



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 31 March 2012

A1. BASIS OF PREPARATION

The interim financial report is unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Chapter 9 paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's audited financial statements for the year ended 30 June 2011.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2011 except for the changes in accounting policies and presentation resulting from the adoption of relevant FRSS, Amendment to FRSS and IC Interpretations that are effective for the financial periods beginning on 1 July 2011.

The adoption of relevant FRSS, Amendment to FRSS and IC Interpretations are not expected to have any significant financial impact on the financial statements of the Group.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT

The latest audited financial statements for the financial year ended 30 June 2011 were not subject to any qualification.

A3. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence for the current quarter and financial period ended 31 March 2012.

A4. VALUATION OF PROPERTY, PLANT & EQUIPMENT

Valuations of property, plant and equipment have been brought forward without amendment from the previous audited financial statements.



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A5. TAXATION

The taxation of the Group for the financial period under review was as follows:-

	Individual Quarter		Cumulative Quarter	
	31.3.2012	31.3.2011	31.3.2012	31.3.2011
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian	-	-	-	42
Overseas	165	311	1,163	1,883
Total	165	311	1,163	1,925
Deferred taxation				
Malaysian	-	-	-	-
Overseas	-	-	-	-
Total	-	-	-	-
	165	311	1,163	1,925

A6. CHANGES IN THE COMPOSITION OF THE GROUP

There was no change to the composition of the Group in the quarter ended 31 March 2012 except for the followings:

On 12 December 2011, Latitude Tree Holdings Berhad ("LTHB") acquired 4,000,000 shares in Latitude Tree International Group Ltd. ("LTIG") for cash from the open market and registered in the name of Kim Eng Securities Pte. Ltd.

The acquisition resulted the equity interest of LTHB in LTIGL increased from 75.95% to 77.62%.

On 1 March 2012, the disposal of 1,997,500 ordinary shares of THB100 each, representing 85% of the issued and paid-up share capital of Grob Holz Co. Ltd ("GHCL") by Grob Holz Sdn Bhd ("GHSB"), a wholly-owned subsidiary of the Company, to Latitude Tree International Group Ltd., a subsidiary of the Company, has been completed and a supplemental agreement to the Agreement was signed between GHSB and LTIG on the same day.

The disposal resulted the indirect equity interest of LTHB in GHCL diluted from 85% to 65.98%.

A7. CORPORATE PROPOSAL

There were no corporate proposals announced but not completed as at 28 March 2012 except for the following :



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On 31 October 2011, Grob Holz Sdn Bhd, a wholly-owned subsidiary of the Company, had entered into a Sale and Purchase Agreement with LTIG, a subsidiary of the Company, for the disposal of 1,997,500 ordinary shares of THB100 each in Grob Holz Co. Ltd (“GHCL”), representing 85% of the issued and paid-up share capital of GHCL, to LTIG for a total cash consideration of THB148,560,000 or approximately RM14,831,972 (based on exchange rate of RM1.00:THB10.0162) (the “Agreement”).

On 1 March 2012, a supplemental agreement to the Agreement was entered to provide for, inter alia, the retention by LTIG of a sum of THB2,500,000 from the consideration pending the obtaining by GHSB of certain regulatory approvals arising from the due diligence exercise.

A8. CHANGES IN EQUITY AND LONG TERM DEBTS

There were no changes in equity and long term debts for the current quarter ended 31 March 2012.

A9. BORROWINGS AND DEBTS SECURITIES

Details of the Group’s borrowings were as follows:

	Total (RM'000)	RM equivalents of amount denominated in foreign currency included in the borrowings (RM'000)
Long Term Liabilities		
Unsecured :		
Long term loans	-	-
Portion repayable within twelve months	-	-
	-	-
Secured :		
Hire Purchase payables	-	-
Long term loans	18,758	13,170
Portion repayable within twelve months	(4,433)	(3,889)
	14,325	9,281
Total Long Term Liabilities	14,325	9,281
Short Term Liabilities		
Unsecured :		
Current portion of long term loans	-	-
Short term loans	-	-
		-
Secured :		
Hire Purchase payables	37	-



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Current portion of long term loans	4,433	3,889
Short term loan	85,712	71,498
Bank overdraft	5,677	2,402
	95,859	77,789
Total Short Term Liabilities	95,859	77,789

A10. REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group as at 31 March 2012 and 30 June 2011 are as follows:

