

**A. EXPLANATORY NOTES**

**A1. Basis of Preparation**

The interim financial statements of the Group are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting 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 year ended 30 June 2017. 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 year ended 30 June 2017.

**A2. Accounting Policies**

The significant accounting policies applied are consistent with those adopted for the audited financial statements for the year ended 30 June 2017 except for the adoption of the following amendments to published standards issued by MASB that are effective for the Group's financial year beginning on or after 1 July 2017 and applicable to the Group as follows:

- Amendments to MFRS 107 "Statement of Cash Flows" – "Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes" – "Recognition of Deferred Tax Assets for Unrealised Losses"
- Annual improvements to MFRSs 2014 – 2016 Cycle, which include Amendments to MFRS 12 "Disclosure of Interests in Other Entities"

The amendments to published standards do not result in any significant change to the accounting policies and do not have a material impact on the interim financial information of the Group.

**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**

There were no major changes in estimates that had a material effect in the current quarter.

**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**

Geographical segment has not been presented as the Group operates wholly in Malaysia.

<b>Business Segment</b>	<b>Others</b> RM'000	<b>Manufacturing</b> RM'000	<b>Kiln Drying and Saw Mill</b> RM'000	<b>Processing and Trading</b> RM'000	<b>Inter- Company Elimination</b> RM'000	<b>Total</b> RM'000
<u>30.6.2018</u>						
<b>Revenue</b>						
External sales	-	57,785	93,536	21,674	-	172,995
Inter-segment sales	960	626	2,433	11,290	(15,309)	-
	<u>960</u>	<u>58,411</u>	<u>95,969</u>	<u>32,964</u>	<u>(15,309)</u>	<u>172,995</u>
<b>Results</b>						
Profit/(loss) before taxation	279	(1,722)	5,595	7,672	-	11,824
Income tax expense	(51)	(330)	(1,515)	(809)	-	(2,705)
Profit/(loss) after taxation	<u>228</u>	<u>(2,052)</u>	<u>4,080</u>	<u>6,863</u>	<u>-</u>	<u>9,119</u>

**A10. Valuation of Property, Plant and Equipment Brought Forward**

There was no revaluation of property, plant and equipment for the current quarter.

**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 2017, 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>Contingent Liabilities</b>	<b>Company</b>	
	As at 30.6.2018 RM'000	As at 30.6.2017 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>55,168</u>	<u>36,872</u>
	<b>Group</b>	
	As at 30.6.2018 RM'000	As at 30.6.2017 RM'000
<b>Capital Commitment</b>		
The Group has entered into sales and purchase agreement for land and building, plant and machinery resulting in future commitments	<u>1,860</u>	=

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

**B1. Financial review for current quarter and financial year to date**

	<b>Current year</b>	<b>Preceding year</b>	<b>Changes</b>	<b>Current Year To-</b>	<b>Preceding Year To-</b>	<b>Changes</b>
	<b>Quarter</b>	<b>Quarter</b>	<b>(Amount/</b>	<b>date</b>	<b>date</b>	<b>(Amount/</b>
	30.6.2018	30.6.2017	<b>%)</b>	30.6.2018	30.6.2017	<b>%)</b>
	RM'000	RM'000	RM'000/%	RM'000	RM'000	RM'000/%
Revenue	48,493	32,858	15,635 48%	172,995	130,343	42,652 33%
Operating Profit	4,665	1,582	3,083 195%	25,355	11,977	13,378 112%
Profit Before Interest and Tax	2,232	(70)	2,302 -3289%	14,611	3,867	10,744 278%
Profit Before Tax	1,463	(493)	1,956 -397%	11,824	1,783	10,041 563%
Profit After Tax	28	(515)	543 -105%	9,119	981	8,138 830%
Profit attributable to Ordinary Equity Holders of the Company	(144)	(156)	12 -8%	9,084	1,464	7,620 520%

In the fourth quarter of the financial year ended 30 June 2018, the Group recorded revenue of RM48 million compared to revenue of RM32 million recorded in the preceding corresponding year ended 30 June 2017. The revenue has increased by 50% as a result of higher demands from all segments.

The profit before tax rose by RM1.9 million from loss before tax of RM493,000 recorded in 30 June 2017 to profit before tax of RM1.5 million recorded in 30 June 2018. The operating result was mainly attributable to higher profit arising from the segments of Kiln Drying and Saw Mill, Processing and Trading of woods.

**B1. Financial review for current quarter and financial year to date (Continued)**

Segmental Breakdown of Revenue & Profit/(Loss)

	<b>Year to Date</b>		<b>Individual Quarter</b>	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Manufacturing	57,785	42,504	15,726	9,812
Kiln Drying and Saw Mill	93,536	80,136	24,243	20,910
Processing and Trading	21,674	7,703	8,524	2,136
<b>Group</b>	<b>172,995</b>	<b>130,343</b>	<b>48,493</b>	<b>32,858</b>
<b>Profit/ (Loss) before tax</b>				
Manufacturing	(1,722)	1,239	(2,321)	(682)
Kiln Drying and Saw Mill	5,595	482	1,174	165
Processing and Trading	7,672	3	2,144	(15)
Others	279	59	466	39
<b>Group</b>	<b>11,824</b>	<b>1,783</b>	<b>1,463</b>	<b>(493)</b>

In the fourth quarter of the financial year ended 30 June 2018, the Group recorded revenue and profit before tax of RM48 million and RM1.5 million respectively compared to RM33 million and loss before tax of RM493,000 respectively recorded in the preceding corresponding quarter ended 30 June 2017.

