
12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

To the best of our Directors' knowledge, we are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position and results or business operations, or the investments of our shareholders.

12.4.4 Material Capital Commitments

As at the Latest Practicable Date, there is no material commitment for capital expenditure contracted or known to be contracted by us which may have a material impact on our financial position or business.

12.4.5 Material Litigation

As at the Latest Practicable Date, we are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and we do not know of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our financial position or business.

12.4.6 Contingent Liabilities

As at the date of the Directors' Report, there is no contingent liability which, upon becoming enforceable, may have material impact on our financial position or business.

12.5 TREND INFORMATION

Our Directors expect the following trends/factors to influence our business and results for FYE 2010:-

- (a) In general, despite the uncertain outlook of the global economy in 2010, we expect our sales volume to increase moderately after taking into consideration higher demand of our products. With our continuous emphasis on the design and quality of our products, we are of the opinion that the Group's business will continue to grow. Further, our Directors envisage a change in spending patterns in which the younger generation will be more inclined to spend on higher end or quality furniture.

However, the average selling prices of our products, which are mostly exported and denominated in the USD, are expected to be lower due to the weakening of USD.

We also intend to increase our production capacities by constructing a new plant with a total built-up area of about 100,000 sq. ft. for FYE 2010 and setting up manufacturing operations in Vietnam. In the event that we are able to increase our production capacities, our sales and operating costs may increase accordingly.

- (b) We expect the purchase of raw materials to increase in line with the increase in sales volume. We plan to reduce our costs through bulk purchases and/or sourcing for suppliers who are able to offer more competitive pricing.

Nonetheless, due to the weakening USD, the average cost of some of our imported raw materials, which are denominated in the USD, is expected to be lower.

- (c) We expect our inventory levels to increase moderately in line with the increase in sales volume.

- (d) We expect the operating expenses as a percentage of our total revenue to increase slightly in line with higher sales volume particularly the advertising and promotional expenses and selling and distribution costs.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Generally, we do not have any long term contracts with our customers as we manufacture based on confirmed orders. As at the Latest Practicable Date, we have received confirmed orders from our customers amounting to approximately RM21.0 million. These orders may however subject to cancellation, variation or deferral by our customers. As such, our confirmed orders as at any particular date may not be indicative of our revenue for any corresponding period.

As at the Latest Practicable Date, save as disclosed in Section 12 herein, Section 4 (Risk factors) and Section 7 (Industry Overview and Outlook) of this Prospectus, to the best of their knowledge and belief, our Directors are not aware of:-

- (i) any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material favourable and unfavourable impact on our financial performance, position and operations,
- (ii) any known trends, uncertainties, demands, commitments or events that are reasonably likely to make our historical financial statements to be not necessarily indicative of our future financial performance;
- (iii) any unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations;
- (iv) any known trends, uncertainties, demands, commitments or events that have resulted in a material impact on our revenue and profits; and
- (v) any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material favourable and unfavourable impact on our liquidity and capital resources.

Our Directors are optimistic about the future prospects of our Group and believe we will achieve revenue growth considering the outlook of the industry overview as set out in Section 7 of this Prospectus, our competitive strengths as outlined in Section 6.17 of this Prospectus and our commitment and dedication to implement our future plans and strategies as set in Section 6.18 of this Prospectus.

12.6 DIVIDEND POLICY

12.6.1 Past Dividend Payments

Save as disclosed below, no dividends were declared and paid by our Company or our subsidiaries for the last three financial years:-

- (a) First and final tax-exempt dividend amounted to RM3.0 million in respect of FYE 2008 which was paid on 21 May 2009;
- (b) First interim tax-exempt dividend amounted to RM10.5 million in respect of FYE 2009 which was paid on 13 July 2009; and
- (c) Special tax-exempt dividend amounted to RM12.0 million in respect of FYE 2009 which was paid on 4 December 2009.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

12.6.2 Future 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.

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13. ACCOUNTANTS' REPORT



SC LIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

Date : 6 January 2010

The Board of Directors
HOMERITZ CORPORATION BERHAD
8 (1st Floor), Jalan Pesta 1/1
Taman Tun Dr. Ismail 1
Jalan Bakri, 84000 Muar
Johor Darul Takzim

Dear Sirs

HOMERITZ CORPORATION BERHAD ("HOMERITZ") ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared by SC Lim, Ng & Co., an approved company auditor, for inclusion in the Prospectus of Homeritz to be dated 27 January 2010, in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Homeritz on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

2. GENERAL INFORMATION

2.1 BACKGROUND

Homeritz was incorporated in Malaysia as a public limited company under the Companies Act, 1965 on 6 February 2008. Its principal activities are those of investment holding and provision of management services.

Homeritz has two wholly-owned subsidiaries namely :

- (a) Home Upholstery Industries Sdn. Bhd. ("HUI")
- (b) U.S. Furniture Manufacturing Sdn. Bhd. ("USF")

They are collectively referred to as "Homeritz Group" or "the Group" hereinafter. Details of the subsidiaries are further elaborated in Section 2.3.

Prior to the Acquisition as described in Section 2.2(a), USF was a wholly owned subsidiary of HUI. They are collectively referred to as "HUI Group" hereinafter.

2.2 LISTING SCHEME

The transactions in conjunction with and as an integral part of the listing and quotation of the entire issued and paid-up share capital of Homeritz on the Main Market of Bursa Malaysia are as follows :

- (a) Acquisition of the entire issued and paid-up share capital of HUI comprising 450,000 ordinary shares of RM1.00 each for a total purchase consideration of RM 36,179,475 to be satisfied by the issuance of 72,358,950 new ordinary shares of RM 0.50 each in Homeritz at par. After the aforesaid acquisition, Homeritz acquire from HUI 100% of issued and paid-up share capital of USF comprising 50,002 ordinary shares of RM 1.00 each for a total cash consideration of RM 1,012,324 (collectively known as the "Acquisitions" hereinafter).

13. ACCOUNTANTS' REPORT

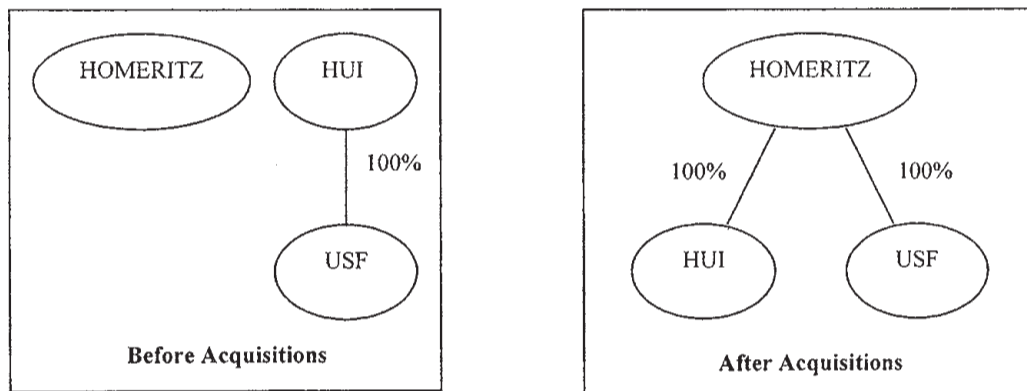


SCLIM, NG & CO.
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2. GENERAL INFORMATION – (cont'd)

2.2 LISTING SCHEME – (cont'd)

The Acquisitions were completed on 15 September 2009. The corporate structure before and after the Acquisitions are depicted as follows :



- (b) Subdivision of one (1) ordinary share of RM 0.50 each in Homeritz into five (5) ordinary shares of RM 0.10 each in Homeritz. After the aforesaid subdivision, a consolidation of two (2) ordinary shares of RM 0.10 each in Homeritz into one (1) ordinary share of RM 0.20 each in Homeritz is undertaken immediately (collectively known as "Subdivision and Consolidation").

The Subdivision and Consolidation were completed on 26 November 2009.

- (c) Rights issue of 10,102,615 new ordinary shares of RM 0.20 each in Homeritz at par to all shareholders of Homeritz after the Subdivision and Consolidation on the basis of approximately 0.0558 new ordinary shares for every existing 1 ordinary shares then held in Homeritz ("Rights Issue").

The Rights Issue was completed on 30 November 2009.

- (d) Public issue of 9,000,000 new ordinary shares of RM 0.20 each in Homeritz at an issue price of RM 0.65 per share ("Public Issue").
- (e) Offer for sale of 35,020,000 ordinary shares of RM 0.20 each in Homeritz at an offer price of RM 0.65 per share ("Offer For Sale").
- (f) Listing of and quotation for the entire enlarged issued and paid-up share capital of Homeritz comprising 200,000,000 ordinary shares of RM 0.20 each on the Main Market of Bursa Malaysia ("Listing").

The above listing scheme was approved by the Securities Commission on 26 September 2008, 8 September 2009 and 6 November 2009.

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
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2. GENERAL INFORMATION – (cont'd)

2.3 SUBSIDIARIES

As at the date of this report, the subsidiaries of Homeritz are as follow:

<u>Company</u>	<u>Date Of Incorporation</u>	<u>Authorised Share Capital</u>	<u>Issued And Paid-Up Share Capital</u>	<u>Equity Interest</u>	<u>Principal Activities</u>
		RM	RM		
HUI	4 August 1997	500,000	450,000	100%	Design, manufacture and sale of upholstered furniture products, and investment holding.
USF	24 October 1992	100,000	50,002	100%	Property investment holding.

The Group does not have any associated company.

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

2. GENERAL INFORMATION – (cont'd)

2.4 SHARE CAPITAL

2.4.1 HOMERITZ

(a) Authorised Share Capital

The present authorised share capital of Homeritz is RM 100,000,000 comprising 500,000,000 ordinary shares of RM 0.20 each. The details of changes in its authorised share capital since the date of incorporation are as follows :

<u>Date Of Creation</u>	<u>No. Of Ordinary Shares</u>	<u>Par Value</u>	<u>Share Type</u>	<u>Cumulative Authorised Share Capital</u>
		RM		RM
6 February 2008	100,000	1.00	Ordinary shares	100,000
25 February 2008	200,000	0.50	Share split of par value of every one (1) existing ordinary share of RM 1.00 each into two (2) ordinary shares of RM 0.50 each.	100,000
1 September 2009	199,800,000	0.50	Ordinary shares	100,000,000
26 November 2009	1,000,000,000	0.10	Share split of par value of every one (1) existing ordinary share of RM 0.50 each into five (5) ordinary shares of RM 0.10 each	100,000,000
26 November 2009	500,000,000	0.20	Consolidation of par value of every two(2) existing ordinary shares of RM 0.10 each into one (1) ordinary share of RM 0.20 each.	100,000,000

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
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2. GENERAL INFORMATION – (cont'd)

2.4 SHARE CAPITAL – (cont'd)

2.4.1 HOMERITZ – (cont'd)

(b) Issued and Paid-up Share Capital

The present issued and fully paid-up share capital of Homeritz is RM 38,200,000 comprising 191,000,000 ordinary shares of RM 0.20 each. The details of changes in its issued and paid-up share capital since the date of incorporation are as follows :

<u>Date Of Allotment</u>	<u>No. Of Ordinary Shares</u>	<u>Par Value</u>	<u>Consideration</u>	<u>Cumulative Issued And Paid-up Share Capital</u>
		RM		RM
6 February 2008	2	1.00	Subscribers' shares	2
25 February 2008	4	0.50	Share split of par value of every one (1) existing ordinary share of RM 1.00 each into two (2) ordinary shares of RM 0.50 each.	2
15 September 2009	72,358,950	0.50	Acquisition of HUI	36,179,477
26 November 2009	361,794,770	0.10	Share split of par value of every one (1) existing ordinary share of RM 0.50 each into five (5) ordinary shares of RM 0.10 each.	36,179,477
26 November 2009	180,897,385	0.20	Consolidation of par value of every two (2) existing ordinary shares of RM 0.10 each into 1 ordinary share of RM 0.20 each.	36,179,477
30 November 2009	10,102,615	0.20	Rights Issue	38,200,000

Upon the completion of the aforesaid listing scheme, the authorised share capital of Homeritz shall be increased to RM 100,000,000 comprising 500,000,000 ordinary shares of RM 0.20 each whilst its issued and paid-up share capital shall be increased to RM 40,000,000 comprising 200,000,000 ordinary shares of RM 0.20 each.

