

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

Condensed Consolidated Statement of Comprehensive Income For the quarter ended 30 April 2017

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	<u>FY 2017</u> Current Quarter Ended 30/04/2017	<u>FY 2016</u> Comparative Quarter Ended 30/04/2016	<u>FY 2017</u> 9 Months Cumulative To Date	<u>FY 2016</u> 9 Months Cumulative To Date
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	87,908	98,739	362,490	301,053
Operating Expenses	(78,793)	(85,112)	(321,446)	(256,902)
Other Operating Income/(Expenses)	2,155	191	991	(1,052)
Profit/ (Loss) from Operations	11,270	13,818	42,035	43,099
Finance Costs	(1,687)	(1,990)	(5,227)	(5,474)
Profit/ (Loss) Before Tax	9,583	11,828	36,808	37,625
Taxation	(1,301)	(2,687)	(6,358)	(7,229)
Profit/ (Loss) for the Period	8,282	9,141	30,450	30,396
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/ (Loss) for the Period	8,282	9,141	30,450	30,396
Attributable to:				
Equity Holders of the Company	8,282	9,141	30,450	30,396
Non-controlling Interests	-	-	-	-
Profit/ (Loss) for the Period	8,282	9,141	30,450	30,396
Earnings/ (Loss) Per Share Attributable to Equity Holders of the Company (Note 17.11)				
Basic (Sen)	1.34	1.49	4.96	4.97
Diluted (Sen)	1.33	1.48	4.93	4.91

(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 30 April 2017

(The figures have not been audited)

	(UNAUDITED) As At 30/04/2017 RM'000	(AUDITED) As At 31/07/2016 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	229,298	219,696
Current Assets		
Inventories	72,556	79,696
Land and Property Development Costs	59,788	35,735
Receivables, Deposits and Prepayments	212,491	185,750
Derivative Financial Assets	1	217
Tax Recoverable	27	9
Cash and Cash Equivalents	16,694	14,651
	<u>361,557</u>	<u>316,058</u>
Total Assets	<u>590,855</u>	<u>535,754</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Share Capital	154,788	153,014
Reserves	151,834	127,575
Total Equity	<u>306,622</u>	<u>280,589</u>
Non-Current Liabilities		
Loans and Borrowings	48,153	47,265
Deferred Tax Liabilities	11,668	11,218
	<u>59,821</u>	<u>58,483</u>
Current Liabilities		
Payables and Accruals	132,515	108,847
Derivative Financial Liabilities	7	36
Loans and Borrowings	81,059	76,171
Tax Payable	10,831	11,628
	<u>224,412</u>	<u>196,682</u>
Total Liabilities	<u>284,233</u>	<u>255,165</u>
Total Equity and Liabilities	<u>590,855</u>	<u>535,754</u>
Net Assets Per Share Attributable to Ordinary Equity Holders of The Company (RM)	0.50	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 30 April 2017**
(The figures have not been audited)

	<----- Attributable to Shareholders of the Company ----->				Total Equity RM'000
	<----- Non-Distributable ----->		Assets Revaluation Reserve RM'000	Distributable Retained Profits RM'000	
	Share Capital RM'000	Treasury Shares RM'000			
9 months period ended 30 April 2017					
Balance at beginning of year 01 August 2016	153,014	(5)	39,307	88,273	280,589
Total comprehensive income for the period	-	-	-	30,450	30,450
Exercise of ESOS	1,774	-	-	-	1,774
Dividend	-	-	-	(6,191)	(6,191)
Balance at end of period 30 April 2017	<u>154,788</u>	<u>(5)</u>	<u>39,307</u>	<u>112,532</u>	<u>306,622</u>

**9 months period ended
30 April 2016**

Balance at beginning of year 01 August 2015	152,810	-	39,142	49,650	241,602
Total comprehensive income for the period	-	-	-	30,396	30,396
Purchase of treasury shares	-	(5)	-	-	(5)
Exercise of ESOS	169	-	-	-	169
Balance at end of period 30 April 2016	<u>152,979</u>	<u>(5)</u>	<u>39,142</u>	<u>80,046</u>	<u>272,162</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 30 April 2017

