

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

**Condensed Consolidated Statement of Comprehensive Income
For the quarter ended 31 October 2014**

(The figures have not been audited)

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--|--|---|---|
| | <u>FY 2015</u> Current Quarter Ended 31/10/2014 | <u>FY 2014</u> Comparative Quarter Ended 31/10/2013 | <u>FY 2015</u> 3 Months Cumulative To Date | <u>FY 2014</u> 3 Months Cumulative To Date |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Revenue | 60,039 | 62,094 | 60,039 | 62,094 |
| Operating Expenses | (53,385) | (57,123) | (53,385) | (57,123) |
| Other Operating Income/(Expenses) | (231) | 670 | (231) | 670 |
| Profit/ (Loss) from Operations | 6,423 | 5,641 | 6,423 | 5,641 |
| Finance Costs | (895) | (804) | (895) | (804) |
| Profit/ (Loss) Before Tax | 5,528 | 4,837 | 5,528 | 4,837 |
| Taxation | (376) | (202) | (376) | (202) |
| Profit/ (Loss) for the Period | 5,152 | 4,635 | 5,152 | 4,635 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income/ (Loss) for the Period | 5,152 | 4,635 | 5,152 | 4,635 |
| Attributable to: | | | | |
| Equity Holders of the Company | 5,152 | 4,635 | 5,152 | 4,635 |
| Non-controlling Interests | - | - | - | - |
| Profit/ (Loss) for the Period | 5,152 | 4,635 | 5,152 | 4,635 |
| Earnings/ (Loss) Per Share Attributable to Equity Holders of the Company (Note 17.12) | | | | |
| Basic (Sen) | 1.72 | 1.70 | 1.72 | 1.70 |
| Diluted (Sen) | 1.70 | 1.69 | 1.70 | 1.69 |

(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 October 2014

(The figures have not been audited)

| | (UNAUDITED) As At 31/10/2014 <u>RM'000</u> | (AUDITED) As At 31/07/2014 <u>RM'000</u> |
|---|---|---|
| ASSETS | | |
| Non-Current Assets | | |
| Property, Plant and Equipment | 181,517 | 172,568 |
| Deferred Tax Assets | 700 | 700 |
| | <u>182,217</u> | <u>173,268</u> |
| Current Assets | | |
| Inventories | 69,597 | 65,321 |
| Land and Property Development Costs | 31,944 | 20,935 |
| Receivables, Deposits and Prepayments | 39,178 | 41,951 |
| Derivative Financial Assets | - | 700 |
| Tax Recoverable | 1 | 1 |
| Cash and Cash Equivalents | 9,266 | 5,981 |
| | <u>149,986</u> | <u>134,889</u> |
| Total Assets | <u>332,203</u> | <u>308,157</u> |
| EQUITY AND LIABILITIES | | |
| Equity Attributable to Equity Holders of the Company | | |
| Share Capital | 76,104 | 69,145 |
| Reserves | 145,208 | 118,720 |
| Treasury Shares | (494) | (494) |
| Total Equity | <u>220,818</u> | <u>187,371</u> |
| Non-Current Liabilities | | |
| Loans and Borrowings | 27,554 | 28,288 |
| Deferred Tax Liabilities | 10,839 | 10,839 |
| | <u>38,393</u> | <u>39,127</u> |
| Current Liabilities | | |
| Payables and Accruals | 39,339 | 46,303 |
| Derivative Financial Liabilities | 131 | - |
| Loans and Borrowings | 30,660 | 32,577 |
| Taxation | 2,862 | 2,779 |
| | <u>72,992</u> | <u>81,659</u> |
| Total Liabilities | <u>111,385</u> | <u>120,786</u> |
| Total Equity and Liabilities | <u>332,203</u> | <u>308,157</u> |
| Net Assets Per Share Attributable to Ordinary Equity Holders of The Company (RM) | 0.73 | 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 Cash Flows

