

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

Condensed Consolidated Statement of Comprehensive Income For the quarter ended 31 January 2016

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	<u>FY 2016</u> Current Quarter Ended 31/01/2016	<u>FY 2015</u> Comparative Quarter Ended 31/01/2015	<u>FY 2016</u> 6 Months Cumulative To Date	<u>FY 2015</u> 6 Months Cumulative To Date
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	107,390	62,497	202,315	122,535
Operating Expenses	(92,984)	(55,315)	(170,877)	(108,711)
Other Operating Income/(Expenses)	222	(2,782)	(2,156)	(3,002)
Profit/ (Loss) from Operations	14,628	4,400	29,282	10,822
Finance Costs	(1,854)	(1,193)	(3,484)	(2,087)
Profit/ (Loss) Before Tax	12,774	3,207	25,798	8,735
Taxation	(2,347)	(5)	(4,543)	(380)
Profit/ (Loss) for the Period	10,427	3,202	21,255	8,355
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/ (Loss) for the Period	10,427	3,202	21,255	8,355
Attributable to:				
Equity Holders of the Company	10,427	3,202	21,255	8,355
Non-controlling Interests	-	-	-	-
Profit/ (Loss) for the Period	10,427	3,202	21,255	8,355
Earnings/ (Loss) Per Share Attributable to Equity Holders of the Company (Note 17.11)				
Basic (Sen)	1.71	0.53	3.48	1.38
Diluted (Sen)	1.69	0.52	3.44	1.35

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 July 2015)

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

Condensed Consolidated Statement of Financial Position

As At 31 January 2016

(The figures have not been audited)

	(UNAUDITED) As At 31/01/2016 RM'000	(AUDITED) As At 31/07/2015 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	207,034	196,966
Deferred Tax Assets	700	700
	<u>207,734</u>	<u>197,666</u>
Current Assets		
Inventories	72,342	68,741
Land and Property Development Costs	53,630	61,687
Receivables, Deposits and Prepayments	120,561	90,724
Derivative Financial Assets	506	-
Tax Recoverable	1	1
Cash and Cash Equivalents	14,936	7,294
	<u>261,976</u>	<u>228,447</u>
Total Assets	<u><u>469,710</u></u>	<u><u>426,113</u></u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Share Capital	152,963	152,810
Reserves	110,047	88,792
Treasury Shares	(5)	-
Total Equity	<u>263,005</u>	<u>241,602</u>
Non-Current Liabilities		
Loans and Borrowings	44,377	36,902
Deferred Tax Liabilities	13,914	13,014
	<u>58,291</u>	<u>49,916</u>
Current Liabilities		
Payables and Accruals	70,635	71,499
Derivative Financial Liabilities	-	857
Loans and Borrowings	69,554	56,515
Taxation	8,225	5,724
	<u>148,414</u>	<u>134,595</u>
Total Liabilities	<u>206,705</u>	<u>184,511</u>
Total Equity and Liabilities	<u><u>469,710</u></u>	<u><u>426,113</u></u>
Net Assets Per Share Attributable to Ordinary Equity Holders of The Company (RM)	0.43	0.40

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 July 2015)

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

**Condensed Consolidated Statement of Changes in Equity
For the quarter ended 31 January 2016**

(The figures have not been audited)

	-----<----- Attributable to Shareholders of the Company ----->-----					
	Share Capital <u>RM'000</u>	Treasury Shares <u>RM'000</u>	Share Premium <u>RM'000</u>	Assets Revaluation Reserve <u>RM'000</u>	Retained Profits/ (Accumulated Losses) <u>RM'000</u>	Total Equity <u>RM'000</u>
6 months period ended						
<u>31 January 2016</u>						
Balance at beginning of year 01 August 2015	152,810	-	-	39,142	49,650	241,602
Total comprehensive income for the period	-	-	-	-	21,255	21,255
Purchase of treasury shares	-	(5)	-	-	-	(5)
Exercise of ESOS	153	-	-	-	-	153
Balance at end of period 31 January 2016	<u>152,963</u>	<u>(5)</u>	<u>-</u>	<u>39,142</u>	<u>70,905</u>	<u>263,005</u>
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>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2015)

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

Condensed Consolidated Statement of Cash Flows

For the quarter ended 31 January 2016

(The figures have not been audited)

