

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
 FOR THE QUARTER ENDED 30 JUNE 2008**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30-Jun-08 RM'000	Preceding Year Corresponding Quarter 30-Jun-07 RM'000	Current Year To-date 30-Jun-08 RM'000	Preceding Year Corresponding Period 30-Jun-07 RM'000
Revenue	30,538	29,667	57,823	57,267
Cost of sales	(27,495)	(26,655)	(53,405)	(50,845)
Gross profit	3,043	3,012	4,418	6,422
Other income	96	156	222	163
Administrative expenses	(1,346)	(1,174)	(2,553)	(2,606)
Selling and distribution expenses	(1,438)	(599)	(3,507)	(1,710)
Other expenses	(131)	(129)	(280)	(261)
Finance Costs	(318)	(341)	(596)	(680)
(Loss)/ Profit before taxation	(94)	925	(2,296)	1,328
Taxation	(30)	(173)	(30)	(282)
(Loss)/ Profit after taxation	(124)	752	(2,326)	1,046
Attributable to:				
Equity holders of the parent	(124)	752	(2,326)	1,046
(Loss)/ Earnings per share (sen)				
- Basic	(0.10)	0.63	(1.94)	0.87
- Diluted	N/A	N/A	N/A	N/A

The unaudited Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

SERN KOU RESOURCES BERHAD

(Company No.519103-X)

SECOND QUARTER ENDED 30 JUNE 2008

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008**

	As at End of Current Quarter 30-Jun-08 (Unaudited) RM'000	As at Preceding Financial Year End 31-Dec-07 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	37,012	38,252
Prepaid lease payments	5,002	5,037
Goodwill on consolidation	2,451	2,451
	-----	-----
	44,465	45,740
	-----	-----
Current assets		
Inventories	18,729	22,775
Trade & other receivables	26,689	25,570
Amount owing by a related party	-	4
Tax refundable	1,783	1,413
Short term deposits with licensed banks	391	1,987
Cash and bank balances	3,261	1,459
	-----	-----
	50,853	53,208
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TOTAL ASSETS	95,318	98,948
	=====	=====
EQUITY AND LIABILITIES		
Equity		
Share capital	60,000	60,000
Retained profits	8,840	12,366
	-----	-----
	68,840	72,366
	-----	-----
LIABILITIES		
Non-current liabilities		
Hire purchase payables	321	694
Term loan	2,857	3,344
Deferred taxation	2,444	2,444
	-----	-----
	5,622	6,482
	-----	-----
Current liabilities		
Trade & other payables	5,356	5,881
Hire purchase payables	1,182	1,745
Short term borrowings	12,780	10,190
Bank overdraft	1,538	2,284
	-----	-----
	20,856	20,100
	-----	-----
Total liabilities	26,478	26,582
	-----	-----
TOTAL EQUITY AND LIABILITIES	95,318	98,948
	=====	=====
Net assets per share (RM)	0.57	0.60
	=====	=====

The unaudited Condensed Balance Sheet should be read in conjunction with the audited Financial Statements for year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

SERN KOU RESOURCES BERHAD

(Company No.519103-X)

SECOND QUARTER ENDED 30 JUNE 2008

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2008**

	Share Capital	Retained Profits	Total
	RM'000	RM'000	RM'000
<i>For the period ended 30 June 2008</i>			
At 1 January 2008	60,000	12,366	72,366
Dividend paid	-	(1,200)	(1,200)
Net loss for the period	-	(2,326)	(2,326)
At 30 June 2008	60,000	8,840	68,840
<i>For the period ended 30 June 2007</i>			
At 1 January 2007	60,000	11,679	71,679
Dividend paid	-	(1,500)	(1,500)
Net profit for the period	-	1,046	1,046
At 30 June 2007	60,000	11,225	71,225

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Financial Statements for year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
 FOR THE QUARTER ENDED 30 JUNE 2008**

