

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

Condensed Consolidated Statement of Comprehensive Income For the quarter ended 30 April 2015

(The figures have not been audited)

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--|--|---|---|
| | <u>FY 2015</u> Current Quarter Ended 30/04/2015 | <u>FY 2014</u> Comparative Quarter Ended 30/04/2014 | <u>FY 2015</u> 9 Months Cumulative To Date | <u>FY 2014</u> 9 Months Cumulative To Date |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Revenue | 78,801 | 74,781 | 201,336 | 213,267 |
| Operating Expenses | (68,888) | (65,316) | (177,599) | (192,144) |
| Other Operating Income/(Expenses) | 205 | 560 | (2,797) | 801 |
| Profit/ (Loss) from Operations | 10,118 | 10,025 | 20,940 | 21,924 |
| Finance Costs | (1,340) | (1,047) | (3,427) | (2,663) |
| Profit/ (Loss) Before Tax | 8,778 | 8,978 | 17,513 | 19,261 |
| Taxation | (2,318) | (1,592) | (2,698) | (2,835) |
| Profit/ (Loss) for the Period | 6,460 | 7,386 | 14,815 | 16,426 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income/ (Loss) for the Period | 6,460 | 7,386 | 14,815 | 16,426 |
| Attributable to: | | | | |
| Equity Holders of the Company | 6,460 | 7,386 | 14,815 | 16,426 |
| Non-controlling Interests | - | - | - | - |
| Profit/ (Loss) for the Period | 6,460 | 7,386 | 14,815 | 16,426 |
| Earnings/ (Loss) Per Share Attributable to Equity Holders of the Company (Note 17.12) | | | | |
| Basic (Sen) | 1.06 | 2.70 | 3.22 | 6.01 |
| Diluted (Sen) | 1.04 | 2.69 | 3.17 | 5.99 |

(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 30 April 2015

(The figures have not been audited)

| | (UNAUDITED) As At 30/04/2015 RM'000 | (AUDITED) As At 31/07/2014 RM'000 |
|---|---|---|
| ASSETS | | |
| Non-Current Assets | | |
| Property, Plant and Equipment | 188,261 | 172,568 |
| Deferred Tax Assets | 700 | 700 |
| | <u>188,961</u> | <u>173,268</u> |
| Current Assets | | |
| Inventories | 68,492 | 65,321 |
| Land and Property Development Costs | 46,165 | 20,935 |
| Receivables, Deposits and Prepayments | 65,869 | 41,951 |
| Derivative Financial Assets | 175 | 700 |
| Tax Recoverable | 1 | 1 |
| Cash and Cash Equivalents | 6,229 | 5,981 |
| | <u>186,931</u> | <u>134,889</u> |
| Total Assets | <u>375,892</u> | <u>308,157</u> |
| EQUITY AND LIABILITIES | | |
| Equity Attributable to Equity Holders of the Company | | |
| Share Capital | 152,810 | 69,145 |
| Reserves | 78,642 | 118,720 |
| Treasury Shares | - | (494) |
| Total Equity | <u>231,452</u> | <u>187,371</u> |
| Non-Current Liabilities | | |
| Loans and Borrowings | 37,198 | 28,288 |
| Deferred Tax Liabilities | 11,839 | 10,839 |
| | <u>49,037</u> | <u>39,127</u> |
| Current Liabilities | | |
| Payables and Accruals | 53,045 | 46,303 |
| Loans and Borrowings | 38,886 | 32,577 |
| Taxation | 3,472 | 2,779 |
| | <u>95,403</u> | <u>81,659</u> |
| Total Liabilities | <u>144,440</u> | <u>120,786</u> |
| Total Equity and Liabilities | <u>375,892</u> | <u>308,157</u> |
| Net Assets Per Share Attributable to Ordinary Equity Holders of The Company (RM) | 0.38 | 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 30 April 2015**

(The figures have not been audited)

| | <----- Attributable to Shareholders of the Company -----> | | | | | Total Equity RM'000 |
|--|---|------------------------------|----------------------------|--|--|---------------------------|
| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Assets Revaluation Reserve RM'000 | Retained Profits/ (Accumulated Losses) RM'000 | |
| 9 months period ended 30 April 2015 | | | | | | |
| 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 | - | - | - | - | 14,815 | 14,815 |
| 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 | 392 | - | 299 | - | - | 691 |
| Balance at end of period 30 April 2015 | <u>152,810</u> | <u>-</u> | <u>-</u> | <u>39,549</u> | <u>39,093</u> | <u>231,452</u> |
| 9 months period ended 30 April 2014 | | | | | | |
| 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 | - | - | - | - | 16,426 | 16,426 |
| Exercise of ESOS | 75 | - | 75 | - | - | 150 |
| Treasury shares acquired | - | (486) | - | - | - | (486) |
| Balance at end of period 30 April 2014 | <u>68,356</u> | <u>(493)</u> | <u>16,016</u> | <u>39,954</u> | <u>56,689</u> | <u>180,522</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 30 April 2015**