	FY 2016 6 Months Ended 31/01/2016 <u>RM'000</u>	FY 2015 6 Months Ended 31/01/2015 <u>RM'000</u>
Profit/(Loss) before taxation	25,798	8,735
Adjustments for :		
Depreciation of property, plant and equipment	5,105	4,206
Interest expense	3,484	2,087
Interest income	(448)	(2)
(Gain)/Loss on derivatives	(1,363)	2,946
(Gain)/Loss on disposal of property, plant and equipment	(94)	23
Operating profit/(loss) before working capital changes	<u>32,482</u>	<u>17,995</u>
Changes in working capital :		
Net change in current assets	(25,381)	(36,423)
Net change in current liabilities	(864)	(2,507)
Cash generated from/(used in) operations	<u>6,237</u>	<u>(20,935)</u>
Income tax paid	(1,142)	(529)
Net cash generated from/(used in) operating activities	<u>5,095</u>	<u>(21,464)</u>
Investing activities :		
Purchase of property, plant and equipment	(14,884)	(16,431)
Proceeds from disposal of property, plant and equipment	165	270
Interest received	448	2
Upliftment/(Placement) of fixed deposits pledged	-	(1,593)
Net cash flows from/(used in) investing activities	<u>(14,271)</u>	<u>(17,752)</u>
Financing activities :		
Repayment of borrowings	(10,878)	(3,052)
Interest paid	(3,484)	(2,087)
Proceeds from exercise of ESOS	153	597
Proceeds from issuance of shares pursuant to private placement	-	29,041
Share issuance expenses	-	(960)
Proceeds from bank borrowings	31,965	12,000
Share buy-back	(5)	-
Proceeds from disposal of treasury shares	-	494
Net cash flows from/(used in) financing activities	<u>17,751</u>	<u>36,033</u>
Net increase/(decrease) in cash and cash equivalents	8,575	(3,183)
Cash and cash equivalents at beginning of year	(4,803)	(4,447)
Cash and cash equivalents at end of period	<u>3,772</u>	<u>(7,630)</u>

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts :

Cash and bank balances	13,031	3,601
Fixed deposits	1,905	1,593
Cash and cash equivalents	14,936	5,194
Bank overdrafts	(9,259)	(11,231)
Less : Fixed deposits pledged	(1,905)	(1,593)
	<u>3,772</u>	<u>(7,630)</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2015)

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

Notes To The Interim Financial Report For the quarter ended 31 January 2016

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 2015. 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 2015.

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 2015 except for the adoption of new standards, amendments to standards and IC Interpretations that are effective for the financial year ending 31 July 2016. 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 2015 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.

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Notes To The Interim Financial Report For the quarter ended 31 January 2016

7 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt 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 November 2015	14,420
Exercised	(612)
As at 31 January 2016	<u>13,808</u>

- b) The Company purchased 10,000 ordinary shares of RM0.25 each of its issued share capital from the open market at an average cost of RM0.48. The total consideration paid for the purchase including transaction costs amounting to RM4,849 and was financed by internal fund. The shares are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act, 1965.

As at 31 January 2016, the total number of treasury shares held was 10,000 ordinary shares of RM0.25 each.

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	100,798	10,649
Boards	22,492	1,579
Property development	79,025	13,816
Investment holding and others	-	(246)
	<u>202,315</u>	<u>25,798</u>

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Notes To The Interim Financial Report For the quarter ended 31 January 2016

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.

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 RM115.5m as at 31 January 2016.

15 Capital Commitments

Capital commitments for property, plant and equipment of the Group as at 31 January 2016 are as follows:

	<u>RM'000</u>
Approved and contracted	<u><u>30,498</u></u>

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Notes To The Interim Financial Report For the quarter ended 31 January 2016

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 2016</u>	<u>FY 2015</u>	
	Current	Comparative	
	Quarter Ended	Quarter Ended	
	31/01/2016	31/01/2015	
	<u>RM'000</u>	<u>RM'000</u>	Variance
			%
Revenue	107,390	62,497	71.8%
Profit before tax	12,774	3,207	298.3%

The Group recorded revenue of RM107.4m for the current quarter as compared to RM62.5m in the corresponding quarter last year. The significant increase of RM44.9m or 71.8% was mainly due to:

- a) increase in the revenue recognised in the property development segment, amounting to RM36.9m from on-going projects, i.e. Kiara Plaza, Wira Heights 3 and newly launched project: Lavender Residence;
- b) increase in the sales of boards by RM3.7m as production capacity improved; and
- c) increase in the rubberwood furniture export sales by RM5.9m mainly due to strengthening of USD and higher sales volume.

This quarter achieved profit before tax of RM12.8m as compared to RM3.2m in the comparative quarter last year. The substantial improvement of RM9.6m was due to higher revenue and better USD conversion as mentioned above.

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Notes To The Interim Financial Report For the quarter ended 31 January 2016

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

	<u>FY 2016</u> Current Quarter Ended 31/01/2016 <u>RM'000</u>	<u>FY 2016</u> Preceding Quarter Ended 31/10/2015 <u>RM'000</u>	Variance %
Revenue	107,390	94,924	13.1%
Profit before tax	12,774	13,024	-1.9%

The Group reported revenue of RM107.4m and profit before tax of RM12.8m in the current quarter as compared to revenue of RM94.9m and profit before tax of RM13.0m in the preceding quarter.