	As at end of current quarter 31/3/12 RM'000	As at end of preceding financial year 30/6/11 RM'000
Total retained profits/(accumulated losses) of Latitude Tree Holdings Berhad and its subsidiaries:		
- Realised	176,712	178,975
- Unrealised	(408)	(2,843)
	<u>176,304</u>	<u>176,132</u>
Total share of retained profits/(accumulated losses) from associated companies:		
- Realised	(424)	(482)
Less: Consolidation adjustments	(66,238)	(68,637)
Total group retained profits	<u>109,642</u>	<u>107,013</u>

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for the purposes of complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

A11. FINANCIAL INSTRUMENTS - DERIVATIVES

As at 31 March 2012, the outstanding derivative financial instrument, which have been entered into by the Group are as follows:



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	Contract Value	Fair Value	Changes in Fair Value Gain/(Loss)
<u>Foreign Currency Contracts</u>	RM'000	RM'000	RM'000
US dollar - less than 1 year	20,926.7	21,191.4	264.7

The Group's derivatives are principally in respect of forward foreign currency contracts used to hedge its foreign currency sales.

Derivative financial assets and liabilities are initially recognised, and subsequently measured at fair value. The fair value of the foreign currency contracts is determined using a forward market rate at the end of report period and changes in the fair value are recognised in statement of comprehensive income.

Credit Risk

The above financial instruments were executed with creditworthy financial institutions in line with the Group's policy.

Cash requirements

The Group will fund the cash requirements of these derivatives from its net cash flow from operating activities when the payments fall due.

A12. CHANGES IN MATERIAL LITIGATION

There was no material litigation or any pending material litigation since the date of the last annual statement of financial position until 28 May 2012.

A13. SEGMENTAL INFORMATION

The Group's primary business segment, including its overseas subsidiaries is that of the manufacture and sale of wooden furniture and components.

Business segmental information has not been prepared as the Group's revenue, operating profit, assets and liabilities, capital expenditure, depreciation and amortisation and non-cash expenses are mainly confined to one business segment.

Geographical segments

The Group's business segment operates principally in Malaysia, Vietnam, Singapore and Thailand.

In presenting information on the basis of geographical segments, segment revenue and profit/(loss) before taxation, segment assets and capital expenditure were based on the geographical location of assets.

The segment information for the current year-to-date was as follows:



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RM'000	MALAYSIA	VIETNAM	THAILAND	OTHERS	GROUP
TOTAL REVENUE	119,913	255,598	16,840	-	392,351
INTER-SEGMENT REVENUE	(15,265)	-	(2,395)	-	(17,660)
EXTERNAL REVENUE	104,649	255,598	14,444	-	374,691
PROFIT/(LOSS) BEFORE TAXATION	(4,748)	15,487	(2,651)	(1,255)	6,833

A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

Transacting Parties	Related Party	Nature of Interest	Nature of Transaction	Current Quarter ended 31.3.2012 RM'000	Current Year To Date 31.3.2012 RM'000
GHCL and the LTHB Group	Mr. Yek Siew Liong and Konsortium Kontrek Sdn Bhd	GHCL is a 85.00% owned subsidiary of LTHB. Mr. Yek Siew Liong, a director of LTHB and substantial shareholder of LTHB holds 15% equity interest in GHCL via Konsortium Kontrek Sdn Bhd	Purchases of raw materials and supplies, laminated boards and furniture components by the LTHB Group from GHCL.	95	2,395
The LTIG Group and the LTHB Group	Mr. Yek Siew Liong	LTHB is the holding company of LTIG. Mr Yek Siew Liong is a director of both LTIG and LTHB. Mr Yek Siew Liong owns approximately 4.85% direct	Purchases of raw materials and supplies, furniture components and finished goods by LTIG Group from the LTHB Group.	170	170



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		equity interest and 0.96% indirect equity interest in LTIG via his spouse and 15.03% indirect equity interest in LTHB via Konsortium Kontrek Sdn Bhd	Purchases of raw materials and supplies, furniture components and finished goods by LTHB Group from the LTIG Group.	-	-
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ADDITIONAL INFORMATION REQUIRED BY MAIN MARKET LISTING REQUIREMENT (APPENDIX 9B)

B1. MATERIAL CHANGE IN PROFIT/(LOSS) BEFORE TAXATION COMPARED TO IMMEDIATE PRECEDING QUARTER

RM Million	31.3.2012	31.12.2011
Revenue	109.6	136.6
Consolidated (Loss)/Profit before taxation	(0.9)	6.0

Revenue

For the quarter under review, the Group's revenues decreased approximately 19.8% to RM109.6 million as compared to the preceding quarter's RM136.6 million. The decrease was mainly attributable to the followings:

- lower orders received as the quarter under review is a low season (see Note B5); and
- lower production output due to festive season and lesser production days.

