ALSO OBTAIN A COPY OF THE ELECTRONIC PROSPECTUS FROM THE WEBSITE OF MALAYAN BANKING BERHAD AT [HTTP://WWW.MAYBANK2U.COM.MY](http://WWW.MAYBANK2U.COM.MY), THE WEBSITE OF RHB BANK BERHAD AT [HTTP://WWW.RHBBANK.COM.MY](http://WWW.RHBBANK.COM.MY), THE WEBSITE OF CIMB INVESTMENT BANK BERHAD AT [HTTP://WWW.EIPOCIMB.COM](http://WWW.EIPOCIMB.COM), THE WEBSITE OF CIMB BANK BERHAD AT [HTTP://WWW.CIMBCLICKS.COM.MY](http://WWW.CIMBCLICKS.COM.MY) AND THE WEBSITE OF AFFIN BANK BERHAD AT [HTTP://WWW.AFFINONLINE.COM](http://WWW.AFFINONLINE.COM).

YOU ARE ADVISED THAT THE INTERNET IS NOT A FULLY SECURED MEDIUM, AND THAT YOUR INTERNET SHARE APPLICATION MAY BE SUBJECT TO THE RISKS OF PROBLEMS OCCURRING DURING THE DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

IF YOU DOUBT THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM THE COMPANY, THE PRINCIPAL ADVISER OR THE ISSUING HOUSE, A PAPER/PRINTED COPY OF THIS PROSPECTUS.

IN THE EVENT OF ANY DISCREPANCIES ARISING BETWEEN THE CONTENTS OF THE ELECTRONIC AND THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS FOR ANY REASON WHATSOEVER, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS WHICH ARE IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED WITH THE SC SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (REFERRED TO AS "**THIRD PARTY INTERNET SITES**"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:

- (i) THE COMPANY DOES NOT ENDORSE AND IS NOT AFFILIATED IN ANY WAY WITH THE THIRD PARTY INTERNET SITES AND IS NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENTS OR ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. YOU SHALL BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;
- (ii) THE COMPANY IS NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, FOR FULFILLING ANY OF THE TERMS OF YOUR AGREEMENTS WITH THE THIRD PARTY INTERNET SITES.

THE COMPANY IS ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COSTS THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE OF ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND

- (iii) ANY DATA, INFORMATION, FILES OR OTHER MATERIAL DOWNLOADED FROM THIRD PARTY INTERNET SITES IS DONE AT YOUR OWN DISCRETION AND RISK. THE COMPANY IS NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, YOU ARE ADVISED THAT:

- (a) THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS SITUATED ON THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS AND SHALL NOT BE RESPONSIBLE IN ANY WAY FOR THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS WHICH HAS BEEN DOWNLOADED OR OTHERWISE OBTAINED FROM THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS AND THEREAFTER COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES; AND

- (b) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF AN ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED AS THE INTERNET IS NOT A FULLY SECURED MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS SHALL NOT BE LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COSTS, YOU OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT OR FAULTS WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT OR FAULTS ON YOUR OR ANY THIRD PARTY'S PERSONAL COMPUTER, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, AND/OR PROBLEMS OCCURRING DURING DATA TRANSMISSION, WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON YOUR PERSONAL COMPUTER.

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INDICATIVE TIMETABLE

The indicative timing of events leading to the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities is set out below:

Events	Dates
Opening of Application for the IPO Shares	27 January 2010
Closing of Application for the IPO Shares	5 February 2010
Tentative Balloting Date	9 February 2010
Tentative Allotment Date	12 February 2010
Tentative Listing Date	19 February 2010

The above dates are tentative and are subject to changes which may be necessary to facilitate implementation procedures. The application period will open at 10.00 a.m. on 27 January 2010 and remain open until 5.00 p.m. on 5 February 2010 or such further period or periods as our Directors and the Sole Underwriter may in their absolute discretion mutually decide

Should the closing date of the application be extended, the dates for the balloting, allotment of IPO Shares, and the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities would be extended accordingly. Any change to the closing date of the application will be advertised in widely circulated English and Bahasa Malaysia newspapers in Malaysia.

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DEFINITIONS

Unless otherwise indicated, the following definitions shall apply throughout this Prospectus:-

“Acquisitions”	: Acquisitions of the entire issued and paid-up share capital of:-
	(a) HUI comprising 450,000 ordinary shares of RM1.00 each for a total purchase consideration of RM36,179,475 to be satisfied by the issuance of 72,358,950 new Shares at an issue price of RM0.50 per Share; and
	(b) USF comprising 50,002 ordinary shares of RM1.00 each for a total purchase consideration of RM1,012,324 to be satisfied by cash.
“Act”	: Companies Act, 1965
“ADA”	: Authorised Depository Agent
“Application Form”	: The printed application form for the application of the IPO Shares accompanying this Prospectus
“ATM”	: Automated Teller Machine
“Board”	: Board of Directors
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd
“Bursa Securities”	: Bursa Malaysia Securities Berhad
“CDS”	: Central Depository System
“Central Depositories Act”	: The Securities Industry (Central Depositories) Act, 1991
“DOE”	: The Department of Environment
“Electronic Share Application”	: Application for the IPO Shares through a participating financial institution’s ATM
“EPS”	: Earnings per share
“EU”	: European Union
“Factory A”	: A single-storey factory building together with a three-storey office annexe owned by HUI and situated at Lot 8726
“Factory B”	: A single-storey factory building owned by HUI and situated at Lot 9495
“Factory C”	: A single-storey factory building together with a double-storey office annexe owned by HUI and situated at Lots 4943 & 4944
“Factory D”	: A double-block of single-storey factory building rented by HUI and situated at Lot 9493
“Foam”	: Polyurethane foam
“FYE”	: Financial year(s) ended/ending 31 August, as the case may be
“Homeritz” or “Company”	: Homeritz Corporation Berhad

DEFINITIONS

“Homeritz Group” or “Group”	:	Homeritz and its wholly-owned subsidiary companies, HUI and USF
“HUI”	:	Home Upholstery Industries Sdn Bhd
“HUI Group”	:	HUI and its formerly owned subsidiary company, USF
“IPO”	:	Initial public offering comprising collectively, our Public Issue and the Offer for Sale
“IPO Price”	:	The issue and offer price of RM0.65 per Share pursuant to the Public Issue and Offer for Sale
“IPO Shares”	:	Comprising collectively, the Public Issue Shares and Offer Shares
“Latest Practicable Date”	:	15 December 2009, being the latest practicable date prior to the registration of this Prospectus or as otherwise stated
“Listing”	:	Listing of and quotation for our entire issued and paid-up share capital of 200,000,000 Shares on the Main Market of Bursa Securities
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“Listing Scheme”	:	Comprising collectively the Acquisitions, Subdivision, Share Consolidation, Rights Issue, Offer for Sale, Public Issue and Listing
“Lots 4943 & 4944”	:	Lot Nos. 4943 and 4944, Geran 85825 and 85826, both in the Mukim of Jalan Bakri, District of Muar, State of Johor
“Lot 8726”	:	Lot No. 8726, PN 9634, Mukim of Jalan Bakri, District of Muar, State of Johor
“Lot 9493”	:	Lot PTD No. 9493, HS(D) 31614, Mukim of Jalan Bakri, District of Muar, State of Johor
“Lot 9495”	:	Lot PTD No. 9495, HSD 31616, Mukim of Jalan Bakri, District of Muar, State of Johor
“Malaysian Public”	:	Malaysian citizens and companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
“MIDA”	:	Malaysian Industrial Development Authority
“MIMB”	:	MIMB Investment Bank Berhad
“MITI”	:	Ministry of International Trade and Industry
“MPM”	:	Majlis Perbandaran Muar
“NA”	:	Net assets
“NBV”	:	Net book value
“Non-woven fabric”	:	Engineered fabric are those which are neither woven nor knit, and are manufactured by bonding small fibres together either mechanically, thermally or chemically
“NTA”	:	Net tangible assets

DEFINITIONS

“ODM”	:	Original Design Manufacturer
“OEM”	:	Original Equipment Manufacturer
“Offer for Sale”	:	Offer for sale by the Offerors of 35,020,000 Shares at the IPO Price comprising the following:- <ul style="list-style-type: none"> (a) 20,000,000 Shares by way of private placement to Bumiputera investors approved by the MITI; (b) 8,020,000 Shares by way of private placement to identified investors; and (c) 7,000,000 Shares available for application by the Malaysian Public
“Offerors”	:	Comprising collectively, Chua Fen Fatt and Tee Hwee Ing
“Offer Shares”	:	35,020,000 Shares to be offered for sale pursuant to the Offer for Sale
“PAT”	:	Profit after taxation
“PBT”	:	Profit before taxation
“PE Multiple”	:	Price-earnings multiple
“Pink Form Allocations”	:	The allocation of 1,000,000 Shares to our eligible Directors, employees and business associates pursuant to the Public Issue
“Properties”	:	Comprising collectively Factories A, B and C which are owned by the Group
“Promoters”	:	Comprising collectively, Chua Fen Fatt, Tee Hwee Ing and Chua Fen Lee
“Public Issue”	:	Public issue by our Company of 9,000,000 new Shares at the IPO Price comprising the following:- <ul style="list-style-type: none"> (a) 1,000,000 new Shares available for application by our eligible Directors, employees and business associates under the Pink Form Allocations; and (b) 8,000,000 new Shares available for application by the Malaysian Public
“Public Issue Shares”	:	9,000,000 Shares to be made available for application pursuant to the Public Issue
“PU”	:	Polyurethane
“PVC”	:	Polyvinyl chloride
“R&D”	:	Research, design and development
“Rights Issue”	:	Renounceable rights issue of 10,102,615 new Shares at an issue price of RM0.20 per share to all existing shareholders of Homeritz after the Subdivision and Share Consolidation
“RM” and “sen”	:	Ringgit Malaysia and sen respectively

