

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

### Condensed Consolidated Statement of Comprehensive Income For the quarter ended 31 July 2017

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	<u>FY 2017</u> Current Quarter Ended 31/07/2017	<u>FY 2016</u> Comparative Quarter Ended 31/07/2016	<u>FY 2017</u> 12 Months Cumulative To Date	<u>FY 2016</u> 12 Months Cumulative To Date
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	155,402	152,168	517,892	453,221
Operating Expenses	(147,311)	(146,186)	(468,757)	(403,088)
Other Operating Income/(Expenses)	2,543	4,529	3,534	3,477
Profit/ (Loss) from Operations	10,634	10,511	52,669	53,610
Finance Costs	(2,966)	(770)	(8,193)	(6,244)
Profit/ (Loss) Before Tax	7,668	9,741	44,476	47,366
Taxation	(3,242)	(1,920)	(9,600)	(9,149)
Net Profit/ (Loss) for the Period	4,426	7,821	34,876	38,217
Other Comprehensive Income				
- Revaluation of Properties, Net of Tax	9,260	-	9,260	-
- Effect of Change in Tax Rate on Assets Revaluation Reserve	-	571	-	571
Total Comprehensive Profit/ (Loss) for the Period	13,686	8,392	44,136	38,788
Attributable to Equity Holders of the Company:				
Net Profit/ (Loss)	4,426	7,821	34,876	38,217
Total Comprehensive Profit/ (Loss)	13,686	8,392	44,136	38,788
Earnings/ (Loss) Per Share Attributable to Equity Holders of the Company (Note 17.12)				
Basic (Sen)	0.71	1.28	5.67	6.25
Diluted (Sen)	0.71	1.26	5.63	6.18

*(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 July 2017

(The figures have not been audited)

	(UNAUDITED) As At 31/07/2017 <u>RM'000</u>	(AUDITED) As At 31/07/2016 <u>RM'000</u>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	265,835	219,696
<b>Current Assets</b>		
Inventories	76,180	79,696
Land and Property Development Costs	29,049	35,735
Receivables, Deposits and Prepayments	221,672	185,750
Derivative Financial Assets	-	217
Tax Recoverable	1	9
Cash and Cash Equivalents	15,457	14,651
	<u>342,359</u>	<u>316,058</u>
Non-Current Assets Held for Sale	8,587	-
	<u>350,946</u>	<u>316,058</u>
<b>Total Assets</b>	<b><u>616,781</u></b>	<b><u>535,754</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable to Equity Holders of the Company</b>		
Share Capital	154,810	153,014
Reserves	165,520	127,575
<b>Total Equity</b>	<b><u>320,330</u></b>	<b><u>280,589</u></b>
<b>Non-Current Liabilities</b>		
Loans and Borrowings	63,935	47,265
Deferred Tax Liabilities	13,749	11,218
	<u>77,684</u>	<u>58,483</u>
<b>Current Liabilities</b>		
Payables and Accruals	113,458	108,847
Derivative Financial Liabilities	-	36
Loans and Borrowings	94,620	76,171
Tax Payable	10,689	11,628
	<u>218,767</u>	<u>196,682</u>
<b>Total Liabilities</b>	<b><u>296,451</u></b>	<b><u>255,165</u></b>
<b>Total Equity and Liabilities</b>	<b><u>616,781</u></b>	<b><u>535,754</u></b>
<b>Net Assets Per Share Attributable to Ordinary Equity Holders of The Company (RM)</b>	<b>0.52</b>	<b>0.46</b>

*(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 July 2017**

(The figures have not been audited)