	Current Year To-date 30-Jun-08 RM'000	Preceding Year Corresponding Period 30-Jun-07 RM'000
CASH FLOWS FROM/ (FOR) OPERATING ACTIVITIES		
(Loss)/ Profit before taxation	(2,296)	1,328
Adjustments for:		
Amortisation of concession rights	1,435	-
Depreciation of property, plant & equipment	2,163	1,973
Interest expense	445	443
Lease rental	35	35
Net gain on disposal of property, plant & machinery	-	(47)
Interest income	(37)	(112)
Operating profit before working capital changes	1,745	3,620
Decrease/ (Increase) in inventories	4,046	(5,672)
Decrease/ (Increase) in trade & other receivables	1,792	(2,891)
Decrease in trade & other payables	(525)	(1,361)
Cash From/ (For) Operations	7,058	(6,304)
Interest paid	(445)	(443)
Income tax paid	(400)	(430)
Net Cash From/ (For) Operating Activities	6,213	(7,177)
CASH FLOWS FOR INVESTING ACTIVITIES		
Payment for concession rights	(4,342)	-
Interest received	37	112
Proceeds from disposal of property, plant and equipment	-	47
Purchase of property, plant and equipment	(923)	(1,852)
Net Cash For Investing Activities	(5,228)	(1,693)
CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES		
Dividend paid	(1,200)	(1,500)
Repayment of hire purchase obligations	(936)	(641)
Net drawdown of bankers' acceptances	2,612	8,177
Repayment of term loan	(509)	(214)
Net Cash (For)/ From Financing Activities	(33)	5,822
NET INCREASE IN CASH AND CASH EQUIVALENTS	952	(3,048)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,162	7,037
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2,114	3,989
CASH AND CASH EQUIVALENTS COMPRISE:-		
Cash and bank balances	3,261	2,425
Short term deposits with licensed banks	391	2,414
Bank overdraft	(1,538)	(850)
	2,114	3,989

The unaudited Condensed Cash Flow Statement should be read in conjunction with the audited Financial Statements for year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

A. EXPLANATORY NOTES

A1. Basis of Preparation

The interim financial statements of the Group are unaudited and have been prepared under the same accounting policies and methods of computation as those used in the preparation of the most recent audited financial statements and comply with FRS 134 : Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. The 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 year ended 31 December 2007.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007.

A2. Auditors' Report on the Most Recent Audited Financial Statements

The auditors' report on the most recent audited financial statements was not subject to any qualification.

A3. Seasonality or Cyclicity Factors

The performance of the Group is generally not affected by any seasonal or cyclical factors.

A4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

A5. Changes in Estimates

Not applicable.

A6. Issuance, Cancellations, Repurchase, Resale and Repayment of Debt and Equity Securities

There were no issuance or repayment of debt and equity securities, share buy-back, share cancellations and sale of treasury for the financial period under review.

A7. Dividend

During the financial period, a final tax-exempt dividend of 1 sen per share amounting to RM1,200,000 in respect of the financial year ended 31 December 2007 which was approved at the Annual General Meeting held on 23 May 2008, was paid on 16 June 2008.

A8. Segmental & Geographical Reporting

Segmental reporting for the period ended 30 June 2008

	Investment Holding RM '000	Furniture RM '000	Kiln- Drying & Lamination RM '000	Timber Extraction RM '000	Inter-Co Elimination RM '000	Total RM '000
Revenue						
- External	-	42,838	13,071	1,914	-	57,823
- Inter-Segmental Sales	-	4,372	4,864	1,050	(10,286)	-
Total Revenue	-	47,210	17,935	2,964	(10,286)	57,823
Results						
(Loss)/Profit Before Tax	(41)	(622)	(1,219)	(444)	-	(2,326)
Income Tax Expenses	-	-	-	-	-	-
Net (Loss)/Profit After Tax	(41)	(622)	(1,219)	(444)	-	(2,326)

Geographical segment has not been presented as the Group operates wholly in Malaysia.

A9. Valuation of Property, Plant and Equipment Brought Forward

Not applicable as the Group did not revalue its property, plant and equipment.

A10. Material Subsequent Events

There were no material events subsequent to the financial period under review.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group in the financial period under review.

A12. Contingent Liabilities and Capital Commitments

Since the last annual balance sheet at 31 December 2007, there were no material changes in contingent liabilities for the Group as at the date of this report.

