

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2015

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED 28 FEBRUARY 2015**

| | Individual Quarter | | Cumulative Quarter | |
|---|--|--|--|--|
| | Current Year Quarter 28-Feb-15 RM'000 | Preceding Year Quarter 28-Feb-14 RM'000 | Current Year To Date 28-Feb-15 RM'000 | Preceding Year To Date 28-Feb-14 RM'000 |
| Revenue | 37,848 | 28,641 | 71,213 | 64,328 |
| Operating Expenses | (29,795) | (22,541) | (58,603) | (50,565) |
| Other Operating Income | 1,323 | 342 | 2,946 | 574 |
| Finance Costs | (28) | (30) | (59) | (62) |
| Profit before tax | 9,348 | 6,412 | 15,497 | 14,275 |
| Taxation | (2,150) | (950) | (3,400) | (2,250) |
| Profit for the year | 7,198 | 5,462 | 12,097 | 12,025 |
| Other comprehensive income / (expenses) for the year | - | - | - | - |
| Total comprehensive income for the year | 7,198 | 5,462 | 12,097 | 12,025 |
| Profit for the year attributable to | | | | |
| Owners of the Company | 6,562 | 4,611 | 10,823 | 10,403 |
| Non-controlling interest | 636 | 851 | 1,274 | 1,622 |
| | 7,198 | 5,462 | 12,097 | 12,025 |
| Total comprehensive income attributable to | | | | |
| Owners of the Company | 6,562 | 4,611 | 10,823 | 10,403 |
| Non-controlling interest | 636 | 851 | 1,274 | 1,622 |
| | 7,198 | 5,462 | 12,097 | 12,025 |
| Basic earnings per ordinary share(sen) | 3.28 | 2.31 | 5.41 | 5.20 |

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 August 2014 and the accompanying explanatory notes attached to the interim financial statements.



HOMERITZ CORPORATION BERHAD
(Co.No. 805792-X)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2015

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
AS AT 28 FEBRUARY 2015**

| | Unaudited As At 28-Feb-15 RM'000 | Audited As At 31-Aug-14 RM'000 |
|--|---|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 32,889 | 33,059 |
| Goodwill on consolidation | 478 | 478 |
| Total non-current assets | <u>33,367</u> | <u>33,537</u> |
| Current assets | | |
| Inventories | 27,725 | 21,272 |
| Derivative financial asset | - | 18 |
| Trade and other receivables | 10,219 | 9,665 |
| Deposits, bank and cash balances | 47,441 | 51,586 |
| Total current assets | <u>85,385</u> | <u>82,541</u> |
| TOTAL ASSETS | <u>118,752</u> | <u>116,078</u> |
| EQUITY AND LIABILITIES | | |
| Share capital | 40,000 | 40,000 |
| Reserves | 56,773 | 52,150 |
| Equity attributable to owners of the Company | <u>96,773</u> | <u>92,150</u> |
| Non-controlling interests | 8,315 | 8,791 |
| Total Equity | <u>105,088</u> | <u>100,941</u> |
| Non-current liabilities | | |
| Borrowings | 1,694 | 1,928 |
| Deferred tax liabilities | 2,310 | 2,310 |
| Total non-current liabilities | <u>4,004</u> | <u>4,238</u> |
| Current liabilities | | |
| Trade and other payables | 6,802 | 8,350 |
| Borrowings | 472 | 548 |
| Dividend payable | - | 2,000 |
| Derivative financial liability | 913 | - |
| Tax payable | 1,473 | 1 |
| Total current liabilities | <u>9,660</u> | <u>10,899</u> |
| Total liabilities | <u>13,664</u> | <u>15,137</u> |
| TOTAL EQUITY AND LIABILITIES | <u>118,752</u> | <u>116,078</u> |
| NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE PARENT (RM) | | |
| | <u>0.48</u> | <u>0.46</u> |

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 August 2014 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2015