	<----- Attributable to Shareholders of the Company ----->				
	<----- Non-Distributable ----->			Distributable	
	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>
<b>12 months period ended</b>					
<b><u>31 July 2017</u></b>					
Balance at beginning of year 01 August 2016	153,014	(5)	39,307	88,273	280,589
Total comprehensive profit for the period	-	-	9,260	34,876	44,136
Realisation of assets revaluation reserve	-	-	(378)	378	-
Exercise of ESOS	1,796	-	-	-	1,796
Dividend	-	-	-	(6,191)	(6,191)
Balance at end of period 31 July 2017	<u>154,810</u>	<u>(5)</u>	<u>48,189</u>	<u>117,336</u>	<u>320,330</u>
<b>12 months period ended</b>					
<b><u>31 July 2016</u></b>					
Balance at beginning of year 01 August 2015	152,810	-	39,142	49,650	241,602
Total comprehensive profit for the period	-	-	571	38,217	38,788
Realisation of assets revaluation reserve	-	-	(406)	406	-
Purchase of treasury shares	-	(5)	-	-	(5)
Exercise of ESOS	204	-	-	-	204
Balance at end of period 31 July 2016	<u>153,014</u>	<u>(5)</u>	<u>39,307</u>	<u>88,273</u>	<u>280,589</u>

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

## Condensed Consolidated Statement of Cash Flows

For the quarter ended 31 July 2017

(The figures have not been audited)

	<b>FY 2017</b> 12 Months Ended 31/07/2017 <u>RM'000</u>	<b>FY 2016</b> 12 Months Ended 31/07/2016 <u>RM'000</u>
Profit/(Loss) before taxation	44,476	47,366
Adjustments for :		
Bad debts written off	-	52
Depreciation of property, plant and equipment	13,545	11,388
Interest expense	8,193	6,244
Interest income	(25)	(41)
Inventories written down	-	23
Impairment on property, plant and equipment	7	-
(Gain)/Loss on foreign exchange - unrealised	90	451
(Gain)/Loss on derivatives financial assets/liabilities	188	(1,038)
(Gain)/Loss on disposal of property, plant and equipment	(607)	(187)
Operating profit/(loss) before working capital changes	<u>65,867</u>	<u>64,258</u>
Changes in working capital :		
Net change in current assets	(25,587)	(78,538)
Net change in current liabilities	7,225	35,810
Cash generated from/(used in) operations	<u>47,505</u>	<u>21,530</u>
Interest paid	(8,193)	(6,244)
Income tax paid	(12,337)	(3,778)
Income tax refunded	8	-
Net cash generated from/(used in) operating activities	<u>26,983</u>	<u>11,508</u>
Investing activities :		
Purchase of property, plant and equipment	(57,576)	(18,731)
Proceeds from disposal of property, plant and equipment	1,503	410
Interest received	25	41
Upliftment/(Placement) of fixed deposits pledged	(2,110)	-
Net cash flows from/(used in) investing activities	<u>(58,158)</u>	<u>(18,280)</u>
Financing activities :		
Repayment of borrowings	(20,828)	(47,144)
Proceeds from exercise of ESOS	1,796	204
Proceeds from bank borrowings	31,065	61,594
Share buy-back	-	(5)
Dividend paid	(6,191)	-
Net cash flows from/(used in) financing activities	<u>5,842</u>	<u>14,649</u>
Net increase/(decrease) in cash and cash equivalents	(25,333)	7,877
Cash and cash equivalents at beginning of year	3,074	(4,803)
Cash and cash equivalents at end of period	<u>(22,259)</u>	<u>3,074</u>
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts :		
Cash and bank balances	11,322	12,626
Fixed deposits	4,135	2,025
Cash and cash equivalents	<u>15,457</u>	<u>14,651</u>
Bank overdrafts	(33,581)	(9,552)
Less : Fixed deposits pledged	(4,135)	(2,025)
	<u>(22,259)</u>	<u>3,074</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)*

**Notes To The Interim Financial Report  
For the quarter ended 31 July 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 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 Option '000
As at 1 May 2017	6,510
Exercised	(88)
Forfeited	(112)
As at 31 July 2017	<u>6,310</u>

b) As at 31 July 2017, the total number of treasury shares held was 10,000 ordinary shares.