The higher revenue recorded of RM12.5m or 13.1% for the current quarter was mainly contributed by increase of RM12.1m in the revenue recognised in the property development segment.

The profit before tax declined slightly by 1.9% mainly due to annual bonus charged and paid to employees in this quarter.

17.3 Prospects for the Current Financial Year

The Group will remain resilient to face the challenges ahead for the rest of the financial year. With the strategies implemented and actions taken, the Group will target for steady growth in areas where there are opportunities.

The downstream export furniture segment remains very competitive and efforts will continue in product development and customer retention. At the same time, cost containment will be an equally important task in order to maintain profitability.

In the upstream materials segment, we seek to increase our exports of processed rubber wood materials to other Asian countries particularly China and India to replace softer local demand. We will attempt to increase the value of such exports with more value added intermediate products.

As for the boards segment, the additional capacity coming on-stream in 2016 will provide the impetus for growth of this division.

Property development activities will continue to contribute substantially to the Group results mainly from the on-going development of Kiara Plaza and the newly commenced joint venture Lavender Residence.

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Notes To The Interim Financial Report For the quarter ended 31 January 2016

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 2016</u> Current Quarter Ended 31/01/2016 RM'000	<u>FY 2015</u> Comparative Quarter Ended 31/01/2015 RM'000	<u>FY 2016</u> 6 Months Cumulative To Date RM'000	<u>FY 2015</u> 6 Months Cumulative To Date RM'000
Interest income	(254)	-	(448)	(2)
Interest expense	1,854	1,193	3,484	2,087
Depreciation and amortisation	2,800	2,136	5,105	4,206
(Gain)/ loss on disposal of property, plant and equipment	46	23	(94)	23
(Gain)/ loss on foreign exchange	1,406	1,858	4,010	1,259
(Gain)/ loss on derivatives	(1,391)	2,115	(1,363)	2,946

17.6 Taxation

	Current Quarter RM'000	Financial Year-to-date RM'000
Current tax expense	1,897	3,643
Deferred tax	450	900
	<u>2,347</u>	<u>4,543</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 January 2016

17.7 Group Borrowings and Securities

The Group borrowings as at 31 January 2016 are as follows :

	<u>RM'000</u>
<u>Secured</u>	
Current	69,554
Non-current	44,377
	<u>113,931</u>

17.8 Realised and Unrealised Profits/ (Losses)

	<u>As at 31/01/16</u>	<u>As at 31/07/15</u>
	<u>RM'000</u>	<u>RM'000</u>
Total retained profits/(accumulated losses) of the Group		
- Realised	70,648	50,679
- Unrealised	(559)	(1,922)
	<u>70,089</u>	<u>48,757</u>
Less: Consolidated adjustments	816	893
Total Group retained profits/(accumulated losses) as per consolidated accounts	<u>70,905</u>	<u>49,650</u>

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.

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

**Notes To The Interim Financial Report
For the quarter ended 31 January 2016**

17.11 Earnings Per Share Attributable to Equity Holders of the Company

	<u>FY 2016</u> Current Quarter Ended 31/01/2016 <u>RM'000</u>	<u>FY 2015</u> Comparative Quarter Ended 31/01/2015 <u>RM'000</u>	<u>FY 2016</u> 6 Months Cumulative To Date <u>RM'000</u>	<u>FY 2015</u> 6 Months Cumulative To Date <u>RM'000</u>
a) <u>Basic</u>				
Profit/ (loss) attributable to equity holders of the company	10,427	3,202	21,255	8,355
Weighted average number of ordinary shares ('000) *	611,308	607,540	611,274	607,540
Basic earning per share (sen)	<u>1.71</u>	<u>0.53</u>	<u>3.48</u>	<u>1.38</u>
b) <u>Diluted</u>				
Profit/ (loss) attributable to equity holders of the company	10,427	3,202	21,255	8,355
Weighted average number of ordinary shares ('000) *	611,308	607,540	611,274	607,540
Effect of dilution - ESOS ('000) *	6,553	10,593	6,553	10,593
Adjusted weighted average number of ordinary shares ('000)	<u>617,861</u>	<u>618,133</u>	<u>617,827</u>	<u>618,133</u>
Diluted earning per share (sen)	<u>1.69</u>	<u>0.52</u>	<u>3.44</u>	<u>1.35</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.

Note:

* the number of ordinary shares in the preceding period has been restated to reflect the enlarged share capital pursuant to the bonus issue completed in last financial year