The changes in contingent liabilities of the Company are as follows:

	Company	
	As at 30.6.2008	As at 31.12.2007
	RM'000	RM'000
Corporate guarantees given to licensed banks for Banking facilities granted to subsidiaries	15,166	15,166

B. SELECTED EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of Performance

For the financial quarter under review, the Group has reported a revenue and loss before tax of RM30.5 million and RM94 thousand respectively, compared to a revenue of RM29.7 million and profit before tax of RM925 thousand registered in the preceding corresponding quarter. The operating results of this quarter mainly affected by losses from timber extraction segment and kiln dry & laminated board segment. Due to drop in revenue and high cost of raw material, both segments reported loss before tax of RM329 thousand and RM891 thousand respectively for the quarter under review.

B2. Comparison with Preceding Quarter's Result

The Group's revenue for the current quarter registered at RM30.5 million compared to the revenue of RM27.3 million in the preceding quarter. For the quarter under review, the group has reported a pre-tax loss of RM94 thousand compare to RM2.2 million in the preceding quarter. The furniture segment has contributed RM23 million (1st Quarter: RM 19.8 million) of revenue and RM1.1 million of pre-tax profit (1st Quarter pre-tax loss: RM1.7million) for the current quarter. The higher revenue and profit for the furniture segment was mainly due to increase in demand coupled with reduction in cost of sales. However, the overall performance of the group has been affected by losses suffered from timber extraction and kiln dry & laminated board segments.

B3. Current Year Prospects

The Board is mindful of continuing challenges in operating environment in the remaining financial periods. Nevertheless, the group is putting in greater efforts in strategic planning as well as improving its results through increased operational efficiency. The group believes to deliver better result especially in the wooden furniture segment.

B4. Profit Forecast

There is no profit forecast issued for the current financial period under review.

B5. Taxation

Taxation for the quarter and year to date comprises:

	Current Quarter RM '000	Current Year to Date RM '000
Current Taxation	-	-

The effective tax rate of the current quarter is lower than the statutory tax rate mainly due to the availability of pioneer status of one the subsidiaries and overprovision in the previous quarter.

B6. Sale of Unquoted Investment / Properties

There was no sale of unquoted investments and properties for the financial period under review.

B7. Investment of Quoted Investment

There was no purchase or disposal of quoted securities for the financial period under review.

B8. Status of Corporate Proposals

There were no corporate proposals announced for the financial period under review.

B9. Group Borrowings and Debt Securities

The Group's borrowings as at 30 June 2008 are as follows:

	Secured RM '000	Unsecured RM '000	Total RM '000
Short Term Borrowings			
Bankers Acceptances	1,723	-	1,723
Bank Overdraft	1,538	-	1,538
Hire Purchase Creditors	1,182	-	1,182
Term loan	1,057	-	1,057
	<u>5,500</u>	<u>-</u>	<u>5,500</u>
Long Term Borrowings			
Hire Purchase Creditors	321	-	321
Term loan	2,857	-	2,857
Total	<u>8,678</u>	<u>-</u>	<u>8,678</u>

B10. Off Balance Sheet Financial Instruments

During the financial period to date, the Group did not enter into any contract involving off balance sheet financial instruments.

B11. Material Litigation

The Group was not engaged in any material litigation for the current financial period to date.

B12. Dividend payable

There as no dividend proposed for the financial period under review.

SERN KOU RESOURCES BERHAD (Company No.519103-X)
SECOND QUARTER ENDED 30 JUNE 2008

B13. Loss per Share

The basic loss per share ("LPS") for the current quarter are calculated based on the loss after tax ("LAT") and number of ordinary shares outstanding during the period as follows:

	Current Quarter	Current Year To Date
LAT (RM '000)	(124)	(2,326)
Number of ordinary shares ('000)	120,000	120,000
LPS (Sen)	(0.10)	(1.94)

B14. Significant Related Party Transactions

During the financial period under review, there were no significant related party transactions.

B15. Authorization for Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Board of Directors dated 25 August 2008.

By Order of the Board

Mah Li Chen (MAICSA 7022751)
Company Secretary
Muar
25 August 2008