

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED 28 FEBRUARY 2017**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 28/02/2017 RM'000	Preceding Year Quarter 29/02/2016 RM'000	Current Year To Date 28/02/2017 RM'000	Preceding Year To Date 29/02/2016 RM'000
Revenue	42,753	42,492	84,683	83,166
Operating Expenses	(33,173)	(33,089)	(65,816)	(64,055)
Other Operating Income	249	1,290	1,948	3,248
Finance Costs	-	(21)	-	(44)
Profit before tax	9,829	10,672	20,815	22,315
Taxation	(2,250)	(2,600)	(4,750)	(5,350)
Profit for the year	7,579	8,072	16,065	16,965
Other comprehensive income / (expenses) for the year	-	-	-	-
Total comprehensive income for the year	7,579	8,072	16,065	16,965
Profit for the year attributable to:				
Owners of the Company	7,579	8,072	16,065	16,965
Non-controlling interests	-	-	-	-
	7,579	8,072	16,065	16,965
Total comprehensive income attributable to:				
Owners of the Company	7,579	8,072	16,065	16,965
Non-controlling interests	-	-	-	-
	7,579	8,072	16,065	16,965
Earnings per ordinary share (sen)				
Basic	2.53	2.69	5.35	5.65
Diluted	2.52	2.68	5.35	5.59

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 August 2016 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
AS AT 28 FEBRUARY 2017**

	Unaudited As at 28-Feb-17 RM'000	Audited As at 31-Aug-16 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	42,306	39,972
Goodwill	478	478
	42,784	40,450
Current Assets		
Inventories	31,235	26,401
Trade and other receivables	16,073	10,345
Derivative assets	-	16
Deposits, bank and cash balances	46,463	57,017
	93,771	93,779
TOTAL ASSETS	136,555	134,229
EQUITY AND LIABILITIES		
Share capital	60,002	60,002
Reserves	63,620	56,556
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	123,622	116,558
Non-Current Liabilities		
Deferred tax liabilities	1,906	1,906
	1,906	1,906
Current Liabilities		
Trade and other payables	10,978	9,436
Derivative financial liability	49	-
Dividend payable	-	6,000
Tax payable	-	329
	11,027	15,765
TOTAL LIABILITIES	12,933	17,671
TOTAL EQUITY AND LIABILITIES	136,555	134,229
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE PARENT (RM)	0.41	0.39

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 August 2016 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED 28 FEBRUARY 2017

<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>6 months ended 28 February 2017</u>				
As at 1 September 2016	60,002	7	56,549	116,558
Total comprehensive income for the period	-	-	16,065	16,065
Dividends	-	-	(9,001)	(9,001)
As at 28 February 2017	60,002	7	63,613	123,622
<u>6 months ended 29 February 2016</u>				
As at 1 September 2015	60,000	-	42,023	102,023
Total comprehensive income for the period	-	-	16,965	16,965
Excercise of Warrants	2	7	-	9
Dividends	-	-	(7,500)	(7,500)
As at 29 February 2016	60,002	7	51,488	111,497

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 2016 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED 28 FEBRUARY 2017**

	Current Year 6 Months Ended 28/02/2017 RM'000	Preceding Year 6 Months Ended 29/02/2016 RM'000
Cash Flow From Operating Activities		
Profit before tax	20,815	22,315
Adjustment for:		
Depreciation	1,258	1,161
Other adjustments	(634)	(3,052)
Operating profit before changes in working capital	21,439	20,424
Changes in working capital		
Net changes in current assets	(10,940)	(2,603)
Net changes in current liabilities	1,347	1,099
Cash From Operations	11,846	18,920
Interest paid	-	(44)
Interest received	758	638
Tax paid	(4,729)	(3,682)
Net Cash From Operating Activities	7,875	15,832
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	-	130
Purchase of property, plant and equipment	(3,453)	(8,965)
Net Cash Flows (Used In) Investing Activities	(3,453)	(8,835)
Cash From Financing Activities		
Repayment of borrowings	-	(230)
Proceeds from exercise of warrant	-	9
Dividend paid to shareholders	(15,001)	(12,000)
Net Cash (Used In) Financing Activities	(15,001)	(12,221)
Net Changes In Cash and Cash Equivalents	(10,579)	(5,224)
Cash and Cash Equivalents at Beginning of the Financial Period	57,017	52,331
Effect of exchange differences	25	28
Cash and Cash Equivalents at End of the Financial Period	46,463	47,135

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 August 2016 and the accompanying explanatory notes attached to the interim financial statements.

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 2016 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 2016.

The audited financial statements of the Group for the year ended 31 August 2016 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 2016.

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 2016.