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
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2. GENERAL INFORMATION – (cont'd)

2.4 SHARE CAPITAL – (cont'd)

2.4.2 HUI

The present authorised share capital of HUI is RM 500,000 comprising 500,000 ordinary shares of RM 1.00 each whilst its present issued and paid-up share capital is RM 450,000 comprising 450,000 ordinary shares of RM 1.00 each. The details of changes in its issued and paid-up share capital since the date of incorporation are as follows :

<u>Date Of Allotment</u>	<u>No. Of Ordinary Shares</u>	<u>Par Value</u>	<u>Consideration</u>	<u>Cumulative Issued And Paid-up Share Capital</u>
		RM		RM
4 August 1997	3	1.00	Subscribers' shares	3
5 November 1997	49,997	1.00	Cash	50,000
22 October 2002	50,000	1.00	Cash	100,000
19 March 2004	100,000	1.00	* Bonus issue on the basis of 1 new share for every existing share held.	200,000
9 June 2006	100,000	1.00	Cash	300,000
30 June 2006	100,000	1.00	Cash	400,000
30 August 2007	50,000	1.00	Cash	450,000

* The bonus issue was made by way of the capitalisation of retained profits.

2.4.3 USF

The present authorised share capital of USF is RM 100,000 comprising 100,000 ordinary shares of RM 1.00 each whilst its present issued and paid-up share capital is RM 50,002 comprising 50,002 ordinary shares of RM1.00 each. The details of changes in its issued and paid-up share capital since the date of incorporation are as follows :

<u>Date Of Allotment</u>	<u>No. Of Ordinary Shares</u>	<u>Par Value</u>	<u>Consideration</u>	<u>Cumulative Issued And Paid-up Share Capital</u>
		RM		RM
24 October 1992	2	1.00	Subscribers' shares	2
12 August 1995	50,000	1.00	Cash	50,002

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
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3. DIVIDENDS

3.1 HOMERITZ

No dividend was declared and paid by Homeritz during the financial period ("FP") or financial year ("FY") under review.

3.2 HUI

No dividend was declared and paid by HUI during the financial years under review except for the following :

- (i) a first and final tax exempt dividend of 666.67% amounting to RM 3,000,000 in respect of financial year ended ("FYE") 31 August 2008 was paid on 21 May 2009 ;
- (ii) a first interim tax exempt dividend of 2333.33% amounting to RM 10,500,000 in respect of FYE 31 August 2009 was paid on 13 July 2009 ; and
- (iii) a special tax exempt dividend of 2666.67% amounting to RM 12,000,000 in respect of FYE 31 August 2009 was paid on 4 December 2009.

3.3 USF

No dividend was declared and paid by USF during the financial years/period under review.

4. FINANCIAL STATEMENTS AND AUDITORS

4.1 HOMERITZ

We have acted as auditors of Homeritz for the financial period ended ("FPE") 31 August 2008 and FYE 31 August 2009, and have reported on the financial statements without any qualification.

4.2 HUI

We have acted as auditors of HUI for the FYE 31 August 2007, 2008 and 2009, and have reported on the financial statements without any qualification.

4.3 USF

We have acted as auditors of USF for the FYE 31 August 2007, 2008 and 2009, and have reported on the financial statements without any qualification.

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

5. ACCOUNTING POLICIES AND STANDARDS

This report is prepared based on the audited financial statements of Homeritz and HUI Group.

This report is prepared on bases consistent with the accounting policies adopted by Homeritz and its subsidiaries as disclosed in Section 5.2. There have been no material change in accounting policies during the financial period/years under review save as disclosed in Section 5.3.

There are no restatements to the audited financial statements of Homeritz and HUI Group for the financial period/years under review save as disclosed in Section 9.

5.1 Bases of Preparation of Financial Statements

- (a) The financial statements of the Group have been prepared in accordance with applicable Financial Reporting Standards and the Companies Act, 1965 in Malaysia. Commencing 1 September 2006, the Group has adopted new/revised Financial Reporting Standards ("FRSs") which are effective for the financial periods beginning on or after 1 January 2006 as disclosed in Section 5.3.
- (b) The financial statements of the Group have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.
- (c) The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Section 5.4.

- (d) The financial statements of the Group are measured using the currency of the primary economic environment in which the entities operates ("the functional currency"). All the financial statements are presented in Ringgit Malaysia ("RM") and the figures have been rounded to nearest RM, unless otherwise stated.

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

5. ACCOUNTING POLICIES AND STANDARDS – (cont'd)

5.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Company has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in income statements.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisition of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of acquisition over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statements.

(b) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statements during the financial period in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major component) of property, plant and equipment.

Subsequent to initial recognition, property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, if any.

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

5. ACCOUNTING POLICIES AND STANDARDS – (cont'd)

5.2 Summary of Significant Accounting Policies – (cont'd)

(b) Property, plant and equipment and depreciation – (cont'd)

The Group revalues its properties comprising freehold land and buildings every 5 years or at shorter intervals whenever the fair value of the revalued property, plant and equipment is expected to differ materially from their carrying amount.

Surplus arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same property, plant and equipment. In all other cases, a decrease in carrying amount is charged to the income statements. Subsequent to revaluation, any addition is stated at cost whilst disposal is at cost or valuation as appropriate.

Freehold land is not depreciated whilst capital work-in-progress are not depreciated until they are completed and ready for use. Other property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. The principal annual rates of depreciation used are as follows :

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Factory buildings	2%	2%	2%
Factory equipment, plant and machinery	10%	10%	12.5%
Showroom, renovation, office equipment, furniture and fittings	10-20%	10-20%	10-20%
Motor vehicles	20%	20%	20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The policy for the recognition and measurement of impairment losses is in accordance with Section 5.2(e).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amounts is recognised in the income statements and the unutilised portion of the revaluation surplus on that item, if any, is transferred directly to retained profits.

(c) Goodwill

Goodwill is identified as any excess of the consideration paid over the Group's share of fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition. Where the consideration is lower than the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is recognised as negative goodwill. Negative goodwill is recognised immediately in the income statement.

Positive goodwill is carried at cost less any accumulated impairment loss. Goodwill is subjected to impairment test annually or more frequently if events or changes in circumstances indicate that the carrying amount might be impaired. The policy for the recognition and measurement of impairment losses is in accordance with Section 5.2(e). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

5. ACCOUNTING POLICIES AND STANDARDS – (cont'd)

5.2 Summary of Significant Accounting Policies – (cont'd)

(d) Inventories

Inventories comprising raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Cost is determined on the weighted average and first-in-first-out bases, as applicable.

The cost of raw materials comprise the original purchase price plus costs incurred in bringing the inventories to their present location whilst the costs of work-in-progress and finished goods include the costs of raw materials, packing materials, direct labour and an appropriate proportion of production overheads based on normal operating capacity.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

(e) Impairment of non-financial assets

The carrying amounts of assets except for inventories are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying amounts of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value-in-use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is charged to the income statements immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statements, a reversal of that impairment loss is recognised as income in the income statements.

(f) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land are classified as operating or finance leases in the same way of lease of other assets and the land elements of a lease of land are considered separately for the purposes of a lease classifications. All leases that do not transfer substantially all the risks and rewards are classified as operating lease.

(ii) Finance leases

Property, plant and equipment acquired under hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheets as hire purchase payables. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

5. ACCOUNTING POLICIES AND STANDARDS – (cont'd)

5.2 Summary of Significant Accounting Policies – (cont'd)

(f) Leases – (cont'd)

(ii) Finance leases – (cont'd)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and fair value of the assets acquired, are recognised in the income statements over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The property, plant and equipment so capitalised are depreciated in accordance with the accounting policy on property, plant and equipment and depreciation in Section 5.2(b).

(iii) Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payments represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(g) Income tax

Tax expense comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date, and any adjustment to tax payables in respect of previous financial years.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised as income or an expense and included in the income statements for the period, except when it arises from a transaction which is recognised directly in equity in which case the deferred tax is also recognised directly in equity.

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

5. ACCOUNTING POLICIES AND STANDARDS – (cont'd)

5.2 Summary of Significant Accounting Policies – (cont'd)

(h) Revenue recognition

(i) **Sale of goods**

Revenue from sale of goods is recognised when the goods are shipped/delivered and when the risks and rewards of ownership have passed to the customers.

(ii) **Interest income**

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(iii) **Government grant**

Government grant that compensates the Group for expenses incurred are recognised in the income statements.

(i) Research and development expenditure

Research and development expenditure is charged to the income statements in the financial year in which it is incurred except insofar as it relates to a clearly defined project which the benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of the future benefit and is stated at cost incurred less grants received, if any. Such deferred expenditure shall be amortised through the income statements over the period of the project, upon commencement of commercial production.

(j) Employee benefits

(i) **Short-term benefits**

Wages, salaries, paid annual leave, paid sick leave, bonuses, social security contributions (“SOCSO”) and non-monetary benefits are recognised as expenses in the income statements in the financial year in which the associated services are rendered by employees of the Group.

(ii) **Defined contribution plans**

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund (“EPF”). Such contributions are recognised as an expense in the income statements as incurred.

13. ACCOUNTANTS' REPORT

**SCLIM, NG & CO.**
CHARTERED ACCOUNTANTS (AF 0681)**5. ACCOUNTING POLICIES AND STANDARDS – (cont'd)****5.2 Summary of Significant Accounting Policies – (cont'd)****(k) Financial instruments**

Financial instruments are recognised in the balance sheets when the Group has become a party to the contractual provisions of the instruments. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Receivables

Receivables are carried at anticipated realisable value. All known bad debts are written off in the period in which they are identified. An allowance is made for doubtful debts based on estimates of possible losses which may arise from non-collection of certain receivable amounts.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise deposits, bank and cash balances and highly liquid investments that are readily convertible to cash with insignificant risks of changes in value, net of outstanding bank overdrafts, if any.