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED 28 FEBRUARY 2015**

| <u>Group</u> | Attributable To Owners Of The Company | | | | Non - controlling Interest | Total Equity |
|---|---------------------------------------|------------------|---------------------|---------------|----------------------------------|-----------------|
| | Non- Distributable | | Distributable | Total | RM'000 | RM'000 |
| | Share Capital | Share Premium | Retained Profits | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 6 months ended 28 February 2015 | | | | | | |
| As at 1 September 2014 | 40,000 | 3,017 | 49,133 | 92,150 | 8,791 | 100,941 |
| Total comprehensive income for the period | - | - | 10,823 | 10,823 | 1,274 | 12,097 |
| Dividends | - | - | (6,200) | (6,200) | (1,750) | (7,950) |
| As at 28 February 2015 | 40,000 | 3,017 | 53,756 | 96,773 | 8,315 | 105,088 |
| 6 months ended 28 February 2014 | | | | | | |
| As at 1 September 2013 | 40,000 | 3,017 | 38,386 | 81,403 | 5,855 | 87,258 |
| Total comprehensive income for the period | - | - | 10,403 | 10,403 | 1,622 | 12,025 |
| Dividends | - | - | (5,500) | (5,500) | - | (5,500) |
| As at 28 February 2014 | 40,000 | 3,017 | 43,289 | 86,306 | 7,477 | 93,783 |

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 2014 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2015
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER ENDED 28 FEBRUARY 2015**

| | Current Year 6 Months Ended 28-Feb-15 RM'000 | Preceding Year 6 Months Ended 28-Feb-14 RM'000 |
|---|--|--|
| Cash Flows From Operating Activities | | |
| Profit before tax | 15,497 | 14,275 |
| Adjustment for: | | |
| Depreciation | 1,302 | 1,216 |
| Other adjustments | 334 | (487) |
| Operating profit before changes in working capital | 17,133 | 15,004 |
| Changes in working capital | | |
| Net changes in current assets | (7,256) | 6,671 |
| Net changes in current liabilities | (2,026) | (1,223) |
| Cash From Operations | 7,851 | 20,452 |
| Interest paid | (59) | (62) |
| Interest received | 682 | 432 |
| Tax paid | (1,635) | (863) |
| Net Cash From Operating Activities | 6,839 | 19,959 |
| Cash Flows From Investing Activities | | |
| Proceeds from disposal of property, plant and equipment | 3 | 101 |
| Purchase of property, plant and equipment | (710) | (754) |
| Net withdrawal/(placement) of fixed deposit with licensed bank | (71) | - |
| Net Cash Used In Investing Activities | (778) | (653) |
| Cash Flows From Financing Activities | | |
| Repayment of borrowings | (310) | (181) |
| Dividend paid to non-controlling interest | (1,750) | - |
| Dividend paid to shareholder | (8,200) | (2,000) |
| Net Cash Used In Financing Activities | (10,260) | (2,181) |
| Net Changes in Cash and Cash Equivalents | (4,199) | 17,125 |
| Cash and Cash Equivalents at beginning of financial year | 47,517 | 30,710 |
| Effect of exchange differences | (17) | (129) |
| Cash and Cash Equivalents at end of financial year | 43,301 | 47,706 |
| Cash and Cash Equivalents in the consolidated statements of cash flows comprise: | | |
| Deposits, cash and bank balances | 47,441 | 51,706 |
| Less: Fixed deposit with licensed bank with maturity period of more than three months | (4,140) | (4,000) |
| | 43,301 | 47,706 |

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 August 2014 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2015

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 2014 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 2014.

The audited financial statements of the Group for the year ended 31 August 2014 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 2014.

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 2014.

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.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2015**7. Dividend Paid**

A single tier final dividend of 15.50% per share amounting to RM6.2 million in respect of financial year ended 31 August 2014 was approved by the shareholders during the Annual General Meeting held on 29 January 2015 and subsequently paid on 16 February 2015.

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 materials events subsequent to the current quarter ended 28 February 2015 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 28 February 2015.

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 28 February 2015, 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 liabilities: | | | | |
| - Forward foreign currency contracts | - | (913) | - | (913) |

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2015

13. Capital Commitments

The material capital commitments of the Group as at 28 February 2015 are as follow;

| | |
|---------------------------------|--------|
| Property, plant and equipment | RM'000 |
| Approved but not contracted for | 592 |

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 SECOND QUARTER ENDED 28 FEBRUARY 2015**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 second quarter ended 28 February 2015 (Q2FY2015) and Six months ended 28 February 2015 (1HFY2015) compared with the previous corresponding second quarter ended 28 February 2014 (Q2FY2014) and six months ended 28 February 2014 (1HFY2014) are tabled below:

| Description | Q2FY2015 RM'000 | Q2FY2014 RM'000 | Variance % | 1HFY2015 RM'000 | 1HFY2014 RM'000 | Variance % |
|-------------------|--------------------|--------------------|---------------|--------------------|--------------------|---------------|
| Revenue | 37,848 | 28,641 | 32.1 | 71,213 | 64,328 | 10.7 |
| Profit before tax | 9,348 | 6,412 | 45.8 | 15,497 | 14,275 | 8.6 |