DEFINITIONS

“ROC”	:	Registrar of Companies
“SC”	:	Securities Commission
“SC Guidelines”	:	Guidelines on the Offering of Equity and Equity-Linked Securities issued by the SC
“Share(s)” or “Homeritz Share(s)”	:	Ordinary shares of RM0.20 each in Homeritz
“Share Consolidation”	:	Share consolidation involving the consolidation of each of the 361,794,770 ordinary shares of RM0.10 each in Homeritz into 180,897,385 ordinary shares of RM0.20 each in Homeritz, on the basis of the consolidation of two (2) ordinary shares of RM0.10 each in Homeritz into one (1) ordinary share of RM0.20 each in Homeritz, after the Subdivision but before the Rights Issue
“Subdivision”	:	Share split involving subdivision of each of the existing 72,358,954 ordinary shares of RM0.50 each in Homeritz into 361,794,770 ordinary shares of RM0.10 each in Homeritz, on the basis of the subdivision of one (1) existing ordinary share of RM0.50 each in Homeritz into five (5) ordinary shares of RM0.10 each in Homeritz after the Acquisitions but before the Share Consolidation and Rights Issue
“Underwriting Agreement”	:	The underwriting agreement dated 30 December 2009 entered into between Homeritz, the Offerors and MIMB pursuant to the IPO
“USA”	:	United States of America
“USD”	:	United States Dollars
“USF”	:	U.S. Furniture Manufacturing Sdn Bhd
“Veromca”	:	Veromca Furniture Industries Sdn Bhd

Words importing the singular include the plural and vice versa. Words importing a gender include any gender. References to persons include a corporation.

Any reference to any statute and legislation in this Prospectus shall be a reference to the statute or legislation of Malaysia and includes any statutory modification, amendment or re-enactment thereof, unless otherwise indicated.

Any reference to a time of day in this Prospectus shall be a reference to Malaysian time, unless otherwise stated.

Any reference to words such as “we”, “us”, “our” and “ourselves” in this Prospectus shall be a reference to our Company, our Group or any member company of our Group as the context requires, unless otherwise stated.

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
Chua Fen Fatt <i>(Managing Director)</i>	No. 166, Taman Pertama Jalan Sungai Abong 84000 Muar, Johor	Company Director	Malaysian
Tee Hwee Ing <i>(Executive Director)</i>	No. 166, Taman Pertama Jalan Sungai Abong 84000 Muar, Johor	Company Director	Malaysian
Mohd Khasan Bin Ahmad <i>(Independent Non-Executive Director)</i>	Lot 80, Lorong Bistari 2 Kampung Seri Aman 47100 Puchong Selangor	Company Director	Malaysian
Shamsudin @ Samad Bin Kassim <i>(Independent Non-Executive Director)</i>	53, Jalan SS3/53 Taman Subang 47300 Petaling Jaya Selangor	Company Director	Malaysian
Tay Puay Chuan <i>(Independent Non-Executive Director)</i>	32 Jalan Putera 3 Taman Putera Indah 84000 Muar Johor	Lawyer	Malaysian

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

1. CORPORATE DIRECTORY

- REGISTERED OFFICE** : No. 8, 1st Floor
Jalan Pesta 1/1
Taman Tun Dr Ismail 1
Jalan Bakri
84000 Muar, Johor
Telephone number: 606 9541 706
- HEAD OFFICE** : Lot 8726 PTD 6023
Batu 8 Kawasan Perindustrian Bukit Bakri
84200 Muar, Johor
Telephone number: 606 9865 000
- EMAIL ADDRESS AND WEBSITE** : Email address: enquiry@eritz.com.my
Website: www.eritz.com.my
- COMPANY SECRETARY** : **Pang Kah Man (MIA 18831)**
c/o LSCA Management Consultants Sdn Bhd
No. 8, 1st Floor
Jalan Pesta 1/1
Taman Tun Dr Ismail 1
Jalan Bakri
84000 Muar, Johor
Telephone number: 606 9541 705
- AUDITORS & REPORTING ACCOUNTANTS FOR THE LISTING** : **SC Lim, Ng & Co. (AF 0681)**
Chartered Accountants
No. 8, 2nd Floor
Jalan Pesta 1/1
Taman Tun Dr Ismail 1
Jalan Bakri
84000 Muar, Johor
Telephone number: 606 9529 939
- SOLICITORS FOR THE LISTING** : **Chee Siah Le Kee & Partners**
No. 105
Taman Melaka Raya
75000 Melaka
Telephone number: 606 2833 423
- PRINCIPAL BANKERS** : **HSBC Bank Malaysia Berhad**
No. 15 Jalan Petrie
84000 Muar, Johor
Telephone number: 606 9523 169
- AmBank (M) Berhad**
Ground, 1st & 2nd Floor
No 161 Jalan Sulaiman
84000 Muar, Johor
Telephone number: 606 9537 276
- INDEPENDENT VALUER** : **Colliers Jordan Lee & Jaafar (M'cca) Sdn Bhd**
No. 288 Jalan Melaka Raya 2
Taman Melaka Raya
75000 Melaka
Telephone number: 606 283 5522

1. CORPORATE DIRECTORY

INDEPENDENT MARKET RESEARCHER	:	Frost & Sullivan Malaysia Sdn Bhd Suite E-08-15 Block E Plaza Mont' Kiara 2 Jalan Kiara Mont' Kiara 50480 Kuala Lumpur Telephone number: 603 6204 5800
ADVISER, SOLE UNDERWRITER AND PLACEMENT AGENT	:	MIMB Investment Bank Berhad 21 st Floor Menara EON Bank 288 Jalan Raja Laut 50350 Kuala Lumpur Telephone number: 603 2691 0200
ISSUING HOUSE AND SHARE REGISTRAR	:	MIDF Consultancy and Corporate Services Sendirian Berhad Level 8, Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Telephone number: 603 2173 8888
LISTING SOUGHT	:	Main Market of Bursa Securities

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2. INFORMATION SUMMARY

The information contained in this section is intended only to be a summary of some salient information relating to our Group and the IPO, and the information concerned is derived from and should be read in conjunction with the full text of this Prospectus. You should read and understand the whole Prospectus prior to deciding whether to invest in our Shares.

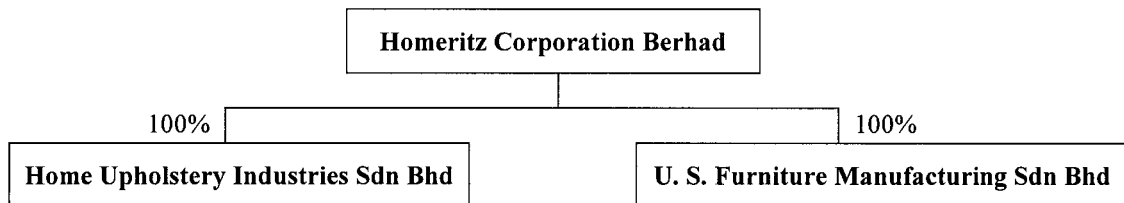
2.1 HISTORY AND BUSINESS

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

We are principally an integrated ODM and OEM player with a complete range of upholstered home furniture products. As an ODM, we design and manufacture furniture for our customers whereas, as an OEM, we manufacture furniture based on designs provided to us. For the FYE 2009, approximately 86% of our Group's revenue was contributed by ODM sales with the remaining 14% from OEM sales. Since commencement of business in 1997, our primary activity revolves around the design, manufacture and sale of upholstered home furniture which includes upholstered sofas, upholstered dining chairs and upholstered bed frames. Presently, we are operating in 4 plants including 1 rented factory and they are located in Kawasan Perindustrian Bukit Bakri, Muar, Johor with a total built-up area of approximately 348,000 sq. ft.

We are one of the leading upholstered home furniture manufacturers in Malaysia and our products are mainly focused on 'medium to high end range' of upholstered home furniture. We design our furniture products primarily based on Western stylishness and preferences. We believe we have earned a strong reputation for our product quality and reliability with approximately 99% of our Group's revenue contributed from overseas and presently, we export our products to more than 40 countries across the world covering Europe, Australasia, North and South America, Asia and Africa.

The structure of our Group and the principal activities of our subsidiaries are as set out below:-



Subsidiaries	Principal Activity
HUI	Design, manufacture and sale of upholstered furniture products
USF	Property investment holding

As at the date of this Prospectus, we do not have any associated company.

Details on our history and business overview are set out in Sections 5 and 6 respectively of this Prospectus.

