

SYF RESOURCES BERHAD (Co. No. 364372-H)

**Condensed Consolidated Statement of Comprehensive Income
For the quarter ended 31 January 2015**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	<u>FY 2015</u> Current Quarter Ended 31/01/2015	<u>FY 2014</u> Comparative Quarter Ended 31/01/2014	<u>FY 2015</u> 6 Months Cumulative To Date	<u>FY 2014</u> 6 Months Cumulative To Date
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	62,497	76,392	122,535	138,486
Operating Expenses	(55,315)	(69,706)	(108,711)	(126,829)
Other Operating Income/(Expenses)	(2,782)	(429)	(3,002)	241
Profit/ (Loss) from Operations	4,400	6,257	10,822	11,898
Finance Costs	(1,193)	(812)	(2,087)	(1,616)
Profit/ (Loss) Before Tax	3,207	5,445	8,735	10,282
Taxation	(5)	(1,040)	(380)	(1,242)
Profit/ (Loss) for the Period	3,202	4,405	8,355	9,040
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/ (Loss) for the Period	3,202	4,405	8,355	9,040
Attributable to:				
Equity Holders of the Company	3,202	4,405	8,355	9,040
Non-controlling Interests	-	-	-	-
Profit/ (Loss) for the Period	3,202	4,405	8,355	9,040
Earnings/ (Loss) Per Share Attributable to Equity Holders of the Company (Note 17.12)				
Basic (Sen)	0.83	1.61	1.76	3.31
Diluted (Sen)	0.81	1.60	1.73	3.29

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 July 2014)

SYF RESOURCES BERHAD (Co. No. 364372-H)

Condensed Consolidated Statement of Financial Position

As At 31 January 2015

(The figures have not been audited)

	(UNAUDITED) As At 31/01/2015 RM'000	(AUDITED) As At 31/07/2014 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	186,796	172,568
Deferred Tax Assets	700	700
	<u>187,496</u>	<u>173,268</u>
Current Assets		
Inventories	70,622	65,321
Land and Property Development Costs	33,331	20,935
Receivables, Deposits and Prepayments	61,611	41,951
Derivative Financial Assets	-	700
Tax Recoverable	1	1
Cash and Cash Equivalents	5,194	5,981
	<u>170,759</u>	<u>134,889</u>
Total Assets	<u><u>358,255</u></u>	<u><u>308,157</u></u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Share Capital	152,716	69,145
Reserves	72,182	118,720
Treasury Shares	-	(494)
Total Equity	<u>224,898</u>	<u>187,371</u>
Non-Current Liabilities		
Loans and Borrowings	38,597	28,288
Deferred Tax Liabilities	10,839	10,839
	<u>49,436</u>	<u>39,127</u>
Current Liabilities		
Payables and Accruals	44,731	46,303
Derivative Financial Liabilities	2,246	-
Loans and Borrowings	34,314	32,577
Taxation	2,630	2,779
	<u>83,921</u>	<u>81,659</u>
Total Liabilities	<u>133,357</u>	<u>120,786</u>
Total Equity and Liabilities	<u><u>358,255</u></u>	<u><u>308,157</u></u>
Net Assets Per Share Attributable to Ordinary Equity Holders of The Company (RM)	0.37	0.68

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 July 2014)

SYF RESOURCES BERHAD (Co. No. 364372-H)

Condensed Consolidated Statement of Changes in Equity

For the quarter ended 31 January 2015

(The figures have not been audited)

	←----- Attributable to Shareholders of the Company -----→					
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Assets Revaluation Reserve RM'000	Retained Profits/ (Accumulated Losses) RM'000	Total Equity RM'000
6 months period ended						
<u>31 January 2015</u>						
Balance at beginning of year 01 August 2014	69,145	(494)	16,805	39,549	62,366	187,371
Total comprehensive income for the period	-	-	-	-	8,355	8,355
Issuance of shares pursuant to private placement	6,915	-	22,126	-	-	29,041
Share issuance expenses	-	-	(960)	-	-	(960)
Issuance of shares under bonus issue	76,358	-	(38,270)	-	(38,088)	-
Disposal of treasury shares	-	494	-	-	-	494
Exercise of ESOS	298	-	299	-	-	597
Balance at end of period 31 January 2015	<u>152,716</u>	<u>-</u>	<u>-</u>	<u>39,549</u>	<u>32,633</u>	<u>224,898</u>
6 months period ended						
<u>31 January 2014</u>						
Balance at beginning of year 01 August 2013	68,281	(7)	15,941	39,954	40,263	164,432
Total comprehensive income for the period	-	-	-	-	9,040	9,040
Exercise of ESOS	38	-	38	-	-	76
Treasury shares acquired	-	(486)	-	-	-	(486)
Balance at end of period 31 January 2014	<u>68,319</u>	<u>(493)</u>	<u>15,979</u>	<u>39,954</u>	<u>49,303</u>	<u>173,062</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2014)

