

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

Business Segment	Others RM'000	Furniture RM'000	Kiln Drying RM'000	Processing and Trading RM'000	Inter-Company Elimination RM'000	Total RM'000
<u>31.12.2014</u>						
Revenue						
External sales	-	19,818	23,645	9,183	-	52,646
Inter-segment sales	-	1,003	1,059	3,538	(5,600)	-
	-	20,822	24,704	12,721	(5,600)	52,646
Results						
Profit/ (Loss) before taxation	2	247	(349)	810	-	710
Income tax expense	(25)	-	-	-	-	(25)
(Loss)/ Profit after taxation	(23)	247	(349)	810	-	685

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 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:

Contingent Liabilities	Company	
	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>27,309</u>	<u>27,169</u>
	Group	
	As at 31.12.2014 RM'000	31.12.2013 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	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Revenue				
Furniture	19,818	20,222	9,090	11,199
Kiln Drying	23,644	19,069	12,631	10,177
Processing and Trading	9,184	5,629	3,591	313
Group	52,646	44,920	25,313	21,689
Profit/ (Loss) before tax				
Furniture	247	433	(115)	630
Kiln Drying	(349)	(690)	(484)	(102)
Processing and Trading	810	(1,225)	773	(411)
Others	2	8	(23)	(16)
Group	710	(1,474)	151	101

For the current quarter under review, the Group's revenue was recorded at RM25 million compared with previous year's corresponding quarter ended 31 December 2013 which recorded at RM22 million. The Group registered profit before tax of RM151,000 compared with previous year's corresponding quarter ended 31 December 2013 which registered profit before tax of RM 101,000.

Furniture

Furniture segment's sales decreased from RM11 million at previous year corresponding quarter to RM9 million for the quarter under review. The segment's has recorded Loss before tax of RM115,000 compared with Profit before tax of RM630,000. The performance of the segment mainly due to slowdown in the sales demand from our oversea buyer.

Kiln Drying

The segment's sales for the current quarter registered at RM12 million compared with previous year corresponding quarter which registered at RM 10 million. For the quarter under review, the segment registered loss before tax of RM484,000 compared with RM102,000 loss before tax recorded at preceding corresponding quarter. The segment's performance was mainly affected by drop in selling price.

Processing and Trading

The segment's sales for the current quarter has increase from RM313,000 to RM3.6 million. The increase in sales mainly due to management has started its wood extraction activities for the period under review. The segment has registered profit before tax of RM773,000 compare with loss before tax of RM411,000 recorded at preceding corresponding quarter.

B2. Comparison with Preceding Quarter's Result

	Individual Quarter	
	31.12.2014 RM'000	30.09.2014 RM'000
Revenue		
Furniture	9,090	10,728
Kiln Drying	12,631	11,013
Processing and Trading	3,591	5,593
Group	25,313	27,334
Profit/ (Loss) before tax		
Furniture	(115)	362
Kiln Drying	(484)	135
Processing and Trading	773	38
Others	(23)	25
Group	151	560

The Group's revenue for the current quarter registered at RM25 million compared to the revenue of RM27 million in the preceding quarter. Besides, the Group has recorded profit before tax of RM 151,000 compare with profit before tax of RM 560,000 in preceding quarter. The current quarter result mainly contributed by Processing and Trading segment which recorded profit before tax of RM773,000 where Furniture and Kiln Drying are suffering loss for the current quarter which recorded loss before tax of RM115,000 and RM484,000 respectively.

B3. Prospects

The Group acknowledges the uncertainty of market condition of the furniture industry and the economic impact towards the industry. Management has put strategic plans and risk control action in place to minimize the impact accordingly. The management will continue its effort to strive for better performance in the remaining quarters.

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	13	25

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)
SECOND QUARTER ENDED 31 DECEMBER 2014

B7. Group Borrowings and Debt Securities

The Group's borrowings as at 31 December 2014 are as follows:

	Secured RM'000
Short Term Borrowings	
Banker Acceptances	15,672
Bank Overdraft	1,879
Hire Purchase Creditors	395
Term Loan	6,380
	<u>24,326</u>
Long Term Borrowings	
Hire Purchase Creditors	696
Term Loan	3,377
	<u>4,073</u>
	<u>28,399</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)	138	685
Number of ordinary shares ('000)	120,000	120,000
PPS (Sen)	0.12	0.57

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
	31.12.2014	31.12.2014
	RM'000	RM'000
After Charging:-		
Interest Expenses	409	837
Depreciation	604	1,251
After Crediting:-		
Interest income	(7)	(7)
Gain on disposal of property, plant and equipment	(26)	(28)
Other income	(119)	(242)
Foreign exchange gain – Realised	(381)	(385)

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 as follows:-

	As at 31.12.2014	As at 30.6.2014
	RM'000	RM'000
Total retained profits:		
-Realised profits	2,284	969
-Unrealised gain	-	629
At 31 December/30 June 2014	<u>2,284</u>	<u>1,598</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.