

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

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

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	<u>FY 2017</u> Current Quarter Ended 31/10/2016	<u>FY 2016</u> Comparative Quarter Ended 31/10/2015	<u>FY 2017</u> 3 Months Cumulative To Date	<u>FY 2016</u> 3 Months Cumulative To Date
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	148,710	94,924	148,710	94,924
Operating Expenses	(132,150)	(77,890)	(132,150)	(77,890)
Other Operating Income/(Expenses)	(285)	(2,380)	(285)	(2,380)
Profit/ (Loss) from Operations	16,275	14,654	16,275	14,654
Finance Costs	(1,852)	(1,630)	(1,852)	(1,630)
Profit/ (Loss) Before Tax	14,423	13,024	14,423	13,024
Taxation	(2,722)	(2,196)	(2,722)	(2,196)
Profit/ (Loss) for the Period	11,701	10,828	11,701	10,828
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/ (Loss) for the Period	11,701	10,828	11,701	10,828
Attributable to:				
Equity Holders of the Company	11,701	10,828	11,701	10,828
Non-controlling Interests	-	-	-	-
Profit/ (Loss) for the Period	11,701	10,828	11,701	10,828
Earnings/ (Loss) Per Share Attributable to Equity Holders of the Company (Note 17.11)				
Basic (Sen)	1.91	1.77	1.91	1.77
Diluted (Sen)	1.89	1.75	1.89	1.75

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 July 2016)

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

Condensed Consolidated Statement of Financial Position

As at 31 October 2016

(The figures have not been audited)

	(UNAUDITED) As At 31/10/2016 RM'000	(AUDITED) As At 31/07/2016 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	226,872	219,696
Current Assets		
Inventories	77,316	79,696
Land and Property Development Costs	24,793	35,735
Receivables, Deposits and Prepayments	199,683	185,750
Derivative Financial Assets	-	217
Tax Recoverable	9	9
Cash and Cash Equivalents	10,914	14,651
	<u>312,715</u>	<u>316,058</u>
Total Assets	<u>539,587</u>	<u>535,754</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Share Capital	153,085	153,014
Reserves	139,276	127,575
Total Equity	<u>292,361</u>	<u>280,589</u>
Non-Current Liabilities		
Loans and Borrowings	51,127	47,265
Deferred Tax Liabilities	11,368	11,218
	<u>62,495</u>	<u>58,483</u>
Current Liabilities		
Payables and Accruals	107,132	108,847
Derivative Financial Liabilities	44	36
Loans and Borrowings	64,543	76,171
Tax Payable	13,012	11,628
	<u>184,731</u>	<u>196,682</u>
Total Liabilities	<u>247,226</u>	<u>255,165</u>
Total Equity and Liabilities	<u>539,587</u>	<u>535,754</u>
Net Assets Per Share Attributable to Ordinary Equity Holders of The Company (RM)	0.48	0.46

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 July 2016)

SYF RESOURCES BERHAD (Co. No. 364372-H)**Condensed Consolidated Statement of Changes in Equity****For the quarter ended 31 October 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>	Assets Revaluation Reserve <u>RM'000</u>	Retained Profits <u>RM'000</u>	Total Equity <u>RM'000</u>
3 months period ended					
<u>31 October 2016</u>					
Balance at beginning of year 01 August 2016	153,014	(5)	39,307	88,273	280,589
Total comprehensive income for the period	-	-	-	11,701	11,701
Exercise of ESOS	71	-	-	-	71
Balance at end of period 31 October 2016	<u>153,085</u>	<u>(5)</u>	<u>39,307</u>	<u>99,974</u>	<u>292,361</u>
3 months period ended					
<u>31 October 2015</u>					
Balance at beginning of year 01 August 2015	152,810	-	39,142	49,650	241,602
Total comprehensive income for the period	-	-	-	10,828	10,828
Purchase of treasury shares	-	(5)	-	-	(5)
Balance at end of period 31 October 2015	<u>152,810</u>	<u>(5)</u>	<u>39,142</u>	<u>60,478</u>	<u>252,425</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 2016)

SYF RESOURCES BERHAD (Co. No. 364372-H)**Condensed Consolidated Statement of Cash Flows****For the quarter ended 31 October 2016**

(The figures have not been audited)