2. INFORMATION SUMMARY

2.2 COMPETITIVE STRENGTHS

Our competitive strengths are as follows:-

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

We are one of the leading upholstered home furniture manufacturers in Malaysia which produce a complete range of 'medium to high end' upholstered home furniture products including upholstered sofas, upholstered dining chairs and upholstered bed frames.

- (b) Integrated manufacturing operations

We are a fully integrated home furniture manufacturer as we are involved in the various key stages of the manufacturing process of our products. Consequently, we are able to have better control over the quality of our products as well as our production costs.

- (c) Outstanding product design and development

Led by our Managing Director, Chua Fen Fatt, our R&D team has extensive knowledge and hands-on experience in the upholstered home furniture industry.

- (d) Strong commitment to quality

We place great emphasis on and have strong commitment to produce quality home furniture products that meet the demands and expectations of our customers. In addition, we also recognise the importance of maintaining and improving our quality standards to ensure high customer satisfaction and low return of goods that are sold.

- (e) Own brand name

We aim to manufacture and sell 50% of the total upholstered home furniture under our own brand name "ERITZ within the next five (5) years. We believe that our own products will give us a competitive advantage in capturing business opportunities in this highly competitive industry and provide us with a solid platform for expanding into new markets.

- (f) Established and diverse clientele base

Over the past five (5) years, our diversified clientele base has grown from 23 countries (in FYE 2005) to more than 40 countries, spreading over various continents in the world.

- (g) Low gearing and strong cash flows

Our gearing as at 31 August 2009 is about 0.21 times whilst the cash and cash equivalents as at the same date amount to RM20.7 million.

Details on our competitive strengths are set out in Section 6.17 of this Prospectus.

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2. INFORMATION SUMMARY

2.3 FUTURE PLANS AND STRATEGIES

Our future plans and strategies are as follows:-

- (a) We intend to increase our production capacity by expanding locally as well as to set up manufacturing operations in Vietnam.
- (b) We are presently undertaking R&D to introduce new products as well as new designs to our existing products.
- (c) We intend to further expand and diversify our customer base and broaden our geographical coverage particularly into North and South America, and Africa.
- (d) We aim to manufacture and sell 50% of the total upholstered home furniture under our own brand name, "ERITZ", within the next five (5) years.

Details on our future plans and strategies are set out in Section 6.18 of this Prospectus.

2.4 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

Our Promoters, substantial shareholders, Directors and key management personnel are as follows:-

Name	Designation
<i>Promoters</i>	
Chua Fen Fatt	Managing Director
Tee Hwee Ing	Executive Director
Chua Fen Lee	Assistant Purchasing Manager
<i>Directors</i>	
Chua Fen Fatt	Managing Director
Tee Hwee Ing	Executive Director
Shamsudin @ Samad Bin Kassim	Independent Non-Executive Director
Mohd Khasan Bin Ahmad	Independent Non-Executive Director
Tay Puay Chuan	Independent Non-Executive Director
<i>Key Management Personnel</i>	
Chua Fen Fatt	Managing Director
Tee Hwee Ing	Executive Director
Pua Yu Heng	Marketing Manager
Wee See Yee	Group Accountant
Tan Yang Song	Chief Designer
Chua Fen Lee	Assistant Purchasing Manager
Wong Seah Wei	Administration and Human Resources Manager
Sia Chee Shong	Quality Assurance Manager

Details of our Promoters, substantial shareholders, Directors and key management personnel are set out in Section 8 of this Prospectus.

2. INFORMATION SUMMARY

2.5 FINANCIAL HIGHLIGHTS

2.5.1 Proforma Consolidated Income Statements

The table below sets out selected items from our proforma consolidated income statements for the past three (3) FYE 2007 to 2009. The proforma figures are provided for illustrative purposes only on the assumption that our Group structure has been in existence during the period under review.

	Audited		
	2007 RM'000	FYE 31 August 2008 RM'000	2009 RM'000
Revenue	73,804	92,550	108,439
Gross profit	16,749	20,652	32,537
Earnings before interest, taxation, depreciation and amortisation	12,341	15,009	26,812
PBT	11,681	13,709	24,958
PAT	10,466	12,381	22,678
No. of ordinary shares of RM0.20 each assumed to be in issue ('000)*	180,897	180,897	180,897
Gross earning per share (RM)	0.06	0.08	0.14
Net earnings per share (RM)	0.06	0.07	0.13

* Based on the issued and paid-up share capital of 180,897,385 ordinary shares of RM 0.20 each in Homeritz after the Acquisitions, Subdivision and Share Consolidation but prior to the Rights Issue and IPO.

There were no exceptional or extraordinary items during the period under review.

Detailed information on our proforma consolidated income statements is set out in Section 11.1 of this Prospectus.

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2. INFORMATION SUMMARY

2.5.2 Proforma Consolidated Balance Sheet

The summary of our proforma consolidated balance sheet as at 31 August 2009 as set out below is provided for illustrative purposes only to show the effects of the Listing Scheme on the assumption that it had been completed on 31 August 2009.

	Audited as at 31 August 2009 RM'000
Non-Current Assets	33,814
Current Assets	40,718
Current Liabilities	(24,854)
Net Current Assets	15,864
Non-Current Liabilities	(7,456)
	<u>42,222</u>
Share capital and reserves	<u>42,222</u>
NTA/NA	42,222
NTA/NA per Share (RM)	0.21

Detailed information on our proforma consolidated balance sheet is set out in Section 11.2 of this Prospectus.

2.5.3 Proforma Consolidated Cash Flow Statement

The summary of our proforma consolidated cash flow statement for the FYE 2009 as set out below is provided for illustrative purposes only and on the assumption that our Group structure has been in existence during the period under review.

	Audited FYE 2009 RM'000
Net cash from operating activities	23,681
Net cash used in investing activities	(2,653)
Net cash used in financing activities	(8,878)
Net increase in cash and cash equivalents	12,150
Effect of exchange difference	(20)
Cash and cash equivalents at the beginning of financial year	8,574
Cash and cash equivalents at the end of financial year	<u>20,704</u>

Detailed information on our proforma consolidated cash flow statement is set out in Section 11.3 of this Prospectus.

2.5.4 Audit Qualifications

The auditors of Homeritz have reported on the audited financial statements of Homeritz for the financial period from 6 February 2008 (date of incorporation) to 31 August 2008 and the FYE 2009 without any audit qualifications.

The auditors of all the subsidiary companies of Homeritz have reported on the respective audited financial statements of the said companies for the past three (3) FYE 2007 to 2009 without any audit qualifications.

2. INFORMATION SUMMARY

2.6 DIVIDEND POLICY

Our Company presently does not have any formal dividend policy. Upon Listing, our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group while maintaining an optimal capital structure and ensuring sufficient funds for the future growth of our Group. In this regard, we envisage a dividend payout ratio of not less than 40% of our future net profits to our shareholders in each financial year. Nevertheless, the Board intends to recommend and distribute at least 50% of our net profits for FYE 2010 attributable to shareholders as dividends subject to the factors outlined below.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of the Company's future dividends which are subject to modification (including reduction or non-declaration thereof) at the Board's absolute discretion.

Our ability to pay future dividends to our shareholders is subject to various factors including but not limited to our financial performance, cash flow requirements, availability of distributable reserves and tax credits, future expansion plans and capital expenditure requirements.

As the Company is a holding company, its income, and therefore its ability to pay dividends, is dependent upon the dividends and other distributions that it receives from its subsidiaries. The payment of dividends or other distributions by the Company's subsidiaries will depend upon their operating results, financial condition, capital expenditure plans, loan covenants and other factors that their respective boards of directors deem relevant.

Detailed information on the dividend policy is set out in Section 12.6 of this Prospectus.

2.7 PRINCIPAL STATISTICS RELATING TO THE IPO

	Number of Shares	Nominal Value RM
Authorised share capital	500,000,000	100,000,000
Issued and fully paid-up as at the date of this Prospectus	191,000,000	38,200,000
To be issued pursuant to the Public Issue	9,000,000	1,800,000
Enlarged issued and paid-up share capital upon Listing	200,000,000	40,000,000
To be offered pursuant to the Offer for Sale	35,020,000	7,004,000
IPO Price per Share (RM)		0.65
Proforma consolidated NTA as at 31 August 2009		
- NTA (RM)*		42,222,000
- NTA per Share (RM) **		0.21
Market capitalisation upon Listing (RM)		130,000,000

Notes:-

* After taking into account our Public Issue and deducting estimated listing expenses amounting to RM2.0 million.

** Based on enlarged issued and paid-up share capital of 200,000,000 Shares.

Detailed information on the IPO and our proforma consolidated NTA are set out in Sections 3 and 11.2 of this Prospectus respectively.

2. INFORMATION SUMMARY

2.8 UTILISATION OF PROCEEDS

The total estimated gross proceeds to be raised by our Company from our Rights Issue and Public Issue of RM7.87 million shall be utilised in the following manner:-

Utilisation of Proceeds	RM'000
1. Capital expenditure	5,720
2. General working capital	151
3. Estimated listing expenses	2,000
Total	7,871

The total estimated gross proceeds from the Offer for Sale amounting to RM22.76 million shall accrue entirely to the Offerors. The Offerors shall bear all incidental expenses relating to the Offer for Sale.

