

## **UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2013**

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### **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**

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

##### **1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with Malaysia Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting and Chapter 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standard Board.

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 2013 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 2013.

The audited financial statements of the Group for the year ended 31 August 2013 were prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”). The significant accounting policies and method of computations adopted in preparation of this interim financial report are consistent with those adopted in the audited financial statements of the Company for the financial year ended 31 August 2013.

##### **2. 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 2013.

##### **3. Seasonality or Cyclicity of Operations**

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

##### **4. Unusual Items**

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

##### **5. Material Changes In Estimates**

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

##### **6. 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.

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### 7. Dividend Paid

On 29 July 2013, the Board of directors declared a first interim single tier tax-exempt dividend of 5.0% equivalent to 1 sen per share amounting RM2 million in respect of financial year ended 31 August 2013 to be paid on 27 September 2013 to all holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 30 August 2013.

### 8. Valuation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment brought forward from the previous audited financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

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

There were no material events subsequent to the current quarter ended 30 November 2013 that have not been reflected in this report.

### 10. Changes in the Composition Of the Group

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

### 11. Contingent Liabilities

There were no material contingent liabilities as at 30 November 2013

### 12. Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

Level 1 : Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : Fair value measurements derive from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 November 2013, the Group's financial instruments carried at fair values are analysed as below:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Derivatives assets:				
- Forward foreign currency contracts	-	19	-	19

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**13. Capital Commitments**

The material capital commitments of the Group as at 30 November 2013 are as follow;

Property, plant and equipment	RM'000
Approved but not contracted for	32

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**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 2013****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 first quarter ended 30 November 2013 (Q1FY2014) compared with the previous corresponding first quarter ended 30 November 2012 (Q1FY2013) are tabled below:

Description	Q1FY2014 RM'000	Q1FY2013 RM'000	Variance %
Revenue	35,687	25,028	42.59
Profit before tax	7,863	3,657	115.01

The global economic outlook remains uncertain in the period under review. Accordingly, the consumers spending on discretionary item, such as furniture products remain cautious.

The Group's revenue and profit before tax for the Q1FY2014 improved by 42.59% to RM35.687 million and 115.01% to RM7.863 Million respectively compared with the corresponding period last financial year. The improvement in revenue was attributed to an increase in volume of product sold and strengthening of US Dollar.

As of the improvement in revenue and strengthening of US Dollar, the Group achieves a better economic of scale which has resulted in a better profit margin.

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

The Group's performance for the current year first quarter ended 30 November 2013 (Q1FY2014) compared to fourth quarter ended 30 November 2013 (Q4FY2013) are tabled below:

Description	Q1FY2014 RM'000	Q4FY2013 RM'000	Variance %
Revenue	35,687	35,974	-0.8
Profit before tax	7,863	9,440	-16.7

The Group's revenue for the Q1FY2014 decreased slightly by about 0.8% to RM35.687 compared with the preceding quarter Q4FY2013.

The profit before tax for Q1FY2014 also decreased by 16.7% to RM7.863 million compared with the preceding quarter Q4FY2013. The decrease was mainly attributed to the volatility in global foreign exchange which the Group recorded a foreign exchange loss of RM0.282 Million in Q1FY2014 in comparison to the foreign exchange gain of RM0.943 Million recorded in Q4FY2014.

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### 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 rates.

Given the above scenario, 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 2014 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	1,300	1,300

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 30 November 2013 are as follow:

	Amount RM'000
Short term	369
Long term	2,212
	2,581

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2013****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 2013 are as follows:

	Notional Amount RM'000	Derivative Financial Asset / (Liability) RM'000
Foreign currency forward contracts: Less than one year	2,927	19

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 30 November 2013, 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 2013 RM'000	As at 31 August 2013 RM'000
Total retained profits of the Homeritz Corporation Berhad and its subsidiaries:		
- Realised	46,077	40,732
- Unrealised	(1,899)	(2,346)
Total group retained profits as per consolidated accounts	44,178	38,386

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.

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2013****13. Notes to the Statement of Comprehensive Income:**

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

	Current Year Quarter Ended 30 Nov 2013 RM'000	Current Year To Date 30 Nov 2013 RM'000
Interest income	(99)	(99)
Interest expenses	32	32
Depreciation	606	606
Foreign exchange loss / (Gain)	282	282
Fair value (gain)/loss on foreign exchange contracts	(19)	(19)

**14. Dividends**

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

**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 30-Nov-2013	Preceding Year Quarter Ended 30-Nov-2012	Current Year To Date 30-Nov-2013	Preceding Year To Date 30-Nov-2012
Profit attributable to equity holders of the Company (RM'000)	5,792	2,827	5,792	2,827
Weighted average number of ordinary shares in issue ('000)	200,000	200,000	200,000	200,000
Basic earnings per share (sen)	2.90	1.41	2.90	1.41

**16. Authorisation for Issue of Report**

The unaudited interim financial statements were authorised for issue on 24 January 2014 by the Board of Directors.

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