

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

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

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	<u>FY 2016</u> Current Quarter Ended 31/07/2016	<u>FY 2015</u> Comparative Quarter Ended 31/07/2015	<u>FY 2016</u> 12 Months Cumulative To Date	<u>FY 2015</u> 12 Months Cumulative To Date
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	134,320	114,904	435,373	316,240
Operating Expenses	(123,697)	(96,609)	(380,599)	(274,208)
Other Operating Income/(Expenses)	(288)	(3,031)	(1,340)	(5,828)
Profit/ (Loss) from Operations	10,335	15,264	53,434	36,204
Finance Costs	(719)	(1,512)	(6,193)	(4,939)
Profit/ (Loss) Before Tax	9,616	13,752	47,241	31,265
Taxation	(1,471)	(3,982)	(8,700)	(6,680)
Profit/ (Loss) for the Period	8,145	9,770	38,541	24,585
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/ (Loss) for the Period	8,145	9,770	38,541	24,585
Attributable to:				
Equity Holders of the Company	8,145	9,770	38,541	24,585
Non-controlling Interests	-	-	-	-
Profit/ (Loss) for the Period	8,145	9,770	38,541	24,585
Earnings/ (Loss) Per Share Attributable to Equity Holders of the Company (Note 17.11)				
Basic (Sen)	1.33	1.60	6.30	4.04
Diluted (Sen)	1.32	1.57	6.23	3.98

(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 July 2016

(The figures have not been audited)

	(UNAUDITED) As At 31/07/2016 <u>RM'000</u>	(AUDITED) As At 31/07/2015 <u>RM'000</u>
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	233,447	196,966
Deferred Tax Assets	700	700
	<u>234,147</u>	<u>197,666</u>
Current Assets		
Inventories	79,696	68,741
Land and Property Development Costs	52,118	61,687
Receivables, Deposits and Prepayments	144,736	90,724
Derivative Financial Assets	180	-
Tax Recoverable	1	1
Cash and Cash Equivalents	14,659	7,294
	<u>291,390</u>	<u>228,447</u>
Total Assets	<u><u>525,537</u></u>	<u><u>426,113</u></u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Share Capital	153,013	152,810
Reserves	127,333	88,792
Treasury Shares	(5)	-
Total Equity	<u>280,341</u>	<u>241,602</u>
Non-Current Liabilities		
Loans and Borrowings	45,772	36,902
Deferred Tax Liabilities	13,243	13,014
	<u>59,015</u>	<u>49,916</u>
Current Liabilities		
Payables and Accruals	98,097	71,499
Derivative Financial Liabilities	-	857
Loans and Borrowings	77,667	56,515
Taxation	10,417	5,724
	<u>186,181</u>	<u>134,595</u>
Total Liabilities	<u>245,196</u>	<u>184,511</u>
Total Equity and Liabilities	<u><u>525,537</u></u>	<u><u>426,113</u></u>
Net Assets Per Share Attributable to Ordinary Equity Holders of The Company (RM)	0.46	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 July 2016
 (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 2016</u>						
Balance at beginning of year 01 August 2015	152,810	-	-	39,142	49,650	241,602
Realisation of assets revaluation reserve	-	-	-	(405)	405	-
Total comprehensive income for the period	-	-	-	-	38,541	38,541
Purchase of treasury shares	-	(5)	-	-	-	(5)
Exercise of ESOS	203	-	-	-	-	203
Balance at end of period 31 July 2016	<u>153,013</u>	<u>(5)</u>	<u>-</u>	<u>38,737</u>	<u>88,596</u>	<u>280,341</u>
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
Realisation of assets revaluation reserve	-	-	-	(407)	407	-
Total comprehensive income for the period	-	-	-	-	24,585	24,585
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	-	(38,650)	-	(37,708)	-
Disposal of treasury shares	-	494	350	-	-	844
Exercise of ESOS	392	-	299	-	-	691
Balance at end of period 31 July 2015	<u>152,810</u>	<u>-</u>	<u>-</u>	<u>39,142</u>	<u>49,650</u>	<u>241,602</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 July 2016**
(The figures have not been audited)