(iii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services rendered.

(iv) Bank borrowings

Bank loans are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly incurred in financing the acquisition, construction or production of qualifying assets are capitalised, until such time that the assets are ready for their intended use. All other borrowing costs are charged to the income statements in the period they are incurred.

(v) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Cost of issuing equity securities in connection with a business combination is included in the cost of acquisition.

13. ACCOUNTANTS' REPORT

**SCLIM, NG & CO.**
CHARTERED ACCOUNTANTS (AF 0681)**5. ACCOUNTING POLICIES AND STANDARDS – (cont'd)****5.2 Summary of Significant Accounting Policies – (cont'd)****(k) Financial instruments – (cont'd)****(vi) Derivative financial instruments**

The Group uses derivative financial instruments in the form of forward foreign exchange contracts to hedge its exposure to foreign exchange arising from operating activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are not recognised in the financial statements on inception.

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income or expense in the income statements in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

(l) Functional and foreign currency**(i) Functional currency**

The management has determined the currency of the primary economic environment in which the Group operates i.e. functional currency to be Ringgit Malaysia (RM).

(ii) Transactions and balances in foreign currencies

Transactions in foreign currencies during the financial year are converted into RM at rates of exchange ruling at the dates of transactions unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward foreign exchange contracts are used. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into RM at rates of exchange ruling at that date unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward foreign exchange contracts are used.

All gains or losses arising from the settlement of foreign currency transactions and from translating foreign monetary assets and liabilities are taken into the income statements.

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

5. ACCOUNTING POLICIES AND STANDARDS – (cont'd)5.3 **Changes in Accounting Policies and Effects Arising From Adoption of New/Revised Financial Reporting Standards (“FRSs”), Amendments to FRSs and Issues Committee (“IC”) Interpretations**

With effect from 1 September 2006, the Group has adopted the FRSs and amendments to FRSs issued by the Malaysian Accounting Standards Board (“MASB”) that are relevant to the operations of the Group. They are as follows :

		Effective for financial periods beginning on or after
FRS 3	Business Combinations	1 January 2006
FRS 101	Presentation of Financial Statements	1 January 2006
FRS 102	Inventories	1 January 2006
FRS 108	Accounting Policies, Changes in Accounting Estimates And Errors	1 January 2006
FRS 110	Events after the Balance Sheet Date	1 January 2006
FRS 116	Property, Plant and Equipment	1 January 2006
FRS 121	The Effect of Changes in Foreign Exchange Rates	1 January 2006
FRS 127	Consolidated and Separate Financial Statements	1 January 2006
FRS 132	Financial Instruments : Disclosure and Presentation	1 January 2006
FRS 136	Impairment of Assets	1 January 2006
FRS 138	Intangible Assets	1 January 2006
FRS 117	Leases	1 October 2006
FRS 124	Related Party Disclosures	1 October 2006
FRS 107	Cash Flow Statements	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
Amendment to FRS 119 ²⁰⁰⁴	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

5. ACCOUNTING POLICIES AND STANDARDS – (cont'd)

5.3 **Changes in Accounting Policies and Effects Arising From Adoption of New/Revised Financial Reporting Standards (“FRSs”), Amendments to FRSs and Issues Committee (“IC”) Interpretations – (cont'd)**

The principal effects of the changes in accounting policies resulting from the adoption of the above new/revised FRSs are as per below :

(a) FRS 117 – Leases

The adoption of FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight line basis over the lease term. Prior to 1 September 2006, leasehold land was classified as finance lease and its amount was recognised as property within the property, plant and equipment. It was stated at valuation less accumulated depreciation and impairment losses, if any.

Upon the adoption of FRS 117 on 1 September 2006, the Group treats such a lease as an operating lease. The unamortised revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions of FRS 117.

(b) FRS 3 - Business Combinations and FRS 136 – Impairment of Assets

Prior to 1 September 2006, goodwill was stated at cost and considered to have an indefinite useful life. The adoption of FRS 3 and FRS 136 has resulted in goodwill being carried at cost less accumulated impairment losses and being tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired in accordance with FRS 136. Any impairment loss is recognised in consolidated income statement and subsequent reversal is not allowed.

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

5. ACCOUNTING POLICIES AND STANDARDS – (cont'd)

5.4 Significant Accounting Estimates and Judgments

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below :

(i) Impairment of Property, Plant and Equipment

The Group determines whether property, plant and equipment are impaired on an annual basis. This requires an estimation of the value-in-use of the cash-generating units (“CGU”) to which property, plant and equipment are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flow from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Depreciation of Property, Plant and Equipment

Property, plant and equipment are depreciated in a straight-line method over their useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 10 years except for building which are 50 years.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these property, plant and equipment, therefore future depreciation charges could be revised.

(iii) Income Tax

Significant judgment is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

6. FINANCIAL STATEMENTS OF HOMERITZ

6.1 INCOME STATEMENT

	Financial period from 6 February to <u>31 August 2008</u>	Financial year ended <u>31 August 2009</u>
	RM '000	RM '000
Revenue	-	-
Administrative Expenses	(6)	(6)
(Loss) Before Tax	(6)	(6)
Tax Expense	-	-
(Loss) Attributable To Equity Holders Of The Company	(6)	(6)

6.2 BALANCE SHEET

	← As At 31 August →	
	<u>2008</u>	<u>2009</u>
	RM '000	RM '000
ASSETS		
Current Assets		
Deposit, cash and bank balances	*	*
	*	*
TOTAL ASSETS	*	*
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	*	*
(Accumulated losses)	(6)	(12)
TOTAL EQUITY	(6)	(12)
Current Liabilities		
Other payables	6	(12)
TOTAL LIABILITIES	6	(12)
TOTAL EQUITY AND LIABILITIES	*	*

* Amount less than RM 1,000

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

6. FINANCIAL STATEMENTS OF HOMERITZ – (cont'd)

6.3 STATEMENT OF CHANGES IN EQUITY

Attributable To Equity Holders Of The Company

	<u>Distributable</u>		<u>Total Equity</u>
	<u>Share Capital</u>	<u>Accumulated Losses</u>	
	RM '000	RM '000	RM '000
At date of incorporation	*	-	*
(Loss) for the financial period	-	(6)	(6)
At 31 August 2008	*	(6)	(6)
(Loss) for the financial year	-	(6)	(6)
At 31 August 2009	*	(12)	(12)

* Amount less than RM 1,000

6.4 CASH FLOW STATEMENT

	<u>Financial period from 6 February to 31 August 2008</u>	<u>Financial year ended 31 August 2009</u>
	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before tax	(6)	(6)
OPERATING (LOSS) BEFORE WORKING CAPITAL CHANGES	(6)	(6)
Changes In Working Capital		
Other payables	6	6
NET CASH FROM OPERATING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from issuance of shares	*	-
NET CASH FROM FINANCING ACTIVITY	*	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	*	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD/YEAR	-	*
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD/YEAR	*	*

* Amount less than RM 1,000

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

7. FINANCIAL STATEMENTS OF HUI GROUP

7.1 CONSOLIDATED INCOME STATEMENTS

	← FYE 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM '000	RM '000	RM '000
Revenue	73,804	92,550	108,439
Cost Of Sales	(57,055)	(71,898)	(75,902)
Gross Profit	16,749	20,652	32,537
Other Income	943	208	178
Selling And Distribution Expenses	(3,401)	(4,197)	(4,611)
Administrative Expenses	(1,812)	(1,866)	(2,202)
Other Expenses	(457)	(699)	(522)
Finance Costs	(341)	(383)	(416)
Profit Before Tax	11,681	13,715	24,964
Tax Expense	(1,215)	(1,328)	(2,280)
Profit Attributable To Equity Holders Of The Company	10,466	12,387	22,684
Weighted average number of ordinary shares in issue ('000)	400	450	450
Net earnings per share (RM)	26.17	27.53	50.41
Gross profit margin (%)	22.69	22.31	30.00
Net profit margin (%)	14.18	13.38	20.92
Effective tax rate (%)	10.40	9.68	9.13
Average inventory turnover period (months)	0.41	1.24	1.91
Average trade receivables turnover period (months)	0.68	0.72	0.63
Average trade payables turnover period (months)	0.65	0.80	1.05

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

7. FINANCIAL STATEMENTS OF HUI GROUP – (cont'd)

7.2 CONSOLIDATED BALANCE SHEETS

	<u>Note</u>	← As At 31 August →		
		<u>2007</u>	<u>2008</u>	<u>2009</u>
		RM '000	RM '000	RM '000
ASSETS				
Non-Current Assets				
Property, plant and equipment	8.1	19,487	25,941	26,913
Prepaid lease payments	8.2	1,209	1,195	1,181
Goodwill	8.3	-	-	-
		20,696	27,136	28,094
Current Assets				
Inventories	8.4	2,433	12,373	11,830
Trade and other receivables	8.5	6,325	7,085	8,044
Deposits, bank and cash balances	8.6	10,267	8,578	20,704
		19,025	28,036	40,578
TOTAL ASSETS		39,721	55,172	68,672
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Share capital	8.7	450	450	450
Reserves	8.8	23,888	38,729	35,913
TOTAL EQUITY		24,338	39,179	36,363
Non-Current Liabilities				
Bank borrowings	8.9	3,066	2,645	5,396
Hire purchase payables	8.10	46	-	-
Deferred tax liabilities	8.11	958	1,762	2,060
		4,070	4,407	7,456
Current Liabilities				
Bank borrowings	8.9	1,064	453	2,366
Trade and other payables	8.12	9,802	10,579	9,539
Hire purchase payables	8.10	133	46	-
Dividend payable		-	-	12,000
Tax payable		314	508	948
		11,313	11,586	24,853
TOTAL LIABILITIES		15,383	15,993	32,309
TOTAL EQUITY AND LIABILITIES		39,721	55,172	68,672

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

7. FINANCIAL STATEMENTS OF HUI GROUP – (cont'd)

7.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	<u>Attributable To Equity Holders Of The Company</u>			<u>Total Equity</u>
		<u>Share Capital</u>	<u>Non-Distributable</u>	<u>Distributable</u>	
			<u>Revaluation Reserve</u>	<u>Retained Profits</u>	
		RM '000	RM '000	RM '000	RM '000
At 31 August 2006 (as previously reported)		400	-	13,441	13,841
Prior year adjustments :					
Effect of FRS 108	9	-	-	(19)	(19)
At 31 August 2006 (as restated)		400	-	13,422	13,822
Issue of shares		50	-	-	50
Profit for the financial year		-	-	10,466	10,466
At 31 August 2007		450	-	23,888	24,338
Revaluation surplus, net of deferred tax		-	2,427	-	2,427
Effect of changes in tax rate		-	27	-	27
Realisation of revaluation reserve		-	(24)	24	-
Profit for the financial year		-	-	12,387	12,387
At 31 August 2008		450	2,430	36,299	39,179
Realisation of revaluation reserve		-	(40)	40	-
Profit for the financial year		-	-	22,684	22,684
Dividend		-	-	(25,500)	(25,500)
At 31 August 2009		450	2,390	33,523	36,363