The profit before tax was mainly contributed by Kiln Drying and Saw Mill, Processing and Trading of woods segment amounting to RM1.2 million and RM2.1 million for the financial year ended 30 June 2018.

Manufacturing

Manufacturing segment, which consists of manufacturing of wooden furniture and plywood registered revenue of RM16 million for the quarter under review compared to RM10 million registered in preceding corresponding quarter. The segment recorded a loss before tax of RM2.3 million as compared to RM682,000 recorded at the quarter ended 30 June 2017. The result mainly affected by the pressure of high operating costs, particularly on raw material costs and labour costs.

Kiln Drying and Saw Mill

For the quarter under review, the segment recorded sales of RM24 million and profit before tax of RM1.2 million as compared to prior corresponding quarter ended 30 June 2017 which registered its sales at RM21 million and profit before tax of RM165,000. The increase of profit before tax was mainly due to increase in sales demand and improve in production efficiency.

Processing and Trading

The segment's sales for the quarter has increased from RM2.1 million to RM8.5 million as compared to preceding corresponding period ended 30 June 2017. The segment also recorded a higher profit before tax of RM2.1 million compared to loss before tax of RM15,000 in preceding corresponding quarter. The increase of profit before tax mainly contributed from rise in sales during the quarter under review.

**B2. Financial review for current quarter compared with immediate preceding quarter**

	Current quarter	Immediate Preceding Quarter	Change (Amount/%)
	30.6.2018 RM'000	31.3.2018 RM'000	RM'000/%
Revenue	48,493	48,399	94 0%
Operating profit	4,665	7,213	(2,548) -35%
Profit before interest and tax	2,232	4,962	(2,730) -55%
Profit before tax	1,463	3,809	(2,346) -62%
Profit after tax	28	3,123	(3,095) -99%
Profit attributable to Ordinary Equity Holders of the Company	(144)	3,119	(3,263) -105%

**Individual Quarter**

30.6.2018      31.3.2018  
RM'000      RM'000

**Revenue**

Manufacturing	15,726	16,030
Kiln Drying and Saw Mill	24,243	25,240
Processing and Trading	8,524	7,129
<b>Group</b>	<b>48,493</b>	<b>48,399</b>

**Profit/ (Loss) before tax**

Manufacturing	(2,321)	188
Kiln Drying and Saw Mill	1,174	1,232
Processing and Trading	2,144	2,600
Others	466	(211)
<b>Group</b>	<b>1,463</b>	<b>3,809</b>

The Group recorded revenue and profit before tax of RM48 million and RM1.5million for the financial quarter ended 30 June 2018, compared to revenue of RM48 million and profit before tax of RM3.8 million recorded in the immediate preceding quarter ended 31 March 2018. The operating results were mainly due to loss before tax of RM2.3 million recorded by manufacturing segment's as a result of raised in operating cost for the current quarter.

**B3. Prospects**

The Group anticipates the operating environment will remain challenging in the coming financial periods. The Group will continue to sustain its competitive edge in order to achieve a satisfactory performance in the coming periods.

**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 taxation	1,435	2,705

**B6. Status of Corporate Proposals**

There were no corporate proposals announced for the current quarter.

**B7. Group Borrowings and Debt Securities**

The Group's borrowings as at 30 June 2018 are as follows:

As at 30.6.2018	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
<b>Secured</b>			
Banker Acceptances	-	20,177	20,177
Bank Overdrafts	-	7,408	7,408
Hire Purchases	1,945	2,078	4,023
Term Loans	17,281	10,303	27,584
Total	19,226	39,966	59,192

As at 30.6.2017	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
<b>Secured</b>			
Banker Acceptances	-	17,255	17,255
Bank Overdrafts	-	5,253	5,253
Hire Purchases	2,598	1,489	4,087
Term Loans	9,820	4,544	14,364
Total	12,418	28,541	40,959

**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 final dividend proposed for the financial period under review.

**SERN KOU RESOURCES BERHAD** (Company No.519103-X)  
FOURTH QUARTER ENDED 30 JUNE 2018

**B10. Earnings per Share**

The earnings per share for the current quarter and financial period ended 30 June 2018 are as follows:-

	Current Quarter	Current Year To Date
<b>(a) Basic</b>		
(Loss)/Profit attributable to owners of the Company (RM '000)	(144)	9,084
Weighted average number of ordinary shares in issue ('000)	240,000	240,000
<b>Basic (Loss)/Earnings per ordinary share (Sen)</b>	<b>(0.06)</b>	<b>3.79</b>
<b>(b) Diluted</b>		
(Loss)/Profit attributable to owners of the Company (RM '000)	(144)	9,084
Weighted average number of ordinary shares in issue ('000)	240,000	240,000
Effect of conversion of warrants ('000)	33,978	19,791
Adjusted weighted average number of ordinary shares in issue ('000)	273,978	259,791
<b>Diluted (Loss)/Earnings per ordinary share (Sen)</b>	<b>(0.05)</b>	<b>3.50</b>

In the event that the potential exercise of the Warrants gives rise to an anti dilutive effect on loss per share, the potential exercise of the Warrants is not taken into account in calculating diluted loss per share.

**B11. Notes to Comprehensive Income Statement**

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

	<b>Individual Quarter Ended 30.6.2018 RM'000</b>	<b>Year to date Ended 30.6.2018 RM'000</b>
<b>After Charging:-</b>		
Interest Expenses	769	2,787
Depreciation	703	2,922
<b>After Crediting:-</b>		
Interest income	-	23
Rental income	555	1,248
Other income	445	531
Foreign exchange gain – Realised	62	62
Gain on disposal of property, plant and equipment	18	118

**B12. Significant Related Party Transactions**

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

**B13. 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.