

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED 31 MAY 2020**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/5/2020 RM'000	Preceding Year Quarter 31/5/2019 RM'000	Current Year To Date 31/5/2020 RM'000	Preceding Year To Date 31/5/2019 RM'000
Revenue	24,373	37,567	108,985	114,048
Operating Expenses	(22,565)	(30,980)	(91,810)	(95,684)
Other Operating Income	1,356	1,709	3,727	3,784
Profit before tax	3,164	8,296	20,902	22,148
Taxation	(705)	(1,288)	(4,525)	(4,488)
Profit for the year	2,459	7,008	16,377	17,660
Other comprehensive income / (expenses) for the year	-	-	-	-
Total comprehensive income for the year	2,459	7,008	16,377	17,660
Profit for the year attributable to:				
Owners of the Company	2,459	7,008	16,377	17,660
Non-controlling interests	-	-	-	-
	2,459	7,008	16,377	17,660
Total comprehensive income attributable to:				
Owners of the Company	2,459	7,008	16,377	17,660
Non-controlling interests	-	-	-	-
	2,459	7,008	16,377	17,660
Earnings per ordinary share (sen)				
Basic	0.82	2.34	5.46	5.89
Diluted	0.82*	2.34*	5.35	5.89*

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 August 2019 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 for quarter ended 31 May 2019 and 31 May 2020 and period ended 31 May 2019 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 2020
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MAY 2020**

	Unaudited As at 31/05/2020 RM'000	Audited As at 31/8/2019 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	59,558	56,798
Right of use assets	1,671	-
Prepaid lease	6,629	-
Goodwill	478	478
	68,336	57,276
Current Assets		
Inventories	26,868	23,504
Trade and other receivables	14,937	13,806
Deposits, bank and cash balances	73,979	81,740
	115,784	119,050
	184,120	176,326
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Share capital	60,016	60,010
Reserves	108,904	95,527
	168,920	155,537
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Non-Current Liabilities		
Lease liabilities	28	-
Deferred tax liabilities	2,706	2,706
	2,734	2,706
Current Liabilities		
Trade and other payables	10,704	10,891
Hire purchase payable	102	-
Lease liabilities	87	-
Dividend payable	-	6,000
Tax payable	1,573	1,192
	12,466	18,083
	15,200	20,789
TOTAL LIABILITIES		
	184,120	176,326
TOTAL EQUITY AND LIABILITIES		
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE PARENT (RM)	0.56	0.52

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 August 2019 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED 31 MAY 2020

<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 2020</u>				
As at 1 September 2019	60,010	-	95,527	155,537
Total comprehensive income for the period	-	-	16,377	16,377
Dividends	-	-	(3,000)	(3,000)
Exercise of Warrants	6	-	-	6
As at 31 May 2020	60,016	-	108,904	168,920
<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
Dividends	-	-	(4,500)	(4,500)
Transfer to share capital pursuant to Company Act 2016	7	(7)	-	-
As at 31 May 2019	60,009	-	97,064	157,073

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) FOR THE PERIOD ENDED 31 MAY 2020

	Current Year 9 Months Ended 31/05/2020 RM'000	Preceding Year 9 Months Ended 31/05/2019 RM'000
Cash Flow From Operating Activities		
Profit before tax	20,902	22,148
Adjustment for:		
Depreciation and amortisation	3,355	2,788
Other adjustments	(1,633)	(1,962)
Operating profit before changes in working capital	22,624	22,974
Changes in working capital		
Net changes in current assets	(4,369)	5,719
Net changes in current liabilities	(196)	(4,256)
Cash From Operations	18,059	24,437
Interest paid	(7)	-
Interest received	1,699	1,590
Net tax paid	(4,059)	(2,554)
Net Cash From Operating Activities	15,692	23,473
Cash Flows For Investing Activities		
Proceeds from disposal of property, plant and equipment	52	43
Net (placement) of fixed deposit with licensed bank with tenure of more than three months	(3,876)	(6,992)
Net cash outflow from acquisition property, plant and equipment, right of use asset and prepaid lease	(14,282)	(8,502)
Net Cash Flows (For) Investing Activities	(18,106)	(15,451)
Cash For Financing Activities		
Proceeds from exercise of warrant	6	-
Repayment of lease liabilities	(62)	-
Repayment of hire purchase payable	(198)	-
Dividend paid to shareholders	(9,000)	(7,500)
Net Cash (For) Financing Activities	(9,254)	(7,500)
Net Changes In Cash and Cash Equivalents	(11,668)	522
Cash and Cash Equivalents at Beginning of the Financial Year	45,017	35,217
Effect of exchange differences	31	159
Cash and Cash Equivalents at End of the Financial Year	33,380	35,898
Cash and Cash Equivalents in the Consolidated Statements of Cash Flows Comprise:		
Deposits, cash and bank balances	73,979	72,577
Less: Fixed deposit with licensed bank with tenure of more than three months	(40,599)	(36,679)
	33,380	35,898

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 August 2019 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020**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 2019 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 2019.

The audited financial statements of the Group for the year ended 31 August 2019 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 2019 except for the adoption of the following new MFRS and Issue Committee Interpretations (“IC Interpretations”):

MFRS 16: Leases

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRSs 2015 - 2017 Cycle

IC Interpretation 23: Uncertainty over Income Tax Treatments

Impact of the initial application of MFRS 16 Leases

On the date of initial application, the Group applied the simplified transitional approach and did not restate comparative amounts for the period prior to first adoption.