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

7. FINANCIAL STATEMENTS OF HUI GROUP – (cont'd)

7.4 CONSOLIDATED CASH FLOW STATEMENTS

Note	← FYE 31 August →		
	2007	2008	2009
	RM '000	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	11,681	13,715	24,964
Adjustments for :			
Amortisation of prepaid lease payments	14	14	14
Deposit forfeited	9	18	-
Depreciation	614	1,154	1,656
Impairment loss of goodwill	399	-	-
Impairment loss on property, plant and equipment	-	76	-
Loss on disposal of property, plant and equipment	-	-	31
Property, plant and equipment written off	-	86	-
Unrealised (gain)/loss on foreign exchange	(112)	69	7
Interest expenses	216	223	217
Interest income	(184)	(91)	(33)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	12,637	15,264	26,856
Changes In Working Capital			
Inventories	(962)	(9,940)	542
Trade and other receivables	(776)	(827)	(946)
Trade and other payables	3,132	3,434	(1,045)
CASH GENERATED FROM OPERATIONS	14,031	7,931	25,407
Interest paid	(216)	(223)	(217)
Interest received	184	91	33
Tax paid	(674)	(1,007)	(1,542)
NET CASH FROM OPERATING ACTIVITIES	13,325	6,792	23,681
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment	-	-	118
Purchase of property, plant and equipment	8.1(e) (10,434)	(7,279)	(2,771)
NET CASH USED IN INVESTING ACTIVITIES	(10,434)	(7,279)	(2,653)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	50	-	-
Proceeds from term loans	1,788	-	3,967
Repayment of hire purchase payables	(21)	(133)	(46)
Repayment of term loans	(374)	(420)	(1,207)
Net (increase)/decrease in fixed deposits pledged	(49)	550	4
Net movement in trade bills	-	-	1,904
Dividend paid	-	-	(13,500)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	1,394	(3)	(8,878)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,285	(490)	12,150
EFFECT OF EXCHANGE DIFFERENCES	-	(36)	(20)
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE FINANCIAL YEAR	4,815	9,100	8,574
CASH AND CASH EQUIVALENTS AS AT THE END OF THE FINANCIAL YEAR	8.13 9,100	8,574	20,704

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

8. NOTES TO THE FINANCIAL STATEMENTS OF HUI GROUP

8.1 PROPERTY, PLANT AND EQUIPMENT

	<u>Freehold land</u>	<u>Factory buildings</u>	<u>Factory equipment, plant and machinery</u>	<u>Office equipment, renovation, furniture and fittings</u>	<u>Motor vehicles</u>	<u>Capital work-in-progress</u>	<u>Total</u>
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<u>At 31 August 2007</u>							
<u>At Cost</u>							
At 1 September	1,146	2,780	2,104	614	548	570	7,762
Additions	3,105	6,146	2,460	178	410	1,089	13,388
Reclassification	-	1,659	-	-	-	(1,659)	-
At 31 August	4,251	10,585	4,564	792	958	-	21,150
<u>Less : Accumulated Depreciation</u>							
At 1 September	-	135	496	182	236	-	1,049
Charge for the financial year	-	93	303	85	133	-	614
At 31 August	-	228	799	267	369	-	1,663
<u>Carrying Amount</u>							
At 31 August	4,251	10,357	3,765	525	589	-	19,487

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

8. NOTES TO THE FINANCIAL STATEMENTS OF HUI GROUP – (cont'd)8.1 PROPERTY, PLANT AND EQUIPMENT – (cont'd)

	<u>Freehold land</u>	<u>Factory buildings</u>	<u>Factory equipment, plant and machinery</u>	<u>Showroom, office equipment, renovation, furniture and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
At 31 August 2008						
At Cost / Valuation						
At 1 September	4,251	10,585	4,564	792	958	21,150
Additions	2,095	191	1,838	464	52	4,640
Write off	-	-	-	(154)	-	(154)
Revaluation	425	2,389	-	-	-	2,814
At 31 August	6,771	13,165	6,402	1,102	1,010	28,450
Representing :						
At valuation	4,676	12,975	-	-	-	17,651
At cost	2,095	190	6,402	1,102	1,010	10,799
	6,771	13,165	6,402	1,102	1,010	28,450
Less : Accumulated Depreciation						
At 1 September	-	228	799	267	369	1,663
Charge for the financial year	-	241	598	118	197	1,154
Write off	-	-	-	(67)	-	(67)
Revaluation	-	(317)	-	-	-	(317)
At 31 August	-	152	1,397	318	566	2,433
Less : Impairment Losses						
At 1 September	-	-	-	-	-	-
Additions	76	-	-	-	-	76
At 31 August	76	-	-	-	-	76
	76	152	1,397	318	566	2,509
Representing :						
At valuation	76	151	-	-	-	227
At cost	-	1	1,397	318	566	2,282
	76	152	1,397	318	566	2,509
Carrying Amount						
At 31 August	6,695	13,013	5,005	784	444	25,941
Representing :						
At valuation	4,600	12,824	-	-	-	17,424
At cost	2,095	189	5,005	784	444	8,517
	6,695	13,013	5,005	784	444	25,941

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

8. NOTES TO THE FINANCIAL STATEMENTS OF HUI GROUP – (cont'd)8.1 PROPERTY, PLANT AND EQUIPMENT – (cont'd)

	Freehold land	Factory buildings	Factory equipment, plant and machinery	Showroom, office equipment, renovation, furniture and fittings	Motor vehicles	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
At 31 August 2009						
At Cost / Valuation						
At 1 September	6,771	13,165	6,402	1,102	1,010	28,450
Additions	-	-	2,386	316	75	2,777
Disposal	-	-	(159)	-	(18)	(177)
Write off	-	-	-	(16)	-	(16)
At 31 August	6,771	13,165	8,629	1,402	1,067	31,034
Representing :						
At valuation	4,676	12,975	-	-	-	17,651
At cost	2,095	190	8,629	1,402	1,067	13,383
	6,771	13,165	8,629	1,402	1,067	31,034
Less : Accumulated Depreciation						
At 1 September	-	152	1,397	318	566	2,433
Charge for the financial year	-	263	1,010	200	183	1,656
Disposal	-	-	(12)	-	(16)	(28)
Write off	-	-	-	(16)	-	(16)
At 31 August	-	415	2,395	502	733	4,045
Less : Impairment Losses						
At 1 September	76	-	-	-	-	76
Additions	-	-	-	-	-	-
At 31 August	76	-	-	-	-	76
	76	415	2,395	502	733	4,121
Representing :						
At valuation	76	410	-	-	-	486
At cost	-	5	2,395	502	733	3,635
	76	415	2,395	502	733	4,121
Carrying Amount						
At 31 August	6,695	12,750	6,234	900	334	26,913
Representing :						
At valuation	4,600	12,565	-	-	-	17,165
At cost	2,095	185	6,234	900	334	9,748
	6,695	12,750	6,234	900	334	26,913

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

8. NOTES TO THE FINANCIAL STATEMENTS OF HUI GROUP – (cont'd)8.1 PROPERTY, PLANT AND EQUIPMENT – (cont'd)

- (a) The freehold land and factory buildings were last revalued based on the valuation carried out by an independent firm of professional valuers in January 2008 on the open market value basis.
- (b) The carrying amounts of the revalued property, plant and equipment that would have been included in the financial statements stated at cost less accumulated depreciation are as follows :

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
<u>Carrying Amount</u>			
Freehold land	4,251	4,251	4,251
Factory buildings	10,357	10,145	9,934
	<u>14,608</u>	<u>14,396</u>	<u>14,185</u>

- (c) The following property, plant and equipment are charged against bank borrowings (Section 8.9) :

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
<u>Carrying Amount</u>			
Freehold land	3,105	3,530	3,530
Factory buildings	8,726	11,165	10,939
	<u>11,831</u>	<u>14,695</u>	<u>14,469</u>

- (d) The following property, plant and equipment are acquired under hire purchase instalment plans (Section 8.10) :

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
<u>Carrying Amount</u>			
Motor vehicles	294	232	-

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

8. NOTES TO THE FINANCIAL STATEMENTS OF HUI GROUP – (cont'd)8.1 PROPERTY, PLANT AND EQUIPMENT – (cont'd)

(e) Purchase of property, plant and equipment are as follows :

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
Aggregate cost of property, plant and equipment acquired	13,388	4,640	2,777
Finance via hire purchase	(200)	-	-
Unpaid balance included under sundry payables (Section 8.12)	(2,754)	(27)	(33)
Cash paid in respect of acquisition in previous financial year	-	2,666	27
	<u>10,434</u>	<u>7,279</u>	<u>2,771</u>

8.2 PREPAID LEASE PAYMENTS

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
Balance at the beginning of financial years	1,223	1,209	1,195
Less : Amortisation of prepaid lease payments	(14)	(14)	(14)
Balance at the end of financial years	<u>1,209</u>	<u>1,195</u>	<u>1,181</u>
Analysed as :			
Leasehold land	<u>1,209</u>	<u>1,195</u>	<u>1,181</u>

The leasehold land is charged against the bank borrowings (Section 8.9).

8.3 GOODWILL

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
Balance at the beginning of financial years	399	-	-
Impairment loss	(399)	-	-
Balance at the end of financial years	<u>-</u>	<u>-</u>	<u>-</u>

This represents of goodwill arising from the acquisition of subsidiary during FY 2004 (Section 5.3(b) and Section 9).