(The figures have not been audited)

| | <u>FY 2015</u> 9 Months Ended 30/04/2015 <u>RM'000</u> | <u>FY 2014</u> 9 Months Ended 30/04/2014 <u>RM'000</u> |
|--|---|---|
| Profit/(Loss) before taxation | 17,513 | 19,261 |
| Adjustments for : | | |
| Depreciation of property, plant and equipment | 6,397 | 5,845 |
| Interest expense | 3,427 | 2,663 |
| Interest income | (3) | (3) |
| Inventories written off | - | 329 |
| (Gain)/Loss on derivatives | 525 | (1,094) |
| (Gain)/Loss on disposal of property, plant and equipment | 23 | (254) |
| Operating profit/(loss) before working capital changes | <u>27,882</u> | <u>26,747</u> |
| Changes in working capital : | | |
| Net change in current assets | (51,385) | (26,421) |
| Net change in current liabilities | 5,807 | (3,671) |
| Cash generated from/(used in) operations | <u>(17,696)</u> | <u>(3,345)</u> |
| Income tax paid | (1,006) | (631) |
| Tax refund | - | 30 |
| Net cash generated from/(used in) operating activities | <u>(18,702)</u> | <u>(3,946)</u> |
| Investing activities : | | |
| Purchase of property, plant and equipment | (20,087) | (5,475) |
| Proceeds from disposal of property, plant and equipment | 270 | 355 |
| Interest received | 3 | 3 |
| Upliftment/(Placement) of fixed deposits pledged | (1,593) | 163 |
| Net cash flows from/(used in) investing activities | <u>(21,407)</u> | <u>(4,954)</u> |
| Financing activities : | | |
| Repayment of borrowings | (549) | (2,708) |
| Interest paid | (3,427) | (2,663) |
| Proceeds from exercise of ESOS | 691 | 150 |
| 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>37,290</u> | <u>10,293</u> |
| Net increase/(decrease) in cash and cash equivalents | (2,819) | 1,393 |
| Cash and cash equivalents at beginning of year | (4,447) | (7,735) |
| Cash and cash equivalents at end of period | <u>(7,266)</u> | <u>(6,342)</u> |
| Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts : | | |
| Cash and bank balances | 4,635 | 4,252 |
| Fixed deposits | 1,593 | 58 |
| Cash and cash equivalents | <u>6,228</u> | <u>4,310</u> |
| Bank overdrafts | (11,901) | (10,594) |
| Less : Fixed deposits pledged | (1,593) | (58) |
| | <u>(7,266)</u> | <u>(6,342)</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)

**Notes To The Interim Financial Report
For the quarter ended 30 April 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 longer 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.

**Notes To The Interim Financial Report
For the quarter ended 30 April 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:

| | <u>No of Options '000</u> |
|--|-------------------------------|
| As at 1 August 2014 | 8,416 |
| Exercised | (1,394) |
| Adjustment due to bonus issue with warrants exercise | 7,398 |
| As at 30 April 2015 | <u><u>14,420</u></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:

| | <u>Revenue RM'000</u> | <u>Profit/(Loss) Before Tax RM'000</u> |
|-------------------------------|---------------------------|--|
| Rubberwood furniture | 141,575 | 8,899 |
| Boards | 23,120 | 1,892 |
| Property development | 36,641 | 6,576 |
| Investment holding and others | - | 146 |
| | <u><u>201,336</u></u> | <u><u>17,513</u></u> |

**Notes To The Interim Financial Report
For the quarter ended 30 April 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.

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 on 4 December 2014.

13 Significant Events

There were no significant events for the period under review 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.

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 RM4.4m 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 RM78.2m as at 30 April 2015.

15 Capital Commitments

Capital commitments of the Group as at 30 April 2015 are as follows:

| | |
|---|---------------|
| | <u>RM'000</u> |
| Approved and contracted for purchase of property, plant and equipment | <u>12,600</u> |

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Notes To The Interim Financial Report For the quarter ended 30 April 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>577</u> |

17.1 Review of Performance

| | <u>FY 2015</u> Current Quarter Ended 30/04/2015 <u>RM'000</u> | <u>FY 2014</u> Comparative Quarter Ended 30/04/2014 <u>RM'000</u> | Variance % |
|-------------------|---|---|---------------|
| Revenue | 78,801 | 74,781 | 5.4% |
| Profit before tax | 8,778 | 8,978 | -2.2% |

The Group registered RM78.8m in revenue for the current quarter as compared to RM74.8m in the corresponding quarter last year. The slight increase of 5.4% was mainly due to higher sales of RM3.1m in the boards segment as the production become stable. Besides that, the property development segment also reported higher revenue of RM2.6m.

The rubberwood furniture segment contributed to majority, i.e. 63% of the Group's revenue.

