

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

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the quarter ended 31 January 2019**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	<u>FY 2019</u> Current Quarter Ended 31/01/2019	<u>FY 2018</u> Comparative Quarter Ended 31/01/2018	<u>FY 2019</u> 6 Months Cumulative To Date	<u>FY 2018</u> 6 Months Cumulative To Date
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Continuing Operations				
Revenue	55,045	63,886	117,808	148,955
Operating Expenses	(60,764)	(66,310)	(126,340)	(143,111)
Other Operating Income/(Expenses)	1,758	3,293	2,178	6,258
Profit/ (Loss) from Operations	(3,961)	869	(6,354)	12,102
Finance Costs	(1,247)	(1,594)	(2,579)	(3,491)
Profit/ (Loss) Before Tax	(5,208)	(725)	(8,933)	8,611
Taxation	-	(1,009)	-	(3,408)
Net Profit/ (Loss) from Continuing Operations	(5,208)	(1,734)	(8,933)	5,203
Net Profit/ (Loss) from Discontinued Operation	-	(2,022)	-	(2,679)
Net Profit/ (Loss) for the Period	(5,208)	(3,756)	(8,933)	2,524
Other Comprehensive Income	-	-	-	-
Total Comprehensive Profit/ (Loss) for the Period	(5,208)	(3,756)	(8,933)	2,524
Attributable to Equity Holders of the Company:				
Net Profit/ (Loss)	(5,208)	(3,756)	(8,933)	2,524
Total Comprehensive Profit/ (Loss)	(5,208)	(3,756)	(8,933)	2,524
Earnings/ (Loss) Per Share Attributable to Equity Holders of the Company (Note 17.11)				
Basic (Sen)				
- from continuing operations	(0.84)	(0.28)	(1.44)	0.84
- from discontinued operation	-	(0.33)	-	(0.43)
	(0.84)	(0.61)	(1.44)	0.41
Diluted (Sen)				
- from continuing operations	(0.84)	(0.28)	(1.44)	0.84
- from discontinued operation	-	(0.32)	-	(0.43)
	(0.84)	(0.60)	(1.44)	0.41

(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 January 2019

(The figures have not been audited)

	(UNAUDITED) As At 31/01/2019 <u>RM'000</u>	(AUDITED) As At 31/07/2018 <u>RM'000</u>
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	106,883	110,803
Land Held for Property Development	16,771	16,770
	<u>123,654</u>	<u>127,573</u>
Current Assets		
Inventories	75,291	76,619
Land and Property Development Costs	19,343	34,097
Receivables, Deposits and Prepayments	158,137	146,912
Tax Recoverable	6,576	5,495
Cash and Cash Equivalents	13,445	46,197
	<u>272,792</u>	<u>309,320</u>
Non-Current Assets Held for Sale	9,543	14,513
	<u>282,335</u>	<u>323,833</u>
Total Assets	<u>405,989</u>	<u>451,406</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Share Capital	154,810	154,810
Reserves	122,304	140,596
Total Equity	<u>277,114</u>	<u>295,406</u>
Non-Current Liabilities		
Loans and Borrowings	19,351	19,765
Deferred Tax Liabilities	12,849	12,849
	<u>32,200</u>	<u>32,614</u>
Current Liabilities		
Payables and Accruals	39,187	65,059
Loans and Borrowings	57,488	58,322
Tax Payable	-	5
	<u>96,675</u>	<u>123,386</u>
Total Liabilities	<u>128,875</u>	<u>156,000</u>
Total Equity and Liabilities	<u>405,989</u>	<u>451,406</u>
Net Assets Per Share Attributable to Ordinary Equity Holders of the Company (RM)	0.45	0.48

(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 January 2019**

(The figures have not been audited)

