

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2019
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED 31 MAY 2019**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/5/2019 RM'000	Preceding Year Quarter 31/5/2018 RM'000	Current Year To Date 31/5/2019 RM'000	Preceding Year To Date 31/5/2018 RM'000
Revenue	37,567	39,843	114,048	126,285
Operating Expenses	(30,980)	(34,234)	(95,684)	(109,290)
Other Operating Income	1,709	549	3,784	1,754
Profit before tax	8,296	6,158	22,148	18,749
Taxation	(1,288)	(1,542)	(4,488)	(3,942)
Profit for the year	7,008	4,616	17,660	14,807
Other comprehensive income / (expenses) for the year	-	-	-	-
Total comprehensive income for the year	7,008	4,616	17,660	14,807
Profit for the year attributable to:				
Owners of the Company	7,008	4,616	17,660	14,807
Non-controlling interests	-	-	-	-
	7,008	4,616	17,660	14,807
Total comprehensive income attributable to:				
Owners of the Company	7,008	4,616	17,660	14,807
Non-controlling interests	-	-	-	-
	7,008	4,616	17,660	14,807
Earnings per ordinary share (sen)				
Basic	2.34	1.54	5.89	4.94
Diluted*	2.34	1.54	5.89	4.94

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 August 2018 and the accompanying explanatory notes attached to the interim financial statements.

* There is no dilutive effect of the potential ordinary shares convertible under warrants issued since the exercise price is above the average market value of the Company's shares.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2019
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MAY 2019**

	Unaudited As at 31-May-19 RM'000	Audited As at 31-Aug-18 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	56,439	50,486
Goodwill	478	478
	56,917	50,964
Current Assets		
Inventories	24,337	30,122
Trade and other receivables	15,819	16,357
Deposits, bank and cash balances	72,577	64,904
	112,733	111,383
	169,650	162,347
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Share capital	60,009	60,002
Reserves	97,064	83,911
	157,073	143,913
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Non-Current Liabilities		
Deferred tax liabilities	2,406	2,406
	2,406	2,406
Current Liabilities		
Trade and other payables	9,221	13,005
Dividend payable	-	3,000
Tax payable	950	23
	10,171	16,028
	12,577	18,434
TOTAL LIABILITIES		
	169,650	162,347
TOTAL EQUITY AND LIABILITIES		
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE PARENT (RM)		
	0.52	0.48

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 August 2018 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2019
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED 31 MAY 2019

<u>Group</u>	<u>Attributable To Owners Of The Company</u>			
	<u>Share Capital</u>	<u>Non-Distributable Share Premium</u>	<u>Distributable Retained Profits</u>	<u>Total Equity</u>
	RM'000	RM'000	RM'000	RM'000
<u>9 months ended 31 May 2019</u>				
As at 1 September 2018	60,002	7	83,904	143,913
Total comprehensive income for the period	-	-	17,660	17,660
Transfer to share capital pursuant to Companies Act 2016	7	(7)	-	-
Dividends	-	-	(4,500)	(4,500)
As at 31 May 2019	60,009	-	97,064	157,073
<u>9 months ended 31 May 2018</u>				
As at 1 September 2017	60,002	7	72,436	132,445
Total comprehensive income for the period	-	-	14,807	14,807
Dividends	-	-	(6,600)	(6,600)
As at 31 May 2018	60,002	7	80,643	140,652

The above condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 August 2018 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2019
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) FOR THE PERIOD ENDED 31 May 2019

	Current Year 9 Months Ended 31/5/2019 RM'000	Preceding Year 9 Months Ended 31/05/2018 RM'000
Cash Flow From Operating Activities		
Profit before tax	22,148	18,749
Adjustment for:		
Depreciation	2,788	2,379
Other adjustments	(1,962)	(1,321)
Operating profit before changes in working capital	22,974	19,807
Changes in working capital		
Net changes in current assets	5,719	(811)
Net changes in current liabilities	(4,256)	(2,052)
Cash From Operations	24,437	16,944
Interest received	1,590	1,300
Tax paid	(2,554)	(6,206)
Net Cash From Operating Activities	23,473	12,038
Cash Flows For Investing Activities		
Proceeds from disposal of property, plant and equipment	43	-
Net (placement) of fixed deposit with licensed bank with tenure of more than three months	(6,992)	(11,670)
Purchase of property, plant and equipment	(8,502)	(7,840)
Net Cash Flows (For) Investing Activities	(15,451)	(19,510)
Cash For Financing Activity		
Dividend paid to shareholders	(7,500)	(9,600)
Net Cash (For) Financing Activity	(7,500)	(9,600)
Net Changes In Cash and Cash Equivalents	522	(17,072)
Cash and Cash Equivalents at Beginning of the Financial Period	35,217	44,782
Effect of exchange differences	159	152
Cash and Cash Equivalents at End of the Financial Period	35,898	27,862
Cash and Cash Equivalents in the Consolidated Statements of Cash Flows Comprise:		
Deposits, cash and bank balances	72,577	55,532
Less: Fixed deposit with licensed bank with tenure of more than three months	(36,679)	(27,670)
	35,898	27,862

