

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED 31 MAY 2016**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 May 2016 RM'000	Preceding Year Quarter 31 May 2015 RM'000	Current Year To Date 31 May 2016 RM'000	Preceding Year To Date 31 May 2015 RM'000
Revenue	40,478	37,094	123,644	108,307
Operating Expenses	(33,522)	(29,590)	(97,577)	(88,193)
Other Operating Income	1,367	1,592	4,615	4,538
Finance Costs	(19)	(26)	(63)	(85)
Profit before tax	8,304	9,070	30,619	24,567
Taxation	(1,830)	(2,109)	(7,180)	(5,509)
Profit for the year	6,474	6,961	23,439	19,058
Other comprehensive income / (expenses) for the year	-	-	-	-
Total comprehensive income for the year	6,474	6,961	23,439	19,058
Profit for the year attributable to:				
Owners of the Company	6,474	6,087	23,439	16,910
Non-controlling interests	-	874	-	2,148
	6,474	6,961	23,439	19,058
Total comprehensive income attributable to:				
Owners of the Company	6,474	6,087	23,439	16,910
Non-controlling interests	-	874	-	2,148
	6,474	6,961	23,439	19,058
Earnings per ordinary share (sen)				
* Basic	2.16	2.03	7.81	5.64
Diluted	2.16**	-	7.73	-

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 August 2015 and the accompanying explanatory notes attached to the interim financial statements.

* For comparative purpose, the Earnings Per Share for the quarter and year-to-date ended 31 May 2015 had been adjusted to reflect the bonus issue of One (1) bonus share for every Two (2) existing ordinary share of par value RM0.20 each which was completed on 8 July 2015

** There is no dilutive effect of the potential ordinary shares convertible under warrants issued for quarter ended 31 May 2016 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 2016
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MAY 2016**

	Unaudited As at 31-May-16 RM'000	Audited As at 31-Aug-15 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	39,971	32,195
Goodwill	478	478
	40,449	32,673
Current Assets		
Inventories	28,271	26,153
Trade and other receivables	11,819	11,975
Deposits, bank and cash balances	52,102	52,331
	92,192	90,459
TOTAL ASSETS	132,641	123,132
EQUITY AND LIABILITIES		
Share capital	60,002	60,000
Reserves	57,969	42,023
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	117,971	102,023
Non-Current Liabilities		
Borrowings	868	1,401
Deferred tax liabilities	2,156	2,156
	3,024	3,557
Current Liabilities		
Trade and other payables	9,269	8,596
Borrowings	392	463
Derivative financial liability	50	2,366
Dividend payable	-	4,500
Tax payable	1,935	1,627
	11,646	17,552
TOTAL LIABILITIES	14,670	21,109
TOTAL EQUITY AND LIABILITIES	132,641	123,132
* NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE PARENT (RM)	0.39	0.34

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 August 2015 and the accompanying explanatory notes attached to the interim financial statements.

* For comparative purpose, the Net Assets per share for 31 August 2015 had been adjusted to reflect the bonus issue of One (1) bonus share for every Two (2) existing ordinary share of par value RM0.20 each which was completed on 8 July 2015.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2016
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) FOR THE QUARTER ENDED 31 MAY 2016

<u>Group</u>	<u>Attributable To Owners Of The Company</u>				<u>Non-Controlling Interest</u>	<u>Total Equity</u>
	<u>Share Capital</u>	<u>Non-Distributable Share Premium</u>	<u>Distributable Retained Profits</u>	<u>Total</u>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
9 months ended 31 May 2016						
As at 1 September 2015	60,000	-	42,023	102,023	-	102,023
Total comprehensive income for the period	-	-	23,439	23,439	-	23,439
Dividends	-	-	(7,500)	(7,500)	-	(7,500)
Exersice of Warrants	2	7	-	9	-	9
As at 31 May 2016	60,002	7	57,962	117,971	-	117,971
9 months ended 31 May 2015						
As at 1 September 2014	40,000	3,017	49,133	92,150	8,791	100,941
Total comprehensive income for the period	-	-	16,910	16,910	2,148	19,058
Dividends	-	-	(6,200)	(6,200)	(1,750)	(7,950)
As at 31 May 2015	40,000	3,017	59,843	102,860	9,189	112,049

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 2015 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2016
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER ENDED 31 MAY 2016**

	Current Year 9 Months Ended 31/05/2016 RM'000	Preceding Year 9 Months Ended 31/05/2015 RM'000
Cash Flow From Operating Activities		
Profit before tax	30,619	24,567
Adjustment for:		
Depreciation	1,736	1,962
Other adjustments	(4,344)	(856)
Operating profit before changes in working capital	28,011	25,673
Changes in working capital		
Net changes in current assets	(1,774)	(14,493)
Net changes in current liabilities	424	(90)
Cash From Operations	26,661	11,090
Interest paid	(63)	(85)
Interest received	909	1,048
Tax paid	(6,871)	(2,304)
Net Cash From Operating Activities	20,636	9,749
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	142	190
Purchase of property, plant and equipment	(9,607)	(939)
Net withdrawal / (placement) of fixed deposit with licensed bank	-	(71)
Net Cash Flows (Used In) Investing Activities	(9,465)	(820)
Cash From Financing Activities		
Repayment of borrowings	(604)	(468)
Proceeds from exercise of warrant	9	-
Dividend paid to non-controlling interest	-	(1,750)
Dividend paid to shareholders	(12,000)	(8,200)
Net Cash (Used In) Financing Activities	(12,595)	(10,418)
Net Changes In Cash and Cash Equivalents	(1,424)	(1,489)
Cash and Cash Equivalents at Beginning of the Financial Period	52,331	47,517
Effect of exchange differences	1,195	247
Cash and Cash Equivalents at End of the Financial Period	52,102	46,275
Cash and Cash Equivalents in the Consolidated Statements of Cash Flows Comprise:		
Deposits, cash and bank balances	52,102	50,415
Less: Fixed deposit with licensed bank with maturity period of more than three months	-	(4,140)
	52,102	46,275

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 August 2015 and the accompanying explanatory notes attached to the 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 2015 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 2015.

