

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2011

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 audited financial statements of Homeritz Corporation Berhad (“Homeriz” or the “Company”) and its subsidiaries (“Group”) for the financial year ended 31 August 2011 and the accompanying explanatory notes attached to these 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 Group since the financial year ended 31 August 2011.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 August 2011 except for the adoption of the new Financial Reporting Standards (“FRSs”) and Issues Committee Interpretations (“IC Interpretations”) applicable to the Group.

The adoption of these new FRSs, amendments to FRS and IC Interpretations do not have material financial impact on the results and the financial position of the Group in the period of initial application.

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 2011.

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 Securities

There were no issuances, 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.

8. Dividends Paid

On 25 July 2011, the Board of directors declared a first interim single tier tax-exempt dividend of 3% equivalent to 0.6 sen per share amounting RM1.2 million in respect of financial year ended 31 August 2011 and was subsequently paid on 23 September 2011 to all holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 25 August 2011.

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 2011.

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

There were no materials events subsequent to the current quarter ended 30 November 2011 that have not been reflected in this report.

11. Changes in the Composition Of the Group

There were no other changes in the composition of the Group during the current quarter under review.

12. Contingent Liabilities

There were no material contingent liabilities as at 30 November 2011.

13. Capital Commitments

There are no material capital commitments of the Group as at 30 November 2011.

14. Segment Information

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

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UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2011**B. EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****1. Review of Performance**

The Group's revenue of RM26.9 million for the first quarter ended 30 November 2011 (Q12012) was 10.2% higher than the revenue in the previous corresponding first quarter ended 30 November 2010 (Q12011) of RM24.4 million. The increase in revenue was attributed to better selling price of certain product. The Group's profit before tax ("PBT") in Q12012 however fell slightly of 1.9% to RM3.74 million from RM3.82 million in Q12011. The decline in PBT was primarily attributed to the recognition of net fair value loss on foreign exchange derivatives of RM0.636 million in Q12012 compared with net fair value loss on foreign exchange derivatives of RM0.104 million in Q12011. In addition, the higher cost of raw materials had also contributed to the lower PBT in Q12012.

2. Comparison with Preceding Quarter's Results

The Group's revenue of RM26.9 million for the first quarter ended 30 November 2011 (Q12012) was about 4% higher than the revenue in the preceding quarter ended 31 August 2011(Q42011) of RM25.8 million. The increase in revenue was attributed to the more favourable foreign exchange rate.

However, the Group's PBT for Q12012 fell by 17.27% to RM3.74 million from RM4.53 million in the Q42011. The decline was generally due to the recognition of net fair value loss on foreign exchange derivatives of RM0.64 million in Q12012 compared with net fair value gain on foreign exchange derivatives of RM0.31 million in Q42011 and the higher of raw materials' cost incurred in Q12012 as a result of rising of materials' pricing.

3. Current Year Prospects

This is a challenging period, as the Group is operating in global economic uncertainties as well as facing increases in its raw materials costs and fluctuation in foreign exchange rate. 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 believes that the Group's prospects for the financial year ending 31 August 2012 would remain profitable.

4. Variance on Forecast Profit/Profit Guarantee

The Group has not issued any profit forecast or profit guarantee.

5. Taxation

| | Current Quarter RM'000 | Period To Date RM'000 |
|--------------|---------------------------|--------------------------|
| Income tax | 220 | 220 |
| Deferred tax | - | - |
| | 220 | 220 |

Notes:

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

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2011**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 Announced

There were no corporate proposals announced which remain uncompleted during the quarter under review as at the date of this report.

9. Group Borrowings and Debt Securities

The Group borrowings as at 30 November 2011 are as follow:

| | Amount RM'000 |
|----------------------|------------------|
| Short term – secured | 514 |
| Long term – secured | 2,937 |
| | 3,451 |

10. Derivative 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.

The details of the outstanding foreign currency forward contracts agreement as at 30 November 2011 are as follows:-

| | Notional Amount RM'000 | Derivative Financial Asset / (Liability) RM'000 |
|-------------------------------------|---------------------------|---|
| Foreign currency forward contracts: | | |
| Less than one year | 16,565 | (636) |

The above instruments are executed with credit worthy financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

There are also no cash requirements risks as the Group only uses forward foreign currency contracts as its hedging instruments.

11. Material Litigation

There were no material litigations pending since the last annual reporting date.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2011**12. Realised and Unrealised Profits/Losses**

The breakdown of the retained profits of the Group as at 30 November 2011, into realised and unrealised profits, pursuant to a directive issued by Bursa Securities on 25 March 2010 and 20 December 2010 is as follows :

| | As at 30 November 2011 RM'000 | As at 31 Aug 2011 RM'000 |
|---|----------------------------------|-----------------------------|
| Total retained profits of the Homeritz Corporation Berhad and its subsidiaries: | | |
| - Realised | 25,815 | 21,924 |
| - Unrealised | (2,773) | (2,056) |
| Total group retained profits as per consolidated accounts | 23,042 | 19,868 |

The determination of realised and unrealised profits is made based on the Guidance on Special Matter No. 1, *determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

13. Dividends

The Board of Directors does not recommend any dividend payment for the period under review.

14. 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 30-Nov-2011 | Preceding Year Quarter Ended 30-Nov-2010 | Current Year To Date 30-Nov-2011 | Preceding Year To Date 30-Nov-2010 |
|---|--|--|--|--|
| Profit attributable to equity holders of the Company (RM'000) | 3,174 | 3,439 | 3,174 | 3,439 |
| Weighted average number of ordinary shares in issue ('000) | 200,000 | 200,000 | 200,000 | 200,000 |
| Basic earnings per share (sen) | 1.59 | 1.72 | 1.59 | 1.72 |

15. Authorisation for Issue of Report

The unaudited interim financial statements were authorised for issue on 30 January 2012 by the Board of Directors.

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