

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

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

**For the quarter ended 31 October 2018**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	<u>FY 2019</u> Current Quarter Ended 31/10/2018	<u>FY 2018</u> Comparative Quarter Ended 31/10/2017	<u>FY 2019</u> 3 Months Cumulative To Date	<u>FY 2018</u> 3 Months Cumulative To Date
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Continuing Operations				
Revenue	62,763	85,069	62,763	85,069
Operating Expenses	(65,576)	(76,801)	(65,576)	(76,801)
Other Operating Income/(Expenses)	420	2,965	420	2,965
Profit/ (Loss) from Operations	(2,393)	11,233	(2,393)	11,233
Finance Costs	(1,332)	(1,897)	(1,332)	(1,897)
Profit/ (Loss) Before Tax	(3,725)	9,336	(3,725)	9,336
Taxation	-	(2,399)	-	(2,399)
Net Profit/ (Loss) from Continuing Operations	(3,725)	6,937	(3,725)	6,937
Net Profit/ (Loss) from Discontinued Operation	-	(657)	-	(657)
Net Profit/ (Loss) for the Period	(3,725)	6,280	(3,725)	6,280
Other Comprehensive Income	-	-	-	-
Total Comprehensive Profit/ (Loss) for the Period	(3,725)	6,280	(3,725)	6,280
Attributable to Equity Holders of the Company:				
Net Profit/ (Loss)	(3,725)	6,280	(3,725)	6,280
Total Comprehensive Profit/ (Loss)	(3,725)	6,280	(3,725)	6,280
Earnings/ (Loss) Per Share Attributable to Equity Holders of the Company (Note 17.11)				
Basic (Sen)				
- from continuing operations	(0.60)	1.12	(0.60)	1.12
- from discontinued operation	-	(0.11)	-	(0.11)
	(0.60)	1.01	(0.60)	1.01
Diluted (Sen)				
- from continuing operations	(0.60)	1.12	(0.60)	1.12
- from discontinued operation	-	(0.11)	-	(0.11)
	(0.60)	1.01	(0.60)	1.01

*(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 July 2018)*

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

### Condensed Consolidated Statement of Financial Position

As at 31 October 2018

(The figures have not been audited)

	(UNAUDITED) As At 31/10/2018 RM'000	(AUDITED) As At 31/07/2018 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	108,315	110,803
Land Held for Property Development	16,770	16,770
	<u>125,085</u>	<u>127,573</u>
<b>Current Assets</b>		
Inventories	81,140	76,619
Land and Property Development Costs	25,304	34,097
Receivables, Deposits and Prepayments	139,536	146,912
Tax Recoverable	6,278	5,495
Cash and Cash Equivalents	35,325	46,197
	<u>287,583</u>	<u>309,320</u>
Non-Current Assets Held for Sale	14,513	14,513
	<u>302,096</u>	<u>323,833</u>
<b>Total Assets</b>	<u><b>427,181</b></u>	<u><b>451,406</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable to Equity Holders of the Company</b>		
Share Capital	154,810	154,810
Reserves	135,906	140,596
<b>Total Equity</b>	<u>290,716</u>	<u>295,406</u>
<b>Non-Current Liabilities</b>		
Loans and Borrowings	19,649	19,765
Deferred Tax Liabilities	12,849	12,849
	<u>32,498</u>	<u>32,614</u>
<b>Current Liabilities</b>		
Payables and Accruals	39,090	65,059
Loans and Borrowings	64,876	58,322
Tax Payable	1	5
	<u>103,967</u>	<u>123,386</u>
<b>Total Liabilities</b>	<u>136,465</u>	<u>156,000</u>
<b>Total Equity and Liabilities</b>	<u><b>427,181</b></u>	<u><b>451,406</b></u>
<b>Net Assets Per Share Attributable to Ordinary Equity Holders of the Company (RM)</b>	<b>0.47</b>	<b>0.48</b>

*(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 July 2018)*

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

**Condensed Consolidated Statement of Changes in Equity  
For the quarter ended 31 October 2018**

(The figures have not been audited)