The adoption of MFRS 16 to the opening balance as at 1 September 2019 has the following impact:

	Audited 31 Aug 2019 RM'000	Adjustment RM'000	After MFRS 16 Adoption RM'000
Right to use assets	-	1,751	1,751
Prepaid lease	-	2,865	2,865
Lease Liabilities	-	(178)	(178)
Property, plant and equipment	56,798	(4,438)	52,360

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020

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 2019.

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.

7. Dividend Paid

A final single tier tax-exempt dividend of 1 sen per ordinary share for financial year ended 31 August 2019 was approved by the shareholders during Annual General Meeting held on 3 January 2020 and subsequent paid on 9 March 2020.

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 2020 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 31 May 2020.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020

12. Capital Commitments

The material capital commitments of the Group as at 31 May 2020 are as follow:

	RM'000
<hr/> Additions of Property, Plant & Equipment	<hr/> 8,122

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.

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UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020**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 2020 (Q3FY2020) and nine months ended 31 May 2020 (9MFY2020) compared with the previous corresponding third quarter ended 31 May 2019 (Q3FY2019) and nine months ended 31 May 2019 (9MFY2019) are tabled below:

Description	Q3FY2020 RM'000	Q3FY2019 RM'000	Variance %	9MFY2020 RM'000	9MFY2019 RM'000	Variance %
Revenue	24,373	37,567	-35.12	108,985	114,048	-4.44
Profit before tax ("PBT")	3,164	8,296	-61.86	20,902	22,148	-5.63

The Group's revenue and PBT of Q3FY2020 decreased by 35.12% and 61.86% respectively compared with the corresponding period last financial year.

The decrease in revenue and PBT of Q3FY2020 were mainly due to the decrease in output as our business and operations faced temporary interruption during Q3FY2020 pursuant to the outbreak of the Covid-19 pandemic in Malaysia. The rate of decrease in PBT is higher as a result of the lower production working days caused by the higher absorption of fixed cost and semi variable cost during Q3FY2020.

The Government of Malaysia had issued a Federal Gazette on 18 March 2020 to impose the Movement Control Order (MCO), effective 18 March 2020. Since early April 2020, the subsidiaries of the Group started to operate with limitation in terms of number of workers after granted approval from the Malaysian Timber Industry Board ("MTIB"). The subsidiaries of the Group are to operate under strict Standard Operating Procedures ("SOP") as set out under the term and condition in the MTIB's approval letter. With the commencement of conditional MCO on 4 May 2020, all the workers are allowed to work with the condition that the subsidiaries of the Group continue follow the SOP strictly.

The Group's revenue and PBT of 9MFY2020 decreased by 4.44% and 5.63% respectively compared with the corresponding period last financial year. The decrease in revenue and PBT were mainly attributed the lower of output for 9MFY2020 as the output in Q3FY2020 are affected by the imposition of the MCO in Malaysia.

2. Comparison with Preceding Quarter's Results

The Group's performance for the current year third quarter ended 31 May 2020 (Q3FY2020) compared to second quarter ended 29 February 2019 (Q2FY2020) are tabled below:

Description	Q3FY2020 RM'000	Q2FY2020 RM'000	Variance %
Revenue	24,373	43,144	-43.51
Profit before tax ("PBT")	3,164	7,162	-55.82

The Group's revenue and PBT for the Q3FY2020 decreased by 43.51% and 55.82% respectively compared with the Q2FY2020. The decrease of revenue and PBT were mainly attributed the lower output as a result of business and operations faced temporary interruption during Q3FY2020 pursuant to the outbreak of the Covid-19 pandemic in Malaysia.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020

3. Current Year Prospects

The Group are operating in global economic uncertainties as well as facing increases in their production costs, fluctuation in foreign exchange rates and the COVID-19 pandemic.

As Covid-19 virus spreads across the world, the World Health Organisation declared it a pandemic in March 2020. In response to the outbreak, Malaysia implemented the unprecedented Movement Control Order (MCO) causing most business and social activities to be severely disrupted with major macro-economic impacts. Outlook for 2020 remains challenging and uncertain as the full impact of the COVID-19 pandemic has not been ascertained.

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 2020 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	Period To Date
	RM'000	RM'000
Income Tax	705	4,525
	705	4,525

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.

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UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020**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:

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 in respect of which titles have yet to be issued.

9. Group Borrowings and Debt Securities

The Group borrowings as at 31 May 2020 are as follow:

	Amount RM'000
Hire purchase payable – short term	102
	102

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 2020 RM'000	Current Year To Date 31 May 2020 RM'000
Interest income	(463)	(1,699)
Interest expenses	2	7
Depreciation and amortisation	1,172	3,355
Realised foreign exchange (gain)	(1,099)	(1,618)
Unrealised foreign exchange (gain)	272	(173)

12. Dividends

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

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020**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 2020	31 May 2019	31 May 2020	31 May 2019
Profit attributable to equity holders of the Company (RM'000)	2,459	7,008	16,377	17,660
Weighted average number of ordinary shares in issue ('000)	300,023	300,010	300,019	300,010
Effect of dilution of warrants ('000)	-	-	5,897	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000')	300,023	300,010	305,916	300,010
Basic earnings per share (sen)	0.82	2.34	5.46	5.89
Diluted earnings per share (sen)	0.82*	2.34*	5.35	5.89*

* There is no dilutive effect of the potential ordinary shares convertible under warrants issued for quarter ended 31 May 2019 and 31 May 2020 and period ended 31 May 2019 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 30 July 2020 by the Board of Directors.

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