

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

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

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	<u>FY 2015</u> Current Quarter Ended 31/07/2015	<u>FY 2014</u> Comparative Quarter Ended 31/07/2014	<u>FY 2015</u> 12 Months Cumulative To Date	<u>FY 2014</u> 12 Months Cumulative To Date
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	114,904	63,862	316,240	277,129
Operating Expenses	(96,254)	(56,799)	(273,853)	(248,943)
Other Operating Income/(Expenses)	(3,031)	1,660	(5,828)	2,461
Profit/ (Loss) from Operations	15,619	8,723	36,559	30,647
Finance Costs	(1,512)	(968)	(4,939)	(3,631)
Profit/ (Loss) Before Tax	14,107	7,755	31,620	27,016
Taxation	(3,981)	(2,483)	(6,679)	(5,318)
Profit/ (Loss) for the Period	10,126	5,272	24,941	21,698
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/ (Loss) for the Period	10,126	5,272	24,941	21,698
Attributable to:				
Equity Holders of the Company	10,126	5,272	24,941	21,698
Non-controlling Interests	-	-	-	-
Profit/ (Loss) for the Period	10,126	5,272	24,941	21,698
Earnings/ (Loss) Per Share Attributable to Equity Holders of the Company (Note 17.11)				
Basic (Sen)	1.66	1.92	5.01	7.93
Diluted (Sen)	1.64	1.90	4.94	7.85

(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 July 2015

(The figures have not been audited)

	(UNAUDITED) As At 31/07/2015 <u>RM'000</u>	(AUDITED) As At 31/07/2014 <u>RM'000</u>
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	196,966	172,568
Deferred Tax Assets	700	700
	<u>197,666</u>	<u>173,268</u>
Current Assets		
Inventories	68,741	65,321
Land and Property Development Costs	64,303	20,935
Receivables, Deposits and Prepayments	74,282	41,951
Derivative Financial Assets	-	700
Tax Recoverable	1	1
Cash and Cash Equivalents	7,303	5,981
	<u>214,630</u>	<u>134,889</u>
Total Assets	<u>412,296</u>	<u>308,157</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Share Capital	152,810	69,145
Reserves	88,798	118,720
Treasury Shares	-	(494)
Total Equity	<u>241,608</u>	<u>187,371</u>
Non-Current Liabilities		
Loans and Borrowings	35,158	28,288
Deferred Tax Liabilities	13,012	10,839
	<u>48,170</u>	<u>39,127</u>
Current Liabilities		
Payables and Accruals	61,636	46,303
Derivative Financial Liabilities	857	-
Loans and Borrowings	54,300	32,577
Taxation	5,725	2,779
	<u>122,518</u>	<u>81,659</u>
Total Liabilities	<u>170,688</u>	<u>120,786</u>
Total Equity and Liabilities	<u>412,296</u>	<u>308,157</u>
Net Assets Per Share Attributable to Ordinary Equity Holders of The Company (RM)	0.40	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 July 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	
12 months period ended						
<u>31 July 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	-	-	-	-	24,941	24,941
Realisation of assets revaluation reserve	-	-	-	(406)	406	-
Issuance of shares pursuant to private placement	6,915	-	22,126	-	-	29,041
Share issuance expenses	-	-	(930)	-	-	(930)
Issuance of shares under bonus issue	76,358	-	(38,300)	-	(38,058)	-
Disposal of treasury shares	-	494	-	-	-	494
Exercise of ESOS	392	-	299	-	-	691
Balance at end of period 31 July 2015	<u>152,810</u>	<u>-</u>	<u>-</u>	<u>39,143</u>	<u>49,655</u>	<u>241,608</u>

12 months period ended

31 July 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	-	-	-	-	21,698	21,698
Realisation of assets revaluation reserve	-	-	-	(405)	405	-
Exercise of ESOS	864	-	864	-	-	1,728
Treasury shares acquired	-	(487)	-	-	-	(487)
Balance at end of period 31 July 2014	<u>69,145</u>	<u>(494)</u>	<u>16,805</u>	<u>39,549</u>	<u>62,366</u>	<u>187,371</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 July 2015

(The figures have not been audited)