	Attributable to Shareholders of the Company					Total Equity RM'000
	Non-Distributable			Distributable		
	Share Capital RM'000	Treasury Shares RM'000	Assets Revaluation Reserve RM'000	Reserve Included in Disposal Group Held for Sale and Discontinued Operation RM'000	Retained Profits RM'000	
<b>3 months period ended</b>						
<b><u>31 October 2018</u></b>						
Balance at beginning of year 01 August 2018	154,810	(1,957)	42,170	-	100,383	295,406
Net loss for the financial period	-	-	-	-	(3,725)	(3,725)
Treasury shares acquired	-	(965)	-	-	-	(965)
Balance at end of period 31 October 2018	<u>154,810</u>	<u>(2,922)</u>	<u>42,170</u>	<u>-</u>	<u>96,658</u>	<u>290,716</u>
<b>3 months period ended</b>						
<b><u>31 October 2017</u></b>						
Balance at beginning of year 01 August 2017	154,810	(5)	46,503	2,070	117,393	320,771
Net profit for the financial year	-	-	-	-	6,280	6,280
Balance at end of period 31 October 2017	<u>154,810</u>	<u>(5)</u>	<u>46,503</u>	<u>2,070</u>	<u>123,673</u>	<u>327,051</u>

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

## Condensed Consolidated Statement of Cash Flows

For the quarter ended 31 October 2018

(The figures have not been audited)

	<b>FY 2018</b> 3 Months Ended 31/10/2018 RM'000	<b>FY 2018</b> 3 Months Ended 31/10/2017 RM'000
Profit/(Loss) before taxation		
Continuing Operations	(3,725)	9,336
Discontinued Operation	-	(654)
	<u>(3,725)</u>	<u>8,682</u>
Adjustments for :		
Depreciation of property, plant and equipment	1,741	3,478
Interest expense	1,332	2,907
Interest income	(60)	(8)
(Gain)/Loss on disposal of property, plant and equipment	-	(1,279)
	<u>(712)</u>	<u>13,780</u>
Operating profit/(loss) before working capital changes		
Changes in working capital :		
Net change in current assets	12,346	(10,520)
Net change in current liabilities	(25,968)	(12,396)
	<u>(14,334)</u>	<u>(9,136)</u>
Cash generated from/(used in) operations		
Interest paid	(1,332)	(2,907)
Income tax paid	(786)	(2,525)
	<u>(16,452)</u>	<u>(14,568)</u>
Net cash generated from/(used in) operating activities		
Investing activities :		
Purchase of property, plant and equipment	(13)	(7,862)
Proceeds from disposal of property, plant and equipment	61	4,800
Interest received	60	8
Upliftment/(Placement) of fixed deposits pledged	(3,048)	-
	<u>(2,940)</u>	<u>(3,054)</u>
Net cash flows from/(used in) investing activities		
Financing activities :		
Proceeds/(Repayment) of bank borrowings/changes in bills payables	5,249	7,525
Shares buy-back	(965)	-
	<u>4,284</u>	<u>7,525</u>
Net cash flows from/(used in) financing activities		
Net increase/(decrease) in cash and cash equivalents	(15,108)	(10,097)
Cash and cash equivalents at beginning of year	22,757	(20,594)
	<u>7,649</u>	<u>(30,691)</u>
Cash and cash equivalents at end of period		

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts :

Cash and bank balances	19,674	10,033
Fixed deposits	<u>15,651</u>	<u>4,135</u>
Cash and cash equivalents	35,325	14,168
Bank overdrafts	(12,025)	(40,724)
Less : Fixed deposits pledged	<u>(15,651)</u>	<u>(4,135)</u>
	<u>7,649</u>	<u>(30,691)</u>

*(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2018)*

**Notes To The Interim Financial Report  
For the quarter ended 31 October 2018****1 Basis of Preparation**

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 2018. 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 2018.