(The figures have not been audited)

	<u>FY 2017</u> 9 Months Ended 30/04/2017 RM'000	<u>FY 2016</u> 9 Months Ended 30/04/2016 RM'000
Profit/(Loss) before taxation	36,808	37,625
Adjustments for :		
Depreciation of property, plant and equipment	10,147	7,846
Interest expense	5,227	5,474
Interest income	(13)	(515)
(Gain)/Loss on derivatives	188	(1,027)
(Gain)/Loss on disposal of property, plant and equipment	46	(187)
Operating profit/(loss) before working capital changes	<u>52,403</u>	<u>49,216</u>
Changes in working capital :		
Net change in current assets	(43,660)	(33,288)
Net change in current liabilities	23,677	(10,224)
Cash generated from/(used in) operations	<u>32,420</u>	<u>5,704</u>
Income tax paid	(6,727)	(2,210)
Net cash generated from/(used in) operating activities	<u>25,693</u>	<u>3,494</u>
Investing activities :		
Purchase of property, plant and equipment	(19,743)	(5,425)
Proceeds from disposal of property, plant and equipment	801	326
Interest received	13	515
Upliftment/(Placement) of fixed deposits pledged	(140)	-
Net cash flows from/(used in) investing activities	<u>(19,069)</u>	<u>(4,584)</u>
Financing activities :		
Repayment of borrowings	(21,564)	(2,599)
Interest paid	(5,227)	(5,474)
Proceeds from exercise of ESOS	1,774	170
Proceeds from bank borrowings	4,750	14,000
Share buy-back	-	(5)
Dividend paid	(6,191)	-
Net cash flows from/(used in) financing activities	<u>(26,458)</u>	<u>6,092</u>
Net increase/(decrease) in cash and cash equivalents	(19,834)	5,002
Cash and cash equivalents at beginning of year	3,074	(4,803)
Cash and cash equivalents at end of period	<u>(16,760)</u>	<u>199</u>
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts :		
Cash and bank balances	14,529	9,586
Fixed deposits	2,165	1,905
Cash and cash equivalents	<u>16,694</u>	<u>11,491</u>
Bank overdrafts	(31,289)	(9,387)
Less : Fixed deposits pledged	(2,165)	(1,905)
	<u>(16,760)</u>	<u>199</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 30 April 2017

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 an off-peak period for the furniture industry due to longer 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.

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 February 2017	12,441
Exercised	(5,931)
As at 30 April 2017	<u>6,510</u>

b) As at 30 April 2017, the total number of treasury shares held was 10,000 ordinary shares of RM0.25 each.

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

Notes To The Interim Financial Report For the quarter ended 30 April 2017

8 Dividends Paid

On 29 March 2017, the Company paid a first and final single-tier dividend of 4% or 1 sen per ordinary share amounted to RM6.2m in respect of the financial year ended 31 July 2016.

9 Segmental Reporting

Analysis by activities for the financial year-to-date is as follows:

	Rubberwood Furniture <u>RM'000</u>	Boards <u>RM'000</u>	Property Development and Construction <u>RM'000</u>	Others <u>RM'000</u>	Total Segments <u>RM'000</u>	Elimination <u>RM'000</u>	Consolidation <u>RM'000</u>
9 months period ended <u>30 April 2017</u>							
Revenue							
External sales	153,189	50,482	158,819	-	362,490	-	362,490
Inter-segment sales	15,149	2,980	35,424	80	53,633	(53,633)	-
Total sales	168,338	53,462	194,243	80	416,123	(53,633)	362,490
Results							
Segment results	16,371	6,011	20,863	(246)	42,999	(978)	42,021
Interest income	12	1	-	-	13	-	13
Finance costs	(2,727)	(1,921)	(579)	-	(5,227)	-	(5,227)
Profit before taxation	13,656	4,091	20,284	(246)	37,785	(978)	36,807
Taxation	(2,292)	7	(4,072)	-	(6,357)	-	(6,357)
Net profit	11,364	4,098	16,212	(246)	31,428	(978)	30,450
Total assets	207,939	115,537	267,100	279	590,855	-	590,855
9 months period ended <u>30 April 2016</u>							
Revenue							
External sales	145,376	30,526	125,151	-	301,053	-	301,053
Inter-segment sales	22,076	6,298	5,303	-	33,677	(33,677)	-
Total sales	167,452	36,824	130,454	-	334,730	(33,677)	301,053
Results							
Segment results	15,391	4,686	22,911	(326)	42,662	(78)	42,584
Interest income	-	-	515	-	515	-	515
Finance costs	(1,998)	(1,495)	(1,981)	-	(5,474)	-	(5,474)
Profit before taxation	13,393	3,191	21,445	(326)	37,703	(78)	37,625
Taxation	(1,902)	(14)	(5,313)	-	(7,229)	-	(7,229)
Net profit	11,491	3,177	16,132	(326)	30,474	(78)	30,396
Total assets	214,332	86,862	171,481	182	472,857	-	472,857

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 30 April 2017

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 RM6.5m 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 RM126.7m as at 30 April 2017.

15 Capital Commitments

Capital commitments of the Group as at 30 April 2017 are as follows:

	<u>RM'000</u>
Approved and contracted for: Purchase of property, plant and equipment	<u>26,300</u>

16 Significant Related Parties Transactions

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

	<u>RM'000</u>
<u>Transaction with a director</u> Rental paid	<u>577</u>
<u>Transaction with a company in which a Director of the Company is also the director and has substantial financial interest</u> Sales Purchases Rental paid	<u>5,235</u> <u>1,903</u> <u>35</u>
<u>Transaction with a company in which a Director of the Company is also the director and certain directors have substantial financial interest</u> Landowner's entitlement paid/payable	<u>26,518</u>
<u>Transaction with a company in which certain Directors of the Company are also the directors and have substantial financial interest</u> Development project management fee received	<u>300</u>

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

Notes To The Interim Financial Report For the quarter ended 30 April 2017

17.1 Review of Performance

	<u>FY 2017</u> Current Quarter Ended 30/04/2017 <u>RM'000</u>	<u>FY 2016</u> Comparative Quarter Ended 30/04/2016 <u>RM'000</u>	Variance <u>RM'000</u>	Variance <u>%</u>
Revenue	87,908	98,739	(10,831)	-11.0%
Profit before tax	9,583	11,828	(2,245)	-19.0%

The Group recorded revenue of RM87.9m in the current quarter as compared to RM98.7m in the corresponding quarter last year. The decrease of RM10.8m was mainly due to the drop in the property development segment by RM25.2m as the major on-going project, Kiara Plaza is at final stage of completion.

However, the sales in both rubberwood furniture and board segments improved by RM7.3m and RM7.1m respectively. These were due to recovery in local timber market and higher output from MDF plant.

The profit before tax declined by 19.0% and this was in line with the decrease in revenue. Furthermore, the margin of the on-going property projects is lower compared to the corresponding projects last year.

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

	<u>FY 2017</u> Current Quarter Ended 30/04/2017 <u>RM'000</u>	<u>FY 2017</u> Preceding Quarter Ended 31/01/2017 <u>RM'000</u>	Variance <u>RM'000</u>	Variance <u>%</u>
Revenue	87,908	125,872	(37,964)	-30.2%
Profit before tax	9,583	12,802	(3,219)	-25.1%

The Group reported revenue of RM87.9m in the current quarter as compared to the revenue of RM125.9m in the preceding quarter. The substantial drop was mainly due to:

- drop in the property revenue by RM40.3m as the major on-going project, Kiara Plaza is at the final stage of completion; and
- slight decline in the rubberwood furniture sales by RM2.7m.

The profit before tax for the current quarter decreased 25.1%, this was in line with the drop in the revenue.

