

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2010

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 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

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.

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 between the end of current quarter under review and the date of this announcement, which will substantially affect the results of the Group.

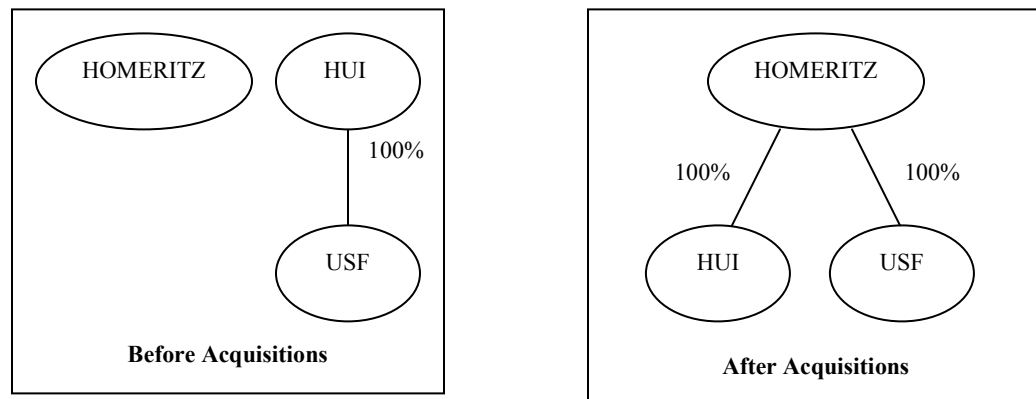
11. Changes in the Composition Of the Group

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:-

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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 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 as at 31 May 2010.

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:

	Current Quarter Ended 31-May-10 RM'000	Current Year To Date 31-May-10 RM'000
Transaction with a company in which certain directors of the Company have interest:		
Sern Kou Furniture Industries Sdn. Bhd. ¹		
- Sale of upholstered dining chairs.	-	60
V8 Trading Sdn. Bhd. ²		
- 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 31 May 2010 are as follow:-

Property, plant and equipment	RM'000
Contracted but not provided for	1,489

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 RM 25.6 million and RM 5.1 million respectively.

For the nine months period ended 31 May 2010, the Group recorded a revenue and profit before tax of approximately RM 86.1 million and RM 17.1 million respectively.

2. Comparison with Preceding Quarter's Results

The Group revenue for the current quarter under review decreased by 14.4% to RM25.6 million from RM29.9 million recorded in the preceding quarter. The Group profit before tax decrease by 8.9% to RM 5.1 million as compared to RM 5.6 million in the preceding quarter. The Group's lower profit in the current quarter under review was mainly due to lower revenue.

The decrease in revenue was mainly due to the lower customer order received as a result of higher ocean freight rates and the weakening of euro against US dollar. The weakening of euro was brought about by the economic uncertainties in Europe arising from the recent economic crisis.

Nevertheless, the Group managed to sustain its profitability in the quarter under review due to tighter cost control measures and lower of administrative and selling and distribution expenses during the quarter under review. This was evidenced by the lower rate of decline in profit before tax (8.9%) as compared to the 14.4% drop in sales.

3. Current Year Prospects

The Group will continue to remain focused in its 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 products, new design for existing products, derive better cost efficiencies and effective cost management across all functions. Barring unforeseen circumstances, the Board believe that the Group's prospects for the financial year ending 31 August 2010 would remain satisfactory.

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.

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UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2010**5. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31-May-10 RM'000	Preceding Quarter Ended 31-May-09 RM'000	Current Year To Date 31-May-10 RM'000	Preceding Year To Date 31-May-09 RM'000
Income tax	206	N/A	1,156	N/A
Deferred tax	30	N/A	30	N/A
	236	N/A	1,186	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.

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.

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(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 31-May-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	1,673	Within 3 - 24 months
	7,871	1,673	

**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.*

9. Group Borrowings and Debt Securities

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

	Current Year To Date 31-May-10 RM'000
Short term – secured	329
Long term – secured	3,427
	3,756

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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 21 July 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:

	Currency	Amount in foreign currency '000	Notional Amount RM'000
Forward foreign exchange contracts:			
Within 1 year	USD	2,500	8,274

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.

11. Material Litigation

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

12. Dividends

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 was paid on 8 June 2010 to all holders of ordinary shares whose names appeared in the Record of Depositors at the close of business on 14 May 2010.

No dividend recommended by the Board of Directors for the current quarter under review.

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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 Ended 31-May-10	Preceding Year Quarter Ended 31-May-09	Current Year To Date 31-May-10	Preceding Year To Date 31-May-09
Profit attributable to equity holders of the Company (RM'000)	4,832	N/A	15,918	N/A
Weighted average number of ordinary shares in issue ('000)	200,000	N/A	153,361	N/A
Basic earnings per share (sen)	2.42	N/A	10.38	N/A

14. Authorisation for Issue of Report

The unaudited interim financial statements were authorised for issue on 26 July 2010 by the Board of Directors.

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