Detailed information on our utilisation of proceeds is set out in Section 3.10 of this Prospectus.

2.9 RISK FACTORS

Before applying for our IPO Shares, you should carefully consider the following material risk factors in addition to the other information contained elsewhere in this Prospectus.

(a) Risks relating to our Group:-

- Business risk.
- Dependency on major customers.
- Dependency on major suppliers.
- Absence of long term contracts
- Availability and volatility in prices of raw materials.
- Competition.
- Dependency on key executives.
- Foreign currency exchange risks.
- Changes in the sentiments of the furniture industry, consumer preferences and spending trends.
- Labour market.
- Liability claims.
- Production or operational risks.
- Reliance on intellectual property rights including our trademarks.
- Shipping disruptions.
- Credit risks.
- Interest rate risks.
- Disputes or legal proceedings.
- Future plans and strategies.
- Manufacturing operations in Vietnam.
- Unfavourable economic, social and political considerations.

(b) Risks relating to the investment in our Shares:-

- No prior market for our Shares.
- Failure / delay in or abortion of the Listing.
- Dividend payment.
- Continued control by Promoters

(c) Other risks:-

- Forward-looking / prospective statements.

For a more detailed commentary, please refer to Section 4 of this Prospectus.

3. PARTICULARS OF THE IPO

3.1 INTRODUCTION

This Prospectus is dated 27 January 2010.

A copy of this Prospectus has been registered and lodged with the SC and the ROC respectively, and neither the SC nor the ROC takes any responsibility for its contents.

The approval obtained from the SC via its letters dated 26 September 2008, 26 March 2009, 8 September 2009 and 6 November 2009 for the Listing shall not be taken to indicate that the SC recommends the IPO. You are advised to make your own independent assessment of our Group and should rely on your own evaluation to assess the merits and risks of the IPO and an investment in us.

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as a prescribed security. Therefore, the IPO Shares issued or offered through this Prospectus will be deposited directly with Bursa Depository. Any dealings in our Shares will be carried out in accordance with the Central Depositories Act and the Rules of Bursa Depository.

We have received the approval from Bursa Securities via its letter dated 13 January 2010 for our admission to the Official List of Bursa Securities and for the listing of and quotation for our entire issued and fully paid-up shares on the Main Market of Bursa Securities. Official quotation will commence after the receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of applications for the IPO Shares will be conditional upon permission being granted by Bursa Securities to deal in and quotation for our entire enlarged issued and fully paid-up share capital on the Main Market of Bursa Securities. Accordingly, monies paid in respect of any application accepted will be returned without interest if the said permission for listing is not granted within 6 weeks from the date of this Prospectus (or such longer period as may be specified by the SC) provided that we are notified by or on behalf of Bursa Securities within the aforesaid time frame. If any such monies are not repaid within 14 days after we have become liable to repay it, the provision of sub-Section 243(2) of the Capital Markets and Services Act 2007 shall apply accordingly.

Pursuant to the Listing Requirements, we must have at least 25% of our total number of Shares for which listing is sought, in the hands of a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of listing. If we do not meet the public shareholdings requirement, we may not be allowed to proceed with the Listing. In such an event, we will return in full without interest, monies paid in respect of all applications.

You must have a CDS account when applying for the IPO Shares. In the case of an application by way of Application Form, you must state your CDS account number in the space provided in the Application Form. If you do not presently have a CDS account, you should open a CDS account at an ADA prior to making an application for our IPO Shares. In the case of an application by way of Electronic Share Application, you shall furnish your CDS account number if the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application.

You should rely on the information contained in this Prospectus only. We and our advisers have not authorised anyone else to provide you with any information that is different and not contained in this Prospectus. Neither the delivery of this Prospectus nor any issue/offer made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus.

3. PARTICULARS OF THE IPO

The distribution of this Prospectus and the sale of the IPO Shares in certain other jurisdictions may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation to buy any IPO Share in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

You should rely on your own evaluation to assess the merits and risks of our IPO and an investment in us. If you are in doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

3.2 OPENING AND CLOSING OF APPLICATION PERIOD

The application period will open at 10.00 a.m. on 27 January 2010 and will remain open until at 5.00 p.m. on 5 February 2010 or such further period or periods as our Directors and the Sole Underwriter may in their absolute discretion mutually decide.

3.3 IMPORTANT TENTATIVE DATES

Events	Date
Opening of Application for the IPO Shares	27 January 2010
Closing of Application for the IPO Shares	5 February 2010
Tentative Balloting Date	9 February 2010
Tentative Allotment Date	12 February 2010
Tentative Listing Date	19 February 2010

These dates are tentative and are subject to changes which may be necessary to facilitate the implementation procedures. Our Directors and the Sole Underwriter may, in their absolute discretion, mutually decide to extend the closing date of the application to a further date or dates. Should the closing date of the application be extended, the dates for the balloting, allotment of IPO Shares and the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities would be extended accordingly. Any change to the closing date of the application will be advertised in widely circulated English and Bahasa Malaysia newspapers in Malaysia.

[The rest of this page is intentionally left blank]

3. PARTICULARS OF THE IPO

3.4 DETAILS OF THE IPO

The IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares shall be allocated in the following manner:-

3.4.1 Offer for Sale

35,020,000 Offer Shares made available for sale by the Offerors at the IPO Price in the following manner:-

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

3.4.2 Selling Shareholders

The information on the Offerors under the Offer for Sale is as follows:-

Offerors	Relationship	Address	Before the IPO		Shares offered pursuant to the Offer for Sale			After the IPO	
			No. of Shares	(1) %	No. of Shares	(1) %	(2) %	No. of Shares	(2) %
Chua Fen Fatt	Promoter/ Substantial Shareholder/ Managing Director	No. 166, Taman Pertama, Jalan Sungai Abong, 84000 Muar, Johor	89,349,800	46.78	17,510,000	9.17	8.75	71,839,800	35.92
Tee Hwee Ing	Promoter/ Substantial Shareholder/ Executive Director	No. 166, Taman Pertama, Jalan Sungai Abong, 84000 Muar, Johor	89,349,800	46.78	17,510,000	9.17	8.75	71,839,800	35.92

Notes:-

- (1) Based on existing issued and paid-up share capital of the Company prior to the Public Issue, of 191,000,000 Homeritz Shares.
- (2) Based on enlarged issued and paid-up share capital of the Company after the Public Issue, of 200,000,000 Homeritz Shares.

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3. PARTICULARS OF THE IPO

3.4.3 Public Issue

Public issue by our Company of 9,000,000 new Shares at the IPO Price in the following manner:-

- (a) 1,000,000 Public Issue Shares, representing 0.5% of our enlarged issued and paid-up share capital, will be made available for application by our eligible Directors, employees and business associates of our Group under the Pink Form Allocations, based on the following criteria as approved by the Board.

For Directors and employees:

- length of service;
- designation and position;
- job performance;
- full time employee; and
- at least eighteen (18) years of age.

For business associates:

- length of relationship; and
- contribution and support to the growth of our Group.

Based on the above criteria, there are 58 eligible Directors and employees, and 43 major suppliers who are eligible to participate in the Pink Form Allocations.

Details of Pink Form Allocations to the eligible Directors are as follows:-

Name	Designation	No. of Shares
Shamsudin @ Samad bin Kassim	Independent Non-Executive Director	20,000
Mohd Khasan Bin Ahmad	Independent Non-Executive Director	20,000
Tay Puay Chuan	Independent Non-Executive Director	20,000
Total		60,000

- (b) 8,000,000 Public Issue Shares, representing 4.0% of our enlarged issued and paid-up share capital, will be made available for application by the Malaysian Public and allocated via balloting, of which at least 50% shall be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions, to the extent possible.

3.4.4 Reallocation

The allocation of the IPO Shares pursuant to the Public Issue and Offer for Sale shall be subject to the following priority:-

- (a) Any of the Offer Shares under paragraph 3.4.1 (a) not subscribed for by the Bumiputera investors approved by the MITI under the Offer for Sale shall be made available for application by the Bumiputera public as part of the balloting process. Thereafter, any balance Offer Shares not subscribed by the Bumiputera public will either be made available for application by the Malaysian Public and/or be placed to identified investors, the final allocation of which would be determined by the Board in the best interest of the Company;

3. PARTICULARS OF THE IPO

- (b) Any of the Public Issue Shares under the Pink Form Allocations not taken up by the eligible Directors, employees and business associates of our Group, shall be made available for application by eligible Directors, employees and business associates who have made an excess application on top of their pre-determined allocation on a proportionate basis (subject to rounding of odd lots). Thereafter, any unsubscribed Public Issue Shares under the Pink Form Allocations shall be made available for application by the Malaysian Public; and
- (c) Any of the Public Issue Shares, including any unsubscribed Pink Form Allocations in (b) above, and the Offer Shares under paragraph 3.4.1 (c) not subscribed for by the Malaysian Public shall be taken up by the Sole Underwriter in accordance with the terms and conditions of the Underwriting Agreement.