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 August 2018 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2019

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 2018 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 2018.

The audited financial statements of the Group for the year ended 31 August 2018 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 2018.

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 2018.

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 during the financial period under review.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2019

7. Dividend Paid

A final single tier tax-exempt dividend of 1.5 sen per ordinary share for financial year ended 31 August 2018 was approved by the shareholders during Annual General Meeting held on 23 January 2019 and subsequent paid on 8 March 2019.

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 was no materials events subsequent to the current quarter ended 31 May 2019 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 except the Company had on 9 May 2019 incorporated a new wholly-owned subsidiary, Eritz Sdn Bhd.

An announcement was duly made to Bursa Malaysia Securities Berhad on 9 May 2019 for the abovementioned.

11. Contingent Liabilities

There were no material contingent liabilities as at 31 May 2019.

12. Capital Commitments

The material capital commitments of the Group as at 31 May 2019 are as follow:

	RM'000
Additions of Property, Plant & Equipment	8,947

13. 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.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2019**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 third quarter ended 31 May 2019 (Q3FY2019) and nine months ended 31 May 2019 (9MFY2019) compared with the previous corresponding third quarter ended 31 May 2019 (Q3FY2018) and nine months ended 31 May 2019 (9MFY2018) are tabled below:

Description	Q3FY2019 RM'000	Q3FY2018 RM'000	Variance %	9MFY2019 RM'000	9MFY2018 RM'000	Variance %
Revenue	37,567	39,843	-5.7	114,048	126,285	-9.7
Profit before tax ("PBT")	8,296	6,158	34.7	22,148	18,749	18.1

The Group's revenue for Q3FY2019 and 9MFY2019 were reduced by 5.7% and 9.7% respectively compared with the corresponding period of the last financial year. This was mainly attributed to the decrease in volume sold.

The Group's PBT for Q3FY2019 and 9MFY2019 were increased 34.7% and 18.1% respectively compared with the corresponding period of the last financial year. This was mainly attributed to strengthening of USD and the lower unit price of raw materials purchased especially leather and foam in Q3FY2019 and 9MFY2019 compared to Q3FY2018 and 9MFY2018 respectively.

2. Comparison with Preceding Quarter's Results

The Group's performance for the current year third quarter ended 31 May 2019 (Q3FY2019) compared to second quarter ended 28 February 2018 (Q2FY2019) are tabled below:

Description	Q3FY2019 RM'000	Q2FY2019 RM'000	Variance %
Revenue	37,567	40,383	-6.9
Profit before tax ("PBT")	8,296	7,371	12.6

The Group's revenue for the Q3FY2019 decreased by 6.9% as the result of decrease in volume sold.

Notwithstanding, the lower revenue, the PBT of Q3FY2019 increased by 12.6 % compared with the preceding quarter Q2FY2019. The increase in PBT was mainly attributed to the continued reduce of the purchase price of raw materials (leather, foam, metal) compare with the preceding quarter and the forex gain of RM1.1 million in the current quarter against forex loss of RM 0.106 million in Q2FY2019.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2019**3. Current Year Prospects**

The Group are operating in global economic uncertainties as well as facing increases in their production costs and fluctuation in foreign exchange rates.

Given the above scenario, the Group will continue to remain focused in their core business of design, manufacture, and sale of upholstered home furniture which includes upholstered sofas, upholstered dining chairs and upholstered bed frames. The Group are continuing with concerted efforts to develop new products, new design for existing products, derive better cost efficiencies and effective cost management across all functions. The Board believes that the Group's prospects for the financial year ending 31 August 2019 would remain profitable.