For the quarter ended 31 October 2014

(The figures have not been audited)

| | <u>FY 2015</u> 3 Months Ended 31/10/2014 <u>RM'000</u> | <u>FY 2014</u> 3 Months Ended 31/10/2013 <u>RM'000</u> |
|--|--|--|
| Profit/(Loss) before taxation | 5,528 | 4,837 |
| Adjustments for : | | |
| Depreciation of property, plant and equipment | 2,070 | 1,931 |
| Interest expense | 895 | 804 |
| Interest income | (2) | (2) |
| (Gain)/Loss on derivatives | 831 | (1,630) |
| (Gain)/Loss on disposal of property, plant and equipment | - | 86 |
| Operating profit/(loss) before working capital changes | <u>9,322</u> | <u>6,026</u> |
| Changes in working capital : | | |
| Net change in current assets | (11,577) | (6,916) |
| Net change in current liabilities | (7,899) | 2,829 |
| Cash generated from/(used in) operations | <u>(10,154)</u> | <u>1,939</u> |
| Income tax paid | (292) | (194) |
| Net cash generated from/(used in) operating activities | <u>(10,446)</u> | <u>1,745</u> |
| Investing activities : | | |
| Purchase of property, plant and equipment | (9,640) | (2,085) |
| Interest received | 2 | 2 |
| Upliftment/(Placement) of fixed deposits pledged | (1,585) | 163 |
| Net cash flows from/(used in) investing activities | <u>(11,223)</u> | <u>(1,920)</u> |
| Financing activities : | | |
| Repayment of borrowings | (10,033) | (915) |
| Interest paid | (895) | (804) |
| Proceeds from exercise of ESOS | 88 | 76 |
| Proceeds from issuance of shares pursuant to private placement | 29,041 | - |
| Share issuance expenses | (834) | - |
| Proceeds from borrowings | 6,340 | 16,000 |
| Share buy back | - | (486) |
| Net cash flows from/(used in) financing activities | <u>23,707</u> | <u>13,871</u> |
| Net increase/(decrease) in cash and cash equivalents | 2,038 | 13,696 |
| Cash and cash equivalents at beginning of year | (4,447) | (7,735) |
| Cash and cash equivalents at end of period | <u>(2,409)</u> | <u>5,961</u> |
| Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts : | | |
| Cash and bank balances | 7,681 | 6,020 |
| Fixed deposits | 1,585 | 58 |
| Cash and cash equivalents | <u>9,266</u> | <u>6,078</u> |
| Bank overdrafts | (10,090) | (59) |
| Less : Fixed deposits pledged | (1,585) | (58) |
| | <u>(2,409)</u> | <u>5,961</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)

**Condensed Consolidated Statement of Changes in Equity
For the quarter ended 31 October 2014**

(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 | |
| 3 months period ended | | | | | | |
| <u>31 October 2014</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 | - | - | - | - | 5,152 | 5,152 |
| Issuance of shares pursuant to private placement | 6,915 | - | 22,126 | - | - | 29,041 |
| Share issuance expenses | - | - | (834) | - | - | (834) |
| Exercise of ESOS | 44 | - | 44 | - | - | 88 |
| Balance at end of period 31 October 2014 | <u>76,104</u> | <u>(494)</u> | <u>38,141</u> | <u>39,549</u> | <u>67,518</u> | <u>220,818</u> |

3 months period ended
31 October 2013

| | | | | | | |
|--|---------------|--------------|---------------|---------------|---------------|----------------|
| 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 | - | - | - | - | 4,635 | 4,635 |
| Realisation of assets revaluation reserve | | | | - | - | - |
| Exercise of ESOS | 38 | - | 38 | - | - | 76 |
| Treasury shares acquired | - | (486) | - | - | - | (486) |
| Balance at end of period 31 October 2013 | <u>68,319</u> | <u>(493)</u> | <u>15,979</u> | <u>39,954</u> | <u>44,898</u> | <u>168,657</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)

Notes To The Interim Financial Report For the quarter ended 31 October 2014

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.