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

8. NOTES TO THE FINANCIAL STATEMENTS OF HUI GROUP – (cont'd)

8.4 INVENTORIES

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
At Cost			
Raw materials	1,841	10,297	9,073
Work-in-progress	286	1,880	2,355
Finished goods	306	196	402
	2,433	12,373	11,830

8.5 TRADE AND OTHER RECEIVABLES

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
Trade Receivables			
Trade receivables	5,544	5,570	5,836
Deposits to suppliers	284	270	582
	5,828	5,840	6,418
Other Receivables			
Deposits	144	101	121
Prepayments	344	1,138	1,435
Sundry receivables	9	6	70
	497	1,245	1,626
	6,325	7,085	8,044

(a) The HUI Group's normal trade terms range from cash term to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

(b) Trade receivables' ageing analysis as at 31 August 2009 is tabulated as follows :

	<u>Within Credit Period</u>		<u>Exceeding Credit Period</u>		Total RM '000
	1-30 Days RM '000	31-60 Days RM '000	61-90 Days RM '000	Over 90 Days RM '000	
	Trade receivables	5,603	232	*	
% total trade receivables	96%	4%	**	**	100%

* Amount less than RM 1,000
** Percentage less than 1%

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

8. NOTES TO THE FINANCIAL STATEMENTS OF HUI GROUP – (cont'd)

8.6 DEPOSITS, BANK AND CASH BALANCES

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
Bank and cash balances	3,212	5,181	17,704
Fixed deposits placed with licensed banks	555	4	3,000
Short term deposits placed with licensed banks	6,500	3,393	-
	<u>10,267</u>	<u>8,578</u>	<u>20,704</u>

- (a) For FY 2007 and 2008, fixed deposits placed with licensed banks are pledged against banking facilities.
- (b) The weighted average effective interest rates (per annum) of deposits placed with licensed banks at the end of financial years were as follows :

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	%	%	%
Fixed deposits	3.06	3.70	2.20
Short term deposits	2.92	1.00	-

- (c) The maturity periods of deposits placed with licensed banks at the end of financial years were as follows :

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Fixed deposits	9-12 months	12 months	1 month
Short term deposits	8-29 days	5 days	-

8.7 SHARE CAPITAL

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
Authorised			
Ordinary shares of RM 1.00 each	500	500	500
Issued and fully paid :			
Ordinary shares of RM 1.00 each			
At the beginning of financial years	400	450	450
Issued during the financial years	50	-	-
At the end of financial years	<u>450</u>	<u>450</u>	<u>450</u>

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

8. NOTES TO THE FINANCIAL STATEMENTS OF HUI GROUP – (cont'd)

8.8 RESERVES

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
Non-Distributable			
Revaluation reserve	-	2,430	2,390
Distributable			
Retained profits	23,888	36,299	33,523
	<u>23,888</u>	<u>38,729</u>	<u>35,913</u>

(a) Revaluation Reserve

The revaluation reserve represents the surplus arising from the revaluation of freehold land and factory buildings, net of the deferred tax effects.

(b) Retained Profits

Retained profits are those available for distribution by way of dividends.

8.9 BANK BORROWINGS

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
<u>Current</u>			
Secured - Trade bills	-	-	1,904
- Term loans	452	453	462
Unsecured - Bank overdraft	612	-	-
	<u>1,064</u>	<u>453</u>	<u>2,366</u>
<u>Non-Current</u>			
Secured - Term loans	3,066	2,645	5,396
	<u>4,130</u>	<u>3,098</u>	<u>7,762</u>
<u>Analysis Of Bank Borrowings</u>			
Trade bills	-	-	1,904
Term loans	3,518	3,098	5,858
Bank overdraft	612	-	-
	<u>4,130</u>	<u>3,098</u>	<u>7,762</u>

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

8. NOTES TO THE FINANCIAL STATEMENTS OF HUI GROUP – (cont'd)

8.9 BANK BORROWINGS – (cont'd)

- (a) The bank borrowings are secured against :
- (i) Certain freehold land and factory buildings of the HUI Group (Section 8.1(a)).
 - (ii) Leasehold land of the HUI Group (Section 8.2).
 - (iii) Corporate guarantee from USF.
 - (iv) Joint and several guarantee by Directors of HUI Group.
- (b) At the end of financial year, term loans are repayable as follows :

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
<u>Current</u>			
Not later than one year	452	453	462
<u>Non-Current</u>			
Later than one year and not later than two years	455	487	482
Later than two years and not later than five years	1,081	711	1,585
Later than five years	1,530	1,447	3,329
	<u>3,066</u>	<u>2,645</u>	<u>5,396</u>
	<u>3,518</u>	<u>3,098</u>	<u>5,858</u>

- (c) The effective interest rates and repayment terms for term loans were as follows :

	<u>2007</u>	<u>2008</u>	<u>2009</u>
	%	%	%
Effective interest rates (per annum)	<u>5.00 to 7.55</u>	<u>7.25 to 7.55</u>	<u>3.80 to 6.35</u>
	Month	Month	Month
Repayment terms	<u>60-180</u>	<u>60-180</u>	<u>120 to 180</u>

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

8. NOTES TO THE FINANCIAL STATEMENTS OF HUI GROUP – (cont'd)

8.10 HIRE PURCHASE PAYABLES

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
Minimum hire purchase payments :			
Not later than one year	138	46	-
Later than one year and not later than two years	46	-	-
	<u>184</u>	<u>46</u>	<u>-</u>
Less : Unexpired term charges	(5)	*	-
	<u>179</u>	<u>46</u>	<u>-</u>
Principal amount outstanding :			
Current Portion	133	46	-
Non-current portion	46	*	-
	<u>179</u>	<u>46</u>	<u>-</u>
	%	%	%
Effective interest rates (per annum)	4.30	4.30	-

* Amount less than RM 1,000

8.11 DEFERRED TAX LIABILITIES

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
Movements of deferred tax liabilities			
Balance at the beginning of financial years	539	958	1,762
Deferred tax expense relating to the origination of temporary differences	473	191	298
Revaluation surplus	-	704	-
Effect of changes in tax rate	(15)	(83)	-
(Over)provision of deferred tax expense in prior years	(39)	(8)	-
	<u>958</u>	<u>1,762</u>	<u>2,060</u>
Components of deferred tax liabilities			
Excess of capital allowances over corresponding book depreciation	730	884	1,198
Revaluation surplus on properties	228	878	862
	<u>958</u>	<u>1,762</u>	<u>2,060</u>

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

8. NOTES TO THE FINANCIAL STATEMENTS OF HUI GROUP – (cont'd)

8.12 TRADE AND OTHER PAYABLES

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
Trade Payables			
Amount due to an affiliated company (Section 8.14(b))	409	130	-
Other trade payables	3,064	5,646	4,995
Deposits from customers	1,285	1,713	1,213
	4,758	7,489	6,208
Other Payables			
Amount due to an affiliated company (Section 8.14(b))	-	18	-
Amount due to directors	16	77	528
Accruals	1,198	1,365	1,375
Sundry payables	3,830	1,630	1,428
	5,044	3,090	3,331
	9,802	10,579	9,539

- (a) The normal trade terms granted to HUI Group range from cash term to 120 days.
- (b) The amount due to directors and affiliated company are unsecured, interest free and repayable on demand.
- (c) An affiliated company is a company in which directors of the HUI Group have substantial financial interest.

8.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following amounts :

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
Deposits, cash and bank balances	10,267	8,578	20,704
Bank overdraft (unsecured)	(612)	-	-
	9,655	8,578	20,704
Less : Non-cash and cash equivalents			
Fixed deposits pledged to banks as collateral	(555)	(4)	-
	9,100	8,574	20,704

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

8. NOTES TO THE FINANCIAL STATEMENTS OF HUI GROUP – (cont'd)

8.14 RELATED PARTY DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in the financial statements, the HUI Group had the following transactions with related parties during the financial year.

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
Affiliated company			
Purchases of goods	6,976	1,447	-
Purchase of property, plant and equipment	-	422	-
Sub-contract wages	-	299	-
A person connected to the Director of the HUI Group			
Rental expense of hostel	7	-	-
Key Management Personnel			
Proceeds from disposal of keyman insurance policy	(28)	-	-

- (b) Information regarding outstanding balances arising from related party transactions as at 31 August are disclosed in Section 8.12.

(c) **Compensation of Key Management Personnel**

The compensation of key management personnel who are the Directors of the HUI Group are detailed as follows :

	← As At 31 August →		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM'000	RM'000	RM'000
Short-term employee benefits	641	301	301
Pension cost - defined contribution plan	46	57	57
	<u>687</u>	<u>358</u>	<u>358</u>

9. RESTATEMENT TO AUDITED FINANCIAL STATEMENTS

In January 2004, HUI acquired the entire equity interest of USF whose sole activity was holding a parcel of leasehold land as investment property. One of HUI's factory building was erected thereon.

However, the goodwill arising from consolidation of RM 1.033 million was incorrectly accounted for at its initial recognition due to the absence of fair value adjustment of such leasehold land upon consolidation. After incorporating the fair value adjustments i.e. the pre-acquisition revaluation surplus and related deferred tax effect at HUI group level, the amount of goodwill should be RM 0.399 million (Note 8.3). In line with the fair value adjustment, the amortisation charges on the leasehold land and related deferred tax effect for FY 2004 to 2006 are revised accordingly. As at 31 August 2006, the cumulative effect of this prior year adjustment on the retained profit is RM 18,589.

13. ACCOUNTANTS' REPORT



SC LIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

10. SUBSEQUENT EVENTS

- (a) On 15 September 2009, Homeritz acquired the entire issued and paid-up share capital of HUI comprising 450,000 ordinary shares of RM 1.00 each for a total purchase consideration of RM 36,179,475 satisfied by the issuance of 72,358,950 new ordinary shares of RM 0.50 each at par. After the aforesaid acquisition, Homeritz acquire from HUI 100% of issued and paid-up share capital of USF comprising 50,002 ordinary shares of RM 1.00 each for a total cash consideration of RM 1,012,324.
- (b) On 26 November 2009, Homeritz undertook a subdivision of one (1) ordinary share of RM 0.50 each into five (5) ordinary shares of RM 0.10 each. After the aforesaid subdivision, Homeritz immediately undertook a share consolidation of every two (2) ordinary shares of RM 0.10 each into one (1) ordinary share of RM 0.20 each.
- (c) On 30 November 2009, Homeritz carried out a rights issue of 10,102,615 new ordinary shares of RM 0.20 each at par to all shareholders of Homeritz after the Subdivision and Consolidation on the basis of approximately 0.0558 new ordinary share for every existing 1 ordinary share then held in Homeritz.

11. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 August 2009.

Yours faithfully

.....
SC LIM, NG & CO.
No. AF 0681
Chartered Accountants

.....
NG KIM KIAT
No. 2074/10/10 (J)
Partner

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

COMPANY NO. 805792 - X

HOMERITZ CORPORATION BERHAD
(Incorporated in Malaysia)

INDEPENDENT AUDITORS' REPORT

To the members of
HOMERITZ CORPORATION BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Homeritz Corporation Berhad, which comprise the balance sheet at 31 August 2009, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 13.

Directors' Responsibility For The Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company at 31 August 2009 and of its financial performance and cash flow of the Company for the financial year ended on that date.

A Member of The International Accounting Group

• KUALA LUMPUR : A-11-3 (Suite 1), Northpoint Offices, Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Malaysia. Tel: 603-2284 1788 Fax: 603-2284 2688 E-mail: kl-office@scin.com.my
• MUAR : 8 (2nd Floor), Jalan Pesta 1-1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000 Muar, Johor, Malaysia. Tel: 606-952 9939 Fax: 606-952 7328 E-mail: muar-office@scin.com.my

13. ACCOUNTANTS' REPORT



SC LIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

HOMERITZ CORPORATION BERHAD
(Incorporated in Malaysia)

INDEPENDENT AUDITORS' REPORT

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

.....
SC LIM, NG & CO.
No. AF 0681
Chartered Accountants

.....
NG KIM KIAT
No. 2074/10/10 (J)
Partner

Muar, Johor Darul Takzim
Date: 11 NOV 2009

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

HOMERITZ CORPORATION BERHAD
(Incorporated in Malaysia)

INDEPENDENT AUDITORS' REPORT

To the members of
HOMERITZ CORPORATION BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Homeritz Corporation Berhad, which comprise the balance sheet at 31 August 2008, and the income statement, statement of changes in equity and cash flow statement for the financial period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 15.