	<----- Attributable to Shareholders of the Company ----->				Distributable	Total Equity RM'000
	<----- Non-Distributable ----->		Assets Revaluation Reserve RM'000	Reserve Included in Disposal Group Held for Sale and Discontinued Operation RM'000		
	Share Capital RM'000	Treasury Shares RM'000				
6 months period ended						
<u>31 January 2019</u>						
Balance at beginning of year 01 August 2018	154,810	(1,957)	42,170	-	100,383	295,406
Net loss for the financial period	-	-	-	-	(8,933)	(8,933)
Treasury shares acquired	-	(1,795)	-	-	-	(1,795)
Dividend paid	-	-	-	-	(7,564)	(7,564)
Balance at end of period 31 January 2019	<u>154,810</u>	<u>(3,752)</u>	<u>42,170</u>	<u>-</u>	<u>83,886</u>	<u>277,114</u>
6 months period ended						
<u>31 January 2018</u>						
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	-	-	-	-	2,524	2,524
Balance at end of period 31 January 2018	<u>154,810</u>	<u>(5)</u>	<u>46,503</u>	<u>2,070</u>	<u>119,917</u>	<u>323,295</u>

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

Condensed Consolidated Statement of Cash Flows

For the quarter ended 31 January 2019

(The figures have not been audited)

	FY 2019 6 Months Ended 31/01/2019 <u>RM'000</u>	FY 2018 6 Months Ended 31/01/2018 <u>RM'000</u>
Profit/(Loss) before taxation		
Continuing Operations	(8,933)	8,611
Discontinued Operation	-	(2,432)
	<u>(8,933)</u>	<u>6,179</u>
Adjustments for :		
Depreciation of property, plant and equipment	3,093	6,832
Interest expense	2,579	5,833
Interest income	(99)	(32)
(Gain)/Loss on disposal of property, plant and equipment	(1,322)	(4,308)
Property, plant and equipment written off	-	551
	<u>(4,682)</u>	<u>15,055</u>
Operating profit/(loss) before working capital changes		
Changes in working capital :		
Net change in current assets	5,553	(56)
Net change in current liabilities	(25,872)	(42,649)
	<u>(25,001)</u>	<u>(27,650)</u>
Cash generated from/(used in) operations		
Interest paid	(2,579)	(5,833)
Income tax paid	(1,085)	(5,824)
	<u>(28,665)</u>	<u>(39,307)</u>
Net cash generated from/(used in) operating activities		
Investing activities :		
Purchase of property, plant and equipment	(176)	(15,713)
Proceeds from disposal of property, plant and equipment	6,596	12,849
Interest received	99	32
Upliftment/(Placement) of fixed deposits pledged	5,143	(8,018)
	<u>11,662</u>	<u>(10,850)</u>
Net cash flows from/(used in) investing activities		
Financing activities :		
Proceeds/(Repayment) of bank borrowings/changes in bills payables	(639)	41,671
Shares buy-back	(1,795)	-
Dividend paid	(7,564)	-
	<u>(9,998)</u>	<u>41,671</u>
Net cash flows from/(used in) financing activities		
Net increase/(decrease) in cash and cash equivalents	(27,001)	(8,486)
Cash and cash equivalents at beginning of year	22,757	(20,594)
	<u>(4,244)</u>	<u>(29,080)</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	5,985	10,516
Fixed deposits	7,460	12,153
Cash and cash equivalents	<u>13,445</u>	<u>22,669</u>
Bank overdrafts	(10,229)	(39,596)
Less : Fixed deposits pledged	(7,460)	(12,153)
	<u>(4,244)</u>	<u>(29,080)</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 January 2019**

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 an off-peak period for the furniture industry due to many 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) There is no change in the outstanding number of options of the Company's Employee's Share Option Scheme ("ESOS"). As at 31 January 2019, the outstanding number of options is 6,310,000; and
- b) During the period under review, the Company purchased 7,701,400 ordinary shares of its issued share capital from the open market at an average cost of RM0.233 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
Nov-18	410,000	0.220	0.240	0.232	95
Dec-18	2,618,100	0.220	0.240	0.231	604
Jan-19	562,000	0.225	0.240	0.231	130
	<u>7,701,400</u>			<u>0.233</u>	<u>1,794</u>

As at 31 January 2019, the total number of treasury shares held was 14,225,800 ordinary shares.

8 Dividends Paid

On 24 January 2019, the Company paid a first interim single-tier dividend of 1.25 sen per ordinary share amounted to RM7.6m in respect of the current financial year.