SYF RESOURCES BERHAD (Co. No. 364372-H)

Condensed Consolidated Statement of Cash Flows

For the quarter ended 31 January 2015

(The figures have not been audited)

	FY 2015 6 Months Ended 31/01/2015 <u>RM'000</u>	FY 2014 6 Months Ended 31/01/2014 <u>RM'000</u>
Profit/(Loss) before taxation	8,735	10,282
Adjustments for :		
Depreciation of property, plant and equipment	4,206	3,889
Interest expense	2,087	1,616
Interest income	(2)	(2)
(Gain)/Loss on derivatives	2,946	(564)
(Gain)/Loss on disposal of property, plant and equipment	23	(64)
Operating profit/(loss) before working capital changes	<u>17,995</u>	<u>15,157</u>
Changes in working capital :		
Net change in current assets	(36,423)	(11,261)
Net change in current liabilities	(2,507)	(5,526)
Cash generated from/(used in) operations	<u>(20,935)</u>	<u>(1,630)</u>
Income tax paid	(529)	(309)
Tax refund	-	30
Net cash generated from/(used in) operating activities	<u>(21,464)</u>	<u>(1,909)</u>
Investing activities :		
Purchase of property, plant and equipment	(16,431)	(3,018)
Proceeds from disposal of property, plant and equipment	270	150
Interest received	2	2
Upliftment/(Placement) of fixed deposits pledged	(1,593)	163
Net cash flows from/(used in) investing activities	<u>(17,752)</u>	<u>(2,703)</u>
Financing activities :		
Repayment of borrowings	(3,052)	(2,173)
Interest paid	(2,087)	(1,616)
Proceeds from exercise of ESOS	597	76
Proceeds from issuance of shares pursuant to private placement	29,041	-
Share issuance expenses	(960)	-
Proceeds from bank borrowings	12,000	16,000
Share buy back	-	(486)
Proceeds from disposal of treasury shares	494	-
Net cash flows from/(used in) financing activities	<u>36,033</u>	<u>11,801</u>
Net increase/(decrease) in cash and cash equivalents	(3,183)	7,189
Cash and cash equivalents at beginning of year	(4,447)	(7,735)
Cash and cash equivalents at end of period	<u>(7,630)</u>	<u>(546)</u>
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts :		
Cash and bank balances	3,601	3,998
Fixed deposits	1,593	58
Cash and cash equivalents	5,194	4,056
Bank overdrafts	(11,231)	(4,544)
Less : Fixed deposits pledged	(1,593)	(58)
	<u>(7,630)</u>	<u>(546)</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2014)

SYF RESOURCES BERHAD (Co. No. 364372-H)

Notes To The Interim Financial Report For the quarter ended 31 January 2015

1 Accounting Policies and Methods of Computation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 July 2013. 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 July 2014.

2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 July 2014 except for the adoption of new standards, amendments to standards and IC Interpretations that are effective for the financial year ending 31 July 2015. The adoption does not have significant impact on the Group's financial statements.

3 Preceding Audited Financial Statements

The audit report of the preceding annual financial statements for the financial year ended 31 July 2014 was not subject to any qualification.

4 Seasonal or Cyclical Factors

Traditionally the quarter under review is an off-peak period for the furniture industry due to many festive holidays and lower demand from customers in western countries after Christmas and New Year.

5 Nature and Amount of Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the current quarter and financial year-to-date.

6 Changes in Estimates

There were no material changes in the nature and amount of estimates used in the prior interim periods of the current financial year or material changes in nature and amount of estimates used in prior financial years.

SYF RESOURCES BERHAD (Co. No. 364372-H)

Notes To The Interim Financial Report For the quarter ended 31 January 2015

7 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter and financial year-to-date except the following:

- a) The status of the Company's Employee's Share Option Scheme ("ESOS") is as follows:

	No of Options '000
As at 1 August 2014	8,416
Exercised	(1,018)
Adjustment due to bonus issue with warrants exercise	7,398
As at 31 October 2014	<u>14,796</u>

- b) On 19 August 2014, the Company increased its paid-up share capital via issuance of 27,658,000 new ordinary shares of RM0.25 each through a private placement to independent third party investors. The new shares were granted listing and quotation on the Main Market of Bursa Securities on 21 August 2014.

On 12 December 2014, 305,432,506 new ordinary shares of RM0.25 each were issued by the Company pursuant to bonus issue on the basis of one bonus share together with one warrant for every one existing share held. The shares and warrants were listed and quoted on 18 December 2014.