The audited financial statements of the Group for the year ended 31 August 2015 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 2015.

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 2015.

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.

7. Dividend Paid

A final single tier tax exempt dividend of 12.5% per share amounting to RM7.5 million in respect of financial year ended 31 August 2015 was approved by the shareholders during the Annual General Meeting held on 28 January 2016 and subsequently paid on 18 February 2016.

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 2016 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 2016.

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 31 May 2016, 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	-	(50)	-	(50)

13. Capital Commitments

The material capital commitments of the Group as at 31 May 2016 are as follow:

Property, plant and equipment	RM'000
Approved but not contracted for	1,450

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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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 2016 (Q3FY2016) and nine months ended 31 May 2016 (9MFY2016) compared with the previous corresponding third quarter ended 31 May 2015 (Q3FY2015) and nine months ended 31 May 2015 (9MFY2015) are tabled below:

Description	Q3FY2016 RM'000	Q3FY2015 RM'000	Variance %	9MFY2016 RM'000	9MFY2015 RM'000	Variance %
Revenue	40,478	37,094	9.1	123,644	108,307	14.2
Profit before tax	8,304	9,070	-8.4	30,619	24,567	24.6

The Group's revenue for the Q3FY2016 and 9MFY2016 improved by 9.1% to RM40.478 million and 14.2% to RM123.644 million respectively compared with the corresponding period last financial year. The stronger revenue was mainly attributed to the stronger US Dollar ("USD").

The Group's profit before tax ("PBT") for the 9MFY2016 improved by 24.6% compared with the corresponding period last financial year. The improvement was attributed to the higher sales register and the strengthening of USD.

However, the Group's profit before tax ("PBT") for the Q3FY2016 decreased by 8.4% compared with the corresponding period last financial year. The decline was generally due to the recognition of net fair value loss on foreign exchange derivatives of RM0.05 million in Q3FY2016 compared with net fair value gain on foreign exchange derivatives of RM0.753 million in Q3FY2015 and the higher of direct labour cost incurred in Q3FY2016.

2. Comparison with Preceding Quarter's Results

The Group's performance for the current year third quarter ended (Q3FY2016) compared to second quarter ended 29 February 2016 (Q2FY2016) are tabled below:

Description	Q3FY2016 RM'000	Q2FY2016 RM'000	Variance %
Revenue	40,478	42,492	-4.7
Profit before tax	8,304	10,672	-22.2

The Group's revenue for the Q3FY2016 decreased by 4.7% from RM42.492 million to RM40.478 million compared with the preceding quarter Q2FY2016, while the PBT stood at RM8.304 million, representing a decrease of 22.2% compare to Q2FY2016.

The decrease of PBT in Q3FY2016 was mainly attributed to the weakening of the USD during the quarter under review. The average US dollar against Ringgit weakened by 6% during the quarter under review compared with the preceding quarter.

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 2016 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	1,830	7,180
	1,830	7,180

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 31 May 2016 are as follow:

	Amount RM'000
Short term	392
Long term	868
	1,260

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 31 May 2016 are as follows:

	Notional Amount RM'000	Derivative Financial Asset / (Liability) RM'000
Foreign currency forward contracts: Less than one year	3,693	(50)

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 31 May 2016, 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 31 May 2016 RM'000	As at 29 Feb 2016 RM'000
Total retained profits of the Homeritz Corporation Berhad and its subsidiaries:		
- Realised	105,796	102,004
- Unrealised	(818)	(1,844)
	106,614	100,160
Less: Consolidation adjustments	(48,652)	(48,672)
Total group retained profits as per consolidated accounts	57,962	51,488

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.

13. Notes to the Statement of Comprehensive Income:

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

	Current Quarter Ended 31 May 2016 RM'000	Current Year To Date 31 May 2016 RM'000
Interest income	(271)	(909)
Interest expenses	19	63
Depreciation	575	1,736
Foreign exchange loss / (Gain)	335	2,693
Fair value (gain)/loss on foreign exchange contracts	50	(2,317)

14. Dividends

On 28 July 2016, the Board of directors declared a first interim single tier tax-exempt dividend of 10% equivalent to 2 sen per share in respect of financial year ending 31 August 2016 to be paid on 29 September 2016 to all holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 1 September 2016.

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.

	Quarter Ended		Year To Date Ended	
	31 May 2016	31 May 2015	31 May 2016	31 May 2015
Profit attributable to equity holders of the Company (RM'000)	6,474	6,087	23,439	16,910
Weighted average number of ordinary shares in issue ('000)	300,010	300,000	300,005	300,000
Effect of dilution of warrants	-	-	3,513	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000')	300,010	300,000	303,244	300,000
Basic earnings per share (sen)	2.16	2.03	7.81	5.64
Diluted earnings per share (sen)	2.16**	-	7.73	-

** There is no dilutive effect of the potential ordinary shares convertible under warrants issued for quarter ended 31 May 2016 since the exercise price is above the average market value of the Company's shares.

16. Authorisation for Issue of Report

The unaudited interim financial statements were authorised for issue on 28 July 2016 by the Board of Directors.

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