

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED 31 MAY 2017**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 May 2017 RM'000	Preceding Year Quarter 31 May 2016 RM'000	Current Year To Date 31 May 2017 RM'000	Preceding Year To Date 31 May 2016 RM'000
Revenue	44,617	40,478	129,300	123,644
Operating Expenses	(35,590)	(33,522)	(101,406)	(97,577)
Other Operating Income	590	1,367	2,538	4,615
Finance Costs	-	(19)	-	(63)
Profit before tax	9,617	8,304	30,432	30,619
Taxation	(1,800)	(1,830)	(6,550)	(7,180)
Profit for the year	7,817	6,474	23,882	23,439
Other comprehensive income / (expenses) for the year	-	-	-	-
Total comprehensive income for the year	7,817	6,474	23,882	23,439
Profit for the year attributable to:				
Owners of the Company	7,817	6,474	23,882	23,439
Non-controlling interests	-	-	-	-
	7,817	6,474	23,882	23,439
Total comprehensive income attributable to:				
Owners of the Company	7,817	6,474	23,882	23,439
Non-controlling interests	-	-	-	-
	7,817	6,474	23,882	23,439
Earnings per ordinary share (sen)				
Basic	2.61	2.16	7.96	7.81
Diluted	2.60	*2.16	7.95	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 2016 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 2016 since the exercise price is above the average market value of the Company's shares.

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MAY 2017**

	Unaudited As at 31-May-17 RM'000	Audited As at 31-Aug-16 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	42,727	39,972
Goodwill	478	478
	43,205	40,450
Current Assets		
Inventories	30,190	26,401
Trade and other receivables	14,018	10,345
Derivative assets	283	16
Deposits, bank and cash balances	56,553	57,017
	101,044	93,779
TOTAL ASSETS	144,249	134,229
EQUITY AND LIABILITIES		
Share capital	60,002	60,002
Reserves	68,437	56,556
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	128,439	116,558
Non-Current Liabilities		
Deferred tax liabilities	1,906	1,906
	1,906	1,906
Current Liabilities		
Trade and other payables	10,904	9,436
Dividend payable	3,000	6,000
Tax payable	-	329
	13,904	15,765
TOTAL LIABILITIES	15,810	17,671
TOTAL EQUITY AND LIABILITIES	144,249	134,229
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE PARENT (RM)	0.43	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 31 MAY 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>9 months ended 31 May 2017</u>				
As at 1 September 2016	60,002	7	56,549	116,558
Total comprehensive income for the period	-	-	23,882	23,882
Dividends	-	-	(12,001)	(12,001)
As at 31 May 2017	60,002	7	68,430	128,439
<u>9 months ended 31 May 2016</u>				
As at 1 September 2015	60,000	-	42,023	102,023
Total comprehensive income for the period	-	-	23,439	23,439
Excercise of Warrants	2	7	-	9
Dividends	-	-	(7,500)	(7,500)
As at 31 May 2016	60,002	7	57,962	117,971

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 31 MAY 2017**

	Current Year 9 Months Ended 31/5/2017 RM'000	Preceding Year 9 Months Ended 31/5/2016 RM'000
Cash Flow From Operating Activities		
Profit before tax	30,432	30,619
Adjustment for:		
Depreciation	1,901	1,736
Other adjustments	(1,280)	(4,344)
Operating profit before changes in working capital	31,053	28,011
Changes in working capital		
Net changes in current assets	(7,692)	(1,774)
Net changes in current liabilities	1,312	424
Cash From Operations	24,673	26,661
Interest paid	-	(63)
Interest received	1,095	909
Tax paid	(6,741)	(6,871)
Net Cash From Operating Activities	19,027	20,636
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	-	142
Purchase of property, plant and equipment	(4,433)	(9,607)
Net Cash Flows (Used In) Investing Activities	(4,433)	(9,465)
Cash From Financing Activities		
Repayment of borrowings	-	(604)
Proceeds from exercise of warrant	-	9
Dividend paid to shareholders	(15,001)	(12,000)
Net Cash (Used In) Financing Activities	(15,001)	(12,595)
Net Changes In Cash and Cash Equivalents	(407)	(1,424)
Cash and Cash Equivalents at Beginning of the Financial Period	57,017	52,331
Effect of exchange differences	(57)	1,195
Cash and Cash Equivalents at End of the Financial Period	56,553	52,102

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.

