

**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 2015. 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 2015.

**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>Furniture</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
<u>31.3.2016</u>						
<b>Revenue</b>						
External sales	-	30,465	38,309	7,189	-	75,963
Inter-segment sales	-	-	1,977	9,090	(11,067)	-
	-	30,465	40,286	16,279	(11,067)	75,963
<b>Results</b>						
Profit/ (Loss) before taxation	(124)	2,984	1,171	368	-	4,399
Income tax expense	(50)	(700)	(45)	-	-	(795)
Profit/ (Loss) after taxation	(174)	2,284	1,126	368	-	3,604

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 2015, 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 31.3.2016 RM'000	As at 30.06.2015 RM'000
<b><u>Contingent Liabilities</u></b>		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>33,209</u>	<u>30,337</u>
	<b>Group</b>	
	As at 31.3.2016 RM'000	As at 30.06.2015 RM'000
<b><u>Capital Commitment</u></b>		
The Group has entered into sales and purchase agreement for land and building, plant and machinery resulting in future commitments	<u>15,000</u>	<u>Nil</u>

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

**B1. Performance Analysis**

	<b>Year to Date</b>		<b>Individual Quarter</b>	
	31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
<b>Revenue</b>				
Manufacturing	30,465	27,906	9,571	8,087
Kiln Drying	38,309	38,052	12,871	14,408
Processing and trading	7,189	21,111	5,149	11,927
<b>Group</b>	<b>75,963</b>	<b>87,069</b>	<b>27,591</b>	<b>34,422</b>
<b>Profit/ (Loss) before tax</b>				
Manufacturing	2,984	347	97	99
Kiln Drying	1,171	113	441	462
Processing and trading	368	1,210	404	400
Others	(124)	(109)	(8)	(110)
<b>Group</b>	<b>4,399</b>	<b>1,561</b>	<b>934</b>	<b>851</b>

For the quarter under review, the Group's revenue was recorded at RM27 million compared with previous year's corresponding quarter ended 31 March 2015 which recorded at RM34 million. The Group registered profit before tax of RM934,000 compared with previous year's corresponding quarter ended 31 March 2015 which registered profit before tax of RM 851,000. The operating profit mainly contributed by Kiln Drying and Processing and trading segments.

Manufacturing

Manufacturing segment's sales increase of 19% or RM1.5 million which registered at RM9.6 million for the quarter under review. The segment's has registered profit before tax of RM97,000 compared with profit before tax of 99,000 recorded at the quarter ended 31.03.2015. The segment continue to contribute profit for the Group as a result of reduction in operating cost, increase in sales demand coupled with strengthening of US Dollar against Ringgit Malaysia.

Kiln Drying

For the quarter under review, the Kiln Drying segment sales recorded at RM13 million and profit before tax registered at RM441,000.

Processing and Trading

The segment's sales for the quarter has decreased from RM12 million (2015) to RM5 million. The segment has registered profit before tax of RM404,000 compared with profit before tax of RM400,000 recorded at previous year corresponding quarter.

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

	<b>Individual Quarter</b>	
	31.3.2016 RM'000	31.12.2015 RM'000
<b>Revenue</b>		
Manufacturing	9,571	9,260
Kiln Drying	12,871	14,311
Processing and Trading	5,149	692
<b>Group</b>	<b>27,591</b>	<b>24,263</b>
<b>Profit/ (Loss) before tax</b>		
Manufacturing	97	1,062
Kiln Drying	441	598
Processing and Trading	404	(48)
Others	(8)	(88)
	<b>934</b>	<b>1,524</b>

The Group's revenue for the current quarter has increased by RM3.3 million to RM28 million. For the quarter under review, the Group has recorded profit before tax of RM934,000 compared with profit before tax of RM1.5 million in preceding quarter. The current quarter result mainly contributed by Kiln Drying and Processing and trading segments which recorded profit before tax of RM441,000 and RM404,000 respectively.

**B3. Prospects**

Despite the current challenging economy environment, the management are of the opinion that the performance of the Group for the remaining quarters is expected to 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	63	795

**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 2016

**B7. Group Borrowings and Debt Securities**

The Group's borrowings as at 31 March 2016 are as follows:

	Secured RM'000
<b>Short Term Borrowings</b>	
Banker Acceptances	16,451
Bank Overdraft	2,228
Hire Purchase Creditors	301
Term Loan	11,490
	<u>30,470</u>
<b>Long Term Borrowings</b>	
Hire Purchase Creditors	320
Term Loan	3,040
	<u>3,360</u>
	<u>33,830</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)	871	3,604
Number of ordinary shares ( '000)	120,000	120,000
PPS (Sen)	0.73	3.00

**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>
	31.03.2016	31.03.2016
	RM'000	RM'000
<b>After Charging:-</b>		
Interest Expenses	446	1,208
Depreciation	569	1,728
Foreign exchange loss – Realised	238	-
<b>After Crediting:-</b>		
Interest income	(5)	(5)
Gain on disposal of property, plant and equipment	(7)	(7)
Rental income	(118)	(354)
Foreign exchange gain – Realised	-	(1,203)

**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 31.3.2016	As at 30.6.2015
	RM'000	RM'000
Total retained profits:		
-Realised profits	7,356	3,943
-Unrealised loss	-	(191)
At 31 March 2016/30 June 2015	<u>7,356</u>	<u>3,752</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.