

**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**

<b>Business Segment</b>	<b>Others</b> RM'000	<b>Furniture</b> RM'000	<b>Kiln Drying</b> RM'000	<b>Wood</b> RM'000	<b>Inter-Company Elimination</b> RM'000	<b>Total</b> RM'000
<u>30.6.2014</u>						
<b>Revenue</b>						
External sales	-	9,847	12,540	3,363	-	25,750
Inter-segment sales	-	1,002	372	1,561	(2,935)	-
	-	10,849	12,912	4,924	(2,935)	25,750
<b>Results</b>						
Profit/ (Loss) before taxation	24	145	19	16	-	204
Income tax expense	29	533	350	15	-	926
Profit/ (Loss) after taxation	53	678	369	31	-	1,130

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 24<sup>th</sup> 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:

	<b>Company</b>	
	As at 30.6.2014 RM'000	As at 30.6.2013 RM'000
<b><u>Contingent Liabilities</u></b>		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	<u>32,459</u>	<u>28,017</u>
<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>Individual Quarter Ended</b>	
	30.6.2014 RM'000	30.6.2013 RM'000
<b>Revenue</b>		
Furniture	9,847	9,848
Kiln Drying	12,540	12,304
Wood	3,363	2,473
<b>Group</b>	<b>25,750</b>	<b>24,625</b>
<b>Profit/ (Loss) before tax</b>		
Furniture	145	(138)
Kiln Drying	19	(312)
Wood	16	(170)
Others	24	(416)
<b>Group</b>	<b>204</b>	<b>(1,036)</b>

For the current quarter under review, the Group's revenue recorded at RM26 million compared with previous year's corresponding quarter ended 30 June 2013 which recorded at RM25 million. The Group registered profit before tax of RM204,000 compared with previous year's corresponding quarter ended 30 June 2013 which registered loss before tax of RM 1 million.

Furniture

Furniture segment's sales has maintained at 10 million in the current quarter. The segment's has registered Profit before tax of RM145,000 compared with Loss before tax of RM138,000 registered in the previous year corresponding quarter. The improvement in the segment's result shows the enhancement of company production efficiency. The segment's operating result also benefit from the strengthening of US Dollar against Ringgit Malaysia.

Kiln Drying

The segment's sales for the current quarter registered at RM13 million compared with previous year corresponding quarter which registered at RM12 million. For the quarter under review, the segment registered profit before tax of RM19,000 compared with RM312,000 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 increase from RM2 million to RM3 million. The increase in sales mainly due to management has recovered slightly with its new wood extraction site which brings more favorable result to the segment. The segment has registered profit of RM16,000 compare with loss before tax of RM170,000 recorded at preceding corresponding quarter.

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

	<b>Individual Quarter Ended</b>	
	30.6.2014 RM'000	31.3.2014 RM'000
<b>Revenue</b>		
Furniture	9,847	10,264
Kiln Drying	12,540	9,611
Wood	3,363	204
<b>Group</b>	<b>25,750</b>	<b>20,079</b>
<b>Profit before tax</b>		
Furniture	145	510
Kiln Drying	19	287
Wood	16	(343)
Others	24	12
<b>Group</b>	<b>204</b>	<b>466</b>

The Group's revenue for the current quarter registered at RM26 million compared to the revenue of RM20 million in the preceding quarter. The Group continued to record profit before tax of RM 204,000 compared with profit before tax of RM 466,000 in preceding quarter. The wood segment has reported a profit before tax of RM16,000 compared with preceding quarter which recorded loss before tax of RM343,000. However the Furniture segment and Kiln Drying segment's profit before tax was reduced by RM365,000 and RM268,000 respectively.

**B3. Prospects**

The Group's view in the coming year's operating result is expected to be favorable through management's marketing strategy and further effort in cost management.

**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 income	926	889

**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 30 June 2014 are as follows:

	Secured RM'000
<b>Short Term Borrowings</b>	
Banker Acceptances	17,054
Bank Overdraft	2,031
Hire Purchase Creditors	444
Term Loan	9,442
	<u>28,971</u>
<b>Long Term Borrowings</b>	
Hire Purchase Creditors	421
Term Loan	3,931
	<u>4,352</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 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)	1,130	85
Number of ordinary shares ( '000)	120,000	120,000
PPS (Sen)	0.94	0.07

**B11. Notes to Comprehensive Income Statement**

The following items have been included in the Statement of Profit or Loss and Other Comprehensive Income:-

	<b>Individual Quarter Ended</b>	<b>Year to date Ended</b>
	30.6.2014	30.6.2014
	RM'000	RM'000
<b>After Charging:-</b>		
Interest Expenses	384	1,364
Depreciation	684	2,935
<b>After Crediting:-</b>		
Interest income	(2)	(11)
Gain on disposal of property, plant and equipment	(35)	(67)
Fair value adjustment on derivative financial instruments	(1)	13
Rental income	(490)	(447)
Foreign exchange gain – Realised	(163)	(962)

**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 30.6.2014	As at 30.6.2013
	RM'000	RM'000
Total retained profits:		
-Realised profits	635	2,902
-Unrealised gain/ (losses)	963	(1,390)
At 30 June 2014/30 June 2013	<u>1,598</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.