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 was declared by the Board on 27 April 2017 and subsequently 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.

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 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 31 May 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 31 May 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 Assets:				
- Forward foreign currency contracts	-	283	-	283

13. Capital Commitments

The material capital commitments of the Group as at 31 May 2017 are as follow:

Property, plant and equipment	RM'000
Approved and contracted for	1,408

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 2017 (Q3FY2017) and nine months ended 31 May 2017 (9MFY2017) compared with the previous corresponding third quarter ended 31 May 2016 (Q3FY2016) and nine months ended 31 May 2016 (9MFY2016) are tabled below:

Description	Q3FY2017 RM'000	Q3FY2016 RM'000	Variance %	9MFY2017 RM'000	9MFY2016 RM'000	Variance %
Revenue	44,617	40,478	10.2	129,300	123,644	4.6
Profit before tax	9,617	8,304	15.8	30,432	30,619	-0.6

The Group's revenue for the Q3FY2017 and 9MFY2017 improved by 10.2% to RM44.617 million and 4.6% to RM129.300 million respectively compared with the corresponding period last financial year. The improvement in revenue was mainly attributed to the strengthening of USD exchange rate.

In comparison with the corresponding period last financial year, the USD against RM for Q3FY2017 and 9MFY2017 were strengthening by 10% and 4 % respectively. The strengthening of USD exchange rate not only improved both revenue and profit but also cushion the rising of labour cost.

2. Comparison with Preceding Quarter's Results

The Group's performance for the current year third quarter ended 31 May 2017 (Q3FY2017) compared to second quarter ended 28 Feb 2017 (Q2FY2017) are tabled below:

Description	Q3FY2017 RM'000	Q2FY2017 RM'000	Variance %
Revenue	44,617	42,753	4.4
Profit before tax ("PBT")	9,617	9,829	-2.2

The Group's revenue for the Q3FY2017 increased by 4.4% compared with the preceding quarter Q2FY2017. The increase in revenue was a result of increase in volume of 2%.

The PBT stood at RM9.617 million, representing a decrease of 2.2% compared to Q2FY2017. The decrease of PBT in Q3FY2017 was attributed to the weakening of USD by 1% and increase of the unit price of upholstery leather in compared with to Q2FY2017.

3. Current Year Prospects

The Group are operating in global economic uncertainties as well as facing increases in their production costs and fluctuation in foreign exchange rates.

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 2017 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	1,800	6,550
	1,800	6,550

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.

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 31 May 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 31 May 2017 are as follows:

	Notional Amount RM'000	Derivative Financial Assets RM'000
Foreign currency forward contracts: Less than one year	9,513	283

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 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 31 May 2017 RM'000	As at 28 February 2017 RM'000
Total retained profits of the Homeritz Corporation Berhad and its subsidiaries:		
- Realised	118,603	114,083
- Unrealised	(1,529)	(1,827)
	117,074	112,256
Less: Consolidation adjustments	(48,644)	(48,643)
Total group retained profits as per consolidated accounts	68,430	63,613

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 2017 RM'000	Current Year To Date 31 May 2017 RM'000
Interest income	(337)	(1095)
Depreciation	643	1,901
Foreign exchange loss / (Gain)	89	(1,138)
Fair value (gain)/loss on foreign exchange contracts	(332)	(267)

14. Dividends

On 27 July 2017, the Board of directors declared a second 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 29 September 2017 to all holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 30 August 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	
	31 May 2017	31 May 2016	31 May 2017	31 May 2016
Profit attributable to equity holders of the Company (RM'000)	7,817	6,474	23,882	23,439
Weighted average number of ordinary shares in issue ('000)	300,010	300,010	300,010	300,005
Effect of dilution of warrants ('000)	514	-	589	3,239
Adjusted weighted average number of ordinary shares in issue and issuable ('000')	300,524	300,010	300,599	303,244
Basic earnings per share (sen)	2.61	2.16	7.96	7.81
Diluted earnings per share (sen)	2.60	*2.16	7.95	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 27 Jul 2017 by the Board of Directors.