**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 2018 except for the adoption of new standards, amendments to standards and IC Interpretations that are effective for the financial periods beginning on or after 1 January 2018. 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 2018 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) There is no change in the outstanding number of options of the Company's Employee's Share Option Scheme ("ESOS"). As at 31 October 2018, the outstanding number of options is 6,310,000; and
- b) During the quarter under review, the Company purchased 4,111,300 ordinary shares of its issued share capital from the open market at an average cost of RM0.235 each, none of the shares purchased have been sold or cancelled. Details were as follows:

Monthly Breakdown	No of Share Purchased Unit	Lowest Price Paid Per Share RM	Highest Price Paid Per Share RM	Average Cost Per Share RM	Total Consideration RM'000
Oct-18	4,111,300	0.225	0.240	0.235	965

As at 31 October 2018, the total number of treasury shares held was 10,635,700 ordinary shares.

**8 Dividends Paid**

There were no dividends paid for the current quarter and financial year-to-date.

**Notes To The Interim Financial Report  
For the quarter ended 31 October 2018**

**9 Segmental Reporting**

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

	<-----Continuing Operations----->			Discontinued	Total	Elimination	Consolidation
	Rubberwood Furniture RM'000	Property Development and Construction RM'000	Others RM'000	Operation Boards RM'000			
3 months period ended 31 October 2018							
<b>Revenue</b>							
External sales	42,375	20,388	-	-	62,763	-	62,763
Inter-segment sales	3,811	2,802	50	-	6,663	(6,663)	-
Total sales	46,186	23,190	50	-	69,426	(6,663)	62,763
<b>Results</b>							
Segment results	(2,794)	423	(68)	-	(2,439)	(14)	(2,453)
Interest income	60	-	-	-	60	-	60
Finance costs	(1,170)	(162)	-	-	(1,332)	-	(1,332)
Profit/ (loss) before taxation	(3,904)	261	(68)	-	(3,711)	(14)	(3,725)
Taxation	-	-	-	-	-	-	-
Net profit/ (loss)	(3,904)	261	(68)	-	(3,711)	(14)	(3,725)

3 months period ended  
31 October 2017

						(#)	
<b>Revenue</b>							
External sales	43,904	41,165	-	21,123	106,192	(21,123)	85,069
Inter-segment sales	4,112	13,962	50	-	18,124	(18,124)	-
Total sales	48,016	55,127	50	21,123	124,316	(39,247)	85,069
<b>Results</b>							
Segment results	4,474	6,520	(119)	355	11,230	351	11,581
Interest income	7	-	-	1	8	-	8
Finance costs	(1,236)	(661)	-	(1,010)	(2,907)	-	(2,907)
Profit before taxation	3,245	5,859	(119)	(654)	8,331	351	8,682
Taxation	(960)	(1,439)	-	(3)	(2,402)	-	(2,402)
Net profit	2,285	4,420	(119)	(657)	5,929	351	6,280

(#) The amount relating to the Boards segment has been excluded from the consolidated revenue and is presented separately in the statement of profit or loss and other comprehensive income within one line item as "net profit/(loss) from discontinued operation".

**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 last revaluation was done in financial year 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.

**Notes To The Interim Financial Report  
For the quarter ended 31 October 2018**

**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

Contingent liabilities of the Group as at 31 October 2018 in respect of bank guarantees issued in favour of government authorities and utility boards totaling RM5.8m.

b) Company

The Company has contingent liabilities in the form of corporate guarantees given to financial institutions in respect of credit facilities granted to subsidiaries amounting to RM90.4m as at 31 October 2018.

**15 Capital Commitments**

There were no material capital commitments of the Group as at 31 October 2018.