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

### Notes To The Interim Financial Report For the quarter ended 31 July 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 RM'000	Boards RM'000	Property Development and Construction RM'000	Others RM'000	Total Segments RM'000	Elimination RM'000	Consolidation RM'000
12 months period ended 31 July 2017							
<b>Revenue</b>							
External sales	202,353	70,931	244,608	-	517,892	-	517,892
Inter-segment sales	19,821	4,161	60,216	160	84,358	(84,358)	-
Total sales	222,174	75,092	304,824	160	602,250	(84,358)	517,892
<b>Results</b>							
Segment results	18,417	9,048	25,530	16,219	69,214	(16,570)	52,644
Interest income	23	2	-	-	25	-	25
Finance costs	(3,708)	(3,016)	(1,469)	-	(8,193)	-	(8,193)
Profit before taxation	14,732	6,034	24,061	16,219	61,046	(16,570)	44,476
Taxation	(3,335)	(642)	(5,623)	-	(9,600)	-	(9,600)
Net profit	11,397	5,392	18,438	16,219	51,446	(16,570)	34,876
Total assets	206,699	157,372	252,431	279	616,781	-	616,781
12 months period ended 31 July 2016							
<b>Revenue</b>							
External sales	190,466	43,678	219,077	-	453,221	-	453,221
Inter-segment sales	28,487	7,471	13,800	160	49,918	(49,918)	-
Total sales	218,953	51,149	232,877	160	503,139	(49,918)	453,221
<b>Results</b>							
Segment results	22,312	5,311	29,416	1,162	58,201	(4,632)	53,569
Interest income	-	1	40	-	41	-	41
Finance costs	(3,195)	(2,320)	(729)	-	(6,244)	-	(6,244)
Profit before taxation	19,117	2,992	28,727	1,162	51,998	(4,632)	47,366
Taxation	(2,274)	7	(6,882)	-	(9,149)	-	(9,149)
Net profit	16,843	2,999	21,845	1,162	42,849	(4,632)	38,217
Total assets	213,384	99,297	222,825	248	535,754	-	535,754

#### 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. During the current financial year, the land and buildings of the Group were revalued by an independent professional qualified valuer. The surplus on the valuation, net of tax are reflected in the revaluation reserve account.

**Notes To The Interim Financial Report  
For the quarter ended 31 July 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 except the corporate proposal as mentioned in note 17.8.

**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 RM8.0m 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 RM162.2m as at 31 July 2017.

**15 Capital Commitments**

Capital commitments of the Group as at 31 July 2017 are as follows:

	<u>RM'000</u>
Approved and contracted for:	
Purchase of property, plant and equipment	<u>27,123</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>769</u>
<u>Transaction with a company in which a Director of the Company is also the director and has substantial financial interest</u>	
Sales	7,178
Purchases	3,498
Rental paid	<u>50</u>
<u>Transaction with companies in which a Director of the Company is also the director and certain directors have substantial financial interest</u>	
Landowner's entitlement paid/payable	17,365
Development project management fee received	<u>1,200</u>

**Notes To The Interim Financial Report  
For the quarter ended 31 July 2017**

**17.1 Review of Performance**

	<u><b>FY 2017</b></u> Current Quarter Ended 31/07/2017 <u>RM'000</u>	<u><b>FY 2016</b></u> Comparative Quarter Ended 31/07/2016 <u>RM'000</u>	Variance <u>RM'000</u>	Variance <u>%</u>
Revenue	155,402	152,168	3,234	2.1%
Profit before tax	7,668	9,741	(2,073)	-21.3%

The Group reported revenue of RM155.4m in the current quarter as compared to RM152.2m in the corresponding quarter last year. The slight improvement of 2.1% was mainly due to higher sales from both rubberwood furniture and boards segments, which improved by RM4.1m and RM7.3m respectively. These were due to better selling prices from the segments and higher output from MDF plant.