There is no minimum subscription amount to be raised from the Public Issue. The entire 9,000,000 Public Issue Shares under paragraph 3.4.3 and 7,000,000 Offer Shares under paragraph 3.4.1 (c) available for application by the Malaysian Public, and the eligible Directors, employees and business associates of our Group have been fully underwritten by our Sole Underwriter.

3.5 SHARE CAPITAL

	Number of Shares	Nominal Value RM
Authorised share capital	<u>500,000,000</u>	<u>100,000,000</u>
Issued and fully paid-up		
As at the date of this Prospectus	191,000,000	38,200,000
To be issued pursuant to the Public Issue	9,000,000	1,800,000
Enlarged issued and paid-up share capital upon Listing	<u>200,000,000</u>	<u>40,000,000</u>
To be offered pursuant to the Offer for Sale	35,020,000	7,004,000

The IPO Price is payable in full upon application.

We have only 1 class of shares, being ordinary shares of RM0.20 each, all of which rank pari-passu amongst one another. The IPO Shares will rank pari-passu in all respects with our existing issued and paid-up ordinary shares including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any Shares which may be issued by us in the future, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions and any surplus in the event of the liquidation of our Company, in accordance with our Articles of Association.

Each shareholder shall be entitled to vote at any of our general meeting in person or by proxy or by attorney or by other duly authorised representative. On a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have 1 vote, and in the case of a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have 1 vote for each ordinary share held. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.

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3. PARTICULARS OF THE IPO

3.6 PURPOSES OF THE IPO

The purposes of the IPO are as follows:-

- (a) to obtain the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities;
- (b) to enable the Group to raise funds for the purposes specified in Section 3.10 herein;
- (c) to enable us to gain access to the capital market to raise funds for our future expansion and growth;
- (d) to provide an opportunity for the Malaysian Public, our eligible Directors, employees and business associates who have contributed to the success of our Group to participate in our equity and continuing growth; and
- (e) to enable the Group to gain recognition through its listing status and further enhance our corporate reputation and image which is aimed at expanding our customer base.

3.7 BASIS OF ARRIVING AT THE IPO PRICE

The IPO Price was determined and agreed upon by us and MIMB, as the Adviser, Sole Underwriter and Placement Agent, after taking into consideration the following factors:-

- (a) The net PE Multiple of about 5.7 times based on our net EPS of approximately 11.3 sen for the FYE 2009 and our enlarged issued and paid-up share capital upon Listing of 200,000,000 Shares;
- (b) Our proforma consolidated NTA per Share as at 31 August 2009 of RM0.21 based on our proforma audited consolidated NTA as at 31 August 2009 of approximately RM42.2 million and our enlarged issued and paid-up share capital upon Listing of 200,000,000 Shares;
- (c) The market value of the Properties, as appraised by the Independent Valuers, Colliers Jordan Lee & Jaafar (Malacca) Sdn Bhd of approximately RM19.17 million (further details are set out in Section 14 of this Prospectus);
- (d) Our operating and financial history as elaborated in Sections 5, 6, 11 and 12 of this Prospectus; and
- (e) The prospects and future plans of our Group as outlined in Section 6.18 of this Prospectus.

However, you should note that our market price upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares being traded. You should form your own views on the valuation of the IPO Shares before deciding to invest in them.

3.8 TOTAL MARKET CAPITALISATION

Based on the IPO Price and our enlarged issued and paid-up share capital comprising 200,000,000 Shares upon Listing, our total market capitalisation is RM130.0 million.

3. PARTICULARS OF THE IPO

3.9 DILUTION

Dilution is the amount by which the IPO Price to be paid pursuant to the Public Issue and the Offer for Sale exceeds the NTA per Share immediately after IPO. Our proforma consolidated NTA per Share as at 31 August 2009 before adjusting for the gross proceeds to be raised from the Public Issue and based on the issued and fully paid-up share capital as at the date of this Prospectus of 191,000,000 Shares was RM0.20.

Pursuant to the Public Issue, our proforma consolidated NTA per Share as at 31 August 2009 after adjusting for the utilisation of gross proceeds to be raised from the Public Issue and based on the enlarged issued and paid-up share capital upon Listing of 200,000,000 Shares would have been RM0.21.

This represents an immediate increase in the proforma consolidated NTA per Share to our existing shareholders of RM0.01, and an immediate dilution in the proforma consolidated NTA per Share of RM0.44 to our new public investors. The following table illustrates such dilution on a per Share basis:-

	RM
IPO Price	0.65
Our proforma consolidated NTA per Share as at 31 August 2009 before the Public Issue	0.20
Increase in the proforma consolidated NTA per Share attributable to existing shareholders	0.01
Our proforma consolidated NTA per Share as at 31 August 2009 after the Public Issue	0.21
Dilution in the proforma consolidated NTA per Share to our new public investors	0.44
Dilution in the proforma consolidated NTA per Share as a percentage of the IPO Price	67.7%

The following table shows the average effective cost per Share paid by our existing shareholders for Shares acquired by them for the past three (3) years prior to the date of this Prospectus as well as new investors who subscribe for the Homeritz Shares pursuant to the IPO:-

Shareholders	Number of Shares	Total Consideration RM	Average Effective Cost per Share RM
Chua Fen Fatt	89,349,800	17,869,960	0.20
Tee Hwee Ing	89,349,800	17,869,960	0.20
Chua Fen Lee	6,150,200	1,230,040	0.20
Pua Yu Heng	6,150,200	1,230,040	0.20
New Investors:			
- Public Issue	9,000,000	5,850,000	0.65
- Offer for Sale	35,020,000	22,763,000	0.65

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3. PARTICULARS OF THE IPO

3.10 UTILISATION OF PROCEEDS

The estimated gross proceeds arising from the Rights Issue and Public Issue of RM7.87 million shall accrue entirely to us and are planned to be utilised within 3 to 24 months from the date of the Listing in the following manner:-

Utilisation of Proceeds	Time frame	Notes	RM'000
1. Capital expenditure	24 months	i.	5,720
2. General working capital	12 months	ii.	151
3. Estimated listing expenses	3 months	iii.	2,000
Total			7,871

Notes:-

- (i) On 10 September 2007, we acquired 2 pieces of freehold land with a total land area of 167,315 sq. ft., located at Mukim of Jalan Bakri, District of Muar, Johor. These lands are strategically located adjacent to our existing factories and head office. We intend to construct our new plant within 24 months from the Listing with a total built up area of approximately 100,000 sq. ft. to:-
- (a) increase our existing production capacity by about 15%, to cater to the rising demand for our products;
 - (b) undertake woodworking activities for our upholstered dining chairs which are presently carried out in the rented Factory D; and
 - (c) undertake production of wooden dining tables which are presently carried out in the rented Factory D.

The estimated cost of construction of the new plant is expected to amount to RM4.0 million whilst the estimated cost of purchase of new machinery and equipment is expected to amount to RM1.72 million.

- (ii) These proceeds will be utilised for the Group's day-to-day operations to support our existing business operations which include R&D related activities, payment to our suppliers, payment of salaries and operating expenses and purchase of raw materials.
- (iii) The estimated expenses incidental to the Listing to be borne by the Company are as follows:-

Estimated Listing Expenses	RM'000
Professional fees	900
Fees payable to the authorities	200
Underwriting, placement and brokerage fees	400
Printing and advertising fees	300
Contingencies	200
Total	2,000

The amount allocated of RM2.0 million is based on the estimated cost for the Listing. If the actual listing expenses are higher than the amount budgeted, the deficit will be funded out of the portion allocated for our general working capital. Conversely, if the actual listing expenses are lower than the amount budgeted, the excess will be utilised for our general working capital.

3. PARTICULARS OF THE IPO

The total gross proceeds from the Offer for Sale amounting to RM22.76 million shall accrue entirely to the Offerors. The Offerors shall bear all incidental expenses relating to the Offer for Sale including the underwriting, placement and brokerage fees.

The proposed utilisation of proceeds from our Rights Issue and Public Issue is expected to have, amongst others, the following positive impact on our Group:-

(a) **Increased production capacity**

Part of the proceeds would be allocated for construction of our new plant and purchase of new machinery and equipment within the next 24 months after the Listing with the intention to, inter-alia, expand our existing production capacity. As such, the expansion is expected to contribute positively to our financial growth and profitability in the future.

(b) **Interest savings**

Had we not undertaken the Listing, we may have incurred incremental borrowings of approximately RM5.87 million for our intended capital expenditure and general working capital requirements. In such event, the notional interest savings arising from the potential additional borrowings based on the assumed interest rate of about 5.5% per annum amount to approximately RM0.32 million annually.

Pending the utilisation of the proceeds from the Rights Issue and Public Issue as aforementioned, the funds will be placed in short-term deposits with financial institutions.

3.11 **BROKERAGE, PLACEMENT AND UNDERWRITING COMMISSION**

Brokerage is payable by us and the Offerors in respect of the both Public Issue Shares and Offer Shares respectively which are made available for application by the Malaysian Public at the rate of 1.0% of the IPO Price in respect of successful applications which bear the stamp of either MIMB, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

The placement fee is payable by the Offerors to the Placement Agent at a rate of 2.0% of the IPO Price in respect of the number of Offer Shares successfully placed out.

