

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2018**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIOD ENDED 28 FEBRUARY 2018**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 28/2/2018 RM'000	Preceding Year Quarter 28/2/2017 RM'000	Current Year To Date 28/2/2018 RM'000	Preceding Year To Date 28/2/2017 RM'000
Revenue	40,459	42,753	86,442	84,683
Operating Expenses	(35,986)	(33,173)	(75,056)	(65,816)
Other Operating Income	146	249	1,205	1,948
Profit before tax	4,619	9,829	12,591	20,815
Taxation	(1,000)	(2,250)	(2,400)	(4,750)
Profit for the year	3,619	7,579	10,191	16,065
Other comprehensive income / (expenses) for the year	-	-	-	-
Total comprehensive income for the year	3,619	7,579	10,191	16,065
<b>Profit for the year attributable to:</b>				
Owners of the Company	3,619	7,579	10,191	16,065
Non-controlling interests	-	-	-	-
	3,619	7,579	10,191	16,065
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	3,619	7,579	10,191	16,065
Non-controlling interests	-	-	-	-
	3,619	7,579	10,191	16,065
<b>Earnings per ordinary share (sen)</b>				
Basic	1.21	2.53	3.40	5.35
Diluted*	1.21	2.52	3.40	5.35

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 August 2017 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 28 February 2018 and 6 months periods ended 28 February 2018 since the exercise price is above the average market value of the Company's shares.

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2018**
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)  
AS AT 28 FEBRUARY 2018**

	Unaudited As at 28-Feb-18 RM'000	Audited As at 31-Aug-17 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	47,093	43,980
Goodwill	478	478
	47,571	44,458
<b>Current Assets</b>		
Inventories	32,998	32,717
Trade and other receivables	15,273	12,783
Derivative assets	8	129
Deposits, bank and cash balances	53,748	60,782
	102,027	106,411
<b>TOTAL ASSETS</b>	149,598	150,869
<b>EQUITY AND LIABILITIES</b>		
Share capital	60,002	60,002
Reserves	76,034	72,443
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	136,036	132,445
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	1,906	1,906
	1,906	1,906
<b>Current Liabilities</b>		
Trade and other payables	11,656	13,068
Dividend payable	-	3,000
Tax payable	-	450
	11,656	16,518
<b>TOTAL LIABILITIES</b>	13,562	18,424
<b>TOTAL EQUITY AND LIABILITIES</b>	149,598	150,869
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE PARENT (RM)	0.45	0.44

*The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 August 2017 and the accompanying explanatory notes attached to the interim financial statements.*

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2018**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED 28 FEBRUARY 2018**

<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
<b><u>6 months ended 28 February 2018</u></b>				
<b>As at 1 September 2017</b>	60,002	7	72,436	132,445
Total comprehensive income for the period	-	-	10,191	10,191
Dividends	-	-	(6,600)	(6,600)
<b>As at 28 February 2018</b>	<b>60,002</b>	<b>7</b>	<b>76,027</b>	<b>136,036</b>
<b><u>6 months ended 28 February 2017</u></b>				
<b>As at 1 September 2016</b>	60,002	7	56,549	116,558
Total comprehensive income for the period	-	-	16,065	16,065
Dividends	-	-	(9,001)	(9,001)
<b>As at 28 February 2017</b>	<b>60,002</b>	<b>7</b>	<b>63,613</b>	<b>123,622</b>

*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 2017 and the accompanying explanatory notes attached to the interim financial statements.*

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2018**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
FOR THE PERIOD ENDED 28 FEBRUARY 2018**

	Current Year 6 Months Ended 28/02/2018 RM'000	Preceding Year 6 Months Ended 28/02/2017 RM'000
<b>Cash Flow From Operating Activities</b>		
<b>Profit before tax</b>	12,591	20,815
Adjustment for:		
Depreciation	1,522	1,258
Other adjustments	(865)	(634)
Operating profit before changes in working capital	13,248	21,439
<b>Changes in working capital</b>		
Net changes in current assets	(2,216)	(10,940)
Net changes in current liabilities	(1,055)	1,347
<b>Cash From Operations</b>	9,977	11,846
Interest received	914	758
Tax paid	(3,389)	(4,729)
<b>Net Cash From Operating Activities</b>	7,502	7,875
<b>Cash Flows For Investing Activities</b>		
Net (placement) of fixed deposit with licensed bank	(6,493)	-
Purchase of property, plant and equipment	(5,011)	(3,453)
<b>Net Cash Flows (For) Investing Activities</b>	(11,504)	(3,453)
<b>Cash For Financing Activity</b>		
Dividend paid to shareholders	(9,600)	(15,001)
<b>Net Cash (For) Financing Activity</b>	(9,600)	(15,001)
<b>Net Changes In Cash and Cash Equivalents</b>	(13,602)	(10,579)
<b>Cash and Cash Equivalents at Beginning of the Financial Period</b>	44,782	57,017
<b>Effect of exchange differences</b>	75	25
<b>Cash and Cash Equivalents at End of the Financial Period</b>	31,255	46,463
<b>Cash and Cash Equivalents in the Consolidated Statements of Cash Flows Comprise:</b>		
Deposits, cash and bank balances	53,748	46,463
Less: Fixed deposit with licensed bank with maturity period of more than three months	(22,493)	-
	31,255	46,463

*The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 August 2017 and the accompanying explanatory notes attached to the interim financial statements.*

## **UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2018**

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### **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 2017 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 2017.

