

## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2010

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### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

#### PART A – EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING

##### 1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (FRS) 134: Interim Financial Reporting and Chapter 9, Appendix 9B of the Listing Requirements.

The interim financial statements should be read in conjunction with the Proforma Consolidated Financial Information and the Accountants’ Report for the financial year ended 31 August 2009 in the Prospectus of the Company dated 27 January 2010 and the accompanying explanatory notes attached to this interim financial statements.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries (“Group”) since the financial year ended 31 August 2009.

In conjunction with our listing on the Main Market of Bursa Securities, the Group’s financial statements have been adopted the merger accounting method.

##### 2. Changes in Accounting Policies

The significant accounting policies and methods of computation adopted by the Group are consistent with the Proforma Consolidated Financial Information and the Accountants’ Report for the financial year ended 31 August 2009 in the Prospectus of the Company dated 27 January 2010.

##### 3. Auditors’ Report on Preceding Annual Financial Statements

There was no qualified report issued by the auditors in the financial statements of the Group for the financial year ended 31 August 2009.

##### 4. Seasonality or Cyclicity of Operations

There were no material seasonal or cyclical factors affecting the business operations of the Group in the current quarter.

##### 5. Unusual Items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows for the current financial quarter under review.

##### 6. Material Changes In Estimates

There were no material changes in estimates amount that had a material effect for the current financial period under review.

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### **7. Issuance, Cancellation, Repurchase, Resale or Repayment of Debt and/or Equity Securites**

Save as disclosed below, there were no issuance, cancellation, repurchase, resale or repayment of debt and/or equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current financial quarter under review and financial year to date:

- (a) Issuance of 72,358,950 new ordinary shares of RM 0.50 each in Homeritz Corporation Berhad ("Homeritz") at par as disclosed in Note 11 of Part A.
- (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 was 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 RM0.20 each in Homeritz at an issue price of RM 0.65 per share ("Public Issue")

### **8. Dividend Paid**

There was no dividend paid by the Company during the current quarter under review.

### **9. Valuation of Property, Plant and Equipment**

The valuations of property, plant and equipment have been brought forward without amendment from the audited financial statements for the financial year ended 31 August 2009.

### **10. Material Event Subsequent to the End of the Current Financial Quarter**

There were no material events which have occurred from 1 March 2010 to the date of this announcement, which will substantially affect the results of the Group.

### **11. Changes in the Composition Of the Group**

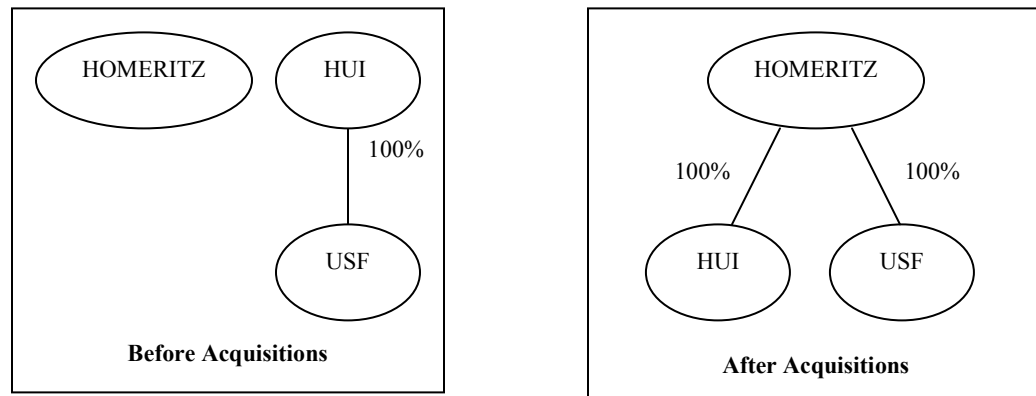
In conjunction with and as an integral part of the listing of and quotation for the enlarged issued and paid-up share capital on the Main Market of Bursa Securities, the Company undertook a listing scheme which involved, inter-alia, the following:-

