

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 in compliance with Malaysia Financial Reporting Standards ("MFRS") 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 period ended 30 June 2012. 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 period ended 30 June 2012.

A2. Accounting Policies

The significant accounting policies adopted for the interim financial statements are consistent with those adopted for the Group's annual Audited Financial Statements for the period ended 30 June 2012.

A3. 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.

A4. Seasonality or Cyclicity Factors

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

A5. Unusual Items

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

A6. Changes in Estimates

Not applicable.

A7. 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.

A8. Dividend

There was no dividend paid for the financial period under review.

A9. Segmental & Geographical Reporting

Business Segment	Others	Furniture	Kiln-Drying and Lamination	Wood	Inter- Company Elimination	Total
31.3.2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External sales	-	30,386	33,937	15,476	-	79,799
Inter-segment sales	-	2,247	4,172	2,097	(8,516)	-
	-	32,633	38,109	17,573	(8,516)	79,799
Results						
(Loss)/ Profit before taxation	41	(550)	(1,901)	38	-	(2,372)
Income tax expense	(33)	292	236	(68)	-	427
(Loss)/ Profit after taxation	8	(258)	(1,665)	(30)	-	(1,945)

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

A10. Valuation of Property, Plant and Equipment Brought Forward

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

A11. Material Subsequent Events

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

A12. Changes in the Composition of the Group

On 20 February 2012, the Company disposed of its entire interest in Ecofert Biotech Sdn. Bhd. for a cash consideration of RM 51. The effects of the disposal on the cash flows of the Group were:-

<u>Carrying amounts of assets and liability disposed</u>	Group RM
Cash in hand	(100)
Other payables	4,887
Net liabilities derecognized	4,787
(Less) Non-controlling interest	(2,345)
Net liabilities disposed	2,441

The aggregate cash inflows arising from the disposal of Ecofert Biotech Sdn. Bhd. were:-

Net liabilities disposed (as above)	(2,441)
Gain on disposal	2,492
Cash proceeds from disposal	51
(Less) Cash and cash equivalents in subsidiaries disposed	(100)
Net cash outflow on disposal	(49)

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

B1. Performance Analysis

	Individual Quarter		Year to Date	
	31.3.2013 RM'000	31.3.2012 RM'000	31.3.2013 RM'000	31.3.2012 RM'000
Revenue				
Furniture	9,258	7,571	30,386	27,762
Kiln Drying & Lamination	12,143	13,912	33,937	45,280
Wood	4,404	669	15,476	4,719
Group	25,805	22,152	79,799	77,761
Profit/ (Loss) before tax				
Furniture	(835)	(185)	(550)	(306)
Kiln Drying & Lamination	(924)	(528)	(1,901)	(478)
Wood	326	(160)	38	19
Others	22	44	41	76
Group	(1,411)	(829)	(2,372)	(689)

For the current quarter under review, the Group's revenue was recorded at RM26 million compared with previous year's corresponding quarter ended 31 March 2012 which recorded at RM22 million. The Group registered loss before tax of RM1.4 million compared with previous year's corresponding quarter ended 31 March 2012 which registered loss before tax of RM 829,000.

Furniture segment:

Furniture segment's sales has increased 22% or RM1.7 million for the quarter under review compared with previous year corresponding quarter. This result reflects the market has continued to show a favorable response to the Company's products and service delivered. However, the segment has reported loss before tax of RM835,000 compared with Loss before tax of RM 185,000 registered in the previous year corresponding quarter. The loss before tax was due to price competitive of furniture products and increase of labour cost as a result of implementing minimum wages policy among foreign workers.

Kiln-drying & lamination segment

The segment's sales for the current quarter registered at RM12 million compared with previous year corresponding quarter which registered at RM 14 million. For the quarter under review, the segment registered loss before tax of RM924,000 compared with RM528,000 loss before tax recorded at preceding corresponding quarter. The segment's performance was mainly affected by drop in dry rubber wood selling price coupled with high factory overhead due to lower utilization rate of production capacity.

Wood segment

The segment's sales for the current quarter has increased from RM669,000 to RM4.4 million as a result of increase in sales of tropical wood. The segment has registered profit before tax of RM326,000 compare with loss before tax of RM16,000 recorded at preceding corresponding quarter. The performance of its operating result was contributed by higher yield on wood extraction.

B2. Comparison with Preceding Quarter's Result

	Revenue RM'000	Loss before tax RM '000	Loss after tax RM '000
Third quarter 31.3.2013	25,805	(1,411)	(1,053)
Second quarter 31.12.2012	30,248	(231)	(227)

The Group's revenue for the current quarter registered at RM26 million compared to the revenue of RM30 million in the preceding quarter which show a slight increase in sales. Beside, the loss before tax of the Group has reduced from RM731,000 in preceding quarter to RM 231,000. The decrease in loss before tax during the reporting quarter was mainly due to higher sales achieved and improvement in the operating cost compare with preceding quarter by all operating segments.

B3. Prospects

In view of global economic slowdown and prevailing economic uncertainty, the Group anticipates the operating environment will remain challenging in the coming financial period.

B4. Profit Forecast

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

B5. Taxation

	Current Quarter RM '000	Current Year to Date RM '000
Current tax expense	358	427

B6. Status of Corporate Proposals

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

SERN KOU RESOURCES BERHAD (Company No.519103-X)
THIRD QUARTER ENDED 31 MARCH 2013

B7. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2013 are as follows:

	Secured RM '000	Unsecured RM '000	Total RM '000
Short Term Borrowings			
Bankers Acceptances	16,542	-	16,542
Bank Overdraft	1,355	-	1,355
Hire Purchase Creditors	475	-	475
Term loan	250	-	250
	<u>18,622</u>	<u>-</u>	<u>18,622</u>
Long Term Borrowings			
Hire Purchase Creditors	945	-	945
Term loan	3,838	-	3,838
	<u>3,838</u>	<u>-</u>	<u>3,838</u>
Total	<u>23,405</u>	<u>-</u>	<u>23,405</u>

B8. Material Litigation

The Group did not engage in any material litigation for the current financial period to date.

B9. Dividend payable

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

B10. 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)	(1,053)	(1,945)
Number of ordinary shares ('000)	120,000	120,000
LPS (Sen)	(0.88)	(1.62)

B11. Notes to Comprehensive Income Statement

The following items have been included in the Statement of Comprehensive Income:-

	Individual Quarter Ended 31.3.3013 RM'000	Year to date Ended 31.3.3013 RM'000
After Charging:-		
Interest Expenses	218	711
Depreciation	791	2,342
After Crediting:-		
Interest income	-	(4)
Other income	(133)	(387)
Foreign exchange gain – Realised	(182)	(460)

SERN KOU RESOURCES BERHAD (Company No.519103-X)
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B12. Significant Related Party Transactions

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

B13. Realised And Unrealised Profits

The breakdown of the retained profits of the Group as at the reporting period into realised and unrealised profit / (losses) as follows:-

	As at 31.3.2013 RM'000	As at 30.6.2012 RM'000
Total retained profits:		
-Realised profits	2,949	6,129
-Unrealised profits/ (losses)	534	(700)
At 31 March 2013/ 30 June 2012	<u>3,483</u>	<u>5,429</u>

B14. 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.