	<u>FY 2016</u> 12 Months Ended 31/07/2016 RM'000	<u>FY 2015</u> 12 Months Ended 31/07/2015 RM'000
Profit/(Loss) before taxation	47,241	31,265
Adjustments for :		
Depreciation of property, plant and equipment	11,388	8,632
Interest expense	6,193	4,939
Interest income	(20)	(14)
Inventories written down	-	96
Impairment on receivables	52	80
Reversal of inventories written down	-	(81)
Reversal of impairment on receivables	-	(600)
(Gain)/Loss on derivatives	(1,038)	1,557
(Gain)/Loss on unrealised foreign exchange	451	1,122
(Gain)/Loss on disposal of property, plant and equipment	(187)	18
Operating profit/(loss) before working capital changes	<u>64,080</u>	<u>47,014</u>
Changes in working capital :		
Net change in current assets	(56,161)	(91,377)
Net change in current liabilities	26,738	23,894
Cash generated from/(used in) operations	<u>34,657</u>	<u>(20,469)</u>
Income tax paid	(3,778)	(1,560)
Income tax refund	-	1
Net cash generated from/(used in) operating activities	<u>30,879</u>	<u>(22,028)</u>
Investing activities :		
Purchase of property, plant and equipment	(32,086)	(26,769)
Proceeds from disposal of property, plant and equipment	410	274
Interest received	20	14
Upliftment/(Placement) of fixed deposits pledged	-	(1,585)
Net cash flows from/(used in) investing activities	<u>(31,656)</u>	<u>(28,066)</u>
Financing activities :		
Repayment of borrowings	(9,343)	(14,913)
Interest paid	(6,193)	(4,939)
Proceeds from exercise of ESOS	203	691
Proceeds from issuance of shares pursuant to private placement	-	29,041
Share issuance expenses	-	(930)
Proceeds from bank borrowings	24,000	39,944
Share buy-back	(5)	-
Proceeds from disposal of treasury shares	-	844
Net cash flows from/(used in) financing activities	<u>8,662</u>	<u>49,738</u>
Net increase/(decrease) in cash and cash equivalents	7,885	(356)
Cash and cash equivalents at beginning of year	(4,803)	(4,447)
Cash and cash equivalents at end of period	<u>3,082</u>	<u>(4,803)</u>
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts :		
Cash and bank balances	12,634	5,389
Fixed deposits	2,025	1,905
Cash and cash equivalents	14,659	7,294
Bank overdrafts	(9,552)	(10,192)
Less : Fixed deposits pledged	(2,025)	(1,905)
	<u>3,082</u>	<u>(4,803)</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 July 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 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.

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:

	No of Options '000
As at 1 May 2016	13,743
Exercised	(136)
As at 31 July 2016	<u>13,607</u>

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

- 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 July 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:

	Rubberwood Furniture RM'000	Board RM'000	Property Development RM'000	Others RM'000	Total Segments RM'000	Elimination RM'000	Consolidation RM'000
12 months period ended 31 July 2016							
Revenue							
External sales	190,466	43,678	201,229	-	435,373	-	435,373
Inter-segment sales	28,487	7,471	14,443	160	50,561	(50,561)	-
Total sales	218,953	51,149	215,672	160	485,934	(50,561)	435,373
Results							
Segment results	22,306	5,311	27,022	2,092	56,731	(3,317)	53,414
Interest income	-	-	20	-	20	-	20
Finance costs	(3,159)	(2,320)	(714)	-	(6,193)	-	(6,193)
Profit before taxation	19,147	2,991	26,328	2,092	50,558	(3,317)	47,241
Taxation	(2,274)	(4)	(6,546)	-	(8,824)	124	(8,700)
Net profit	16,873	2,987	19,782	2,092	41,734	(3,193)	38,541
12 months period ended 31 July 2015							
Revenue							
External sales	196,557	28,115	91,568	-	316,240	-	316,240
Inter-segment sales	26,755	5,118	-	160	32,033	(32,033)	-
Total sales	223,312	33,233	91,568	160	348,273	(32,033)	316,240
Results							
Segment results	17,064	2,105	17,603	555	37,327	(1,137)	36,190
Interest income	3	-	11	-	14	-	14
Finance costs	(2,265)	(1,402)	(1,272)	-	(4,939)	-	(4,939)
Profit before taxation	14,802	703	16,342	555	32,402	(1,137)	31,265
Taxation	(2,337)	(34)	(4,375)	-	(6,746)	66	(6,680)
Net profit	12,465	669	11,967	555	25,656	(1,071)	24,585