The audited financial statements of the Group for the year ended 31 August 2017 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 2017.

##### **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 2017.

##### **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.

## **UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2018**

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### **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 2.2 sen per share in respect of financial year ended 31 August 2017 was approved by the shareholders during the Annual General Meeting held on 25 January 2018 and subsequently paid on 1 March 2018.

### **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 2018 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 2018.

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2018****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 2018, 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	-	8	-	8

**13. Capital Commitments**

The material capital commitments of the Group as at 28 February 2018 are as follow:

Property, plant and equipment	RM'000
Approved and contracted for	565

**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 2018****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 2018 (Q2FY2018) and six months ended 28 February 2018 (1HFY2018) compared with the previous corresponding second quarter ended 28 February 2017 (Q2FY2017) and six months ended 28 February 2017 (1HFY2017) are tabled below:

Description	Q2FY2018 RM'000	Q2FY2017 RM'000	Variance %	1HFY2018 RM'000	1HFY2017 RM'000	Variance %
Revenue	40,459	42,753	-5.4	86,442	84,683	2.1
Profit before tax ("PBT")	4,619	9,829	-53.0	12,591	20,815	-39.5

The Group's revenue and PBT for the Q2FY2018 reduced by 5.4% and 53% respectively compared with the corresponding period of the last financial year. This was mainly attributed to the weakening of US dollar against the ringgit, the rising of raw materials' and labour cost. The average USD exchange rate in Q22018 was 11% lower compared to Q2FY2017.

The Group's revenue for the 1HFY2018 increased slightly by 2.1% compared with the preceding quarter 1HFY2017. The growth in revenue was mainly attributed to the increase in the volume sold.

However, the Group's profit before tax ("PBT") for the 1HFY2018 decreased by 39.5% compared with 1HFY2017. This was mainly attributed to the weakening of US dollar against the ringgit, the rising of raw materials' and labour's cost, the incurred foreign exchange loss of RM0.4 million in 1HFY2018 compared with foreign exchange gain of RM1.2 million registered in 1HFY2017.

**2. Comparison with Preceding Quarter's Results**

The Group's performance for the current year second quarter ended (Q2FY2018) compared to first quarter ended 30 November 2017 (Q1FY2017) are tabled below:

Description	Q2FY2018 RM'000	Q1FY2018 RM'000	Variance %
Revenue	40,459	45,983	-12.0
Profit before tax ("PBT")	4,619	7,972	-42.0

The Group's revenue and PBT for the Q2FY2018 decreased by 12% and 42% respectively compared with the preceding quarter Q1FY2018. This was mainly attributed to the lower of average USD exchange rate of 5% compared to Q1FY2018 and the rising of labour cost and the decreased of output of 4% compared with Q1FY2018.



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**3. Current Year Prospects**

The Group are operating in global economic uncertainties as well as facing increases in their production costs, rising of materials' cost 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 2018 would remain profitable.

**4. Variance on Forecast Profit/Profit Guarantee**

The Group have not issued any profit forecast or profit guarantee.

**5. Taxation**

	<b>Current Quarter</b>	<b>Period To Date</b>
	<b>RM'000</b>	<b>RM'000</b>
Income Tax	1,000	2,400
	1,000	2,400

**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 28 February 2018.

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2018****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 2018 are as follows:

	Notional Amount RM'000	Derivative Financial Assets RM'000
Foreign currency forward contracts: Less than one year	2,134	8

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. Notes to the Statement of Comprehensive Income:**

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

	Current Quarter Ended 28 February 2018 RM'000	Current Year To Date 28 February 2018 RM'000
Interest income	(445)	(914)
Depreciation	803	1,522
Foreign exchange loss	184	398
Fair value loss on foreign exchange contracts	17	121

**13. Dividends**

The Board of Directors do not recommend any dividend payment for the period under review.

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2018**


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**14. 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 2018	28 Feb 2017	28 Feb 2018	28 Feb 2017
Profit attributable to equity holders of the Company (RM'000)	3,619	7,579	10,191	16,065
Weighted average number of ordinary shares in issue ('000)	300,010	300,010	300,010	300,010
Effect of dilution of warrants ('000)	-	577	-	352
Adjusted weighted average number of ordinary shares in issue and issuable ('000')	300,010	300,587	300,010	303,362
Basic earnings per share (sen)	1.21	2.53	3.40	5.35
Diluted earnings per share (sen)*	1.21	2.52	3.40	5.35

\* There is no dilutive effect of the potential ordinary shares convertible under warrants issued for quarter ended 28 February 2018 and 6 months periods ended 28 February 2018 since the exercise price is above the average market value of the Company's shares.

**15. Authorisation for Issue of Report**

The unaudited interim financial statements were authorised for issue on 26 April 2018 by the Board of Directors.

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