

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"), International Financial Reporting Standards (IFRSs), the provision of the Companies Act, 1965 Malaysia 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 2013. 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 2013.

A2. Accounting Policies

The audited financial statements of the Group for the year ended 30 June 2013 were prepared in accordance with Malaysia Financial Reporting Standards ("MFRS"), 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 2013.

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.

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A9. Segmental & Geographical Reporting

| Business Segment | Others | Furniture | Kiln Drying | Wood | Inter-Company Elimination | Total |
|--------------------------------|---------------|------------------|--------------------|-------------|----------------------------------|--------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 31.12.2013 | | | | | | |
| Revenue | | | | | | |
| External sales | - | 11,199 | 10,177 | 313 | - | 21,689 |
| Inter-segment sales | - | 1,203 | 263 | 565 | (2,031) | - |
| | - | 12,401 | 10,440 | 878 | (2,031) | 21,689 |
| Results | | | | | | |
| Profit/ (Loss) before taxation | (16) | 630 | (102) | (411) | - | 101 |
| Income tax expense | (6) | - | - | - | - | (6) |
| (Loss)/ Profit after taxation | (22) | 630 | (102) | (411) | - | 95 |

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

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

A13. Contingent Liabilities and Capital Commitments

Since the last annual statement of financial position as at 30 June 2013, 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 31.12.2013 | As at 30.6.2013 |
| | RM'000 | RM'000 |
| Contingent Liabilities | | |
| Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries | <u>27,169</u> | <u>28,017</u> |
| | | |
| | Group | |
| | As at 31.12.2013 | As at 30.6.2013 |
| | RM'000 | RM'000 |
| Capital Commitment | <u>Nil</u> | <u>Nil</u> |

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

B1. Performance Analysis

| | Year to Date/ Individual Quarter | |
|----------------------------------|-------------------------------------|----------------------|
| | 31.12.2013 RM'000 | 31.12.2012 RM'000 |
| Revenue | | |
| Furniture | 11,199 | 10,928 |
| Kiln Drying | 10,177 | 11,560 |
| Wood | 313 | 7,760 |
| Group | 21,689 | 30,248 |
| Profit/ (Loss) before tax | | |
| Furniture | 630 | 131 |
| Kiln Drying | (102) | (399) |
| Wood | (411) | 52 |
| Others | (16) | (15) |
| Group | 101 | (231) |

For the current quarter under review, the Group's revenue was recorded at RM22 million compared with previous year's corresponding quarter ended 31 December 2012 which recorded at RM30 million. The Group registered profit before tax of RM101,000 compared with previous year's corresponding quarter ended 31 December 2012 which registered loss before tax of RM 231,000.

Furniture

Furniture segment's sales maintained at RM11 million for the quarter under review compared with previous year corresponding quarter. The segment's has registered Profit before tax of RM 630,000 compared with Profit before tax of RM 131,000 registered in the previous year corresponding quarter. The improvement in the segment result from effective control of its cost of goods sold after a series of implementations taken by Management and strengthen of US Dollar against Ringgit Malaysia and.

Kiln Drying

The segment's sales for the current quarter registered at RM10 million compared with previous year corresponding quarter which registered at RM 11 million. For the quarter under review, the segment registered loss before tax of RM102,000 compared with RM399,000 loss before tax recorded at preceding corresponding quarter. The segment's performance continues affected by lower sales demand and drop in selling price.

Wood

The segment's sales for the current quarter has decrease from RM8 million to RM313,000. The decrease in sales mainly due to management has shrink down its wood extraction activities at a condition of low selling price. The segment has registered loss before tax of RM411,000 compare with profit before tax of RM52,000 recorded at preceding corresponding quarter. The performance of the segment mainly affected by reduction in selling price and lower sales generated for the quarter under review.

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B2. Comparison with Preceding Quarter's Result

| | Year to Date/ Individual Quarter | |
|----------------------------------|---|----------------------|
| | 31.12.2013 RM'000 | 30.09.2013 RM'000 |
| Revenue | | |
| Furniture | 11,199 | 9,023 |
| Kiln Drying | 10,177 | 8,893 |
| Wood | 313 | 5,315 |
| Group | 21,689 | 23,231 |
| Profit/ (Loss) before tax | | |
| Furniture | 630 | (198) |
| Kiln Drying | (102) | (588) |
| Wood | (411) | (813) |
| Others | (16) | 24 |
| Group | 101 | (1,575) |

The Group's revenue for the current quarter registered at RM22 million compared to the revenue of RM23 million in the preceding quarter. Besides, the Group has recorded profit before tax of RM 101,000 compare with loss before tax of RM 1.6 million in preceding quarter. The improvement of the current quarter result mainly contributed by Furniture segment which recorded profit before tax of RM630,000 and reduction of loss before tax from Kiln-drying and Timbers segment.

B3. Prospects

Barring any unforeseen future circumstances, the Group's view of the performance for the remaining quarters is favorable.

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 | 6 | 22 |

B6. Status of Corporate Proposals

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

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 SECOND QUARTER ENDED 31 DECEMBER 2013

B7. Group Borrowings and Debt Securities

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

| | Secured RM'000 |
|------------------------------|-------------------|
| Short Term Borrowings | |
| Banker Acceptances | 14,846 |
| Bank Overdraft | 638 |
| Hire Purchase Creditors | 512 |
| Term Loan | 8,046 |
| | <u>24,042</u> |
| Long Term Borrowings | |
| Hire Purchase Creditors | 472 |
| Term Loan | 3,639 |
| | <u>4,111</u> |
| | <u>28,153</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. Profit/ (Loss) per Share

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

| | Current Quarter | Current Year To Date |
|-----------------------------------|--------------------|-------------------------|
| PAT/ (LAT) (RM '000) | 95 | (1,496) |
| Number of ordinary shares ('000) | 120,000 | 120,000 |
| PPS/ (LPS) (Sen) | 0.08 | (1.25) |

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B11. Notes to Comprehensive Income Statement

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

| | Individual Quarter Ended | Year to date Ended |
|---|-------------------------------------|-------------------------------|
| | 31.12.2013 | 31.12.2013 |
| | RM'000 | RM'000 |
| After Charging:- | | |
| Interest Expenses | 325 | 614 |
| Depreciation | 756 | 1,536 |
| After Crediting:- | | |
| Interest income | (2) | (8) |
| Gain on disposal of property, plant and equipment | (30) | (32) |
| Other income | (118) | (248) |
| Fair value gain | - | (14) |
| Foreign exchange gain – Realised | (230) | (559) |

B12. Significant Related Party Transactions

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

B13. Realised And Unrealised (Losses)/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 31.12.2013 | As at 30.6.2013 |
|-----------------------------|---------------------|--------------------|
| | RM'000 | RM'000 |
| Total retained profits: | | |
| -Realised profits | 2 | 2,902 |
| -Unrealised gain/ (losses) | 14 | (1,390) |
| At 31 December/30 June 2013 | <u>16</u> | <u>1,512</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.