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Notes To The Interim Financial Report For the quarter ended 31 October 2014

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 | 8,592 |
| Exercised | (176) |
| As at 31 October 2014 | <u>8,416</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.

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 | 46,893 | 2,642 |
| Particle board | 7,709 | 1,386 |
| Property development | 5,437 | 1,484 |
| Investment holding and others | - | 16 |
| | <u>60,039</u> | <u>5,528</u> |

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Notes To The Interim Financial Report For the quarter ended 31 October 2014

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 RM2.6m 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 RM61.4m as at 31 July 2014.

15 Capital Commitments

Capital commitments of the Group as at 31 October 2014 are as follows:

| | |
|---|---------------|
| | <u>RM'000</u> |
| Approved and contracted for purchase of property, plant and equipment | <u>6,517</u> |

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Notes To The Interim Financial Report For the quarter ended 31 October 2014

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>192</u> |

17.1 Review of Performance

| | <u>FY 2015</u> | <u>FY 2014</u> | |
|-------------------|----------------|----------------|----------|
| | Current | Comparative | |
| | Quarter Ended | Quarter Ended | |
| | 31/10/2014 | 31/10/2013 | Variance |
| | <u>RM'000</u> | <u>RM'000</u> | <u>%</u> |
| Revenue | 60,039 | 62,094 | -3.3% |
| Profit before tax | 5,528 | 4,837 | 14.3% |

The Group recorded RM60.0m in revenue for the current quarter as compared to RM62.1m in the corresponding quarter last year. The slight decrease of 3.3% was mainly due to lower export sales.

The rubberwood furniture segment contributed to majority, i.e. 78% of the Group's revenue.

This quarter achieved profit before tax of RM5.5m as compared to RM4.8m in the comparative quarter last year in spite of the decrease in revenue. This was attributable to the following:

- a) the particle board's production is on track and the selling price is better; and
- b) strengthening of USD against Ringgit.

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Notes To The Interim Financial Report For the quarter ended 31 October 2014

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

| | <u>FY 2015</u> Current Quarter Ended 31/10/2014 <u>RM'000</u> | <u>FY 2014</u> Preceding Quarter Ended 31/07/2014 <u>RM'000</u> | Variance % |
|-------------------|---|---|---------------|
| Revenue | 60,039 | 63,862 | -6.0% |
| Profit before tax | 5,528 | 7,755 | -28.7% |

The Group registered RM60.0m in revenue for the current quarter as compared to RM63.9m in the preceding quarter. The decrease of 6.0% was mainly due to lower revenue from property development as the next project has not been launched yet.

The profit before tax for the quarter declined by 28.7% as compared to the preceding quarter. This was mainly due to drop in the revenue and loss on derivatives of RM0.8m.

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 October 2014

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 31/10/2014 <u>RM'000</u> | <u>FY 2014</u> Comparative Quarter Ended 31/10/2013 <u>RM'000</u> | <u>FY 2015</u> 3 Months Cumulative To Date <u>RM'000</u> | <u>FY 2014</u> 3 Months Cumulative To Date <u>RM'000</u> |
|--|---|---|--|--|
| Interest income | (2) | (2) | (2) | (2) |
| Interest expense | 895 | 804 | 895 | 804 |
| Depreciation and amortisation | 2,070 | 1,931 | 2,070 | 1,931 |
| (Gain)/ loss on disposal of property, plant and equipment | - | 86 | - | 86 |
| (Gain)/ loss on foreign exchange | (598) | 897 | (598) | 897 |
| (Gain)/ loss on derivatives | 831 | (1,630) | 831 | (1,630) |

17.6 Taxation

| | Current Quarter <u>RM'000</u> | Financial Year-to-date <u>RM'000</u> |
|---------------------|----------------------------------|--|
| Current tax expense | 376 | 376 |