Notes To The Interim Financial Report
For the quarter ended 31 January 2019

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	Boards Operation RM'000			
6 months period ended 31 January 2019							
Revenue							
External sales	87,508	30,300	-	-	117,808	-	117,808
Inter-segment sales	7,567	4,294	100	-	11,961	(11,961)	-
Total sales	95,075	34,594	100	-	129,769	(11,961)	117,808
Results							
Segment results	(4,159)	(1,886)	(395)	-	(6,440)	(13)	(6,453)
Interest income	99	-	-	-	99	-	99
Finance costs	(2,263)	(316)	-	-	(2,579)	-	(2,579)
Profit/ (loss) before taxation	(6,323)	(2,202)	(395)	-	(8,920)	(13)	(8,933)
Taxation	-	-	-	-	-	-	-
Net profit/ (loss)	(6,323)	(2,202)	(395)	-	(8,920)	(13)	(8,933)

6 months period ended
31 January 2018

Revenue							
External sales	88,646	60,309	-	44,134	193,089	(44,134)	148,955
Inter-segment sales	9,090	30,343	100	-	39,533	(39,533)	-
Total sales	97,736	90,652	100	44,134	232,622	(83,667)	148,955
Results							
Segment results	6,537	6,038	(606)	(93)	11,876	103	11,979
Interest income	30	-	-	2	32	-	32
Finance costs	(2,231)	(1,260)	-	(2,341)	(5,832)	-	(5,832)
Profit before taxation	4,336	4,778	(606)	(2,432)	6,076	103	6,179
Taxation	(1,921)	(1,487)	-	(247)	(3,655)	-	(3,655)
Net profit	2,415	3,291	(606)	(2,679)	2,421	103	2,524

(#) 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 January 2019**

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 (b).

14 Contingent Liabilities

a) Group

Contingent liabilities of the Group as at 31 January 2019 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 RM82.2m as at 31 January 2019.

15 Capital Commitments

There were no material capital commitments of the Group as at 31 January 2019.

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	95
<u>Transaction with companies in which certain directors of the Company are also the director and have substantial financial interest</u>	
Sales	8,787
Sales commission	146
Purchases	7,197
Rental paid	288

**Notes To The Interim Financial Report
For the quarter ended 31 January 2019**

17.1 Review of Performance

	<u>FY 2019</u> Current Quarter Ended 31/01/2019 RM'000	<u>FY 2018</u> Comparative Quarter Ended 31/01/2018 RM'000	Variance RM'000	Variance %
Continuing Operations				
Revenue	55,045	63,886	(8,841)	-13.8%
(Loss)/Profit before tax	(5,208)	(725)	(4,483)	618.3%

The Group reported revenue of RM55.05m in the current quarter as compared to RM63.89m (from continuing operations) in the corresponding quarter last year. The decrease of RM8.84m or 13.8% was mainly attributed to lower revenue from the property development segment by RM9.23m due to completion of a major project while other on-going projects are at the final stage of completion. The rubberwood furniture segment showed no significant change in the revenue.

The Group posted loss before tax of RM5.21m for the current quarter as compared to loss before tax of RM0.73m (from continuing operations) in the same quarter last year, this was mainly due to:

- a) lower revenue of the property development segment as mentioned above;
- b) further sales discount was offered to boost the property sales;
- c) 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
- d) bigger proportion of low margin products mix in the rubberwood furniture segment.

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

	<u>FY 2019</u> Current Quarter Ended 31/01/2019 RM'000	<u>FY 2019</u> Preceding Quarter Ended 31/10/2018 RM'000	Variance RM'000	Variance %
Revenue	55,045	62,763	(7,718)	-12.3%
(Loss)/Profit before tax	(5,208)	(3,725)	(1,483)	-39.8%

The Group recorded revenue of RM55.05m in the current quarter as compared to the revenue of RM62.76m in the preceding quarter. The decrease of RM7.72m or 12.3% was mainly attributed to lower revenue of RM10.48m from the property development segment as all on-going projects are at the final stage of completion. However the rubberwood furniture segment showed 6% improvement of RM2.72m in the revenue .

Loss before tax of RM5.21m was reported for the current quarter, worsen by 39.8% from the preceding quarter. This was mainly due to lower revenue and further sales discount in the property development segment.

However, the loss before tax in the rubberwood furniture segment reduced by RM1.49m due to gain from disposal of a factory amounting to RM1.33m.