	<u>FY 2017</u> 3 Months Ended 31/10/2016 <u>RM'000</u>	<u>FY 2016</u> 3 Months Ended 31/10/2015 <u>RM'000</u>
Profit/(Loss) before taxation	14,423	13,024
Adjustments for :		
Depreciation of property, plant and equipment	3,388	2,305
Interest expense	1,852	1,630
Interest income	-	(194)
(Gain)/Loss on derivatives	225	28
(Gain)/Loss on disposal of property, plant and equipment	(7)	(140)
Operating profit/(loss) before working capital changes	<u>19,881</u>	<u>16,653</u>
Changes in working capital :		
Net change in current assets	(612)	(7,636)
Net change in current liabilities	(1,715)	(4,843)
Cash generated from/(used in) operations	<u>17,554</u>	<u>4,174</u>
Income tax paid	(1,188)	(746)
Net cash generated from/(used in) operating activities	<u>16,366</u>	<u>3,428</u>
Investing activities :		
Purchase of property, plant and equipment	(10,984)	(3,387)
Proceeds from disposal of property, plant and equipment	780	165
Interest received	-	194
Upliftment/(Placement) of fixed deposits pledged	-	(9)
Net cash flows from/(used in) investing activities	<u>(10,204)</u>	<u>(3,037)</u>
Financing activities :		
Repayment of borrowings	(5,725)	(5,949)
Interest paid	(1,852)	(1,630)
Proceeds from exercise of ESOS	71	-
Proceeds from bank borrowings	-	14,843
Share buy-back	-	(5)
Net cash flows from/(used in) financing activities	<u>(7,506)</u>	<u>7,259</u>
Net increase/(decrease) in cash and cash equivalents	(1,344)	7,650
Cash and cash equivalents at beginning of year	3,074	(4,803)
Cash and cash equivalents at end of period	<u>1,730</u>	<u>2,847</u>
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts :		
Cash and bank balances	8,889	8,869
Fixed deposits	2,025	1,914
Cash and cash equivalents	<u>10,914</u>	<u>10,783</u>
Bank overdrafts	(7,159)	(6,022)
Less : Fixed deposits pledged	(2,025)	(1,914)
	<u>1,730</u>	<u>2,847</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2016)

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

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

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 2016 except for the adoption of new standards, amendments to standards and IC Interpretations that are effective for the financial year ending 31 July 2017. 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 2016 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 August 2016	13,607
Exercised	(286)
As at 31 October 2016	<u>13,321</u>

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

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

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	Boards RM'000	Property Development RM'000	Others RM'000	Total Segments RM'000	Elimination RM'000	Consolidation RM'000
3 months period ended 31 October 2016							
Revenue							
External sales	56,630	15,597	76,483	-	148,710	-	148,710
Inter-segment sales	5,739	664	11,980	-	18,383	(18,383)	-
Total sales	62,369	16,261	88,463	-	167,093	(18,383)	148,710
Results							
Segment results	5,619	1,844	9,234	(76)	16,621	(346)	16,275
Interest income	-	-	-	-	-	-	-
Finance costs	(1,028)	(670)	(154)	-	(1,852)	-	(1,852)
Profit before taxation	4,591	1,174	9,080	(76)	14,769	(346)	14,423
Taxation	(600)	(4)	(2,118)	-	(2,722)	-	(2,722)
Net profit	3,991	1,170	6,962	(76)	12,047	(346)	11,701
Total assets	217,629	106,574	215,127	257	539,587	-	539,587
3 months period ended 31 October 2015							
Revenue							
External sales	52,790	8,689	33,445	-	94,924	-	94,924
Inter-segment sales	8,833	2,267	-	-	11,100	(11,100)	-
Total sales	61,623	10,956	33,445	-	106,024	(11,100)	94,924
Results							
Segment results	5,884	1,456	7,178	(58)	14,460	-	14,460
Interest income	-	-	194	-	194	-	194
Finance costs	(432)	(469)	(729)	-	(1,630)	-	(1,630)
Profit before taxation	5,452	987	6,643	(58)	13,024	-	13,024
Taxation	(530)	(4)	(1,662)	-	(2,196)	-	(2,196)
Net profit	4,922	983	4,981	(58)	10,828	-	10,828
Total assets	206,025	73,486	159,015	129	438,655	-	438,655

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. The Group will carry out the revaluation exercise in this financial year.

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

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

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 RM4.8m 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 RM119.9m as at 31 October 2016.

15 Capital Commitments

Capital commitments of the Group as at 31 October 2016 are as follows:

RM'000

Approved and contracted for:

Purchase of property, plant and equipment

12,808

Purchase of land held for property development

4,140

16,948

16 Significant Related Parties Transactions

The Group had the following transactions with related parties during the financial year-to-date:

RM'000

Transaction with a director

Rental paid

192

Transactions with a company in which a Director of the Company has substantial financial interest

Sales

1,258

Purchases

1,204

Transaction with a company in which a Director of the Company is also the director and certain directors have substantial financial interest

Landowner's entitlement paid/payable

12,865

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

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

17.1 Review of Performance

	<u>FY 2017</u> Current Quarter Ended 31/10/2016 <u>RM'000</u>	<u>FY 2016</u> Comparative Quarter Ended 31/10/2015 <u>RM'000</u>	Variance <u>RM'000</u>	Variance <u>%</u>
Revenue	148,710	94,924	53,786	56.7%
Profit before tax	14,423	13,024	1,399	10.7%

The Group reported revenue of RM148.7m in the current quarter as compared to RM94.9m in the corresponding quarter last year. The substantial increase of RM53.8m was mainly due to:

- the revenue from the property development segment increased by RM43.1m from on-going projects as a result of consistent construction progress and improved sales, especially from new residential project, Lavender Residence;
- increase in the sales of boards by RM6.9m due to higher output from MDF plant as it approaches commencement of full commercial operation; and
- improvement in rubberwood furniture sales by RM3.8m, mainly from new trading sales and related party sales, which were none previously.