Directors' Responsibility For The Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company at 31 August 2008 and of its financial performance and cash flow of the Company for the financial period ended on that date.

A Member of The International Accounting Group

- **KUALA LUMPUR** : A-11-3 (Suite 1), Northpoint Offices, Mid Valley City No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Malaysia. Tel: 603-2284 1788 Fax: 603-2284 2688 E-mail:kl-office@scin.com.my
- **MUAR** : 8 (2nd Floor), Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000 Muar, Johor, Malaysia. Tel: 606-952 9939 Fax: 606-952 7328 E-mail: muar-office@scin.com.my
- **JOHOR BAHRU** : 19-01, Jalan Molek 3/10, Taman Molek, 81100 Johor Bahru, Johor, Malaysia. Tel: 607-353 5585 Fax: 607-353 5545 E-mail: jb-office@scin.com.my

13. ACCOUNTANTS' REPORT



SC LIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

HOMERITZ CORPORATION BERHAD
(Incorporated in Malaysia)

INDEPENDENT AUDITORS' REPORT

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

.....
SC LIM, NG & CO.
No. AF 0681
Chartered Accountants

.....
NG KIM KIAT
No. 2074/10/10 (J)
Partner

Muar, Johor Darul Takzim
Date : 03 FEB 2009

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

COMPANY NO. 441363 - V

HOME UPHOLSTERY INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

INDEPENDENT AUDITORS' REPORT

To the members of
HOME UPHOLSTERY INDUSTRIES SDN. BHD.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Home Upholstery Industries Sdn. Bhd., which comprise the balance sheets at 31 August 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 38.

Directors' Responsibility For The Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 August 2009 and of their financial performance and cash flows for the financial year then ended.

A Member of The International Accounting Group

* KUALA LUMPUR : A-11-3 (Suite 1), Northpoint Offices, Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Malaysia. Tel: 603-2284 1788 Fax: 603-2284 2688 E-mail: kl-office@scin.com.my
* MUAR : 8 (2nd Floor), Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000 Muar, Johor, Malaysia. Tel: 606-952 9939 Fax: 606-952 7328 E-mail: muar-office@scin.com.my

13. ACCOUNTANTS' REPORT



SC LIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

COMPANY NO. 441363 - V

HOME UPHOLSTERY INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

INDEPENDENT AUDITORS' REPORT

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following :

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our auditors' report on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

SC LIM, NG & CO.
No. AF 0681
Chartered Accountants

NG KIM KIAT
No. 2074/10/10 (J)
Partner

Muar, Johor Darul Takzim
Date : 11 NOV 2009

13. ACCOUNTANTS' REPORT



SCLIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

COMPANY NO. 441363 - V

HOME UPHOLSTERY INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

INDEPENDENT AUDITORS' REPORT

To the members of
HOME UPHOLSTERY INDUSTRIES SDN. BHD.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Home Upholstery Industries Sdn. Bhd., which comprise the balance sheets at 31 August 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 36.

Directors' Responsibility For The Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 August 2008 and of their financial performance and cash flows for the financial year then ended.

A Member of The International Accounting Group

- **KUALA LUMPUR** : A-11-3 (Suite 1), Northpoint Offices, Mid Valley City No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Malaysia. Tel: 603-2284 1788 Fax: 603-2284 2688 E-mail: kl-office@scin.com.my
- **MUAR** : 8 (2nd Floor), Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000 Muar, Johor, Malaysia. Tel: 606-952 9939 Fax: 606-952 7328 E-mail: muar-office@scin.com.my
- **JOHOR BAHRU** : 19-01, Jalan Molek 3/10, Taman Molek, 81100 Johor Bahru, Johor, Malaysia. Tel: 607-353 5585 Fax: 607-353 5545 E-mail: jb-office@scin.com.my

13. ACCOUNTANTS' REPORT



SC LIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

COMPANY NO. 441363 - V

HOME UPHOLSTERY INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

INDEPENDENT AUDITORS' REPORT

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following :

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our auditors' reports on the accounts of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

.....
SC LIM, NG & CO.
No. AF 0681
Chartered Accountants

.....
NG KIM KIAT
No. 2074/10/10 (J)
Partner

Muar, Johor Darul Takzim
Date : 03 FEB 2003

13. ACCOUNTANTS' REPORT

COMPANY NO. 441363 - V

HOME UPHOLSTERY INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)



SC LIM, NG & CO.
CHARTERED ACCOUNTANTS (AF 0681)

REPORT OF THE AUDITORS

To the members of
HOME UPHOLSTERY INDUSTRIES SDN. BHD.

We have audited the financial statements set out on pages 6 to 37. The preparation of the financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with the approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors as well as evaluating the overall presentation of the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of :
 - (i) the state of affairs of the Group and of the Company as at 31 August 2007 and of the results and cash flows of the Group and of the Company for the financial year ended on that date ; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company ; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by its subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' report on the financial statements of the subsidiary were not subject to any qualification and did not include any comment made under Section 174(3) of the Act.

SC LIM, NG & CO.
No. AF 0681
Chartered Accountants

Muar, Johor Darul Takzim
Date : 05 FEB 2008

NG KIM KIAT
No. 2074/10/08 (J)
Partner

A Member of The International Accounting Group

14. VALUATION CERTIFICATE

(Prepared for inclusion in this Prospectus)

VALUATION CERTIFICATE

(Prepared for the inclusion in the Prospectus)

Our Ref : MK/SC080115/J

Date : 6 January 2010

The Board of Directors

Homeritz Corporation Berhad

Lot 8726, PTD 6023

Batu 8, Kawasan Perindustrian Bukit Bakri

84200 Muar

Johor Darul Takzim

Dear Sirs



COLLIERS, JORDAN LEE & JAAFAR (M'CCA) SDN. BHD.
(136815-K) (VE (1) 0063/3)

No. 288, Jalan Melaka Raya 2,
Taman Melaka Raya, 75000 Melaka.
Tel No : 06-2835522 (4 lines)
Fax No : 06-2837635, 2846972
E-mail : cjljmk@tm.net.my
Website : www.colliers-malaysia.com

CERTIFICATE OF VALUATION OF THREE (3) FACTORY PREMISES ON LOT NOS. 4943, 4944, 8726 & PTD 9495, ALL IN KAWASAN PERINDUSTRIAN BUKIT BAKRI, MUKIM OF JALAN BAKRI, DISTRICT OF MUAR, STATE OF JOHOR DARUL TAKZIM

This valuation certificate has been prepared for the purpose of inclusion in this Prospectus to be dated 27 January 2010 in conjunction with the listing of Homeritz Corporation Berhad on the Main Market of Bursa Malaysia Securities Berhad.

In accordance with the instruction from Messrs Homeritz Corporation Berhad, we have inspected and assessed the Market Values of the landed properties on 15th January, 2008, the details of which are set out in our valuation reports bearing Reference Nos. MK/SC080115/J/1, MK/SC080115/J/2 and MK/SC080115/J/3. These valuation reports have been prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and are in compliance with the Manual of Malaysia Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and with the necessary professional responsibility and due diligence.

The basis of valuation adopted is the **Market Value** which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". We have adopted the Cost Approach of Valuation together with the Investment Approach in arriving at the Market Value.

In the **Cost Approach**, the value of the land is added to the replacement cost of the building and other site improvements. The value of the site is determined by comparison with similar lands that were sold recently and those that are currently offered for sale in the vicinity with appropriate adjustments made to reflect the dissimilarities and to arrive at the value of the subject land as an improved site. The depreciated replacement cost of the building is derived from the estimation of reproduction cost of the new building of same kind and design as when new based on current market prices for materials and labour, other related fees and charges and present construction techniques and deducting therefrom the accrued depreciation due to use and disrepair, age and obsolescence through technology and market changes.

International Property Consultants • Chartered Valuation Surveyors • Registered Valuers & Real Estate Agents •
Project & Property Managers • Plant & Machinery Valuers • Auctioneers

Executive Director **LEE THIAM SING**, Mism, Apeps. Director **P. TANGGA PERAGASAM**, Fism, Frics. Chairman **CHIN LAI SITT**, Fism, Frics, LLB (Hons), CLP.

LEE YUN TSIR, B.Sc (Hons) Mism. **JAAFAR ISMAIL**, Fism, Frics. **THOO SING CHOON**, Frics, Irv, AciArh, Fpcc. **TH'NG KIM KOK**, Mism, Frics

Headquarters : Kuala Lumpur : Level 6, Block G North, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur. Tel: 03-20955811 (10 lines) Fax No: 03-20955843

Agency Division : Colliers International Property Consultants Sdn. Bhd.

Other Offices : Nos. 109 & 209, Block C, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, 46350 Petaling Jaya, Off Jalan Damansara, Kuala Lumpur. Tel: 03-76600220 Fax: 03-76600230

SeLANGOR : No. 43, Jalan Kepayang Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan. Tel: 03-33420860 (3 Lines) Fax No: 03-33417888

PetaLING Jaya : 30A, Jalan Yong Shook Lin, 46200 Petaling Jaya, Selangor Darul Ehsan. Tel: 06-79565811 Fax: 03-79555843

N. Sembilan : 9A, Kompleks Negeri, Jalan Dr. Krishnan, 70000 Seremban, Negeri Sembilan Darul Khusus, Malaysia. Tel: 06-7638890 & 7638990 Fax No: 06-7637936

Perak : Suites 1, 2, & 3, Tingkat Satu, Labrooy House, Jalan Dato Sagor, 30000 Ipoh, Perak Darul Ridzuan. Tel: 05-2414826 (3 lines) Fax No: 05-2556363

Johor : Suite 326, 3rd Floor, PanGlobal, Plaza, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Takzim. Tel: 07-2232299 Fax No: 07-2245899

Pahang : 17, Jalan Gambut 2, 25000 Kuantan, Pahang Darul Makmur. Tel: 09-5177588 Fax No: 09-5177577

Penang : No. 26, Light Street, 30200 Pulau Pinang. Tel: 04-2637749 & 2637750 Fax No: 04-2637644

Miri : Lot 585, 1st Floor North Yu Seng Road, P.O. Box 986, 98008 Miri, Sarawak. Tel: 085-428713 / 428714 Fax: 085-428715



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Other Colliers Offices : Australia, China, Hong Kong, India, Indonesia, Japan, New Zealand, Philippines, Singapore, Taiwan, Thailand, Vietnam, Austria, Belgium, Czech Republic, France, Germany, Greece, Hungary, Italy, Netherlands, Poland, Portugal, Republic of Ireland, Russia, Scotland, Slovenia, South Africa, Spala, Turkey, United Kingdom, The Americas Argentina, Canada, Mexico, Venezuela and United States Of America.