Acquisition of the entire issued and paid-up share capital of Home Upholstery Industries Sdn. Bhd. ("HUI") comprising 450,000 ordinary shares of RM1.00 each for a total purchase

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consideration of RM36,179,475 satisfied by the issuance of 72,358,950 new ordinary shares of RM 0.50 each in Homeritz Corporation Berhad ("Homeritz") at par. After the aforesaid acquisition, Homeritz acquired from HUI 100% of issued and paid-up share capital of U.S. Furniture Manufacturing Sdn. Bhd. ("USF") comprising 50,002 ordinary shares of RM 1.00 each for a total cash consideration of RM1,012,324 (collectively known as the "Acquisitions" hereinafter).

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



**12. Contingent Liabilities and Contingent Assets**

There were no changes in contingent liabilities or contingent assets of a material nature since the last financial statements of the Group for the financial year ended 31 August 2009.

**13. Related Party Transactions**

In the normal course of business, the Group and the Company undertake on agreed terms and prices, transaction with its related parties. The significant related party transactions occurred during the current financial quarter under review is as follows:

Transaction with a company in which certain directors of the Company have interest:	<b>Current Quarter 28-Feb-10 RM'000</b>	<b>Current Period 28-Feb-10 RM'000</b>
Sern Kou Furniture Industries Sdn. Bhd. <sup>1</sup>		
- Sale of upholstered dining chairs.	-	60
V8 Trading Sdn. Bhd. <sup>2</sup>		
- Transportation services.	-	1
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The Directors are of the opinion that all the above transactions were negotiated on and agreed at arm's length basis, normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of our minority shareholders.

*Note:*

- 1. Tay Puay Chuan, an Independent Non-Executive Director of Homeritz, is also an Independent Non-Executive Director of Sern Kou Resources Berhad, the holding company of Sern Kou Furniture Industries Sdn Bhd and S. K. Furniture Sdn Bhd.*
- 2. One of the Directors of V8 Trading Sdn Bhd is a brother to Tee Hwee Ing, Executive Director of Homeritz.*

### 14. Capital Commitments

The capital commitments of the Group as at 28 February 2010 are as follow:-

<b>Property, plant and equipment</b>	<b>RM'000</b>
Contracted but not provided for	<u>800</u>

### 15. Segment Information

The Group operates in a single industry in the business of design, manufacture and sale of upholstery furniture products predominantly in Malaysia. Accordingly, segmental information by industry and geographical segments has not been presented.

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**B. EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**1. Review of Performance**

For the current quarter under review, the Group recorded a revenue and profit before tax of approximately RM29.9 million and RM5.6 million respectively.

For the six months period ended 28 February 2010, the Group recorded a revenue and profit before tax of approximately RM60.6 million and RM12 million respectively.

**2. Comparison with Preceding Quarter's Results**

The Group revenue for the current quarter under review decreased slightly to RM29.9 million from RM30.7 million recorded in the preceding quarter due to the festive season in February 2010. However, the Group profit before tax decrease by a higher rate of 12.5% to RM5.6 million as compared to RM 6.4 million in the preceding quarter. This was mainly due to one time costs of listing expenses incurred in the current quarter.

**3. Current Year Prospects**

The Group will continue to remain focused in our core business of design, manufacture, and sale of upholstered home furniture which includes upholstered sofas, upholstered dining chairs and upholstered bed frames. The Group is continuing with the effort to develop new product, new design for existing product, derive better cost efficiencies and effective cost management across all functions. With our effort, the Board anticipates a satisfactory performance for the financial year ending 31 August 2010.

**4. Variance on Forecast Profit/Profit Guarantee**

The Group has not issued any profit forecast or profit guarantee for the current financial quarter under review or in its prospectus dated 27 January 2010.

**5. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	28-Feb-10 RM'000	28-Feb-09 RM'000	28-Feb-10 RM'000	28-Feb-09 RM'000
Current period estimate	475	N/A	950	N/A

*Notes:*

N/A *Not applicable*

The effective tax rate was lower than the statutory tax rate principally due to the utilisation of certain tax incentives enjoyed by the Group.