Gross profit

The Group has recorded lower gross profit from RM14.7 million in the preceding quarter to RM7.4 million. The decrease was mainly attributable to the followings :

- lower revenue; and
- higher cost of raw materials mainly due to the increase in prices of raw materials such as wooden and coating materials.

Profit before taxation ("PBT")



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The Group has recorded a decrease in PBT from RM6.0 million in the preceding quarter to LBT of RM0.9 million. The decrease in PBT was mainly due to the decrease in revenue and gross profit margin.

B2. REVIEW OF PERFORMANCE

Revenue

The Group recorded revenue of RM374.7 million for the nine months financial period ended 31 March 2012 (“Q3FY2012”) representing a decrease of 3.8% as compared to the nine months financial period ended 31 March 2011 (“Q3FY2011”) of RM389.4 million. The decrease was mainly attributable to the followings:

The decrease was mainly due to:

- Lower orders received;
- Lower production output as a result of shortage of production workers; and
- Weakening of the US Dollar against the Ringgit.

Gross profit

Gross profit of the Group amounted to RM33.9 million in Q3FY2012, representing a decrease of 26.6% from RM46.1 million in Q3FY2011. The decrease was mainly attributable to higher labour costs as a result of revision of wages imposed by the national workers’ union in Vietnam, higher material costs as a result of increase in the price of raw materials, coating and packing materials and weakening of the US Dollar against the Ringgit.

PBT

PBT of the Group amounted to RM6.9 million in Q3FY2012, representing a decrease of 63.9% from RM19.0 million in Q3FY2011. The decrease was mainly attributable to lower revenue coupled with the decrease in gross profit margin.

B3. PROFIT FOR THE PERIOD

Profit for the period is arrived at after crediting/(charging) :-

	Individual quarter ended		Cumulative quarter ended	
	31.3.12	31.3.11	31.3.12	31.3.11
	RM'000	RM'000	RM'000	RM'000
Interest income	40	140	231	475
Other income including investment income	48	48	352	304
Interest expense	1,238	1,369	3,789	4,533
Depreciation &				



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amortization	4,319	3,802	12,479	11,212
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain/(loss) disposal of quoted or unquoted investments or properties	39	400	56	400
Impairment of assets	-	-	-	-
Foreign exchange gain / (loss)	(486)	926	356	(224)
Gain/(loss) on derivatives	704	713	(390)	713
Exceptional items	-	-	-	-

B4. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current quarter that would have impact on the result that had been reflected in the quarter under review.

B5. SEASONAL OR CYCLICAL FACTORS

The Group operation is seasonal in nature whereby the turnover for the first three months of a calendar year is slightly lower due to long festive holidays which fall on the first quarter of the calendar year and also the lower demand in the United States which normally slows down after Christmas and New Year.

B6. CURRENT YEAR PROSPECT

In view of the uncertainty of the global economy, the Group will adopt a cautious approach in its business strategy especially in managing rising costs and the volatility US Dollar.

Continuous efforts will also be taken to strengthen its operations to remain profitable.

Going forward and barring unforeseen circumstances, the Board believes that the Group will continue to remain profitable for the financial year ending 30 June 2012.

B7. VARIANCE BETWEEN ACTUAL RESULT AND FORECAST PROFIT OR PROFIT GUARANTEE

The Group did not issue any profit forecast or profit guarantee for the quarter ended 31 March 2012.

B8. DIVIDEND

At the Annual General Meeting held on 15 December 2011, the shareholders' approval had been obtained for the payment of a first and final tax exempt dividend of 2.0 sen per share in respect of the financial year ended 30 June 2011.

The final dividend was paid on 16 January 2012 to shareholders whose names appear on



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the Record of Depositors as at 17 December 2011.

The Board of Directors did not recommend any interim dividend for the current quarter ended 31 March 2012.

B9. EARNINGS PER SHARE

Basic EPS	Individual Quarter		Cumulative Quarter	
	31.3.12	31.3.11	31.3.12	31.3.11
Net (loss)/profit attributable to equity holders of the Company (RM'000)	(1,000)	(693)	3,081	11,080
Weighted average no. of shares ('000)	97,207.5	97,207.5	97,207.5	97,207.5
Basic EPS (sen)	(1.03)	(0.71)	3.17	11.40

B10. CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment not provided for in the financial statements as at 31 March 2012 were as follows:

	RM'000
Authorised by Directors and contracted	1,927
Authorised by Directors and not contracted	-
	1,927