

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2020

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE YEAR ENDED 31 AUGUST 2020**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31-8-2020 RM'000	Preceding Year Quarter 31-8-2019 RM'000	Current Year To Date 31-8-2020 RM'000	Preceding Year To Date 31-8-2019 RM'000
Revenue	46,381	33,661	155,366	147,709
Operating Expenses	(36,971)	(29,409)	(128,781)	(125,093)
Other Operating Income	178	1,278	3,905	5,062
Profit before tax	9,588	5,530	30,490	27,678
Taxation	(2,390)	(1,067)	(6,915)	(5,555)
Profit for the year	7,198	4,463	23,575	22,123
Other comprehensive income / (expenses) for the year	-	-	-	-
Total comprehensive income for the year	7,198	4,463	23,575	22,123
Profit for the year attributable to:				
Owners of the Company	7,198	4,463	23,575	22,123
Non-controlling interests	-	-	-	-
	7,198	4,463	23,575	22,123
Total comprehensive income attributable to:				
Owners of the Company	7,198	4,463	23,575	22,123
Non-controlling interests	-	-	-	-
	7,198	4,463	23,575	22,123
Earnings per ordinary share (sen)				
Basic	2.40	1.49	7.86	7.37
Diluted	2.39	1.47	7.67	7.06

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.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2020

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 AUGUST 2020**

	Unaudited As at 31/08/2020 RM'000	Audited As at 31/8/2019 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	61,820	56,798
Right of use assets	1,644	-
Prepaid lease	6,629	-
Goodwill	478	478
	70,571	57,276
Current Assets		
Inventories	32,815	23,504
Trade and other receivables	19,314	13,806
Deposits, bank and cash balances	77,547	81,740
	129,676	119,050
TOTAL ASSETS	200,247	176,326
EQUITY AND LIABILITIES		
Share capital	60,017	60,010
Reserves	116,102	95,527
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	176,119	155,537
Non-Current Liabilities		
Lease liabilities	9	-
Deferred tax liabilities	2,536	2,706
	2,545	2,706
Current Liabilities		
Trade and other payables	19,260	10,891
Lease liabilities	84	-
Dividend payable	-	6,000
Tax payable	2,239	1,192
	21,583	18,083
TOTAL LIABILITIES	24,128	20,789
TOTAL EQUITY AND LIABILITIES	200,247	176,326
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE PARENT (RM)	0.59	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 FINANCIAL YEAR ENDED 31 AUGUST 2020

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) FOR THE YEAR ENDED 31 AUGUST 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>12 months ended 31 August 2020</u>				
As at 1 September 2019	60,010	-	95,527	155,537
Total comprehensive income for the year	-	-	23,575	23,575
Dividends	-	-	(3,000)	(3,000)
Exercise of Warrants	7	-	-	7
As at 31 August 2020	60,017	-	116,102	176,119
<u>12 months ended 31 August 2019</u>				
As at 1 September 2018	60,002	7	83,904	143,913
Total comprehensive income for the year	-	-	22,123	22,123
Dividends	-	-	(10,500)	(10,500)
Transfer to share capital pursuant to Company Act 2016	7	(7)	-	-
Exercise of Warrants	1	-	-	1
As at 31 August 2019	60,010	-	95,527	155,537

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 FINANCIAL YEAR ENDED 31 AUGUST 2020

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) FOR THE YEAR ENDED 31 AUGUST 2020

	Current Year 12 Months Ended 31/08/2020 RM'000	Preceding Year 12 Months Ended 31/08/2019 RM'000
Cash Flow From Operating Activities		
Profit before tax	30,490	27,678
Adjustment for:		
Depreciation and amortisation	4,483	3,839
Other adjustments	(1,538)	(2,295)
Operating profit before changes in working capital	33,435	29,222
Changes in working capital		
Net changes in current assets	(14,982)	8,168
Net changes in current liabilities	7,791	(2,046)
Cash From Operations	26,244	35,344
Interest paid	(14)	-
Interest received	2,062	2,194
Net tax paid	(5,954)	(3,161)
Net Cash From Operating Activities	22,338	34,377
Cash Flows For Investing Activities		
Proceeds from disposal of property, plant and equipment	219	43
Net (placement) of fixed deposit with licensed bank with tenure of more than three months	(3,949)	(7,036)
Net cash outflow from acquisition property, plant and equipment, right of use asset and prepaid lease	(17,113)	(10,261)
Net Cash Flows (For) Investing Activities	(20,843)	(17,254)
Cash For Financing Activities		
Proceeds from exercise of warrant	7	1
Repayment of lease liabilities	(83)	-
Repayment of hire purchase payable	(300)	-
Dividend paid to shareholders	(9,000)	(7,500)
Net Cash (For) Financing Activities	(9,376)	(7,499)
Net Changes In Cash and Cash Equivalents	(7,881)	9,624
Cash and Cash Equivalents at Beginning of the Financial Year	45,017	35,217
Effect of exchange differences	(261)	176
Cash and Cash Equivalents at End of the Financial Year	36,875	45,017
Cash and Cash Equivalents in the Consolidated Statements of Cash Flows Comprise:		
Deposits, cash and bank balances	77,547	81,740
Less: Fixed deposit with licensed bank with tenure of more than three months	(40,672)	(36,723)
	36,875	45,017

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 FINANCIAL YEAR ENDED 31 AUGUST 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 (“Homeritz” 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

Amendment to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9

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 FINANCIAL YEAR ENDED 31 AUGUST 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 except the conversion of 1,000 of Warrants B at exercise price of RM0.54 per share as illustrated as per below table:

Type of Securities	As at 01 Jun 2020	Allotment	Conversion	As at 31 Aug 2020
Ordinary shares	300,023,625 ordinary shares	1,000 ordinary shares	-	300,024,625 ordinary shares
Warrants B	74,988,783 warrants B	-	1000 warrants B	74,987,783 warrants B

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.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2020

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

There was no materials events subsequent to the current quarter ended 31 August 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 August 2020.