**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	47
<u>Transaction with companies in which certain directors of the Company are also the director and have substantial financial interest</u>	
Sales	5,395
Sales commission	72
Purchases	2,049
Rental paid	150

**Notes To The Interim Financial Report  
For the quarter ended 31 October 2018**

**17.1 Review of Performance**

	<u>FY 2019</u> Current Quarter Ended 31/10/2018 <u>RM'000</u>	<u>FY 2018</u> Comparative Quarter Ended 31/10/2017 <u>RM'000</u>	Variance <u>RM'000</u>	Variance <u>%</u>
Continuing Operations				
Revenue	62,763	85,069	(22,306)	-26.2%
(Loss)/Profit before tax	(3,725)	9,336	(13,061)	-139.9%

The Group reported revenue of RM62.76m in the current quarter as compared to RM85.07m (from continuing operations) in the corresponding quarter last year. The decrease of RM22.31m or 26.2% was mainly attributed to:

- a) lower revenue from the property development segment by RM20.78m due to completion of a major project while other on-going projects are at the final stage of completion; and
- b) lower sales from the rubberwood furniture segment by RM1.53m due to shortage of foreign workers and weakening of US dollar against Ringgit by 3.0%.

The Group posted loss before tax of RM3.73m for the current quarter as compared to profit before tax of RM9.34m (from continuing operations) in the same quarter last year, this was mainly due to:

- a) lower revenue as mentioned above;
- b) shortage of foreign workers that affected production efficiency and increase in foreign labour cost as employers are responsible to pay foreign worker levy beginning January 2018; and
- c) bigger proportion of low margin products mix in the rubberwood furniture segment and weakening of US dollar against Ringgit; and
- d) provision of additional development costs, such as integrated infrastructure (road and water) sharing schemes and compensation for transferring of low cost requirement to other developer that affected the profitability of the on-going projects.

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

	<u>FY 2019</u> Current Quarter Ended 31/10/2018 <u>RM'000</u>	<u>FY 2018</u> Preceding Quarter Ended 31/07/2018 <u>RM'000</u>	Variance <u>RM'000</u>	Variance <u>%</u>
Revenue	62,763	48,936	13,827	28.3%
(Loss)/Profit before tax	(3,725)	(7,772)	4,047	52.1%

The Group reported revenue of RM62.76m in the current quarter as compared to the revenue of RM48.94m in the preceding quarter, the increase of RM13.83m or 28.3% was mainly due to the higher revenue in the property development segment as the sales from an on-going project, Iris Residence was improved. The rubberwood furniture segment showed no significant change in the revenue.

Loss before tax of RM3.73m was reported for the current quarter, improved by 52.1% from the preceding quarter. This was mainly due to higher revenue reported in the property development segment and additional development cost and construction cost incurred in the preceding quarter.

However, the loss before tax in the rubberwood furniture segment increased due to bigger proportion of low margin products mix and shortage of foreign workers that affected production efficiency.



**Notes To The Interim Financial Report  
For the quarter ended 31 October 2018**

**17.3 Prospects for the Current Financial Year**

With the current uncertainties in local economic conditions coupled with the ongoing global trade concerns, the Group will exercise caution in its business activities for the current financial year.

In the property market, conditions remain depressed and with no imminent signs of an upturn, the Group has refrained from acquiring land bank or new projects. While this would inevitably impact on future Group results with the imminent completion of our existing projects, there is no other seemingly viable alternative unless conditions change favourably. As such, the remaining unutilised proceeds of RM15.00m from the disposal of Great Platform that are earmarked for land bank acquisition is proposed to be used to further reduce the borrowings of the Group. This change in utilisation would need the approval of shareholders at the forthcoming Annual General Meeting to be convened on 8 January 2019.

With the exit from the particleboard/medium density fibreboard industry, the Group will now focus on rationalisation and downsizing of the furniture manufacturing segment to meet the challenges ahead. This will include streamlining manufacturing facilities to achieve cost savings and improve efficiency.

At the same time, the Group intends to pare down borrowings for interest savings and to build up liquid resources to take advantage of any future opportunities that may arise.