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 October 2014

17.7 Corporate Proposals

a) 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 | 1,440 | Within 12 months |
| iv) To defray expenses relating to the private placement | 650 | 702 | Within 3 months |
| | <u>29,041</u> | <u>24,533</u> | |

b) Proposed bonus issue with free detachable warrants

On 3 September 2014, the Board of Directors announced to undertake the following:

- i) proposed bonus issue of up to 312,830,506 new ordinary shares of RM0.25 each to be credited as fully paid-up, together with up to 312,830,506 free detachable warrants, on the basis of one (1) bonus share together with one (1) warrant for every one (1) existing share held on an entitlement date to be determined later;
- ii) proposed increase in the authorised share capital from RM200,00,000 comprising 800,000,000 shares to RM500,000,000 comprising 2,000,000,000 shares; and
- iii) proposed amendments to the Company's memorandum of association.

Bursa Securities had vide its letter dated 20 October 2014 approved-in-principle the following:

- i) the admission of the warrants to the official list of Bursa Securities; and
- ii) the listing of and quotation for the bonus shares, and the new shares to be listed arising from the exercise of the warrants.

The shareholders of the Company approved the above proposals at the Extraordinary General Meeting held on 26 November 2014.

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

Notes To The Interim Financial Report For the quarter ended 31 October 2014

17.8 Group Borrowings and Securities

The Group borrowings as at 31 October 2014 are as follows :

| | <u>RM'000</u> |
|----------------|---------------------------|
| <u>Secured</u> | |
| Current | 30,660 |
| Non-current | 27,554 |
| | <hr/> <hr/> <u>58,214</u> |

17.9 Realised and Unrealised Profits/ (Losses)

| | As at 31/10/14 <u>RM'000</u> | As at 31/07/14 <u>RM'000</u> |
|---|---------------------------------|---------------------------------|
| Total retained profits/(accumulated losses) of the Group | | |
| - Realised | 66,285 | 57,423 |
| - Unrealised | (131) | 720 |
| | <hr/> 66,154 | <hr/> 58,143 |
| Less: Consolidated adjustments | 1,364 | 4,223 |
| Total Group retained profits/(accumulated losses) as per consolidated accounts | <hr/> <hr/> <u>67,518</u> | <hr/> <hr/> <u>62,366</u> |

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.

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

Notes To The Interim Financial Report For the quarter ended 31 October 2014

17.12 Earnings Per Share Attributable to Equity Holders of the Company

| | <u>FY 2015</u> Current Quarter Ended 31/10/2014 <u>RM'000</u> | <u>FY 2014</u> Comparative Quarter Ended 31/10/2013 <u>RM'000</u> | <u>FY 2015</u> 3 Months Cumulative To Date <u>RM'000</u> | <u>FY 2014</u> 3 Months Cumulative To Date <u>RM'000</u> |
|--|---|---|--|--|
| a) <u>Basic</u> | | | | |
| Profit/ (loss) attributable to equity holders of the company | 5,152 | 4,635 | 5,152 | 4,635 |
| Weighted average number of ordinary shares ('000) | 298,917 | 273,160 | 298,917 | 273,160 |
| Basic earning per share (sen) | <u>1.72</u> | <u>1.70</u> | <u>1.72</u> | <u>1.70</u> |
| b) <u>Diluted</u> | | | | |
| Profit/ (loss) attributable to equity holders of the company | 5,152 | 4,635 | 5,152 | 4,635 |
| Weighted average number of ordinary shares ('000) | 298,917 | 273,160 | 298,917 | 273,160 |
| Effect of dilution - ESOS ('000) | 3,528 | 1,407 | 3,528 | 1,407 |
| Adjusted weighted average number of ordinary shares ('000) | <u>302,445</u> | <u>274,567</u> | <u>302,445</u> | <u>274,567</u> |
| Diluted earning per share (sen) | <u>1.70</u> | <u>1.69</u> | <u>1.70</u> | <u>1.69</u> |