

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 AUGUST 2012

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. Dividend Paid

A single tier final dividend of 8.25% per share amounting to RM3.3 million in respect of financial year ended 31 August 2011 was approved by the shareholders during the Annual General Meeting held on 24 February 2012 and subsequently paid on 22 March 2012.

On 27 July 2012, the Board of directors declared a first interim single tier tax-exempt dividend of 3.75% equivalent to 0.75 sen per share amounting RM1.5 million in respect of financial year ended 31 August 2012 to be paid on 21 September 2012 to all holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 27 August 2012.

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 31 August 2012 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 31 August 2012.

13. Capital Commitments

The material capital commitments of the Group as at 31 August 2012 are as follow;

Property, plant and equipment	RM'000
Contracted but not provided for	243

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 FOURTH QUARTER ENDED 31 AUGUST 2012**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 performance for the fourth quarter ended 31 August 2012 (Q4FY2012) and financial year ended 31 August 2012 (FY2012) compared with the previous corresponding fourth quarter ended 31 August 2011 (Q4FY2011) and financial year ended 31 August 2011 (FY2011) are tabled below:

Description	Q4FY2012 RM'000	Q4FY2011 RM'000	Variance %	FY2012 RM'000	FY2011 RM'000	Variance %
Revenue	28,777	25,783	11.6	103,246	89,826	14.9
Profit before tax	6,550	4,529	44.6	17,673	12,036	46.8

The global economic outlook remains uncertain in the period under review. Accordingly, the consumers spending on discretionary item, such as furniture products remain cautious. In spite of the challenging operating environment, the Group still managed to register an increase in revenue for the Q4FY2012 and FY2012 by 11.6% to RM28.8 million and 14.9% to RM103.2 million respectively compared with the corresponding period last financial year. The increase in revenue was attributed to an increase in volume of product sold and strengthening of US Dollars.

The Group's profit before tax ("PBT") in Q4FY2012 and FY2012 gained 44.6% to RM6.6million and 46.8% to RM17.7million respectively. The increase in PBT was primarily attributed to the higher profit margin as a result of strengthening in US Dollars against Ringgit Malaysia as well as better economic of scale.

2. Comparison with Preceding Quarter's Results

The Group's performance for the current year fourth quarter ended 31 August 2012 (Q4FY2012) compared to third quarter ended 31 May 2012 (Q3FY2012) is tabled below:

Description	Q4FY2012 RM'000	Q3FY2012 RM'000	Variance %
Revenue	28,777	23,121	24.5
Profit before tax	6,550	3,803	72.2

The Group's revenue and PBT for the Q4FY2012 increased by about 24.5 % and 72.2% respectively compared with the preceding quarter Q3FY2012. The growth in revenue was also attributed in the increase in volume of product sold and strengthening of US Dollars. The increase in PBT was also primarily attributed to the higher profit margin as a result of strengthening in US Dollars against Ringgit Malaysia as well as better economic of scale.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 AUGUST 2012**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 2013 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	290	885
Deferred Tax	38	38
	328	923

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.

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 31 August 2012 are as follow:

	Amount RM'000
Short term	380
Long term	2,674
	3,054

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 AUGUST 2012**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 31 August 2012 are as follows:-

	Notional Amount RM'000	Derivative Financial Asset / (Liability) RM'000
Foreign currency forward contracts: Less than one year	7,795	(44)

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.

12. Realised and Unrealised Profits/Losses

The breakdown of the retained profits of the Group as at 31 August 2012, 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 31 Aug 2012 RM'000	As at 31 May 2012 RM'000
Total retained profits of the Homeritz Corporation Berhad and its subsidiaries:		
- Realised	32,279	27,910
- Unrealised	(2,511)	(2,331)
Total group retained profits as per consolidated accounts	29,768	25,579

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.

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13. Notes to the Statement of Comprehensive Income:

Profit for the period has been arrived at after (crediting) / charging:

	Current Year Quarter Ended 31-Aug-2012 RM'000	Current Year To Date 31-Aug-2012 RM'000
Interest income	(80)	(244)
Interest expenses	38	166
Depreciation	645	2,524
Foreign exchange loss / (Gain)	149	(225)
Fair value (gain)/loss on foreign exchange contracts	(182)	353

14. Dividends

The Board of Directors is pleased to propose a final single tier tax-exempt dividend of 11.25% equivalent to 2.25 sen per share amounting to RM4.5 million for the financial year ended 31 August 2012. The proposed final dividend is subject to shareholders' approval in the forthcoming Annual General Meeting.

The total dividend paid and proposed by the Company in respect of the financial year ended 31 August 2012 is 15.0% of par value (equivalent to 3 sen per share) amounting to approximately RM6 million. This represents about 41% of the consolidated net profit attribute to the owners of the Company for financial year ended 31 August 2012.

15. 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-Aug-2012	Preceding Year Quarter Ended 31-Aug-2011	Current Year To Date 31-Aug-2012	Preceding Year To Date 31-Aug-2011
Profit attributable to equity holders of the Company (RM'000)	5,689	3,914	14,700	10,811
Weighted average number of ordinary shares in issue ('000)	200,000	200,000	200,000	200,000
Basic earnings per share (sen)	2.84	1.96	7.35	5.41

16. Authorisation for Issue of Report

The unaudited interim financial statements were authorised for issue on 29 October 2012 by the Board of Directors.