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

Notes To The Interim Financial Report For the quarter ended 30 April 2017

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.

Operationally, the rubberwood furniture segment is also being affected by the difficulty in procuring approvals for new foreign worker intake to replace outgoing ones. In addition, supply of raw materials is also affected by the extended rainy weather.

Over in the board segment, the MDF plant in Simpang Pertang is expected to be fully commissioned by end of forth quarter of the financial year and will then start contributing to segment results.

Property development will continue to contribute a substantial portion of the Group earnings as the on-going projects, Kiara Plaza and Lavender Residence (both blocks A & B), have achieved satisfactory sales. In the last quarter of the year, Iris Residence consisting of 254 units of condominium in Sungai Long will be released for sale to follow up on the success of Lavender Residence.

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> Current Quarter Ended 30/04/2017 <u>RM'000</u>	<u>FY 2016</u> Comparative Quarter Ended 30/04/2016 <u>RM'000</u>	<u>FY 2017</u> 9 Months Cumulative To Date <u>RM'000</u>	<u>FY 2016</u> 9 Months Cumulative To Date <u>RM'000</u>
Interest income	(8)	(67)	(13)	(515)
Interest expense	1,687	1,990	5,227	5,474
Depreciation and amortisation	3,377	2,741	10,147	7,846
(Gain)/ loss on disposal of property, plant and equipment	43	(93)	46	(187)
(Gain)/ loss on foreign exchange	537	(200)	1,180	3,810
(Gain)/ loss on derivatives	(152)	335	188	(1,027)

SYF RESOURCES BERHAD (Co. No. 364372-H)**Notes To The Interim Financial Report
For the quarter ended 30 April 2017****17.6 Taxation**

	Current Quarter <u>RM'000</u>	Financial Year-to-date <u>RM'000</u>
Current tax expense	1,151	5,908
Deferred tax	150	450
	<u>1,301</u>	<u>6,358</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 30 April 2017 are as follows :

	<u>RM'000</u>
Secured current borrowings	
- Denominated in Ringgit	76,688
- Denominated in US Dollar	4,371
Secured non-current borrowings	
- Denominated in Ringgit	48,153
	<u>129,212</u>

17.8 Realised and Unrealised Profits/ (Losses)

	As at 30/04/17 <u>RM'000</u>	As at 31/07/16 <u>RM'000</u>
Total retained profits of the Group		
- Realised	117,655	95,175
- Unrealised	(529)	(3,287)
	<u>117,126</u>	<u>91,888</u>
Less: Consolidated adjustments	(4,594)	(3,615)
Total Group retained profits	<u>112,532</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 30 April 2017****17.10 Proposed Dividend**

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

17.11 Earnings Per Share Attributable to Equity Holders of the Company

	<u>FY 2017</u> Current Quarter Ended 30/04/2017 <u>RM'000</u>	<u>FY 2016</u> Comparative Quarter Ended 30/04/2016 <u>RM'000</u>	<u>FY 2017</u> 9 Months Cumulative To Date <u>RM'000</u>	<u>FY 2016</u> 9 Months Cumulative To Date <u>RM'000</u>
a) <u>Basic</u>				
Profit/ (loss) attributable to equity holders of the company	8,282	9,141	30,450	30,396
Weighted average number of ordinary shares ('000) *	617,026	611,917	613,963	611,485
Basic earning per share (sen)	<u>1.34</u>	<u>1.49</u>	<u>4.96</u>	<u>4.97</u>
b) <u>Diluted</u>				
Profit/ (loss) attributable to equity holders of the company	8,282	9,141	30,450	30,396
Weighted average number of ordinary shares ('000)	617,026	611,917	613,963	611,485
Effect of dilution - ESOS ('000)	4,017	6,956	4,017	6,956
Adjusted weighted average number of ordinary shares ('000)	<u>621,043</u>	<u>618,873</u>	<u>617,980</u>	<u>618,441</u>
Diluted earning per share (sen)	<u>1.33</u>	<u>1.48</u>	<u>4.93</u>	<u>4.91</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.