However, the property segment revenue decreased by RM7.5m as the major on-going project, Kiara Plaza is at final stage of completion. During the quarter, a newly launched residential project in Sungai Long, Iris Residence contributed RM15.8m to the revenue.

The profit before tax declined by 21.3% although the revenue improved. This was primarily due to increase in raw materials cost, shortage of raw materials and labour that affected the production efficiency in both manufacturing segments. As for the property segment, additional development costs incurred on Kiara Plaza reduced the profit margin.

Apart from that, finance cost increased significantly by RM2.2m due to higher borrowings for the purpose of capital expenditure and working capital also lower down the profit.

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

	<u><b>FY 2017</b></u> Current Quarter Ended 31/07/2017 <u>RM'000</u>	<u><b>FY 2017</b></u> Preceding Quarter Ended 30/04/2017 <u>RM'000</u>	Variance <u>RM'000</u>	Variance <u>%</u>
Revenue	155,402	87,908	67,494	76.8%
Profit before tax	7,668	9,583	(1,915)	-20.0%

The Group reported revenue of RM155.4m in the current quarter as compared to the revenue of RM87.9m in the preceding quarter, the substantial increase was mainly due to improvement of RM64.8m from the property segment. In addition to revenue from on-going projects, namely Kiara Plaza and Lavender Residence, the newly launched Iris Residence and additional sales from a completed project also contributed to the increase.

The revenue from both rubberwood furniture and board segments showed marginal increment.

Despite the significant increase in the revenue, the profit before tax recorded for the current quarter decreased 20.0%, this was mainly due to the similiar reasons as mentioned in note 17.1.



**Notes To The Interim Financial Report  
For the quarter ended 31 July 2017**

**17.3 Prospects for the Next Financial Year**

Going forward into the next financial year ending 31 July 2018, business environment and operating conditions are largely expected to remain unchanged aside from the potential impact of any geopolitical changes. The eventual outcome from the looming general election will remove the overhanging element of uncertainty in local geopolitics whilst the forthcoming annual national budget is also being awaited.

With the recent announcement on the proposed disposal of Great Platform Sdn Bhd, the Group will be disposing of its entire board segment which will raise cash proceeds of approximately RM58.0m. This strategic move will enable the Group to re-direct its concentration and resources into the property development segment which has been contributing substantially to the growth of the Group in recent years. The cash proceeds will provide the necessary war chest for the acquisition of suitable land bank to sustain the Group's property development activities.

Over the next twelve months, the Group's latest project, Iris Residence, will be undergoing active construction to be the main contributor for the property segment as both Kiara Plaza and Lavender Residence will be completed within the next three to six months. As such, the acquisition of land bank is vital to provide earnings continuity after Iris Residence.

In manufacturing, the materials processing segment will continue to face increased rubber wood material prices that has recently been plaguing the industry albeit the government ban on export of raw materials mitigates the situation. Difficulty in procuring sufficient labour remains a factor although there has been some improvement since the past year. Local furniture manufacturers affected by cost increases continuously resort to using more economic materials such as particle boards, MDF and plywood, thus affecting demand for our solid rubber wood materials. In meeting these challenges, we will increase our efforts in procuring raw material sources for more consistent supply at economic prices.

Natural calamities such as earthquakes, typhoons and hurricanes in recent months had caused substantial damage to infrastructure and properties in the affected countries that would require restoration and reconstruction. This will potentially increase the demand for furniture where we currently have firm and consistent orders from our existing customer base. With the rationalization over the past few years, the local furniture manufacturing industry is now more stable with higher level of customer retention and continuity. Efforts will focus on managing cost increases and achieving higher output with available resources.