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 15.0% per share amounting to RM9 million in respect of financial year ended 31 August 2016 was approved by the shareholders during the Annual General Meeting held on 25 January 2017 and subsequently paid on 16 February 2017.

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 28 February 2017 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 2017.

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 2017, 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 Liability: - Forward foreign currency contracts	-	(49)	-	(49)

13. Capital Commitments

The material capital commitments of the Group as at 28 February 2017 are as follow:

Property, plant and equipment	RM'000
Approved and contracted for	1,572

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 second quarter ended 28 February 2017 (Q2FY2017) and six months ended 28 February 2017 (1HFY2017) compared with the previous corresponding second quarter ended 29 February 2016 (Q2FY2016) and six months ended 29 February 2016 (1HFY2016) are tabled below:

Description	Q2FY2017 RM'000	Q2FY2016 RM'000	Variance %	1HFY2017 RM'000	1HFY2016 RM'000	Variance %
Revenue	42,753	42,492	0.6	84,683	83,166	1.8
Profit before tax	9,829	10,672	-7.9	20,815	22,315	-6.7

The Group's revenue for the Q2FY2017 and 1HFY2017 improved slightly by 0.6% to RM42.753 million and 1.8% to RM84.683 million respectively compared with the corresponding period last financial year.

The Group's profit before tax ("PBT") for the Q2FY2017 and 1HFY2017 declined by RM0.843 million to RM9.829 million and RM1.5 million to RM20.815 million respectively compared with the corresponding period last financial year. The decrease in PBT was as a result of additional cost of RM0.4 million incurred for participating in International Furniture Exhibition, IMM Cologne 2017 and the increase of labour cost incurred.

2. Comparison with Preceding Quarter's Results

The Group's performance for the current year second quarter ended (Q2FY2017) compared to first quarter ended 30 November 2016 (Q1FY2017) are tabled below:

Description	Q2FY2017 RM'000	Q1FY2017 RM'000	Variance %
Revenue	42,753	41,930	2.0
Profit before tax ("PBT")	9,829	10,986	-10.5

The Group's revenue for the Q2FY2017 increased by 2.0% compared with the preceding quarter Q1FY2017, while the PBT stood at RM9.829 million, representing a decrease of 10.5% compare to Q1FY2017.

The decrease of PBT of about RM1.157 million in Q2FY2017 was attributed to the lower sales volume of 4% in compared with to Q1FY2017. The performance for the second quarter (December to February) is normally poorer than the rest of the quarter due to the long festive holidays in Malaysia. During Q2FY2017, the Group also incur one off expenses like bonus payout.

3. Current Year Prospects

The Group is operating in global economic uncertainties as well as facing increases in its production 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. The Board believes that the Group's prospects for the financial year ending 31 August 2017 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	Period To Date
	RM'000	RM'000
Income Tax	2,250	4,750
	2,250	4,750

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

There were no outstanding borrowing as at 28 February 2017.

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 2017 are as follows:

	Notional Amount RM'000	Derivative Financial (Liability) RM'000
Foreign currency forward contracts: Less than one year	6,312	(49)

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 2017, 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 2017 RM'000	As at 30 November 2016 RM'000
Total retained profits of the Homeritz Corporation Berhad and its subsidiaries:		
- Realised	114,083	115,259
- Unrealised	(1,827)	(1,534)
	112,256	113,725
Less: Consolidation adjustments	(48,643)	(48,690)
Total group retained profits as per consolidated accounts	63,613	65,035

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 28 February 2017 RM'000	Current Year To Date 28 February 2017 RM'000
Interest income	(380)	(758)
Depreciation	646	1,258
Foreign exchange loss / (Gain)	30	(1,227)
Fair value (gain)/loss on foreign exchange contracts	(184)	65

14. Dividends

On 27 April 2017, the Board of directors declared a first interim single tier tax-exempt dividend of 5.0% equivalent to 1 sen per share in respect of financial year ending 31 August 2017 to be paid on 16 Jun 2017 to all holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 26 May 2017.

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	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Profit attributable to equity holders of the Company (RM'000)	7,579	8072	16,065	16,965
Weighted average number of ordinary shares in issue ('000)	300,010	300,004	300,010	300,002
Effect of dilution of warrants ('000)	577	1,713	352	3,513
Adjusted weighted average number of ordinary shares in issue and issuable ('000')	300,587	301,717	300,362	303,515
Basic earnings per share (sen)	2.53	2.69	5.35	5.65
Diluted earnings per share (sen)	2.52	2.68	5.35	5.59

16. Authorisation for Issue of Report

The unaudited interim financial statements were authorised for issue on 27 April 2017 by the Board of Directors.