8 Dividends Paid

There were no dividends paid for the current quarter and financial year-to-date.

9 Segmental Reporting

Analysis by activities for the financial year-to-date is as follows:

	Revenue RM'000	Profit/(Loss) Before Tax RM'000
Rubberwood furniture	92,842	4,102
Particle board	15,542	2,247
Property development	14,151	2,122
Investment holding and others	-	264
	<u>122,535</u>	<u>8,735</u>

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Notes To The Interim Financial Report For the quarter ended 31 January 2015

10 Valuations of Property, Plant and Equipment

The Group has adopted the revaluation policy to review the carrying value of its land and buildings every five years. Surplus arising from revaluation are reflected in the revaluation reserve account.

11 Material Events Subsequent to the end of the Interim Period

There were no material events subsequent to the end of the interim period except a wholly owned subsidiary of the Company had on 20 March 2015, entered into a tenancy agreement for the rental of seven pieces of agriculture land measuring approximately 16.2102 hectares together with buildings erected thereon at a monthly rental of RM52,500 with the condition to purchase the demised property at purchase price of RM14.0m on or before 31 December 2015.

12 Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial year-to-date other than the Company acquired 100% equity interest in Popular Vantage Sdn Bhd, comprising two (2) ordinary shares of RM1.00 each for a nominal cash consideration of RM2.00.

13 Significant Events

There were no significant events for the period under review.

14 Contingent Liabilities

a) Group

As at the date of this report, there is no contingent liability for the Group, other than disclosed below and existing bank guarantees totaling RM4.6m issued in favor of government authorities, utility boards and a supplier to facilitate the operations of the Group.

b) Company

The Company has contingent liabilities in the form of corporate guarantees given to suppliers and financial institutions in respect of credit facilities granted to subsidiaries amounting to RM78.5m as at 31 October 2015.

15 Capital Commitments

There were no material capital commitments approved and contracted for as at 31 January 2015.

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Notes To The Interim Financial Report For the quarter ended 31 January 2015

16 Significant Related Parties Transactions

The Group had the following transaction with a related party during the financial year-to-date:

	<u>RM'000</u>
<u>A director</u>	
Rental expense	<u>385</u>

17.1 Review of Performance

	<u>FY 2015</u>	<u>FY 2014</u>	
	Current	Comparative	
	Quarter Ended	Quarter Ended	
	31/01/2015	31/01/2014	Variance
	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>
Revenue	62,497	76,392	-18.2%
Profit before tax	3,207	5,445	-41.1%

The Group recorded RM62.5m in revenue for the current quarter as compared to RM76.4m in the corresponding quarter last year. The decrease of 18.2% was mainly due to slower property sales which is dampened by stricter lending guidelines and uncertainties arising from GST.

The rubberwood furniture segment contributed to majority, i.e. 74% of the Group's revenue.

This quarter achieved profit before tax of RM3.2m as compared to RM5.4m in the comparative quarter last year. The decrease was attributable to the following:

- a) lower sales of RM11.3m recognised in the property segment; and
- b) derivatives loss of RM2.1m derived from foreign currency forward contracts hedged.

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Notes To The Interim Financial Report For the quarter ended 31 January 2015

17.2 Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter

	<u>FY 2015</u> Current Quarter Ended 31/01/2015 <u>RM'000</u>	<u>FY 2015</u> Preceding Quarter Ended 31/10/2014 <u>RM'000</u>	Variance <u>%</u>
Revenue	62,497	60,039	4.1%
Profit before tax	3,207	5,528	-42.0%

The Group registered RM62.5m in revenue for the current quarter as compared to RM60.0m in the preceding quarter. The slight increase was due to higher sales recognised in the on-going development projects.

The profit before tax for the quarter declined by 42.0% as compared to the preceding quarter. This was mainly due to the derivative loss as mentioned in Note 17.1.

17.3 Prospects for the Current Financial Year

The furniture industry is expected to remain stable with the recovery in the US market. We will continue to focus on our strength in materials processing to extract higher recovery of raw materials for our range of products. The planned addition of a second line in the boards segment forms part of this strategy. At the same time, we will explore higher value added products for part of our boards production capacity.

In property development, the softening of the market will affect the take-up rate of new project launches. In addition, the forthcoming implementation of goods and services tax may further affect purchasing power and consumer confidence. In recognizing these conditions, we have placed more emphasis on the planning and conceptualization stage in order to come up with the right product before launching our new projects.

We will review and formulate business strategies to meet the challenges of the market environment as well as pursue any other opportunities that may contribute to our continued growth.

Barring any unforeseen circumstances, the results of the Group for the current financial year are expected to be satisfactory.