**Notes To The Interim Financial Report
For the quarter ended 31 January 2019**

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 but with some signs of recovery. As all the development projects are nearing completion, the Group intends to seek sustainable earnings growth over medium to longer term. As such, the Group has entered into a conditional share sale agreement on 29 January 2019 to acquire a property development company which owned 3 contiguous parcels of vacant commercial development land totalling 22.43 acres at a strategic location in Semenyih. The Group will continue to look for further opportunities in property development to contribute positively to the Group's future earnings in the medium to longer term.

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	6 Months	6 Months
	Quarter Ended	Quarter Ended	Cumulative	Cumulative
	31/01/2019	31/01/2018	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	(39)	(24)	(99)	(32)
- continuing operations	(39)	(23)	(99)	(30)
- discontinued operation	-	(1)	-	(2)
Interest expense	1,247	2,926	2,579	5,833
- continuing operations	1,247	1,595	2,579	3,492
- discontinued operation	-	1,331	-	2,341
Depreciation and amortisation	1,352	3,354	3,093	6,832
- continuing operations	1,352	1,951	3,093	4,047
- discontinued operation	-	1,403	-	2,785
(Gain)/ loss on disposal of property, plant and equipment	(1,322)	(3,029)	(1,322)	(4,308)
Property, plant and equipment written off	-	551	-	551
(Gain)/ loss on foreign exchange	21	464	(76)	609
- continuing operations	21	279	(76)	367
- discontinued operation	-	185	-	242

**Notes To The Interim Financial Report
For the quarter ended 31 January 2019**

17.6 Taxation

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

17.7 Group Borrowings and Securities

The Group borrowings as at 31 January 2019 are as follows :

	<u>RM'000</u>
Secured current borrowings	
- Denominated in Ringgit	52,380
- Denominated in US Dollar	5,108
Secured non-current borrowings	
- Denominated in Ringgit	19,351
	<u>76,839</u>

17.8 Corporate Proposals

- a) The Company entered into a conditional share sale agreement on 26 July 2017 with Mieco 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	Revised	Actual	Intended Timeframe for Utilisation
	Utilisation	Utilisation	Utilisation	Utilisation	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	
Repayment of bank borrowings	40,000	40,000	15,000	11,169	Within 6 months #
To fund future acquisition of land bank	15,000	-	(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>	<u>-</u>	<u>11,169</u>	

Revised timeframe from the date the shareholders approved the proposed variation of the utilisation, i.e. on 8 January 2019

- b) The Company's wholly-owned subsidiary, SYF Development Sdn Bhd entered into a conditional share sale agreement on 29 January 2019 with Kiara Susila Sdn Bhd ("KSSB") for proposed acquisition of its entire equity interest in Giat Armada Sdn Bhd ("GASB"), a wholly-owned subsidiary, for a cash purchase price of RM6,500,000 together with the settlement of advances owing by GASB to KSSB amounting to RM64,535,134. 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.

**Notes To The Interim Financial Report
For the quarter ended 31 January 2019**

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 does not propose any dividend for the quarter under review.

17.11 Earnings Per Share Attributable to Equity Holders of the Company

	<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>	<u>FY 2019</u> 3 Months Cumulative To Date <u>RM'000</u>	<u>FY 2018</u> 3 Months Cumulative To Date <u>RM'000</u>
Net profit/ (loss) attributable to equity holders of the company				
- from continuing operations	(5,208)	(1,734)	(8,933)	5,203
- from discontinued operation	-	(2,022)	-	(2,679)
	<u>(5,208)</u>	<u>(3,756)</u>	<u>(8,933)</u>	<u>2,524</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	(0.84)	(0.28)	(1.44)	0.84
- from discontinued operation	-	(0.33)	-	(0.43)
	<u>(0.84)</u>	<u>(0.61)</u>	<u>(1.44)</u>	<u>0.41</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) *	726	3,142	726	3,142
Adjusted weighted average number of ordinary shares ('000)	<u>619,965</u>	<u>622,381</u>	<u>619,965</u>	<u>622,381</u>
Diluted earning/ (loss) per share (sen)				
- from continuing operations	(0.84)	(0.28)	(1.44)	0.84
- from discontinued operation	-	(0.32)	-	(0.43)
	<u>(0.84)</u>	<u>(0.60)</u>	<u>(1.44)</u>	<u>0.41</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.