4. Variance on Forecast Profit/Profit Guarantee

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

5. Taxation

	Current Quarter RM'000	Period To Date RM'000
Income Tax	1,288	4,488
	1,288	4,488

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

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

7. Purchases and Sales of Quoted Securities

There were 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

Save as disclosed below, there were no corporate proposals announced which remain uncompleted during the quarter under review as at the date of this report:

- (i) On 27 February 2019, the Company had announced that the wholly-owned subsidiaries of the Company, Home Newcastle Sdn Bhd and Homeours Sdn Bhd (collectively referred to as "Purchasers"), had on the same date each entered into 2 separate sale and purchase agreements with Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4 of 1968 (as amended under the Enactment No.5 of 1995) and having its registered address at Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor for the acquisition of 4 plots of land located within an industrial park known as Muar Furniture Park held under Master Title known as H.S. (D) 38459, PTD 13399, H.S. (D) 38460, PTD 13400, Geran 50191, Lot 8531 all situated in Mukim Jalan Bakri, District of Muar, Johor Darul Takzim at a total purchase consideration of RM9,408,960.00 in respect of which titles have yet to be issued.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2019**8. Status of Corporate Proposals Announced (Cont'd)**

- (ii) On 14 June 2019, the Company had obtained approval of the shareholders of Homeritz for the proposed bonus issue of up to 87,500,000 free warrants in the Company ("Bonus Warrant(s)" or "Warrant(s) B") on the basis of one (1) Bonus Warrant for every four (4) existing ordinary shares in the Company ("Proposed Bonus Warrants").

A total 75,002,408 Warrants B have been issued to the holders of ordinary shares of the Company whose names appear in the Record of Depositories of the Company as at 5.00 p.m. on 28 June 2019 ("Entitlement Date") on the basis of one (1) Bonus Warrant for every four (4) existing ordinary shares in the Company.

HOMERIZ's 75,002,408 Warrants B issued pursuant to the Bonus Warrants will be admitted to the Official List of Bursa Malaysia Securities Berhad and the listing and quotation of the Warrants B on the Main Market under the "Consumer Products & Services" sector, will be granted with effect from 9.00 a.m., Tuesday, 9 July 2019.

Each Warrant B entitles the registered Warrant holder to subscribe for one (1) new ordinary share in Homeritz at the exercise price of RM0.54 for each Warrant. The Exercise Price and/or number of Warrants in issue shall from time to time be adjusted subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.

Announcements in relation to the Proposed Bonus Warrants was duly made to Bursa Malaysia Securities Berhad on 26 April 2019, 3 May 2019, 10 May 2019, 23 May 2019, 14 Jun 2019, 17 Jun 2019 and 8 Jul 2019.

9. Group Borrowings and Debt Securities

There were no outstanding borrowing as at 31 May 2019.

10. Material Litigation

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

11. Notes to the Statement of Comprehensive Income:

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

	Current Quarter Ended 31 May 2019 RM'000	Current Year To Date 31 May 2019 RM'000
Interest income	(550)	(1,590)
Depreciation	988	2,788
Realised foreign exchange (gain)	(785)	(1,539)
Unrealised foreign exchange (gain)	(316)	(331)

12. Dividends

On 8 Jul 2019, the Board of directors declared a first interim single tier tax-exempt dividend of two (2) sen per share in respect of financial year ending 31 August 2019 to be paid on 26 September 2019 to all holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 30 August 2019.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2019**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.

	Quarter Ended		Year To Date Ended	
	31 May 2019	31 May 2018	31 May 2019	31 May 2018
Profit attributable to equity holders of the Company (RM'000)	7,008	4,616	17,660	14,807
Weighted average number of ordinary shares in issue ('000)	300,010	300,010	300,010	300,010
Effect of dilution of warrants ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000')	300,010	300,010	300,010	300,010
Basic earnings per share (sen)	2.34	1.54	5.89	4.94
Diluted earnings per share (sen)*	2.34	1.54	5.89	4.94

* There is no dilutive effect of the potential ordinary shares convertible under warrants issued since the exercise price is above the average market value of the Company's shares.

14. Authorisation for Issue of Report

The unaudited interim financial statements were authorised for issue on 8 July 2019 by the Board of Directors.