	<u>FY 2015</u> 12 Months Ended 31/07/2015 RM'000	<u>FY 2014</u> 12 Months Ended 31/07/2014 RM'000
Profit/(Loss) before taxation	31,620	27,016
Adjustments for :		
Bad debts written off	-	46
Depreciation of property, plant and equipment	8,632	7,925
Impairment on trade receivables	79	61
Interest expense	4,939	3,631
Interest income	(3)	(3)
Inventories written down	-	280
(Gain)/Loss on derivatives	1,557	(1,477)
Unrealised (gain)/loss on foreign exchange	-	(143)
(Gain)/Loss on disposal of property, plant and equipment	19	(196)
Property, plant and equipment written off	-	86
Operating profit/(loss) before working capital changes	<u>46,843</u>	<u>37,226</u>
Changes in working capital :		
Net change in current assets	(78,263)	(35,936)
Net change in current liabilities	14,398	14,716
Cash generated from/(used in) operations	<u>(17,022)</u>	<u>16,006</u>
Income tax paid	(1,560)	(856)
Tax refund	1	30
Net cash generated from/(used in) operating activities	<u>(18,581)</u>	<u>15,180</u>
Investing activities :		
Purchase of property, plant and equipment	(30,883)	(21,584)
Proceeds from disposal of property, plant and equipment	274	326
Interest received	3	3
Upliftment/(Placement) of fixed deposits pledged	(1,913)	221
Net cash flows from/(used in) investing activities	<u>(32,519)</u>	<u>(21,034)</u>
Financing activities :		
Repayment of borrowings	(7)	(4,468)
Interest paid	(4,939)	(3,631)
Proceeds from exercise of ESOS	691	1,728
Proceeds from issuance of shares pursuant to private placement	29,041	-
Share issuance expenses	(930)	-
Proceeds from bank borrowings	26,395	16,000
Share buy back	-	(487)
Proceeds from disposal of treasury shares	494	-
Net cash flows from/(used in) financing activities	<u>50,745</u>	<u>9,142</u>
Net increase/(decrease) in cash and cash equivalents	(355)	3,288
Cash and cash equivalents at beginning of year	(4,447)	(7,735)
Cash and cash equivalents at end of period	<u>(4,802)</u>	<u>(4,447)</u>
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts :		
Cash and bank balances	5,390	5,981
Fixed deposits	1,913	-
Cash and cash equivalents	7,303	5,981
Bank overdrafts	(10,192)	(10,428)
Less : Fixed deposits pledged	(1,913)	-
	<u>(4,802)</u>	<u>(4,447)</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 31 July 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 a peak period for the furniture industry due to high demand from customers in western countries in preparation of 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 July 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	(1,394)
Adjustment due to bonus issue with warrants exercise	7,398
As at 31 July 2015	<u>14,420</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	191,439	14,105
Boards	33,233	703
Property development	91,568	16,339
Investment holding and others	-	473
	<u>316,240</u>	<u>31,620</u>

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Notes To The Interim Financial Report For the quarter ended 31 July 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 except the following:

- a) 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; and
- b) a wholly owned subsidiary of the Company, SYF Development Sdn Bhd, acquired 100% equity interest in Nuri Meriah Sdn Bhd and Nikmat Sekitar Sdn Bhd, comprising two (2) ordinary shares of RM1.00 each respectively on 20 July 2015.

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 RM3.8m issued in favor of government authorities and utility boards 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 RM90.0m as at 31 July 2015.

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

15 Capital Commitments

Capital commitments for property, plant and equipment of the Group as at 31 July 2015 are as follows:

	<u>RM'000</u>
Approved and contracted	12,600
Approved and not contracted	792
	<u>13,392</u>

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>769</u>

17.1 Review of Performance

	<u>FY 2015</u>	<u>FY 2014</u>	
	Current	Comparative	
	Quarter Ended	Quarter Ended	
	31/07/2015	31/07/2014	
	<u>RM'000</u>	<u>RM'000</u>	Variance
			%
Revenue	114,904	63,862	79.9%
Profit before tax	14,107	7,755	81.9%

The Group recorded revenue of RM114.9m for the current quarter as compared to RM63.9m in the corresponding quarter last year. The substantial increase of RM51.0m or 79.9% was mainly due to:

- a) significant increase in the revenue recognised in the property development segment, amounting to RM44.5m, as construction progressed and increase in closing of deals;
- b) increase in Boards sales by RM5.1m as production capacity improved; and
- c) strengthening of USD which contributed to higher rubberwood furniture export sales.

This quarter achieved profit before tax of RM14.1m as compared to RM7.8m in the comparative quarter last year. The significant increase was due to higher revenue achieved, especially contribution from the property development segment amounting to RM9.8m.

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

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

	<u>FY 2015</u> Current Quarter Ended 31/07/2015 <u>RM'000</u>	<u>FY 2015</u> Preceding Quarter Ended 30/04/2015 <u>RM'000</u>	Variance <u>%</u>
Revenue	114,904	78,801	45.8%
Profit before tax	14,107	8,778	60.7%

The Group reported revenue of RM114.9m and profit before tax of RM14.1m in the current quarter as compared to revenue of RM78.8m and profit before tax of RM8.8m in the preceding quarter. The better performance was due to the factors as mentioned in note 17.1.