The Group's revenue for the Q2FY2015 and 1HFY2015 improved by 32.1% to RM37.848 million and 10.7% to RM71.213 million respectively compared with the corresponding period last financial year. The stronger revenue was attributed to the growth in volume of sales volume and stronger US Dollar ("USD").

The Group's profit before tax ("PBT") for the Q2FY2015 improved by 45.8% to RM9.348 million compared with Q2FY2014. This improvement was attributed to the higher sales register in current quarter and the strengthening of USD.

The Group's PBT of 1HFY2015 also rose by 8.6% to RM15.497million compared with the corresponding period last financial year even when there was an increase in input cost particularly leather price in 1HFY2015 compared to 1HFY2014. The increase of input cost were partially mitigated by the strengthening of USD.

2. Comparison with Preceding Quarter's Results

The Group's performance for the current year second quarter ended 28 February 2015 (Q2FY2015) compared to first quarter ended 30 November 2014 (Q1FY2015) are tabled below:

| Description | Q2FY2015 RM'000 | Q1FY2015 RM'000 | Variance % |
|-------------------|--------------------|--------------------|---------------|
| Revenue | 37,848 | 33,365 | 13.44 |
| Profit before tax | 9,348 | 6,149 | 52.03 |

The Group's revenue for the Q2FY2015 increased by 13.44% from RM33.365 million to RM37.848 million compared with the preceding quarter Q1FY2015, while the PBT stood at RM9.348 million, representing a growth of 52.03%.

The improved performance in Q2FY2015 compared to Q1FY2015 was attributed by the stronger revenue generated, strengthening of USD and the lower of raw material cost arising from the lower price of leather.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2015**3. Current Year Prospects**

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 concerted efforts 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 2015 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 | 2,150 | 3,400 |

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 28 February 2015 are as follow:

| | Amount RM'000 |
|------------|------------------|
| Short term | 472 |
| Long term | 1,694 |
| | 2,166 |

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2015
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 28 February 2015 are as follows:

| | Notional Amount RM'000 | Derivative Financial Asset / (Liability) RM'000 |
|---|---------------------------|---|
| Foreign currency forward contracts: Less than one year | 15,067 | (913) |

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 28 February 2015, 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 28 February 2015 RM'000 | As at 30 November 2014 RM'000 |
|---|-------------------------------------|-------------------------------------|
| Total retained profits of the Homeritz Corporation Berhad and its subsidiaries: | | |
| - Realised | 101,614 | 99,734 |
| - Unrealised | (3,043) | (2,043) |
| | 98,571 | 97,691 |
| Less: Consolidation adjustments | (44,815) | (44,297) |
| Total group retained profits as per consolidated accounts | 53,756 | 53,394 |

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 SECOND QUARTER ENDED 28 FEBRUARY 2015
13. Notes to the Statement of Comprehensive Income:

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

| | Current Year Quarter Ended 28 February 2015 RM'000 | Current Year To Date 28 February 2015 RM'000 |
|--|--|--|
| Interest income | (342) | (682) |
| Interest expenses | 28 | 59 |
| Depreciation | 658 | 1,302 |
| Foreign exchange loss / (Gain) | (615) | (1,875) |
| Fair value (gain)/loss on foreign exchange contracts | 652 | 931 |

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 28-Feb-2015 | Preceding Year Quarter Ended 28-Feb-2014 | Current Year To Date 28-Feb-2015 | Preceding Year To Date 28-Feb-2014 |
|---|--|---|--|---|
| Profit attributable to equity holders of the Company (RM'000) | 6,562 | 4,611 | 10,823 | 10,403 |
| Weighted average number of ordinary shares in issue ('000) | 200,000 | 200,000 | 200,000 | 200,000 |
| Basic earnings per share (sen) | 3.28 | 2.31 | 5.41 | 5.20 |

16. Authorisation for Issue of Report

The unaudited interim financial statements were authorised for issue on 29 April 2015 by the Board of Directors.

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