This quarter achieved profit before tax of RM8.8m as compared to RM9.0m in the comparative quarter last year. The current quarter profit has included pre-operating expenditure of RM1.0m from new production line under the boards segment.

**Notes To The Interim Financial Report
For the quarter ended 30 April 2015**

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

| | <u>FY 2015</u> Current Quarter Ended 30/04/2015 <u>RM'000</u> | <u>FY 2015</u> Preceding Quarter Ended 31/01/2015 <u>RM'000</u> | Variance % |
|-------------------|---|---|---------------|
| Revenue | 78,801 | 62,497 | 26.1% |
| Profit before tax | 8,778 | 3,207 | 173.7% |

The Group recorded revenue of RM78.8m in the current quarter as compared to RM62.5m in the preceding quarter. The improvement was due to RM13.8m more revenue was recognised in the property development segment as construction progressed and increase in signing of sales and purchase agreement with purchasers.

Apart from that, the strengthening of US dollar also contributed to higher rubberwood furniture export sales.

Due to higher revenue and stronger US dollar, the Group reported profit before tax of RM8.8m for the current quarter, a significant increase of 173.7% as compared to the preceding quarter of RM3.2m.

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 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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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 30/04/2015 <u>RM'000</u> | <u>FY 2014</u> Comparative Quarter Ended 30/04/2014 <u>RM'000</u> | <u>FY 2015</u> 9 Months Cumulative To Date <u>RM'000</u> | <u>FY 2014</u> 9 Months Cumulative To Date <u>RM'000</u> |
|--|---|---|--|--|
| Interest income | (1) | (1) | (3) | (3) |
| Interest expense | 1,340 | 1,047 | 3,427 | 2,663 |
| Depreciation and amortisation | 2,191 | 1,956 | 6,397 | 5,845 |
| Inventory written down | - | 329 | - | 329 |
| (Gain)/ loss on disposal of property, plant and equipment | - | (190) | 23 | (254) |
| (Gain)/ loss on foreign exchange | 1,364 | (166) | 2,624 | 605 |
| (Gain)/ loss on derivatives | (2,422) | (530) | 524 | (1,094) |

17.6 Taxation

| | Current Quarter <u>RM'000</u> | Financial Year-to-date <u>RM'000</u> |
|---------------------|----------------------------------|--|
| Current tax expense | 1,318 | 1,698 |
| Deferred tax | 1,000 | 1,000 |
| | <u>2,318</u> | <u>2,698</u> |

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 30 April 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 | 5,948 | Within 12 months |
| iv) To defray expenses relating to the private placement | 650 | 702 | Within 3 months |
| | <u>29,041</u> | <u>29,041</u> | |

17.8 Group Borrowings and Securities

The Group borrowings as at 30 April 2015 are as follows :

| | RM'000 |
|----------------|---------------|
| <u>Secured</u> | |
| Current | 38,886 |
| Non-current | 37,198 |
| | <u>76,084</u> |

17.9 Realised and Unrealised Profits/ (Losses)

| | As at 30/04/15 RM'000 | As at 31/07/14 RM'000 |
|---|--------------------------|--------------------------|
| Total retained profits/(accumulated losses) of the Group | | |
| - Realised | 37,554 | 57,423 |
| - Unrealised | 175 | 720 |
| | <u>37,729</u> | <u>58,143</u> |
| Less: Consolidated adjustments | 1,364 | 4,223 |
| Total Group retained profits/(accumulated losses) as per consolidated accounts | <u>39,093</u> | <u>62,366</u> |

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Notes To The Interim Financial Report For the quarter ended 30 April 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 30/04/2015 <u>RM'000</u> | <u>FY 2014</u> Comparative Quarter Ended 30/04/2014 <u>RM'000</u> | <u>FY 2015</u> 9 Months Cumulative To Date <u>RM'000</u> | <u>FY 2014</u> 9 Months Cumulative To Date <u>RM'000</u> |
|--|---|---|--|--|
| a) <u>Basic</u> | | | | |
| Profit/ (loss) attributable to equity holders of the company | 6,460 | 7,386 | 14,815 | 16,426 |
| Weighted average number of ordinary shares ('000) | 610,895 | 273,405 | 459,833 | 273,279 |
| Basic earning per share (sen) | <u>1.06</u> | <u>2.70</u> | <u>3.22</u> | <u>6.01</u> |
| b) <u>Diluted</u> | | | | |
| Profit/ (loss) attributable to equity holders of the company | 6,460 | 7,386 | 14,815 | 16,426 |
| Weighted average number of ordinary shares ('000) | 610,895 | 273,405 | 459,833 | 273,279 |
| Effect of dilution - ESOS ('000) | 7,290 | 1,134 | 7,290 | 1,134 |
| Adjusted weighted average number of ordinary shares ('000) | <u>618,185</u> | <u>274,539</u> | <u>467,123</u> | <u>274,413</u> |
| Diluted earning per share (sen) | <u>1.04</u> | <u>2.69</u> | <u>3.17</u> | <u>5.99</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.