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### 6. Profit on Sale of Unquoted Investments and/or Properties

There was no sale of investments and properties for the current quarter and financial period-to-date.

### 7. Purchases and Sales of Quoted Securities

There was no purchase or disposal of quoted securities by the Group during the current financial quarter and current financial period to-date under review.

### 8. Status of Corporate Proposals and Utilisation of Proceeds

#### (a) IPO

On 27 January 2010, the Company issued a prospectus for the public issue of up to 9,000,000 new Homeritz Shares at an issue price of RM0.65 per ordinary share payable in conjunction with its listing on the Main Market of Bursa Securities.

The entire enlarged issued and paid-up share capital of RM40,000,000-00 comprising of 200,000,000 ordinary shares of RM0.20 each of the Company is listed on the Main Market of Bursa Securities on 19 February 2010.

#### (b) Utilisation of Proceeds

The gross proceeds from the Right Issue and Public Issue of approximately RM7.87 million shall be utilised in the following manner:

Details of the utilisation of proceeds	Proposed Utilisation (RM'000)	Actual Utilisation as at 28-Feb-10 (RM'000)	Estimated timeframe for utilisation from the date of Listing
Capital expenditure	5,720	-	Within 24 months
General working capital*	151	-	Within 3 – 24 months
Estimated listing expenses*	2,000	1,630	Within 3 - 24 months
	<b>7,871</b>	<b>1,630</b>	

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

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The Group borrowings as at the end of the current quarter are as follow:

	<b>Current Year Quarter 28/02/10 RM'000</b>
Short term – secured	456
Long term – secured	5,208
	<b>5,664</b>

**10. Off Balance Sheet Financial Instruments**

During the financial period, the Group entered into forward foreign exchange contracts to hedge exposures to currency risk for receivables which are denominated in a currency other than the functional currency of the Group.

As at 26 April 2010 (being the latest practicable date which is not earlier than 7 days from the issuance date of the quarterly report), the Group had entered into forward foreign exchange contracts with the following notional amounts and maturities:

	<b>Currency</b>	<b>Amount in foreign currency ('000)</b>	<b>Notional Amount (RM'000)</b>
Forward foreign exchange contracts:			
Within 1 year	USD	706	2,422

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the date 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 Ringgit Malaysia 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 statement.

The Group does not foresee any significant credit and market risks posed by the above off balance sheet financial instruments.

There is also no cash requirement risk as the Group uses fixed forward foreign exchange contracts as its hedging instrument.

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### 11. Material Litigation

There were no material litigations pending since the last annual balance sheet.

### 12. Dividends

The Board of directors has declared a second interim single tier tax-exempt dividend of 9% equivalent to 1.8 sen per share in respect of financial year ending 31 August 2010, to be paid on 8 June 2010 to all holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 14 May 2010.

A first interim tax-exempt dividend of 6% equivalent to 1.2 sen per share in respect of financial year ending 31 August 2010 was paid on 18 March 2010 to all holders of ordinary shares whose names appeared in the Record of Depositors at the close of business on 8 March 2010.

### 13. Earnings Per Share

The basic earnings per share has been calculated by dividing the Company's profit for the current financial quarter and current financial year to-date by the number of ordinary shares in issue during the current financial quarter and current financial year to-date under review.

	Current Year Quarter 28/02/2010	Preceding Year Corresponding Quarter 28/02/2009	Current Year To Date 28/02/2010	Preceding Year Corresponding Period 28/02/2009
Profit attributable to equity holders of the Company (RM'000)	5,173	N/A	11,086	N/A
Weighted average number of ordinary shares in issue ('000)	192,700	N/A	129,604	N/A
Basic earnings per share (sen)	2.68	N/A	8.55	N/A

### 14. Authorisation for Issue of Report

The unaudited interim financial statements were authorised for issue on 29 April 2010 by the Board of Directors.