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**Notes To The Interim Financial Report
For the quarter ended 31 January 2015**

17.4 Variance of Actual Profit from Profit Forecast or Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee.

17.5 Profit/ (Loss) Before Tax

Profit/ (loss) before tax is derived after charging/ (crediting):

	<u>FY 2015</u> Current Quarter Ended 31/01/2015 RM'000	<u>FY 2014</u> Comparative Quarter Ended 31/01/2014 RM'000	<u>FY 2015</u> 6 Months Cumulative To Date RM'000	<u>FY 2014</u> 6 Months Cumulative To Date RM'000
Interest income	-	-	(2)	(2)
Interest expense	1,193	812	2,087	1,616
Depreciation and amortisation	2,136	1,958	4,206	3,889
(Gain)/ loss on disposal of property, plant and equipment	23	(150)	23	(64)
(Gain)/ loss on foreign exchange	1,858	(126)	1,259	771
(Gain)/ loss on derivatives	2,115	1,066	2,946	(564)

17.6 Taxation

	Current Quarter RM'000	Financial Year-to-date RM'000
Current tax expense	5	380

The Group's effective tax rates for the current quarter and financial year-to-date are lower than the statutory tax rate due to unused business losses, unutilised capital allowances and unutilised reinvestment allowances for set-off against taxable income.

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Notes To The Interim Financial Report For the quarter ended 31 January 2015

17.7 Corporate Proposals

Status of utilisation of proceeds

Utilisation of gross proceeds raised from the private placement completed on 21 August 2014 is set out below:

Purpose	Proposed Utilisation RM'000	Actual Utilisation To-date RM'000	Intended Timeframe for Utilisation
i) Repayment of bank borrowings	19,000	19,000	Within 6 months
ii) Working capital	3,391	3,391	Within 12 months
iii) Partially finance the construction of factory building	6,000	4,696	Within 12 months
iv) To defray expenses relating to the private placement	650	702	Within 3 months
	<u>29,041</u>	<u>27,789</u>	

17.8 Group Borrowings and Securities

The Group borrowings as at 31 January 2015 are as follows :

	RM'000
<u>Secured</u>	
Current	34,314
Non-current	38,597
	<u>72,911</u>

17.9 Realised and Unrealised Profits/ (Losses)

	As at 31/01/15 RM'000	As at 31/07/14 RM'000
Total retained profits/(accumulated losses) of the Group		
- Realised	33,515	57,423
- Unrealised	(2,246)	720
	<u>31,269</u>	<u>58,143</u>
Less: Consolidated adjustments	1,364	4,223
Total Group retained profits/(accumulated losses) as per consolidated accounts	<u>32,633</u>	<u>62,366</u>

SYF RESOURCES BERHAD (Co. No. 364372-H)

Notes To The Interim Financial Report For the quarter ended 31 January 2015

17.10 Material Litigation

There was no material litigation or pending litigation as at the date of the interim financial statements.

17.11 Proposed Dividend

The Board of Directors does not propose any dividend for the period under review.

17.12 Earnings Per Share Attributable to Equity Holders of the Company

	<u>FY 2015</u> Current Quarter Ended 31/01/2015 <u>RM'000</u>	<u>FY 2014</u> Comparative Quarter Ended 31/01/2014 <u>RM'000</u>	<u>FY 2015</u> 6 Months Cumulative To Date <u>RM'000</u>	<u>FY 2014</u> 6 Months Cumulative To Date <u>RM'000</u>
a) <u>Basic</u>				
Profit/ (loss) attributable to equity holders of the company	3,202	4,405	8,355	9,040
Weighted average number of ordinary shares ('000)	386,766	273,277	474,614	273,218
Basic earning per share (sen)	<u>0.83</u>	<u>1.61</u>	<u>1.76</u>	<u>3.31</u>
b) <u>Diluted</u>				
Profit/ (loss) attributable to equity holders of the company	3,202	4,405	8,355	9,040
Weighted average number of ordinary shares ('000)	386,766	273,277	474,614	273,218
Effect of dilution - ESOS ('000)	7,043	1,207	7,043	1,207
Adjusted weighted average number of ordinary shares ('000)	<u>393,809</u>	<u>274,484</u>	<u>481,657</u>	<u>274,425</u>
Diluted earning per share (sen)	<u>0.81</u>	<u>1.60</u>	<u>1.73</u>	<u>3.29</u>

The effect of potential ordinary shares arising from the conversion of warrants is anti-dilutive and accordingly is excluded in the computation of diluted earning per share.

By order of the Board

SYF RESOURCES BERHAD (Co. No. 364372-H)

**Notes To The Interim Financial Report
For the quarter ended 31 January 2015**