14. VALUATION CERTIFICATE

COLLIERS
JORDAN LEE & JAAFAR

In the **Investment Method**, the annual rental income presently received or expected to command over a period of time relating to the lease of the premises is estimated and deducting therefrom the expenses or outgoings incidental to the ownership of the property to obtain the net annual rental value. This net annual income is then capitalised by an appropriate capitalisation rate or years purchase figure to adjust the income into the present capital value of the property.

We certified that in our opinion, the Market Values of the subject properties as listed on the following pages with vacant possession and free from all encumbrances, as at the date of valuation are as follows :

(1) Lot No. 8726, Mukim of Jalan Bakri, District of Muar, State of Johor	: RM 5,020,000/-
(2) Lot PTD No. 9495, Mukim of Jalan Bakri, District of Muar, State of Johor	: RM 3,050,000/-
(3) Lot Nos. 4943 & 4944, Mukim of Jalan Bakri, District of Muar, State of Johor	: <u>RM11,100,000/-</u>
Total	: <u>RM19,170,000/-</u>

Information and data for the abovementioned valuation were obtained from various sources and they include the Land Office, the Valuation and Property Services Department, enquiries made on the field and information from the client.

Further details of the valuations of the properties are set out in our Valuation Reports.

Yours faithfully

COLLIERS

JORDAN LEE & JAAFAR (M) (MCA) SDN BHD



LEE THIAM SING

Registered Valuer (V-315)

Malaysia

14. VALUATION CERTIFICATE

COLLIERS
JORDAN LEE & JAAFAR

Brief descriptions of the Properties are as follows : -

(i)

REPORT REFERENCE NO. MK/SC080115/J/1

(1) ON PAJAKAN NEGERI 9634, LOT NO. 8726, MUKIM OF JALAN BAKRI, DISTRICT OF MUAR, STATE OF JOHOR

Date of Valuation

15th January, 2008

A. Property Identification

Type of Property

The property is a plot of industrial land which is improved upon with a block of single-storey factory building together with a three-storey office annexe, a first floor factory extension, lean-to sheds and other ancillary buildings.

Location

The property bears a postal address of No. 23, Jalan Perindustrian 1, Kawasan Perindustrian Bukit Bakri, Bukit Bakri, 84200 Muar, Johor Darul Takzim.

It is located within zone 1 of the Bukit Bakri Industrial Estate, at approximately 3 kilometres south-east and 14 kilometres east of Pekan Bukit Bakri and Muar town centre respectively. It has frontages both to Jalan Perindustrian 1 and Jalan Perindustrian 3 of the Bukit Bakri Industrial Estate.

Registered Proprietor

U.S. Furniture Manufacturing Sdn Bhd.

Tenure

Leasehold interest for a term of 99 years, expiring on 29th December, 2094.

Category of Land Use

Perusahaan/Perindustrian

B. General Description of the Property

Land Area

9,030 sq. metres (about 97,198 sq. feet)

Building Description

No.	Main Buildings and its Construction	Approximate Gross Floor Area	Date of issuance of Certificate of Fitness for Occupation	Approximate Age of Building (As at the date of valuation)
(i)	<p>Factory Building with First Floor Extension and Lean-to Sheds</p> <p>Constructed of mild steel 'I' shaped stanchions and portal frames on reinforced concrete foundations, ground and first floor slabs, metal cladding on a 3-metre high plastered ventilation block walls with a ground to eaves height of approximately 9.14 metres and a pitch roof of steel purlins covered with metal deck roofing sheets.</p>	7,961.79 sq.m (85,700 sq.ft)	3 rd January, 2001	7 years

14. VALUATION CERTIFICATE

COLLIERS
JORDAN LEE & JAAFAR

(ii)

No.	Main Buildings and its Construction	Approximate Gross Floor Area	Date of issuance of Certificate of Fitness for Occupation	Approximate Age of Building (As at the date of valuation)
(ii)	Three-Storey Office Annexe Constructed of reinforced concrete foundations, frameworks and floor slabs, plastered brickwalls, glass curtain walls and gypsum board cum tinted glass partitioned walls, gypsum board and asbestos cement flat sheet ceilings and reinforced concrete flat roof	1,008.18 sq.m (10,852 sq.ft)	3rd January, 2001	7 years
(iii)	TNB Substation Constructed of reinforced concrete framework, foundations and floor slab, with plastered brickwalls and reinforced concrete flat roof	59.46 sq.m (640 sq.ft)	3rd January, 2001	7 years
Note : The two other small buildings of guard house and pump house are not described here				

Total Gross Floor Area

9,051.73 sq. metres (about 97,432 sq. feet)

Occupancy Status

The property is owner-occupied as manufacturing premise and office as at the time of inspection.

Planning Control

The property is located in an area zoned and designated for industrial use.

C. Market Value**Method of Valuation**

We have applied the Cost and Investment Methods of Valuation to assess the Market Value of the subject property. However, for the purpose of this valuation, we have adopted the Market Value as derived from the Cost Method of valuation.

A. By Cost Method (Analysis of Comparables to derive at the Land Value)

Comparables	1	2	3	4
Lot No.	PTD 6003	PTD 10634	PTD 10636	Lot 8719
Type	Vacant Industrial Land	Vacant Industrial Land	Vacant Industrial Land	Vacant Industrial Land
Location	Located in the Bukit Bakri Industrial Estate, Bukit Bakri, Muar, Johor	Located in the latest phase of the Kaw. Perindustrian Bakri in Bukit Bakri, Muar, Johor	Located in the latest phase of the Kaw. Perindustrian Bakri in Bukit Bakri, Muar, Johor	Located in the Bukit Bakri Industrial Estate, Bukit Bakri, Muar, Johor
Date of Transaction	16/05/2005	14/06/2007	08/05/2007	13/05/2004
Land Area (sq.m)	2,391.756	7,850.49	7,944.87	4,039.00
Tenure	Leasehold 99 years	Freehold	Freehold	Leasehold 99 years
Consideration	RM368,000/-	RM1,014,019/-	RM1,026,215/-	RM565,181/-
Analysis (per sq.m)	RM153.86	RM129.17	RM129.17	RM139.93
Adjusted Land Value (per sq.m)	RM161.55	RM148.54	RM148.54	RM146.93
Remarks on Adjustment value	Downward adjustment on size and upward adjustment on site improvement.	Downward adjustment on tenure, upward adjustments on location and site improvement.	Downward adjustment on tenure, upward adjustments on location and site improvement.	Downward adjustment on size and upward adjustment on site improvement.

14. VALUATION CERTIFICATE

COLLIERS
JORDAN LEE & JAAFAR

(iii)

The adjusted land values for the four (4) transacted comparables ranges from RM146.93 to RM161.55 per sq.m. We have adopted the average of the above improved land value of about RM150.70 per sq.m for the subject Lot No. 8726.

For building value, we have considered the then prevailing construction cost of about RM538.20 per sq.m for the factory building, pump house and TNB substation; RM699.65 per sq.m for the office block; RM215.28 and RM376.74 per sq.m for the ancillary factory and office areas respectively. The various adjusted rates are derived from recent construction costs for comparable factory premises in the subject locality, with regard to the constructional details and the availability of services installations. In addition, we have also taken into consideration a depreciation of 2% per annum, or a total of 14% for the above buildings as to reflect the ages and repair factors.

The Market Value as derived from Cost Method is **RM5,020,000/- (Ringgit Malaysia : Five Million and Twenty Thousand Only)**

B. By Investment Method

As for Investment Method, our investigation reveals that the monthly rental rate of comparable industrial premises in the subject locality ranged from RM3.857 per sq.m to RM4.305 per sq.m as basing on the built-up area. The rate also depends on the type of building and construction, eave height, finishing and fittings, services installations and the availability of extra land and site improvements. For the subject buildings, we have derived at a monthly rate of RM4.306 per sq.m for the factory, guard house, pump house and substation, an adjusted rate of RM6.459 per sq.m for the office building and RM2.153 per sq.m for the lean-to sheds.

Outgoings such as annual rent, assessment rate, repairs and maintenance, insurance and management fees of say at about 15% are then deducted from the Gross Annual Rental to obtain the Net Annual Rental Value. The market yield is obtained from expected return of comparable factory premises in the subject locality. The Net Annual Rental Value is then capitalised at the derived market yield of about 8.5 % with 3% sinking fund for the leasehold property to arrive at its indicative capital value of **RM4,470,000/- (Ringgit Malaysia : Four Million Four Hundred and Seventy Thousand Only)**.

However, it is noted that the rental market for industrial premises in this locality is still relatively weak and the adopted expected market yield appeared on a high side. As such, there is a reduced reliability on the Investment Method as compared to the Cost Method of valuation which is adopted in this valuation, in formulating our opinion of the Market Value of the subject property.

Recommendation of Value

It is thus our considered opinion that the Market Value of the subject property, Lot No. 8726, Mukim of Jalan Bakri, District of Muar, State of Johor, in its existing condition, free from all encumbrance and with vacant possession is **RM5,020,000/- (Ringgit Malaysia : Five Million and Twenty Thousand Only)**.

REPORT REFERENCE NO. MK/SC080115/J/2

**(2) ON HSD 31616, LOT PTD NO. 9495, MUKIM OF JALAN BAKRI, DISTRICT OF MUAR,
STATE OF JOHOR**

Date of Valuation

15th January, 2008

A. Property Identification

Type of Property

The property is a plot of industrial land erected with a single-storey factory building and a guard house.

Location

The property is identified as Lot PTD 9495, Kawasan Perindustrian Bukit Bakri, Bukit Bakri, 84200 Muar, Johor Darul Takzim.

14. VALUATION CERTIFICATE

COLLIERS
JORDAN LEE & JAAFAR

(iv)

It is located adjoining the south-western fringe of the Bukit Bakri Industrial Estate, at about 300 metres off the eastern side of Jalan Tiong Hwa, and about 900 metres off the southern side of the 12 ½ kilometre Muar/Bukit Bakri – Parit Sulong main road, in the locality of Bukit Bakri, Muar, Johor. This is about 13 kilometres east of Muar town centre.

Registered Proprietor

Home Upholstery Industries Sdn Bhd.

Tenure

Freehold

Category of Land Use

Perusahaan/Perindustrian

B. General Description of the Property**Land Area**

7,262 sq.metres (about 78,168 sq. feet)

Building Description

No.	Main Buildings and its Construction	Approximate Gross Floor Area	Date of issuance of Certificate of Fitness for Occupation	Approximate Age of Building (As at the date of valuation)
(i)	Single-storey Factory Building and Lean-to shed Constructed of mild steel 'I' shaped stanchions and portal frames on reinforced concrete foundations and floor slabs, metal claddings on a 3 metre high plastered brickwalls with a ground to eaves height of approximately 9.14 metres, and a pitch roof of steel purlins covered with metal deck roofing sheets.	4,385.49 sq.m (47,205 sq.ft)	Have been issued with several temporary Certificates of Fitness for Occupation, for a period of six (6) months each, of which the latest certificate was issued on 10 th July, 2009.	Newly completed
(ii)	Guard House Constructed of reinforced concrete framework, plastered brickwalls and timber roof trusses covered with metal roofing sheets.	5.95 sq.m (64 sq.ft)	As above	Newly completed

Total Gross Floor Area

4,391.44 sq.metres (about 47,269 sq. feet)

Occupancy Status

The subject property is owner-occupied as a manufacturing premises.

