

**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 2014. 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 2014.

**A2. Accounting Policies**

The audited financial statements of the Group for the year ended 30 June 2014 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 2014.

**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 Cyclical 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**

<b>Business Segment</b>	<b>Others</b> RM'000	<b>Manufacturing</b> RM'000	<b>Kiln Drying</b> RM'000	<b>Processing and trading</b> RM'000	<b>Inter-Company Elimination</b> RM'000	<b>Total</b> RM'000
<b>30.9.2014</b>						
<b>Revenue</b>						
External sales	-	10,728	11,013	5,593	-	27,334
Inter-segment sales	-	853	408	1,557	(2,818)	-
	-	11,581	11,421	7,150	(2,818)	27,334
<b>Results</b>						
Profit before taxation	25	362	135	38	-	560
Income tax expense	(12)	-	-	-	-	(12)
Profit after taxation	13	362	135	38	-	548

Geographical segment has not been presented as the Group operates wholly in Malaysia. The reportable segments are summarised as follows:-

- (i) Manufacturing – Manufacturing of wooden furniture
- (ii) Kiln Drying – Manufacturing and processing of all kinds of timber.
- (iii) Processing and trading – Processing and trading of rubberwood and timber logs.

**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 2014, 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:

	<b>Company</b>	
	As at 30.9.2014 RM'000	As at 30.9.2013 RM'000
<b><u>Contingent Liabilities</u></b>		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>30,606</u>	<u>28,004</u>
	<b>Group</b>	
	As at 30.9.2014 RM'000	As at 30.9.2013 RM'000
<b><u>Capital Commitment</u></b>	<u>Nil</u>	<u>Nil</u>

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

**B1. Performance Analysis**

	<b>Year to Date/ Individual Quarter</b>	
	30.9.2014 RM'000	30.9.2013 RM'000
<b>Revenue</b>		
Manufacturing	10,728	9,023
Kiln Drying	11,013	8,893
Processing and trading	5,593	5,315
<b>Group</b>	<b>27,334</b>	<b>23,231</b>
<b>Profit/ (Loss) before tax</b>		
Manufacturing	362	(198)
Kiln Drying	135	(588)
Processing and trading	38	(813)
Others	25	24
<b>Group</b>	<b>560</b>	<b>(1,575)</b>

For the current quarter under review, the Group's revenue was recorded at RM27 million compared with previous year's corresponding quarter ended 30 September 2013 which recorded at RM23 million. The Group registered profit before tax of RM560,000 compared with previous year's corresponding quarter ended 30 September 2013 which registered loss before tax of RM 1.6 million.

Manufacturing

The segment's sales has increased 19% or RM1.7 million for the quarter under review compared with previous year corresponding quarter. The segment has reported profit before tax of RM362,000 compared with loss before tax of RM 198,000 registered in the previous year corresponding quarter. The increase in sales demand for the segment shows favorable feedback from oversea buyer towards our products. These buyers include our existing and new buyer from United States of America and Europe, Asia-Pacific countries etc.

Kiln Drying

The segment's sales has increased 22% or RM2.1 million for the quarter under review compared with previous year corresponding quarter. For the quarter under review, the segment registered profit before tax of RM135,000 compared with RM588,000 loss before tax recorded at preceding corresponding quarter. The improvement in the segment's performance was mainly contributed by the effort of expanding its sales and drop in cost of raw material which improve the overall sales margin for the quarter under review.

Processing and trading

The segment's sales was recorded at RM5.6 million for the current quarter under review, where the segment has registered profit before tax of RM38,000 compare with loss before tax of RM813,000 recorded at preceding corresponding quarter. Management has taken implementations of cost reduction strategy on its operating cost in order to achieve better profit margin.

**B2. Comparison with Preceding Quarter's Result**

	<b>Individual Quarter Ended</b>	
	30.9.2014 RM'000	30.6.2014 RM'000
<b>Revenue</b>		
Manufacturing	10,728	9,847
Kiln Drying	11,013	12,540
Processing and trading	5,593	3,363
<b>Group</b>	<b>27,334</b>	<b>25,750</b>
<b>Profit before tax</b>		
Manufacturing	362	145
Kiln Drying	135	19
Processing and trading	38	16
Others	25	24
<b>Group</b>	<b>560</b>	<b>204</b>

The Group's revenue for the current quarter registered at RM27 million compared to the revenue of RM26 million in the preceding quarter. The Group continued to record profit before tax of RM 560,000 compared with profit before tax of RM 204,000 in preceding quarter.

**B3. Prospects**

The Group acknowledges the uncertainty of future market conditions and anticipates the potential impact to the Group's result in the coming quarters. However, the Group anticipates the operating result in the coming financial periods will be 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	12	12

**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)  
**FIRST QUARTER ENDED 30 SEPTEMBER 2014**

**B7. Group Borrowings and Debt Securities**

The Group's borrowings as at 30 September 2014 are as follows:

	Secured RM'000
<b>Short Term Borrowings</b>	
Banker Acceptances	18,150
Bank Overdraft	198
Hire Purchase Creditors	382
Term Loan	8,735
	<u>27,465</u>
<b>Long Term Borrowings</b>	
Hire Purchase Creditors	428
Term Loan	3,523
	<u>3,951</u>
	<u><u>31,416</u></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 per Share**

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

	Current Quarter	Current Year To Date
PAT (RM '000)	548	548
Number of ordinary shares ( '000)	120,000	120,000
PPS (Sen)	0.46	0.46

**B11. Notes to Comprehensive Income Statement**

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

	<b>Individual Quarter Ended</b>	<b>Year to date Ended</b>
	30.9.2014	30.9.2014
	RM'000	RM'000
<b>After Charging:-</b>		
Interest Expenses	428	428
Depreciation	647	647
<b>After Crediting:-</b>		
Interest income	-	-
Gain on disposal of property, plant and equipment	(2)	(2)
Other income	(126)	(126)

**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 30.9.2014	As at 30.6.2014
	RM'000	RM'000
Total retained profits:		
-Realised (losses)/profits	2,146	969
-Unrealised gain/ (losses)	-	629
At 30 June 2013/ 2012	<u>2,146</u>	<u>1,598</u>