**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 2019</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2018</u>
	Current	Comparative	3 Months	3 Months
	Quarter Ended	Quarter Ended	Cumulative	Cumulative
	31/10/2018	31/10/2017	To Date	To Date
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Continuing operations and discontinued operation				
Interest income	(60)	(8)	(60)	(8)
- continuing operations	(60)	(7)	(60)	(7)
- discontinued operation	-	(1)	-	(1)
Interest expense	1,332	2,907	1,332	2,907
- continuing operations	1,332	1,897	1,332	1,897
- discontinued operation	-	1,010	-	1,010
Depreciation and amortisation	1,741	3,478	1,741	3,478
- continuing operations	1,741	2,096	1,741	2,096
- discontinued operation	-	1,382	-	1,382
(Gain)/ loss on disposal of property, plant and equipment	-	(1,279)	-	(1,279)
(Gain)/ loss on foreign exchange	(97)	145	(97)	145
- continuing operations	(97)	88	(97)	88
- discontinued operation	-	57	-	57

**Notes To The Interim Financial Report  
For the quarter ended 31 October 2018**

**17.6 Taxation**

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

**17.7 Group Borrowings and Securities**

The Group borrowings as at 31 October 2018 are as follows :

	<u>RM'000</u>
Secured current borrowings	
- Denominated in Ringgit	59,277
- Denominated in US Dollar	5,599
Secured non-current borrowings	
- Denominated in Ringgit	19,649
	<u>84,525</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 ("GPSB"), a wholly-owned subsidiary, for RM7,063,341 together with the settlement of advance owing by GPSB amounting to RM51,528,809, for a total cash consideration of RM58,592,150. This transaction was completed on 27 February 2018.

The utilisation of the proceeds from the proposal is set out below:

Purpose	Proposed	Actual	Intended Timeframe for Utilisation
	Utilisation	Utilisation	
	<u>RM'000</u>	<u>RM'000</u>	
Repayment of bank borrowings	40,000	40,000	Within 6 months
To fund future acquisition of land bank	15,000	-	Within 18 months
Working capital	3,092	3,092	Within 3 months
Estimated expenses for the proposed disposal	500	500	Within 1 month
	<u>58,592</u>	<u>43,592</u>	

As at to-date, the Company has yet to utilise the remaining balance of RM15.00m of the proceeds. On 22 October 2018, the Company announced that it proposes to vary the utilisation of the unutilised proceeds. The proposal would need the approval of shareholders at the forthcoming Annual General Meeting to be convened on 8 January 2019.

Notes To The Interim Financial Report  
For the quarter ended 31 October 2018

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 single tier interim dividend of 1.25 sen per ordinary share in respect of the financial year ending 31 July 2019. The entitlement and payment dates shall be determined and announced at a later date.

17.11 Earnings Per Share Attributable to Equity Holders of the Company

	<u>FY 2019</u> Current Quarter Ended 31/10/2018 RM'000	<u>FY 2018</u> Comparative Quarter Ended 31/10/2017 RM'000	<u>FY 2019</u> 3 Months Cumulative To Date RM'000	<u>FY 2018</u> 3 Months Cumulative To Date RM'000
Net profit/ (loss) attributable to equity holders of the company				
- from continuing operations	(3,725)	6,937	(3,725)	6,937
- from discontinued operation	-	(657)	-	(657)
	<u>(3,725)</u>	<u>6,280</u>	<u>(3,725)</u>	<u>6,280</u>
a) <u>Basic</u>				
Weighted average number of ordinary shares ('000)	619,239	619,239	619,239	619,239
Basic earning/ (loss) per share (sen)				
- from continuing operations	(0.60)	1.12	(0.60)	1.12
- from discontinued operation	-	(0.11)	-	(0.11)
	<u>(0.60)</u>	<u>1.01</u>	<u>(0.60)</u>	<u>1.01</u>
b) <u>Diluted</u>				
Weighted average number of ordinary shares ('000)	619,239	619,239	619,239	619,239
Effect of dilution - ESOS ('000) *	1,493	2,701	1,493	2,701
Adjusted weighted average number of ordinary shares ('000)	<u>620,732</u>	<u>621,940</u>	<u>620,732</u>	<u>621,940</u>
Diluted earning/ (loss) per share (sen)				
- from continuing operations	(0.60)	1.12	(0.60)	1.12
- from discontinued operation	-	(0.11)	-	(0.11)
	<u>(0.60)</u>	<u>1.01</u>	<u>(0.60)</u>	<u>1.01</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.