Planning Control

The property is located in an area zoned and gazetted for industrial use.

14. VALUATION CERTIFICATE

COLLIERS
JORDAN LEE & JAAFAR

(v)

C. Market Value

Method of Valuation

We have applied the Cost and Investment Methods of Valuation to assess the Market Value of the subject property. However, for the purpose of this valuation, we have adopted the Market Value as derived from the Cost Method of valuation.

A. By Cost Method (Analysis of Comparables to derive at the Land Value)

Comparables	1	2	3	4
Lot No.	PTD 6003	PTD 10634	PTD 10636	Lot 8719
Type	Vacant Industrial Land	Vacant Industrial Land	Vacant Industrial Land	Vacant Industrial Land
Location	Located in the Bukit Bakri Industrial Estate, Bukit Bakri, Muar, Johor	Located in the latest phase of the Kaw. Perindustrian Bakri in Bukit Bakri, Muar, Johor	Located in the latest phase of the Kaw. Perindustrian Bakri in Bukit Bakri, Muar, Johor	Located in the Bukit Bakri Industrial Estate, Bukit Bakri, Muar, Johor
Date of Transaction	16/05/2005	14/06/2007	08/05/2007	13/05/2004
Land Area (sq.m)	2,391.756	7,850.49	7,944.87	4,039.00
Tenure	Leasehold 99 years	Freehold	Freehold	Leasehold 99 years
Consideration	RM368,000/-	RM1,014,019/-	RM1,026,215/-	RM565,181/-
Analysis (per sq.m)	RM153.86	RM129.17	RM129.17	RM139.93
Adjusted Land Value (per sq.m)	RM161.55	RM142.09	RM142.09	RM146.93
Remarks on Adjustment value	Upward adjustments on tenure and site improvements, downward adjustments on location and plot size.	Upward adjustment on site improvement and downward adjustment on location.	Upward adjustment on site improvement and downward adjustment on location.	Upward adjustments on tenure and site improvements, downward adjustments on location and plot size.

The adjusted land values for the four (4) transacted comparables ranges from RM142.09 per sq.m to RM161.55 per sq.m. We have adopted the average of the above improved land value of about RM148.00 per sq.m for the subject Lot PTD 9495.

For building value, we have considered the then prevailing construction cost of about RM484.38 per sq.m for the subject factory building and adjusted rate of RM215.28 per sq.m and RM592.02 per sq.m for the ancillary area and guard house respectively. The various adjusted rates are derived from recent construction costs for comparable factory premises in the subject locality, with regard to the constructional details and the availability of services installations. As the factory and ancillary buildings are newly constructed as at the date of valuation, no depreciation is allowed.

The Market Value as derived from the Cost Method is **RM3,050,000/- (Ringgit Malaysia : Three Million and Fifty Thousand Only)**.

B. By Investment Method

We have adopted the same rental comparables as for Lot 8726 and derived at the same monthly rental rate of RM4.306 per sq.m for the subject Lot PTD 9495. This rate is applied to the main factory building and guard house and adjusted for the ancillary area at RM2.153 per sq.m. Based on similar approach and explanation as in the previous Lot 8726, we have arrived at an indicative Capital Value of **RM2,415,000/- (Ringgit Malaysia : Two Million Four Hundred and Fifteen Thousand Only)**. However, due to the weak industrial rental market and our adoption of higher expected yield of 7.5% for the freehold property, there is less reliability on the use of this method to arrive at a more realistic market value than the Cost Method of valuation.

Recommendation of Value

It is thus our considered opinion that the Market Value of the subject property, Lot PTD 9495, Mukim of Jalan Bakri, District of Muar, State of Johor, in its existing condition, free from all encumbrances and with vacant possession is **RM3,050,000/- (Ringgit Malaysia : Three Million and Fifty Thousand Only)**.

14. VALUATION CERTIFICATE

COLLIERS
JORDAN LEE & JAAFAR

(vi)

**REPORT REFERENCE NO. MK/SC080115/J/3
(3) ON GERAN NOS. 85825 & 85826, LOT NOS. 4943 & 4944, MUKIM OF JALAN BAKRI, DISTRICT OF MUAR, STATE OF JOHOR**

Date of Valuation15th January, 2008**A. Property Identification****Type of Property**

The property comprises two (2) adjoining plots of industrial land erected with a large block of single-storey factory building together with a double-storey office annexe, a canteen building, a pump house, a TNB sub-station, 2 guard houses, a locker room and a compressor room.

Location

The property is identified as Lot Nos. 4943 & 4944, Kawasan Perindustrian Bukit Bakri, 84200 Muar, Johor Darul Takzim.

It is located along the eastern side of Jalan Tiong Hwa, at about 600 metres off the southern side of the 12½th kilometer Muar/Bukit Bakri – Parit Sulong main road, in the locality of Bukit Bakri, Muar, Johor. This is about 2.7 kilometres south-east of Pekan Bukit Bakri and approximately 13 kilometres east of Muar town centre.

Registered Proprietor

Home Upholstery Industries Sdn Bhd

Tenure

Freehold

Category of Land Use

Perusahaan/Perindustrian

B. General Description of the Property**Land Area**

1.2141 hectares for each lot
(Total : 24,282 sq. metres or about 261,369 sq. feet)

Building Description

No.	Main Buildings and its Construction	Approximate Gross Floor Area	Date of issuance of Certificate of Fitness for Occupation	Approximate Age of Building (As at the date of valuation)
(i)	<p>Single-storey Factory</p> <p>Constructed of mild steel 'I' shaped stanchions and portal frames on reinforced concrete foundations and floor slabs, metal claddings on a 3 metre high plastered ventilation blockwalls with a ground to eaves height of about 9.14 metres and pitch roof of steel purlins covered with metal deck roofing sheets.</p>	16,399.24 sq.m (176,520 sq.ft)	Initially issued with temporary Certificates of Fitness for Occupation for a period of six (6) months each, until a formal Certificate of Fitness for Occupation was finally issued on 24 th November, 2009	Newly completed

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No.	Main Buildings and its Construction	Approximate Gross Floor Area	Date of issuance of Certificate of Fitness for Occupation	Approximate Age of Building (As at the date of valuation)
(ii)	Double-storey Office Annexe Constructed of reinforced concrete foundations, framework and floor slabs, plastered brickwalls, gypsum board ceilings and reinforced concrete flat roof	557.42 sq.m (6,000 sq.ft)	As above	Newly completed
(iii)	Canteen Constructed of reinforced concrete foundations, framework and floor slab, plastered brickwalls, timber roof trusses covered with corrugated metal roofing sheets.	148.64 sq.m (1,600 sq.ft)	As above	Newly completed
Note : There are also other smaller buildings such as pump house, TNB substation, 2 guard houses, locker room and compressor room which are not described here.				

Total Gross Floor Area

17,217.62 sq. metres (about 185,329 sq. feet)

Occupancy Status

The subject property is owner-occupied as manufacturing premises and office as at the time of inspection.

Planning Control

The property is located in an area zoned and gazetted for industrial use.

C. Market Value**Method of Valuation**

We have applied the Cost and Investment Methods of Valuation to assess the Market Value of the subject property. However, for the purpose of this valuation, we have adopted the Market Value as derived from the Cost Method of valuation.

A. By Cost Method (Analysis of Comparables to derive at the Land Value)

Comparables	1	2	3	4
Lot No.	PTD 6003	PTD 10634	PTD 10636	Lot 8719
Type	Vacant Industrial Land	Vacant Industrial Land	Vacant Industrial Land	Vacant Industrial Land
Location	Located in the Bukit Bakri Industrial Estate, Bukit Bakri, Muar, Johor	Located in the latest phase of the Kaw. Perindustrian Bakri in Bukit Bakri, Muar, Johor	Located in the latest phase of the Kaw. Perindustrian Bakri in Bukit Bakri, Muar, Johor	Located in the Bukit Bakri Industrial Estate, Bukit Bakri, Muar, Johor
Date of Transaction	16/05/2005	14/06/2007	08/05/2007	13/05/2004
Land Area (sq.m)	2,391.756	7,850.49	7,944.87	4,039.00
Tenure	Leasehold 99 years	Freehold	Freehold	Leasehold 99 years
Consideration	RM368,000/-	RM1,014,019/-	RM1,026,215/-	RM565,181/-
Analysis (per sq.m)	RM153.86	RM129.17	RM129.17	RM139.93
Adjusted Land Value (per sq.m)	RM161.55	RM135.63	RM135.63	RM146.93
Remarks on Adjustment value	Upward adjustments on tenure and site improvements, downward adjustments on location and plot size.	Upward adjustment on site improvement and downward adjustment on plot size.	Upward adjustment on site improvement and downward adjustment on plot size.	Upward adjustments on tenure and site improvements, downward adjustments on location and plot size.

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JORDAN LEE & JAAFAR

(viii)

The adjusted land values for the four (4) comparables ranges from RM135.63 per sq.m to RM161.55 per sq.m, which gave an average improved land value of about RM145.31 per sq.m for the subject property of Lot 4943 and 4944.

For building value, we have considered the then prevailing construction cost of about RM430.55 per sq.m for the subject factory building, with adjustment of RM699.65 per sq.m for the office block and RM215.28 to RM592.02 per sq.m for the ancillary area, canteen, pump house, sub-station and guard houses. The various adjusted rates are derived from recent construction costs for comparable factory premises in the subject locality, with regard to the constructional details and the availability of services installations. As the factory, office and ancillary buildings are newly constructed as at the date of valuation, no depreciation is taken into consideration.

The Market Value as derived from the Cost Method is **RM11,100,000/- (Ringgit Malaysia : Eleven Million and One Hundred Thousand Only).**

B. By Investment Method

Similarly, we have adopted the same rental comparables as for Lot 8726 and PTD 9495 to arrive at the monthly rental rate of RM4.306 per sq.m for the factory building on Lot 4943 and 4944. However, we have adjusted the rate of RM6.459 per sq.m for the office building and disregarded the ancillary structures thereon in estimating the gross annual rental value.

Based on similar approach and explanation as in the previous Lot 8726 and PTD 9495, and the adoption of a yield rate of 7.5% for the subject freehold property, we have obtained an indicative capital value of **RM10,115,000/- (Ringgit Malaysia : Ten Million One Hundred and Fifteen Thousand Only)**, which is less than 10% with the figure as derived from the Cost Method of valuation. Similar to the previous valuations, we have adopted the figure from the Cost Method in formulating our opinion of the Market Value of the subject property.

Recommendation of Value

It is thus our considered opinion that the Market Value of the subject property, Lot 4943 and 4944, Mukim of Jalan Bakri, District of Muar, State of Johor, in its existing condition, free from all encumbrances and with vacant possession is **RM11,100,000/- (Ringgit Malaysia : Eleven Million and One Hundred Thousand Only).**
