

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.

A9. Segmental & Geographical Reporting

Business Segment	Others RM'000	Furniture RM'000	Kiln Drying RM'000	Wood RM'000	Inter-Company Elimination RM'000	Total RM'000
<u>31.3.2014</u>						
Revenue						
External sales	-	10,264	9,611	204	-	20,079
Inter-segment sales	-	1,632	262	1,109	(3,003)	-
	-	11,896	9,873	1,313	(3,003)	20,079
Results						
Profit/ (Loss) before taxation	12	510	287	(343)	-	466
Income tax expense	(15)	-	-	-	-	(15)
Profit/ (Loss) after taxation	(3)	510	287	(343)	-	451

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

On 24th March, 2014, the wholly owned subsidiary of the Company, namely Souncern Timber Sdn. Bhd. had incorporated the following two companies as its new 70% owned subsidiary:

- (i) KPK SK TIMBER SDN. BHD. (1086093-A)
- (ii) KPK SK PLANTATIONS SDN. BHD. (1086089-D)

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:

Contingent Liabilities	Company	
	As at 31.3.2014 RM'000	As at 30.6.2013 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>31,440</u>	<u>28,017</u>
	Group	
	As at 31.3.2014 RM'000	As at 30.6.2013 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	
	31.3.2014 RM'000	31.3.2013 RM'000
Revenue		
Furniture	10,264	9,258
Kiln Drying	9,611	12,143
Wood	204	4,404
Group	20,079	25,805
Profit/ (Loss) before tax		
Furniture	510	(835)
Kiln Drying	287	(924)
Wood	(343)	326
Others	12	22
Group	466	(1,411)

For the current quarter under review, the Group's revenue recorded at RM20 million compared with previous year's corresponding quarter ended 31 March 2013 which recorded at RM26 million. The Group registered profit before tax of RM466,000 compared with previous year's corresponding quarter ended 31 March 2013 which registered loss before tax of RM 1.4 million.

Furniture

Furniture segment's sales increased from RM9 million from previous year's corresponding quarter to RM10 million in the current quarter. The segment's has registered Profit before tax of RM 510,000 compared with Loss before tax of RM 835,000 registered in the previous year corresponding quarter. The improvement in the segment's result shows the management successfully positioned their product at middle high end level to enhance company bottom line. On the other hand, the strengthening of US Dollar against Ringgit Malaysia also enhanced the operating result.

Kiln Drying

The segment's sales for the current quarter registered at RM10 million compared with previous year corresponding quarter which registered at RM 12 million. For the quarter under review, the segment registered profit before tax of RM287,000 compared with RM924,000 loss before tax recorded at preceding corresponding quarter. The stable selling price during the quarter coupled with effective control of its operating cost has improved its operating result for the quarter under review.

Wood

The segment's sales for the current quarter has decrease from RM4 million to RM204,000. The decrease in sales mainly due to management has scaled down its wood extraction activities at a condition of low selling price. The segment has registered loss before tax of RM343,000 compare with profit before tax of RM326,000 recorded at preceding corresponding quarter. Lower sales caused the segment to suffer loss for the quarter under review.

B2. Comparison with Preceding Quarter's Result

	Year to Date/ Individual Quarter	
	31.3.2014 RM'000	31.12.2013 RM'000
Revenue		
Furniture	10,264	11,199
Kiln Drying	9,611	10,177
Wood	204	313
Group	20,079	21,689
Profit/ (Loss) before tax		
Furniture	510	630
Kiln Drying	287	(102)
Wood	(343)	(411)
Others	12	(16)
Group	466	101

The Group's revenue for the current quarter registered at RM20 million compared to the revenue of RM22 million in the preceding quarter. The Group continued to record profit before tax of RM 466,000 which shows an increase of RM365,000 compared with profit before tax of RM 101,000 in preceding quarter. The improvement of the current quarter's result was mainly contributed by both Furniture segment and Kiln-drying segment which recorded profit before tax of RM510,000 and RM287,000 respectively. Wood segment continued to record loss. However the loss of the segment had been reduced from RM411,000 in 31 December 2013 to RM343,000 in the current quarter under review.

B3. Prospects

Barring any unforeseen circumstances, the Group is cautiously optimistic that its future performance 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	15	37

B6. Status of Corporate Proposals

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

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	16,697
Bank Overdraft	756
Hire Purchase Creditors	432
Term Loan	9,533
	<u>27,418</u>
Long Term Borrowings	
Hire Purchase Creditors	412
Term Loan	4,454
	<u>4,866</u>
	<u>32,284</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)	466	(1,045)
Number of ordinary shares ('000)	120,000	120,000
PPS/ (LPS) (Sen)	0.39	(0.87)

B11. Notes to Comprehensive Income Statement

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

	Individual Quarter Ended 31.3.2014 RM'000	Year to date Ended 31.3.2014 RM'000
After Charging:-		
Interest Expenses	366	980
Depreciation	715	2,251
After Crediting:-		
Interest income	(1)	(9)
Gain on disposal of property, plant and equipment	-	(32)
Other income	(117)	(365)
Foreign exchange gain – Realised	(240)	(799)

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 31.3.2014 RM'000	As at 30.6.2013 RM'000
Total retained profits:		
-Realised profits	522	2,902
-Unrealised losses	(55)	(1,390)
At 31 March 2014/30 June 2013	<u>467</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.