The Sole Underwriter has agreed to underwrite up to 7,000,000 Offer Shares and 9,000,000 Public Issue Shares, the details of which are set out in Sections 3.4.1 and 3.4.3 of this Prospectus. The underwriting commission is payable by us and the Offerors at the rate of 2.0% of the IPO Price in respect of the 16,000,000 Homeritz Shares to be underwritten.

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3. PARTICULARS OF THE IPO

3.12 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The Offerors and us have entered into the Underwriting Agreement with MIMB, to underwrite up to 7,000,000 Offer Shares and 9,000,000 Public Issue Shares as set out in Sections 3.4.1 and 3.4.3 of this Prospectus.

The following salient terms are reproduced from the Underwriting Agreement. The capitalised terms and numbering references used in this section shall have the respective meanings and numbering references as ascribed thereto in the Underwriting Agreement.

"4. Conditions Precedent

4.1 The obligations of the Sole Underwriter under this Agreement are conditional upon:-

- (a) on or prior to the date of registration of the Prospectus, the SC and any other relevant authorities having approved the Initial Public Offering and such approvals not being withdrawn, revoked, suspended, terminated or lapsed (and if such approvals will be conditional, all conditions being upon terms acceptable to the Sole Underwriter);
- (b) on or prior to the Closing Date, Bursa Securities having approved in-principle the listing of and quotation for the entire issued and paid-up capital of the Company on the Main Market of Bursa Securities;
- (c) the Sole Underwriter being satisfied that the listing of and quotation for the Shares on the Main Market of Bursa Securities will be granted two (2) clear Market Days after the submission to Bursa Securities of the requisite documents;
- (d) there has not been, as at any time hereafter up to and including the Closing Date, any adverse or material change, or any development involving a prospective adverse or material change, in the business, financial condition or prospect of the Group other than as set out in the Prospectus, nor has any event occurred or any fact discovered which will render inaccurate, untrue or incorrect to an extent which is or will be material in the opinion of the Sole Underwriter in any of the representations, warranties and undertakings contained in **Clause 3.1** herein if they are repeated on and as of the Closing Date;
- (e) the issue, offering and subscription of the Issue Shares under the Initial Public Offering in accordance with the provisions hereof not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including the SC and Bursa Securities);
- (f) the lodgment with the ROC of a copy of the Prospectus in accordance with the relevant provisions under the CMSA and the Companies Act;
- (g) the registration with the SC of the Prospectus (together with the submission of the relevant documents) in accordance with the relevant provisions under the CMSA;
- (h) the delivery to the Sole Underwriter prior to the date of registration of the Prospectus with the SC of a copy certified as a true copy by an authorised officer of the Company of all relevant resolutions of the Directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus and authorising the execution of this Agreement, the issue and offer of the Issue Shares under the Initial Public Offering and the issuance of the Prospectus;

3. PARTICULARS OF THE IPO

- (i) *the delivery to the Underwriter on the Closing Date, a certificate in the agreed form of the Company signed by a duly authorised officer of the Company dated the Closing Date, to the effect that the person who provides such certificate has carefully examined this Agreement and that:*
 - (i) *the representations, warranties and undertakings of the Company are true, accurate and correct and not misleading in all respects on and as of the Closing Date as though they had been given and made on the Closing Date and the Company has complied with all the terms of this Agreement and satisfied all the conditions on its part under this Agreement to be performed and satisfied on or prior to the Closing Date;*
 - (ii) *since the date of this Agreement, there has been no change or development that may adversely affect the business or financial, condition or prospect of the Group save as disclosed in the Prospectus.*
- (j) *the delivery to the Underwriter on the Closing Date, a certificate in the agreed form of the Offerors jointly signed by the Offerors dated the Closing Date, to the effect that the person who provides such certificate has carefully examined this Agreement and that:*
 - (i) *the representations, warranties and undertakings of the Offerors are true, accurate and correct and not misleading in all respects on and as of the Closing Date as though they had been given and made on the Closing Date and the Offerors have complied with all the terms of this Agreement and satisfied all the conditions on their part under this Agreement to be performed and satisfied on or prior to the Closing Date;*
 - (ii) *since the date of this Agreement, the Offerors are not aware of any change or development that may adversely affect the business or financial, condition or prospect of the Group save as disclosed in the Prospectus.*
- (k) *the Prospectus being issued not later than three (3) months from the date of this Agreement or such other date the Company and the Sole Underwriter may mutually agree in writing;*
- (l) *the Sole Underwriter having been reasonably satisfied that the Company and the Offerors have in relation to the issue of the Issue Shares under the Initial Public Offering complied with all policies, guidelines and requirements of the relevant authorities of Malaysia and all revisions, amendments and/or supplements thereto;*
- (m) *the Agreement having been duly executed by all Parties hereto and duly stamped;*
- (n) *the monies for the full subscription of the Placement Shares, have been deposited into a designated account held by the Placement Agent (as a stakeholder) on or prior to the Closing Date or such extended date as agreed by the Sole Underwriter;*
- (o) *the Composite Index of Bursa Securities is at no less than 1,000 points on or prior to the Closing Date; and*
- (p) *the Sole Underwriter having been satisfied that arrangements have been made by the Company and the Offerors to ensure payment of the expenses referred to in this Agreement.*

3. PARTICULARS OF THE IPO

5. *Termination by the Sole Underwriter upon the Occurrence of Adverse Changes and Consequence thereof*

5.1 *Notwithstanding anything contained in this Agreement, the Sole Underwriter may by notice in writing to the Company and/or the Offerors given at any time before the Closing Date, terminate, cancel and withdraw its Underwriting Commitment if:-*

- (a) *there is any breach by the Company or the Offerors of any of the representations, warranties or undertakings contained in Clause 3.1 herein, or any other provisions of this Agreement, the breach of which is incapable of remedy or if capable of remedy, the Company or the Offerors fail to remedy such breach within a period of fourteen (14) days from the date of notice in writing by the Sole Underwriter notifying the Company or the Offerors of such breach and requiring the Company or the Offerors to remedy the same;*
- (b) *the Company or the Offerors withhold any material information from the Sole Underwriter, which, in the opinion of the Sole Underwriter may or is likely to have an adverse effect on the business, operation, financial condition or prospect of the Company and the Group or the success of the Initial Public Offering;*
- (c) *there is failure on the part of the Company or the Offerors to perform any of its obligations herein contained;*
- (d) *there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Sole Underwriter by reason of force majeure which would have or can reasonably be expected to have, a material adverse effect on the business, operations, financial condition or prospect of the Company and the Group or the success of the Initial Public Offering or which is likely to have the effect of making any material obligation under this Agreement incapable of performance in accordance with its terms. "Force Majeure" means causes which are unpredictable and beyond the reasonable control of the Party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to:-*
 - (i) *war (whether war declared or not), acts of warfare, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war, hijacking, terrorism;*
 - (ii) *riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance to the government, insurrection, revolt, military or usurped power; or*
 - (iii) *natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning tempest, accident or other Acts of God.*
- (e) *any government requisition or other occurrence of any nature whatsoever which in the opinion of the Sole Underwriter may or is likely to have a material adverse effect on the business, operation, financial condition or prospect of the Company and the Group or the success of the Initial Public Offering;*
- (f) *any adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the opinion of the Sole Underwriter may or is likely to have a material adverse effect on the business, operation, financial condition or prospect of the Company and the Group taken as a whole or the success of the Initial Public Offering or the distribution or sale of the Issue Shares (whether in the primary market or in respect of dealings in*

3. PARTICULARS OF THE IPO

the secondary market). For the avoidance of doubt, the Composite Index of Bursa Securities is, at the close of normal trading on Bursa Securities, on any Market Day:

(i) on or after the date of this Agreement; and

(ii) prior to the Closing Date,

lower than One Thousand (1,000) points and remains at or below that level for at least one (1) Market Day, it shall be deemed a material adverse change in the stock market condition;

(g) trading of securities on Bursa Securities have been suspended for three (3) consecutive Market Days or more;

(h) any change in law, regulation, directive, policy or ruling in any jurisdiction which in the opinion of the Sole Underwriter may prejudice the success of the Initial Public Offering or which may or is likely to have the effect of making any obligation under this Agreement incapable of performance in accordance with its terms;

5.2 *Upon such notice of termination being given under **Clause 5.1** herein, the Sole Underwriter will be released and discharged of their obligations without prejudice to their powers, rights and remedies under this Agreement and this Agreement will thereafter be of no further force or effect and no Party will be under any liability to any other in respect of this Agreement, except that the Company and the Offerors will remain liable in respect of their obligations and liabilities under **Clause 3** herein, the Company's and the Offerors' continued obligations to pay the Underwriting Commission as provided for in **Clause 11** herein and for the payment of all costs and expenses already incurred by the Sole Underwriter as provided for in **Clause 12** herein up to the date on which such notice was given and for the payment of any taxes, duties or levies and the Company shall refund to the Sole Underwriter the subscription monies including interests accrued thereon, if any, paid by the Sole Underwriter pursuant to the subscription of the Underwritten Shares pursuant to **Clause 8.1** herein not later than seven (7) days after the Company's receipt of the termination notice from the Sole Underwriter or such extended date as agreed between the parties."*

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4. RISK FACTORS

Notwithstanding the prospects of our Group as outlined in this Prospectus, you should carefully consider the following risk factors (which may not be exhaustive) that may have a significant impact on our future performance, in addition to all other relevant information contained elsewhere in this Prospectus, before making an application for the IPO Shares.