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Notes To The Interim Financial Report For the quarter ended 31 July 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 except a wholly owned subsidiary of the Company had on 10 June 2016, entered into a sale and purchase agreement for purchase of a property in Rompin, Negeri Sembilan at the purchase price of RM13.75m.

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 RM4.2m 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 RM125.9m as at 31 July 2016.

15 Capital Commitments

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

	<u>RM'000</u>
Approved and contracted	<u>23,378</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>

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

17.1 Review of Performance

	<u>FY 2016</u> Current Quarter Ended 31/07/2016 <u>RM'000</u>	<u>FY 2015</u> Comparative Quarter Ended 31/07/2015 <u>RM'000</u>	Variance <u>RM'000</u>	Variance <u>%</u>
Revenue	134,320	114,904	19,416	16.9%
Profit before tax	9,616	13,752	(4,136)	-30.1%

The Group recorded revenue of RM134.3m in the current quarter as compared to RM114.9m in the corresponding quarter last year. The improvement of RM19.4m or 16.9% was mainly due to:

- the revenue from the property development segment increased by RM21.1m from on-going projects as a result of improved sales and consistent construction progress. Besides that, the landowner of Kiara Plaza project requested to receive part of their entitlement under the joint venture agreement by way of unsold units; and
- increase in the sales of boards by RM4.4m to RM13.2m as both production capacity and quality are improved.

However, the rubberwood furniture segment did not perform well this quarter due to reduced orders and pricing adjustment.

Although the Group revenue increased substantially, the profit before tax achieved for the quarter reduced by RM4.1m to RM9.6m, this was mainly due to lower margin of the on-going residential and commercial projects as compared to the industrial projects in the comparative quarter last year.

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

	<u>FY 2016</u> Current Quarter Ended 31/07/2016 <u>RM'000</u>	<u>FY 2016</u> Preceding Quarter Ended 30/04/2016 <u>RM'000</u>	Variance <u>RM'000</u>	Variance <u>%</u>
Revenue	134,320	98,739	35,581	36.0%
Profit before tax	9,616	11,828	(2,212)	-18.7%

The Group posted revenue of RM134.3m and profit before tax of RM9.6m in the current quarter as compared to the revenue of RM98.74m and profit before tax of RM11.8m in the preceding quarter.

The significant increase in the revenue was due to contribution from the property development segment in which the revenue recognised increased by RM29.9m, this is mainly because the landowner of Kiara Plaza project requested to receive part of their entitlement under the joint venture agreement by way of unsold units. Apart from that, the revenue from the rubberwood upstream activities improved by RM4.5m as the sales in the previous quarter were exceptionally low.

Despite the substantial increase in the revenue, the profit before tax dropped by 18.7% due to the arrangement with the landowner mentioned above and higher marketing cost incurred to secure sales in the property development segment as the market is slower.

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

17.3 Prospects for the Next Financial Year

Operating conditions are expected to remain challenging for the next financial year.

In the rubberwood furniture segment, demand for processed materials and components are not expected to grow as furniture manufacturers do not anticipate any significant uptick in export demand. In addition, the industry is increasingly sourcing for cheaper alternative substitutes such as chipboards and also tropical timber-based materials. The Group will seek to increase its exports of processed materials to China and India.

Operationally, the rubberwood furniture segment is also being affected by the difficulty in procuring approvals for new foreign worker intake to replace outgoing ones. As a result, we will expand the board segment as it is less labour intensive.