The Group achieved profit before tax of RM14.4m for the quarter as compared to RM13.0m in the corresponding quarter last year. The higher profit was attributable to higher revenue as mentioned above. However, the improvement in profit was not in line with the increase in revenue due to completion of an industrial project with higher margin in the comparative quarter.

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

	<u>FY 2017</u> Current Quarter Ended 31/10/2016 <u>RM'000</u>	(Restated) <u>FY 2016</u> Preceding Quarter Ended 31/07/2016 <u>RM'000</u>	Variance <u>RM'000</u>	Variance <u>%</u>
Revenue	148,710	152,168	(3,458)	-2.3%
Profit before tax	14,423	9,741	4,682	48.1%

The Group posted revenue of RM148.7m and profit before tax of RM14.4m in the current quarter as compared to the revenue of RM152.2m and profit before tax of RM9.7m in the preceding quarter.

The slight decrease in the revenue was mainly due to drop in revenue from the property development segment by RM16.8m as a result of recognition of landowner entitlement for Kiara Plaza project under joint venture agreement by way of unsold units in the preceding quarter. However, the drop was cushioned by the improvement from other segments, especially the rubberwood upstream showed a significant increase of export to China and India.

Despite the slight decrease in the revenue, the profit before tax improved by RM4.7m or 48.1% due to increased export sales in the rubberwood upstream segment with good foreign currency conversion and improved operations of the boards segment.

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

17.3 Prospects for the Current Financial Year

Operating conditions are expected to remain challenging for the 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 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 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 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 2017</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>
	Current	Comparative	3 Months	3 Months
	Quarter Ended	Quarter Ended	Cumulative	Cumulative
	31/10/2016	31/10/2015	To Date	To Date
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	-	(194)	-	(194)
Interest expense	1,852	1,630	1,852	1,630
Depreciation and amortisation	3,388	2,305	3,388	2,305
(Gain)/ loss on disposal of property, plant and equipment	(7)	(140)	(7)	(140)
(Gain)/ loss on foreign exchange	(50)	2,604	(50)	2,604
(Gain)/ loss on derivatives	224	28	224	28

SYF RESOURCES BERHAD (Co. No. 364372-H)**Notes To The Interim Financial Report
For the quarter ended 31 October 2016****17.6 Taxation**

	Current Quarter <u>RM'000</u>	Financial Year-to-date <u>RM'000</u>
Current tax expense	2,572	2,572
Deferred tax	150	150
	<u>2,722</u>	<u>2,722</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 October 2016 are as follows :

	<u>RM'000</u>
Secured current borrowings	
- Denominated in Ringgit	60,458
- Denominated in US Dollar	4,085
Secured non-current borrowings	
- Denominated in Ringgit	51,127
	<u>115,670</u>

17.8 Realised and Unrealised Profits/ (Losses)

	As at 31/10/16 <u>RM'000</u>	As at 31/07/16 <u>RM'000</u>
Total retained profits of the Group		
- Realised	104,425	95,175
- Unrealised	(494)	(3,287)
	<u>103,931</u>	<u>91,888</u>
Less: Consolidated adjustments	(3,957)	(3,615)
Total Group retained profits	<u>99,974</u>	<u>88,273</u>

17.9 Material Litigation

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

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

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

17.10 Proposed Dividend

The Board of Directors has proposed 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 on 30 September 2016, subject to the approval of shareholders at the forthcoming Annual General Meeting to be convened on 10 January 2017. The dividend will be paid on 29 March 2017 to the depositors registered in the Record of Depositors of the Company at the close of business on 15 March 2017.

17.11 Earnings Per Share Attributable to Equity Holders of the Company

	<u>FY 2017</u> Current Quarter Ended 31/10/2016 <u>RM'000</u>	<u>FY 2016</u> Comparative Quarter Ended 31/10/2015 <u>RM'000</u>	<u>FY 2017</u> 3 Months Cumulative To Date <u>RM'000</u>	<u>FY 2016</u> 3 Months Cumulative To Date <u>RM'000</u>
a) <u>Basic</u>				
Profit/ (loss) attributable to equity holders of the company	11,701	10,828	11,701	10,828
Weighted average number of ordinary shares ('000) *	612,098	611,241	612,098	611,241
Basic earning per share (sen)	<u>1.91</u>	<u>1.77</u>	<u>1.91</u>	<u>1.77</u>
b) <u>Diluted</u>				
Profit/ (loss) attributable to equity holders of the company	11,701	10,828	11,701	10,828
Weighted average number of ordinary shares ('000)	612,098	611,241	612,098	611,241
Effect of dilution - ESOS ('000)	7,321	7,246	7,321	7,246
Adjusted weighted average number of ordinary shares ('000)	<u>619,419</u>	<u>618,487</u>	<u>619,419</u>	<u>618,487</u>
Diluted earning per share (sen)	<u>1.89</u>	<u>1.75</u>	<u>1.89</u>	<u>1.75</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.