4.1 RISKS RELATING TO OUR GROUP

4.1.1 Business Risk

Our Group is not isolated from general business risks as well as risks inherent in the manufacturing industry and those specific to the furniture industry. For example, our Group may be affected by a general downturn in the global, regional and national economy, higher inflation rate and cost of living, entry of new players, constraints in skilled labour supply, changes in the law and tax legislation affecting the industry, increased production costs, changes in business and credit conditions, fluctuations in foreign exchange rates and introduction of new technologies.

Although our Group seeks to limit these risks through, inter-alia, maintaining good business relationships with its customers and suppliers, implementing efficient cost control measures and improving product design and widening market base, no assurance can be given that a change in any of these factors will not have a material adverse effect on our Group's business.

4.1.2 Dependency on Major Customers

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

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

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

Nonetheless, there can be no assurance that the loss of any of our major customers will not have any adverse impact on our business.

4.1.3 Dependency on Major Suppliers

We believe we are not overly dependent on any single supplier. Our main raw materials in the production of upholstered home furniture products include leather, wood and wood frame, foam, PU and fabric which we source from a large pool of suppliers. In the event that any of our Group's suppliers is unable to meet our demand, we may have to seek alternative sources of supplies, which may be more expensive and therefore cause a negative impact on our costs of purchase and profitability. Further, if our major suppliers are unable to supply the raw materials in a timely manner, our production may be delayed or disrupted, thereby causing a delay or disruption in the delivery of our products to our customers. This would in turn affect customers' confidence in us and may also expose us to potential liability for failure to meet confirmed orders on a timely basis. As a result, our revenue and profitability would be adversely affected.

4. RISK FACTORS

Nevertheless, we have enjoyed good and close business relationships with them over the years and we have not encountered any major problems in our past dealings with them. We also believe that we have the experiences and abilities to source from alternative suppliers should the need arises.

4.1.4 Absence of Long Term Contracts

We have not entered into any formal long term contracts with our customers as it is common practice in the industry to manufacture based on confirmed orders. Besides, we also do not have long-term contracts with our suppliers. Therefore, there can be no assurance that the loss of any of our customers or suppliers will not have any adverse impact on our business. Hence, our ability to retain our customers or suppliers and to continue to source for new customers or alternative suppliers are important to the success of our Group. In addition, we place great emphasis in developing long term business relationship with our customers and suppliers as we believe this will ensure our business continuity and growth. This is substantiated by the fact that, to date, all of our top ten (10) customers and seven (7) of our top ten (10) suppliers (for the FYE 2009) have been dealing with our Group for more than three (3) years.

As such, we do not expect the absence of long term contracts to have any significant impact on our operations. On a positive note, the absence of long term contracts with our suppliers would enable us to maintain flexibility in sourcing quality suppliers at competitive prices, if necessary.

4.1.5 Availability and Volatility in Prices of Raw Materials

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

4.1.6 Competition

Generally, the upholstered home furniture industry is perceived to have relatively low barriers to entry and therefore, the challenge for furniture manufacturers is to maintain leadership in the market. However, despite the relative ease in entering the market, it is not easy for a company to succeed in this industry. Numerous critical success factors have to be fulfilled before a company can thrive in the industry. The upholstered home furniture manufacturing industry in Malaysia is a largely fragmented and competitive one. At present, there are approximately 60 to 70 medium to large upholstered home furniture manufacturers in Malaysia, out of which more than 80% focus on the manufacture of sofas.

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

We face competition from both existing and new players; domestically, regionally and internationally. Some may have longer operating histories, international brand name recognition and significantly greater financial, technical, marketing and public resources than we do.

However, it should be highlighted that the threat of competition from these players, especially those from low cost producing countries is not a new phenomenon and has been present for many years. Despite their presence, the performance of our Group is on an increasing trend and has been registering positive annual growth over the years.

4. RISK FACTORS

As mentioned above, our success depends on numerous critical success factors which include our ability to develop new and trendy designs with sufficient market appeal, cultivate customer loyalty, ensure prompt delivery, obtain new business by penetrating new markets as well as offer high quality products that meet the demands of our customers at competitive prices. We also believe that our competitive strengths will help distinguish us from our major competitors. Nevertheless, any increase in competition may likely cause us to lose our market share and exert a negative impact on our pricing. If we are unable to compete effectively with our existing or future competitors and adapt quickly to changing market conditions and trends, our business and financial performance will be adversely affected.

4.1.7 Dependency on Key Executives

Our present success and achievements are largely attributable to the concerted efforts and invaluable knowledge and experience of our Directors and key management personnel who are familiar with our business and understand our customers' needs and requirements. Our management team, led by our Managing Director, Chua Fen Fatt, has been instrumental in the success, growth and development of our Group. As such, any loss of our key executives without suitable and timely replacement could have a material adverse impact on our business, performance and continuing ability to compete effectively in the industry.

We believe that our continued growth and success in the future will, to a large extent, hinge on our abilities to identify, recruit, develop and retain our existing key management personnel and at the same time attract new skilled personnel to strengthen our workforce. Hence, we have made concerted efforts to identify and groom middle management at all key areas as an integral part of our management succession plan. The plan also includes offering a competitive remuneration and benefits package to and providing training and career development opportunities for our employees in all key functions of our operations. We also endeavour to maintain a conducive working environment for our employees.

Further, in conjunction with our Listing, we have allocated a portion of the Public Issue Shares to eligible employees, which include our key management personnel. Should these employees subscribe for our Shares, they will also become stakeholders in our Company and therefore are expected to be motivated to strive even harder for our Group's success. In the future, we may even implement an employee share option scheme to further motivate our employees in this manner.

Consequently, our Group has always enjoyed cordial working relationships with our employees. None of our Group's employees are represented by any union and there have not been any major disputes between the management and our employees in the past. Notwithstanding, there can be no assurance that we will be able to continue to identify, recruit, develop and retain adequate number of highly skilled and motivated employees in the future.

4.1.8 Foreign Currency Exchange Risks

Most of our products are exported to foreign countries, primarily those in Europe, Australasia, North and South America, Asia and Africa while certain raw materials like leather, PU and fabric are sourced from foreign countries such as Vietnam, Korea, Thailand, India and China.

We are exposed to foreign currency exchange risks as approximately 99% and 53% of our revenue and total purchases respectively are denominated in USD for the FYE 2009. Fluctuations in USD exchange rate will have an impact on the prices of imported raw materials as well as export earnings, which will in turn affect the profitability of our Group. Our profit margin is generally expected to improve if the USD strengthens against RM which will then increase our profitability. Conversely, the weakening of USD against RM would generally reduce our profitability due to lower profit margin, dependent on the extent and effectiveness of our hedging strategies adopted.

4. RISK FACTORS

At present, we have credit lines for foreign exchange forward contracts with several financial institutions. Should the need arise, our management can readily utilise such forward contracts to hedge the fluctuations in exchange rates between RM and USD, after taking into account the exposure period and the related transaction costs. Further, we also maintain a foreign currency account to facilitate the receipt of revenue collections which are denominated in USD to pay for some of our purchases which are also denominated in USD. Thus, it provides some form of natural hedging against any adverse foreign exchange fluctuations.

Notwithstanding the above, there is no assurance that any adverse fluctuations in foreign exchange rates would not have a material impact on our financial performance.

4.1.9 Changes in the Sentiments of the Furniture Industry, Consumer Preferences and Spending Trends

Demand for the furniture which we design and sell is significantly dependent on consumer preferences and spending trends. These are influenced by external factors including, amongst others, the state of the economy, the income level of consumers and the markets' demographic profiles. These changes may have significant impact on the sales of our home furniture products and the marketing strategies which we employ. A weak global economic condition in general would lead to poor market sentiments, resulting in lower consumer spending. This may in turn lead to a lower demand for our brand of furniture, which would adversely affect our profitability.

Our Group's prospects, financial position and profitability may be materially and adversely affected in the event that we are unable to respond promptly to the changing requirements of our customers or if we make any inaccurate response to the changing consumer preferences. However, to minimise risk, we have established effective marketing strategies to maintain and increase our customer base, to capture a bigger market share and increase our revenue.

Notwithstanding the above, there is no assurance that any adverse changes in the market sentiment of the furniture industry, consumer preferences and spending trends would not have a material impact on our financial performance.

4.1.10 Labour Market

The furniture industry is a labour intensive one. As such, we are subject to risk of labour shortages and increase in labour costs. In addition, we have to resort to recruiting foreign workers as we face difficulty in employing local workforce. As at the Latest Practicable Date, we have more than 380 foreign workers. Hence, we are required to comply with the policies imposed by the Government of Malaysia with regards to the employment of these foreign workers. Any future changes to such policies may adversely affect our ability to employ foreign workers. In such event, if we are unable to find suitable replacements, our production would be interrupted and consequently, our revenue and profits would be adversely affected as well.