Over in the board segment, the MDF plant in Simpang Pertang is expected to be fully commissioned and operating near full capacity before the second half of the next financial year giving rise to improved segment results.

Property development activity will continue to contribute a substantial portion of Group earnings as the Group's ongoing projects, Kiara Plaza and Lavender Residence Block A, have achieved satisfactory sales and construction is in active progress to generate profit and revenue recognition. By middle of the next financial year, the Group plans to open for sales Block B of Lavender Residence consisting of 84 units of condominium which will then be followed by Iris Residence consisting of 254 units of condominium, both of which are in the Sungai Long residential enclave.

Despite the market conditions, the Board expects results to remain satisfactory for the next financial year.

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>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2015</u>
	Current	Comparative	12 Months	12 Months
	Quarter Ended	Quarter Ended	Cumulative	Cumulative
	31/07/2016	31/07/2015	To Date	To Date
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	495	(11)	(20)	(14)
Interest expense	719	1,512	6,193	4,939
Depreciation and amortisation	3,542	2,235	11,388	8,632
Provision for and write off of receivables	52	80	52	80
(Gain)/ loss on disposal of property, plant and equipment	-	(5)	(187)	18
(Gain)/ loss on foreign exchange	281	2,002	4,091	2,607
(Gain)/ loss on derivatives	(10)	1,033	(1,038)	1,557

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

17.6 Taxation

	Current Quarter <u>RM'000</u>	Financial Year-to-date <u>RM'000</u>
Tax expense		
- Current	2,482	8,400
- (Over)/under provision in prior year	(14)	(53)
Deferred tax	(997)	353
	<u>1,471</u>	<u>8,700</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.

17.7 Group Borrowings and Securities

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

	<u>RM'000</u>
<u>Secured</u>	
Current	77,667
Non-current	45,772
	<u>123,439</u>

17.8 Realised and Unrealised Profits/ (Losses)

	As at 31/07/16 <u>RM'000</u>	As at 31/07/15 <u>RM'000</u>
Total retained profits/(accumulated losses) of the Group		
- Realised	90,309	50,679
- Unrealised	587	(1,922)
	<u>90,896</u>	<u>48,757</u>
Less: Consolidated adjustments	(2,300)	893
Total Group retained profits/(accumulated losses) as per consolidated accounts	<u>88,596</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 proposes a First and Final Single-Tier Dividend of 1 sen per ordinary share of RM0.25 each for the financial year ended 31 July 2016 subject to the approval of SYF's shareholders at the forthcoming Annual General Meeting to be convened.

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

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

17.11 Earnings Per Share Attributable to Equity Holders of the Company

	<u>FY 2016</u> Current Quarter Ended 31/07/2016 <u>RM'000</u>	<u>FY 2015</u> Comparative Quarter Ended 31/07/2015 <u>RM'000</u>	<u>FY 2016</u> 12 Months Cumulative To Date <u>RM'000</u>	<u>FY 2015</u> 12 Months Cumulative To Date <u>RM'000</u>
a) <u>Basic</u>				
Profit/ (loss) attributable to equity holders of the company	8,145	9,770	38,541	24,585
Weighted average number of ordinary shares ('000) *	611,998	611,241	611,614	609,291
Basic earning per share (sen)	<u>1.33</u>	<u>1.60</u>	<u>6.30</u>	<u>4.04</u>
b) <u>Diluted</u>				
Profit/ (loss) attributable to equity holders of the company	8,145	9,770	38,541	24,585
Weighted average number of ordinary shares ('000)	611,998	611,241	611,614	609,291
Effect of dilution - ESOS ('000)	7,278	9,136	7,278	9,136
Adjusted weighted average number of ordinary shares ('000)	<u>619,276</u>	<u>620,377</u>	<u>618,892</u>	<u>618,427</u>
Diluted earning per share (sen)	<u>1.32</u>	<u>1.57</u>	<u>6.23</u>	<u>3.98</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.