17.3 Prospects for the Next Financial Year

For the financial year 2016, operating conditions are not expected to improve in any significant measure. Global economies remain largely unexciting although there continues to be gradual improvement in the US economy. The continued strengthening of the USD against Ringgit Malaysia does not really benefit furniture exports any further as price adjustments have to be made to reflect the currency exchange movement. A less volatile exchange climate will provide stability and certainty to the business environment. On the local front, demand in the property development segment has been affected by local economic concerns as well as continued stringency in loan approvals.

Despite the unfavourable conditions, the Group's operating units are strategically positioned to meet these challenges.

The Group's manufacturing segments are expected to improve further with more contribution coming from the board's division once additional capacity comes on-stream during the first half of the financial year.

Although the property division will have to contend with overall softer demand and stringent end-financing eligibility requirements, the Group's existing on-going projects in Sungai Long and Semenyih are strategically located and expected to achieve satisfactory sales.

Barring any unforeseen circumstances, the Group expects to improve on its financial results in the financial year 2016.

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Notes To The Interim Financial Report For the quarter ended 31 July 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 31/07/2015 <u>RM'000</u>	<u>FY 2014</u> Comparative Quarter Ended 31/07/2014 <u>RM'000</u>	<u>FY 2015</u> 12 Months Cumulative To Date <u>RM'000</u>	<u>FY 2014</u> 12 Months Cumulative To Date <u>RM'000</u>
Interest income	-	-	(3)	(3)
Interest expense	1,512	968	4,939	3,631
Depreciation and amortisation	2,235	2,080	8,632	7,925
Inventory written down	-	(49)	-	280
Impairment/written off of receivables	79	107	79	107
(Gain)/ loss on disposal of property, plant and equipment	(4)	58	19	(196)
Written off of assets	-	86	-	86
(Gain)/ loss on foreign exchange	2,053	(981)	4,677	(376)
(Gain)/ loss on derivatives	1,033	(383)	1,557	(1,477)

17.6 Taxation

	Current Quarter <u>RM'000</u>	Financial Year-to-date <u>RM'000</u>
Current tax expense	2,808	4,506
Deferred tax	1,173	2,173
	<u>3,981</u>	<u>6,679</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 31 July 2015

17.7 Group Borrowings and Securities

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

	<u>RM'000</u>
<u>Secured</u>	
Current	54,300
Non-current	35,158
	<hr/> <hr/>
	89,458

17.8 Realised and Unrealised Profits/ (Losses)

	As at 31/07/15 <u>RM'000</u>	As at 31/07/14 <u>RM'000</u>
Total retained profits/(accumulated losses) of the Group		
- Realised	50,684	57,423
- Unrealised	(1,922)	720
	<hr/>	<hr/>
	48,762	58,143
Less: Consolidated adjustments	893	4,223
Total Group retained profits/(accumulated losses) as per consolidated accounts	<hr/> <hr/>	<hr/> <hr/>
	49,655	62,366

17.9 Material Litigation

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

17.10 Proposed Dividend

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

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

17.11 Earnings Per Share Attributable to Equity Holders of the Company

	<u>FY 2015</u> Current Quarter Ended 31/07/2015 <u>RM'000</u>	<u>FY 2014</u> Comparative Quarter Ended 31/07/2014 <u>RM'000</u>	<u>FY 2015</u> 12 Months Cumulative To Date <u>RM'000</u>	<u>FY 2014</u> 12 Months Cumulative To Date <u>RM'000</u>
a) <u>Basic</u>				
Profit/ (loss) attributable to equity holders of the company	10,126	5,272	24,941	21,698
Weighted average number of ordinary shares ('000)	611,241	275,176	497,996	273,733
Basic earning per share (sen)	<u>1.66</u>	<u>1.92</u>	<u>5.01</u>	<u>7.93</u>
b) <u>Diluted</u>				
Profit/ (loss) attributable to equity holders of the company	10,126	5,272	24,941	21,698
Weighted average number of ordinary shares ('000)	611,241	275,176	497,996	273,733
Effect of dilution - ESOS ('000)	6,916	2,770	6,916	2,770
Adjusted weighted average number of ordinary shares ('000)	<u>618,157</u>	<u>277,946</u>	<u>504,912</u>	<u>276,503</u>
Diluted earning per share (sen)	<u>1.64</u>	<u>1.90</u>	<u>4.94</u>	<u>7.85</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.