12. Capital Commitments

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

	RM'000
Additions of Property, Plant & Equipment	9,034

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 FINANCIAL YEAR ENDED 31 AUGUST 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 fourth quarter ended 31 August 2020 (Q4FY2020) and year ended 31 August 2020 (FY2020) compared with the previous corresponding fourth quarter ended 31 August 2019 (Q4FY2019) and year ended 31 August 2019 (FY2019) are tabled below:

Description	Q4FY2020 RM'000	Q4FY2019 RM'000	Variance %	FY2020 RM'000	FY2019 RM'000	Variance %
Revenue	46,381	33,661	37.8	155,366	147,709	5.2
Profit before tax ("PBT")	9,588	5,530	73.3	30,490	27,678	10.2

The Group's revenue and PBT of Q4FY2020 increased by 37.8% and 73.3% respectively compared with the corresponding period last financial year. The increase in revenue was mainly due to the increase in volume sold. The higher rate of increase in PBT was mainly attributed to the increase of output which had resulted in lower of cost of production of output per unit and the strengthening of United State Dollar (USD) against Malaysian Ringgit (MYR).

The Group recorded improvement in FY2020 where the Group's revenue and PBT of FY2020 increased by 5.2% and 10.2% respectively compared with the corresponding period last financial year. The improvements were mainly attributed the higher revenue achieved and lower of unit price of certain materials compared to FY2019.

2. Comparison with Preceding Quarter's Results

The Group's performance for the current year fourth quarter ended 31 August 2020 (Q4FY2020) compared to third quarter ended 31 May 2020 (Q3FY2020) are tabled below:

Description	Q4FY2020 RM'000	Q3FY2020 RM'000	Variance %
Revenue	46,381	24,373	90.3
Profit before tax ("PBT")	9,588	3,164	203.0

The Government of Malaysia had issued a Federal Gazette on 18 March 2020 to impose the Movement Control Order (MCO), effective 18 March 2020. The business and operations faced temporary interruption during Q3FY2020 pursuant to the outbreak of the Covid-19 pandemic in Malaysia

The conditional movement control order from 4 May 2020 to 9 June 2020 and the subsequent recovery movement control order (RMCO) which took effect from 10 June 2020 had allowed the Company's workforce to fully resume work and its production operation returned to levels prior to the implementation of the MCO.

In absence of the operation interruption as happened in Q3FY2020, the Group's revenue and PBT for the Q4FY2020 increased by 90.3% and 203.0% respectively compared with the Q3FY2020.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 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 2021 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	2,560	7,085
Deferred Tax	-170	-170
	2,390	6,915

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 FINANCIAL YEAR ENDED 31 AUGUST 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:

- 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 in respect of which titles have yet to be issued.
- ii. On 15 October 2020, the Company had announced that the Company proposes to undertake the followings:
 - a. proposed bonus issue of up to 93,753,102 new ordinary shares in the Company's share on the basis of 1 Bonus Share for every 4 existing ordinary shares of the Company's share held on an entitlement date to be determined and announced later; and
 - b. proposed issue of up to 93,753,102 free warrants in the Company ("Warrants C") on the basis of 1 free Warrant C for every 4 existing ordinary shares in the Company's share held on the entitlement date to be determined and announced later. For the avoidance of doubt, the Bonus Shares are not entitled to the Warrants C.

9. Group Borrowings and Debt Securities

There was no outstanding borrowing as at 31 August 2020.

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 August 2020 RM'000	Current Year To Date 31 August 2020 RM'000
Interest income	(363)	(2,062)
Interest expenses	7	14
Depreciation and amortisation	1,128	4,483
Realised foreign exchange loss / (gain)	105	(1,513)
Unrealised foreign exchange loss	435	262

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2020**12. Dividends**

The Board of Directors is pleased to propose a final single tier tax-exempt dividend of 1.5 sen per ordinary share for the financial year ended 31 August 2020. The proposed final dividend is subject to shareholders' approval in the forthcoming Annual General Meeting.

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 Aug 2020	31 Aug 2019	31 Aug 2020	31 Aug 2019
Profit attributable to equity holders of the Company (RM'000)	7,198	4,463	23,575	22,123
Weighted average number of ordinary shares in issue ('000)	300,024	300,010	300,020	300,010
Effect of dilution of warrants ('000)	1,514	3,166	7,427	13,263
Adjusted weighted average number of ordinary shares in issue and issuable ('000')	301,538	303,176	307,447	313,273
Basic earnings per share (sen)	2.40	1.49	7.86	7.37
Diluted earnings per share (sen)	2.39	1.47	7.67	7.06

14. Authorisation for Issue of Report

The unaudited interim financial statements were authorised for issue on 28 October 2020 by the Board of Directors.

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