**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 31/07/2017 RM'000	<u>FY 2016</u> Comparative Quarter Ended 31/07/2016 RM'000	<u>FY 2017</u> 12 Months Cumulative To Date RM'000	<u>FY 2016</u> 12 Months Cumulative To Date RM'000
Interest income	(12)	474	(25)	(41)
Interest expense	2,966	770	8,193	6,244
Provision for and write off of receivables	-	52	-	52
Provision for and write off of inventories	-	23	-	23
Depreciation and amortisation	3,398	3,542	13,545	11,388
(Gain)/ loss on disposal of property, plant and equipment	(653)	-	(607)	(187)
(Gain)/ loss on foreign exchange	(179)	650	1,001	4,460
(Gain)/ loss on derivatives	-	(10)	188	(1,038)

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

### Notes To The Interim Financial Report For the quarter ended 31 July 2017

#### 17.6 Taxation

	Current Quarter RM'000	Financial Year-to-date RM'000
Current tax expense	3,157	9,187
Deferred tax - current year	122	450
- prior year	(37)	(37)
	<u>3,242</u>	<u>9,600</u>

The Group's effective tax rates for the 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. Apart from that, a subsidiary company is enjoying Pioneer Status tax exemption incentive.

#### 17.7 Group Borrowings and Securities

The Group borrowings as at 31 July 2017 are as follows :

	RM'000
Secured current borrowings	
- Denominated in Ringgit	86,024
- Denominated in US Dollar	8,596
Secured non-current borrowings	
- Denominated in Ringgit	63,935
	<u>158,555</u>

#### 17.8 Corporate Proposals

The Company entered into a conditional share sale agreement on 26 July 2017 with Mico Chipboard Berhad for proposed disposal of its entire equity interest in Great Platform Sdn Bhd, a wholly-owned subsidiary, for RM7,063,341 together with the settlement of advance owing by Great Platform Sdn Bhd amounting to RM51,528,809, for a total cash consideration of RM58,592,150. This transaction was announced to Bursa Malaysia Securities Berhad ("Bursa") on the same date.

The above proposal is subject to approvals of the shareholders of the Company at an Extraordinary General Meeting to be convened and any other relevant authorities, if required.

#### 17.9 Realised and Unrealised Profits/ (Losses)

	As at 31/07/17 RM'000	As at 31/07/16 RM'000
Total retained profits of the Group		
- Realised	137,933	95,175
- Unrealised	(278)	(3,287)
	<u>137,655</u>	<u>91,888</u>
Less: Consolidated adjustments	(20,319)	(3,615)
Total Group retained profits	<u>117,336</u>	<u>88,273</u>

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

**Notes To The Interim Financial Report  
For the quarter ended 31 July 2017**

**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 proposes a first and final single-tier dividend of 1.5 sen per ordinary share for the financial year ended 31 July 2017 subject to the approval of SYF's shareholders at the forthcoming Annual General Meeting to be convened.

**17.12 Earnings Per Share Attributable to Equity Holders of the Company**

	<u>FY 2017</u> Current Quarter Ended 31/07/2017 RM'000	<u>FY 2016</u> Comparative Quarter Ended 31/07/2016 RM'000	<u>FY 2017</u> 12 Months Cumulative To Date RM'000	<u>FY 2016</u> 12 Months Cumulative To Date RM'000
a) <u>Basic</u>				
Net profit/ (loss) attributable to equity holders of the company	4,426	7,821	34,876	38,217
Weighted average number of ordinary shares ('000) *	619,231	611,917	615,291	611,614
Basic earning per share (sen)	0.71	1.28	5.67	6.25
b) <u>Diluted</u>				
Net profit/ (loss) attributable to equity holders of the company	4,426	7,821	34,876	38,217
Weighted average number of ordinary shares ('000)	619,231	611,917	615,291	611,614
Effect of dilution - ESOS ('000)	3,858	7,278	3,858	7,278
Adjusted weighted average number of ordinary shares ('000)	623,089	619,195	619,149	618,892
Diluted earning per share (sen)	0.71	1.26	5.63	6.18

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.