As at the Latest Practicable Date, all our foreign workers are legally employed. We would actively liaise with the relevant Government and recruitment agencies for timely renewals of work permits of such foreign workers in adherence to the Government's policies. In addition, we endeavour to ensure all our foreign workers operate in a safe and conducive working environment. Measures we have implemented include the enforcement of stringent safety measures to prevent hazards or any untoward events from occurring in the work environment, provision of access to medical treatment when necessary as well as satisfactory housing quarters and transportation for all our foreign workers.

Competitive remuneration and benefits packages, as well as training and career development opportunities are also extended to our foreign workers. We have an Administration and Human Resources Manager to spearhead our efforts towards compliance with the Government's foreign worker policies. Consequently, all our efforts have resulted in our Group enjoying a cordial working relationship with our foreign workers. As mentioned above, there have not been any major disputes between the management and our employees; foreign workers included, in the past.

4. RISK FACTORS

Nevertheless, the risk of over dependence on labour is partly mitigated by the usage of automated equipment and machinery where possible in certain manufacturing processes of our Group. Through our research activities, we would also endeavour to review our production process flow to increase efficiency and minimise human handling through improved manufacturing processes and techniques where possible.

4.1.11 Liability Claims

We may face claims from our customers if our products are found to be unfit for use, contain defects or if our customers had faced anything detrimental as a result of its use. Consequently, we may have to spend a significant amount of management time and resources to defend ourselves regardless of the authenticities of such claims. Should these claims prove to be true, we may have to recall our products from overseas, causing negative publicity.

This will affect our financial and business performance in the long run as existing customers may not be inclined to place repeat orders and there may be less referrals for new orders. This will also affect the long-term branding strategy and development of our own brand name which we are planning to use to market our products internationally.

In addition, we also face potential claims or legal suits in relation to infringement of intellectual property rights. To counteract this risk, we include an indemnity clause in our proforma invoices with our customers stating that they shall fully indemnify, defend and hold us and our officers, Directors and employees harmless from and against all liabilities, demands, claims, fines, losses, damages, costs and expenses (including reasonable solicitor's fees), whether direct or indirect, arising from or relating to a claim brought by a third party claiming that the manufacture, use or sale of our products (whether or not incorporated in other products) constitutes infringement of intellectual property rights of such third party.

4.1.12 Production or Operational Risks

Our revenue is dependent on our production process running smoothly and efficiently. As such, certain events which are beyond our control such as fire, theft, energy or water supply crisis, flood, industrial accidents or breakdown of our production machineries can cause significant loss and interruptions to our business. In attempting to address these inherent risks, our Group has in place the following risk management practices/plans:-

- (a) Safety workplace policy and procedures.
- (b) The factory premises are guarded 24 hours by a total of 9 guards.
- (c) Fire fighting systems including fire hydrants and hose reels, fire extinguishers and sprinkler systems are installed in our factory premises and corporate offices. In addition, our Factories A, B and C have been certified by the Fire and Rescue Department of Malaysia for compliance with life safety, fire prevention, fire protection and fire-fighting requirements subject to annual renewal.
- (d) Maintain adequate insurance coverage for damages / loss to our properties, machinery and inventories.

However, with all the precautions we have taken to limit these risks, there is no assurance that these production or operational risks will not materially affect our business and/or the insurance coverage we have taken would be comprehensive enough to reflect the replacement cost of the assets or any consequential loss we have suffered from these events.

Apart from a minor flood incident that took place in FYE 2007 which did not result in any material losses, we have not encountered any such incidents for the past three (3) years.

4. RISK FACTORS

4.1.13 Reliance on Intellectual Property Rights Including Our Trademarks

Within the next five (5) years, we aim to manufacture and sell 50% of the total upholstered home furniture under our own brand name. To realise this goal, we have created our own brand name "ERITZ" in January 2008. The "ERITZ" trademark has already been registered in Australia, New Zealand and Malaysia (for Class 20). In addition, we are planning to register the trademark in other countries particularly in the European region in the FYE 2010.

Therefore, effective enforcement of intellectual property rights is important for the protection of our interests as we consider the recognition of our trademarks to be vital in the marketing and sales of our products in the future. Unauthorised use of our trademarks may damage our brand name, recognition and reputation of our Group. In certain jurisdictions which do not have developed intellectual property laws or a record of protecting intellectual property rights, we may face considerable difficulties and costly litigation in order to protect and enforce such rights. In the event that we are not able to protect our intellectual property rights, our brand name may be affected and there may be an adverse effect on our business, financial condition, operating results and viability.

4.1.14 Shipping Disruptions

As a majority of our finished products are exported, directly or indirectly, to overseas countries, there is reliance on marine transportation for this purpose. Hence, we are subject to shipping disruptions that may arise as a result of weather conditions, political turmoil, pirate attacks, social unrest, port strikes, oil spills, delayed or lost shipments, which may have an adverse impact on our business. However, we always ensure that all our products are adequately insured to minimise any potential cost or liability. In addition, the shipping related costs of some of our products are borne by our customers. Nonetheless, any major fluctuation in charter and freight rates may have a substantial impact on our costs. If we are unable to pass on the increase in such costs to our customers, our profitability may be adversely affected.

4.1.15 Credit Risks

For the FYE 2009, 81.8% of our revenue is transacted based on cash terms whilst we provide credit terms to certain customers on the remaining 18.2% sales. The credit periods to such customers range from 30 to 90 days, which we believe is the industry norm. In line with increasing revenue, we may be exposed to higher credit risks as our customer base grows.

We have not written off any significant sum of bad debts nor have we been required to provide for any doubtful debts in our books over the past three (3) financial years and most of our customers who are granted credit terms normally settle their debts in a timely manner within our credit period. This is a testament of our ability in managing credit risks and undertaking good credit control measurements. Notwithstanding, we realise the importance of credit control and are continuously monitoring our outstanding trade debts to ensure that the trade debts are maintained at a manageable level at all times.

In general, the Group requires an advance deposit ranging from 25% to 40% of the purchase order amount as confirmation of orders. However, we do not impose any deposit on orders on certain long established overseas customers due to our long term business relationships and good payment records.

In addition to advance deposit collection, we also undertake the following measures to minimise the credit risk of our overseas customers:-

- (a) Close monitoring of our customers' accounts and follow-up to ensure that full payment of the remaining sales amount is received within two (2) to three (3) weeks after copies of the shipping documents are made available to them.
- (b) Upon receiving full payment, only then will the original shipping documents; namely bills of lading, invoices and packaging lists be made available to our customers, without which they will not be able to take delivery of their cargo from the ports.

4. RISK FACTORS

- (c) Collection of letters of credit (*at sight*) in favour of our Company which are issued by financial institutions. These are essentially written payment undertakings given by these financial institutions on behalf of the overseas customers.

Nonetheless, there can be no assurance that any event of late payment or non-collection of debts in the future would not have any adverse impact on our cash flow and profitability.

4.1.16 Interest Rate Risks

Our primary interest rate risk relates to interest-bearing debt obtained from financial institutions in Malaysia. We have no substantial long-term interest-bearing assets at financial year end. The investments in financial assets, i.e. deposits placed with licensed banks are short-term in nature and are not held for speculative purposes. We do not hedge interest risk, but ensure that we obtain borrowings at competitive interest rates under the most favourable and competitive terms and conditions. Nevertheless, there can be no assurance that additional credit facilities will be available (if required) at commercially viable rates to fund our future expansion or working capital requirements.

4.1.17 Disputes or Legal Proceedings

Due to the nature of our business, we may, from time to time, be subject to potential claims, disputes, or other legal proceedings, relating to labour and employment matters, personal injury or property damage, environmental matters and other matters, as discussed in other risk factors disclosed in this Prospectus. These disputes can harm our business by distracting management from the operation of our business. Legal proceedings may involve significant expenditures by us and could have a material adverse effect on our future revenue and profitability of the Group.

Besides that, as most of our customers are domiciled overseas, in the case of any disputes, it may take a longer time for us to effect service of legal processes overseas, or to enforce a judgement obtained in Malaysia against these customers. Customer risks are more prominent in the event of economic downturn in their respective countries or regions.

Nevertheless, since the commencement of our business, we have not been involved in any claims, disputes or legal proceedings.

4.1.18 Future Plans and Strategies

As set out in Section 6.18 entitled “Future Plans and Strategies” in this Prospectus, our Directors intend to, amongst others, increase our existing production capacity by constructing a new plant in Malaysia and setting up manufacturing operations in Vietnam, conduct R&D in new product designs, diversify our customer base and place greater emphasis and focus on our brand. Our growth and future success will be dependent on, amongst others, the successful completion of such expansion projects without incurring any significant increase in costs, the sufficiency of demand for our new product and designs as well as successful venture into new markets. Should we fail to successfully implement any of our future plans and strategies, our business, results of operation and financial position may be materially and adversely affected.

4.1.19 Manufacturing operations in Vietnam

As one of our expansion plans, we intend to set up manufacturing operations in Vietnam to increase our production capacity. This will involve considerable investment including capital expenditure and working capital requirements. Like any other foreign investments, it will be dependent on the local political and economic conditions of the country such as changes in political leaderships, changes in interest rates and inflation rates, taxation, tariffs and duties, currency exchange rules and trade restrictions.