

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.

In the previous financial year, the Group changed its financial year end from 31 December to 30 June. Accordingly, the financial statements of the Company for the financial period ended 30 June 2012 cover an 18 months period compared to the 12 months year ended 30 June 2013.

A2. Accounting Policies

The audited financial statements of the Group for the year ended 30 June 2012 were prepared in accordance with Financial Reporting Standards (“FRS”) issued by MASB. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the year 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 RM'000	Furniture RM'000	Wood Processing RM'000	Wood Trading RM'000	Inter-Company Elimination RM'000	Total RM'000
<u>30.6.2013</u>						
Revenue						
External sales	-	40,234	28,654	35,536	-	104,424
Inter-segment sales	-	2,883	8,686	-	(11,569)	-
	-	43,117	37,340	35,536	(11,569)	104,424
Results						
(Loss)/ Profit before taxation	(376)	(689)	(2,731)	387	-	(3,409)
Income tax expense	(94)	(482)	68	-	-	(508)
(Loss)/ Profit after taxation	(470)	(1,171)	(2,663)	387	-	(3,917)

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:-

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

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

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

SERN KOU RESOURCES BERHAD (Company No.519103-X)
FOURTH QUARTER ENDED 30 JUNE 2013

A13. Contingent Liabilities and Capital Commitments

Since the last annual statement of financial position as at 30 June 2012, 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:

<u>Contingent Liabilities</u>	Company	
	As at 30.6.2013 RM'000	As at 30.6.2012 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>28,017</u>	<u>27,578</u>
<u>Capital Commitment</u>	Group	
	As at 30.6.2013 RM'000	As at 30.6.2012 RM'000
	<u>Nil</u>	<u>Nil</u>

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

B1. Performance Analysis

	Individual Quarter		Year to Date	
	30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	30.6.2012 RM'000
Revenue				
Furniture	9,848	9,362	40,234	37,124
Wood Processing	5,223	3,340	28,654	14,336
Wood Trading	9,554	11,515	35,536	50,044
Group	24,625	24,218	104,424	101,504
Profit/ (Loss) before tax				
Furniture	(139)	(321)	(689)	(627)
Wood Processing	(587)	(3,987)	(2,731)	(4,829)
Wood Trading	106	158	387	550
Others	(417)	32	(376)	108
Group	(1,037)	(4,109)	(3,409)	(4,798)

For the current quarter under review, the Group's revenue was recorded at RM25 million compared with previous year's corresponding quarter ended 30 June 2012 which recorded at RM24 million. The Group registered loss before tax of RM1 million compared with previous year's corresponding quarter ended 30 June 2012 which registered loss before tax of RM 4.1 million.

Furniture segment:

Furniture segment's sales has increased 5% or RM486 thousand for the quarter under review compared with previous year corresponding quarter. This result shows the additional product line (i.e. bed room set) able to sustain the revenue and its demand is on favorable trend. However, the segment has reported loss before tax of RM139,000 compared with Loss before tax of RM 321,000 registered in the previous year corresponding quarter. The management seeks to expand its sales in order to overcome the increase of overhead expenses caused by under capacity beside the challenge of price competitive on furniture products.

Wood Processing segment:

The segment's sales for the current quarter registered at RM5 million compared with previous year corresponding quarter which registered at RM 3 million. For the quarter under review, the segment registered loss before tax of RM587,000 compared with RM4 million 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 under capacity of its production.

Wood Trading segment

The segment's sales for the current quarter has decrease from RM12 million to RM10 million. The decrease in sales was affected by the dropped in tropical wood selling price during the financial year. However, the segment has registered lower profit before tax of RM106,000 compare with RM158,000 recorded at preceding corresponding quarter on lower sales fetched.

B2. Comparison with Preceding Quarter's Result

	Revenue RM'000	Loss before tax RM '000	Loss after tax RM '000
Fourth quarter 30.6.2013	24,625	(1,036)	(1,972)
Third quarter 31.3.2013	25,805	(1,411)	(1,053)

The Group's revenue for the current quarter registered at RM25 million compared to the revenue of RM26 million in the preceding quarter, the decrease in sales of RM1 million was mainly due to drop in sales from its timber segment. Besides, the loss before tax of the Group recorded at RM1 million compare with loss before tax of RM1.4 million in preceding quarter.

Furniture segment's loss before tax has reduced from 835,000 to 139,000 which much benefits from the depreciation of Ringgit Malaysia against US Dollar.

Wood Processing segment's result also manage to narrow down its loss before tax from RM 707,000 reported in preceding quarter to RM 587,000 reported for the current quarter as a result of improvement in efficiency in operation. However, wood processing and timber segments' performance was both affected by drop in selling price.

B3. Prospects

Management of Furniture segment has taken various measures in terms of increase its sales and to reduce its cost of manufacturing.

Wood processing segment has sourced additional rubber wood suppliers to stabilise the supply of rubber wood. Besides, the company is in the progress in exploring to export market to supply dry wood and processed wood to oversea market. On the other hand, the segment will continue to concentrate its business operation in manufacturing and processing of rubber wood and tropical wood. Additional sawn mill operation site has been set up in Raub, Pahang to increase the capacity and sales volume of rubber wood.

Barring any unforeseen circumstances, the management anticipates the operating result for the coming shall be improved.

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	935	508

B6. Status of Corporate Proposals

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

B7. Group Borrowings and Debt Securities

The Group's borrowings as at 30 June 2013 are as follows:

	Secured RM'000
Short Term Borrowings	
Banker Acceptances	19,125
Bank Overdraft	1,838
Hire Purchase Creditors	425
Term Loan	2,758
	<u>24,146</u>
Long Term Borrowings	
Hire Purchase Creditors	849
Term Loan	4,406
	<u>5,255</u>
	<u>29,401</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)	(1,971)	(3,917)
Number of ordinary shares ('000)	120,000	120,000
LPS (Sen)	(1.64)	(3.26)

B11. Notes to Comprehensive Income Statement

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

	Individual Quarter Ended 30.6.2013 RM'000	Year to date Ended 30.6.2013 RM'000
After Charging:-		
Interest Expenses	277	988
Depreciation	788	3,130
After Crediting:-		
Interest income	(2)	(19)
Other income	(152)	(522)
Foreign exchange gain – Unrealised	(218)	(218)
Foreign exchange gain – Realised	(265)	(725)

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 30.6.2013 RM'000	As at 30.6.2012 RM'000
Total retained profits:		
-Realised profits	1,881	6,128
-Unrealised losses	(370)	(700)
At 30 June 2013/ 2012	<u>1,511</u>	<u>5,428</u>

B14. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors.