



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 June 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 30 June 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.



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 June 2012

A5. TAXATION

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

	Individual Quarter		Cumulative Quarter	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian	(126)	(22)	(126)	20
Overseas	923	360	2,086	2,243
Total	797	338	1,960	2,263
Deferred taxation				
Malaysian	-	-	-	-
Overseas	(63)	(257)	(63)	(257)
Total	(63)	(257)	(63)	(257)
	734	81	1,897	2,006

A6. CHANGES IN THE COMPOSITION OF THE GROUP

There was no change to the composition of the Group in the quarter ended 30 June 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 August 2012 except for the following :



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 June 2012

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 30 June 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	6	-
Long term loans	16,420	10,864
Portion repayable within twelve months	(7,242)	(6,698)
	9,178	4,166
Total Long Term Liabilities	9,184	4,166
Short Term Liabilities		
Unsecured :		
Current portion of long term loans	-	-
Short term loans	-	-
		-
Secured :		
Hire Purchase payables	25	-



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 June 2012

Current portion of long term loans	7,242	6,698
Short term loan	83,769	72,972
Bank overdraft	2,532	2,482
	93,543	82,152
Total Short Term Liabilities	93,568	82,152

A10. REALISED AND UNREALISED PROFITS/LOSSES

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

	As at end of current quarter 30/6/12 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	177,040	178,975
- Unrealised	1,190	(2,843)
	<u>178,230</u>	<u>176,132</u>
Total share of retained profits/(accumulated losses) from associated companies:		
- Realised	(526)	(482)
Less: Consolidation adjustments	(61,494)	(68,637)
Total group retained profits	<u>116,210</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 30 June 2012, the outstanding derivative financial instrument, which have been entered into by the Group are as follows:



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 June 2012

	Contract Value	Fair Value	Changes in Fair Value Loss
	RM'000	RM'000	RM'000
<u>Foreign Currency Contracts</u>			
US dollar - less than 1 year	26,376.0	26,683.4	307.4

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 August 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:



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 June 2012

RM'000	MALAYSIA	VIETNAM	THAILAND	OTHERS	GROUP
TOTAL REVENUE	161,953	361,810	22,847	-	546,610
INTER-SEGMENT REVENUE	(20,702)	(5,245)	(2,800)	-	(28,747)
EXTERNAL REVENUE	141,251	356,565	20,047	-	517,863
(LOSS)/PROFIT BEFORE TAXATION	(5,880)	27,197	(3,069)	(1,504)	16,744

A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

Transacting Parties	Related Party	Nature of Interest	Nature of Transaction	Current Quarter ended 30.6.2012 RM'000	Current Year To Date 30.6.2012 RM'000
GHCL and the LTHB Group	Mr. Yek Siew Liong and Konsortium Kontrek Sdn Bhd	GHCL is a 65.98% owned subsidiary of LTHB. Mr. Yek Siew Liong, a director of LTHB and substantial shareholder of LTHB. Mr. Yek 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.	405	2,800
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.	-	-



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 June 2012

		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.	404	2,630
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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	30.6.2012	31.3.2012
Revenue	143.2	109.6
Consolidated profit/(loss) before taxation	9.9	(0.9)

Revenue

For the quarter under review, the Group's revenues increased approximately 30.7% to RM143.2 million as compared to the preceding quarter's RM109.6 million. The increase was mainly attributable to the followings:

- higher orders received in the quarter under review (see Note B5); and
- higher production output and more production days in current quarter as compared to preceding quarter.

Gross profit

The Group has recorded higher gross profit RM19.6 million for the fourth quarter of financial year ended 30 June 2012 representing an increase of 164.9% as compared to RM7.4 million of the preceding quarter. The increase was mainly attributable to the followings :

- higher revenue;
- strengthening of US Dollar against Ringgit Malaysia;
- improved productivity; and
- upward revision of selling price of certain products.



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 June 2012

Profit/(loss) before taxation (“PBT”)

The Group has recorded an increase in PBT from LBT of RM0.9 million in preceding quarter to PBT of RM9.9 million in current quarter. The increase in PBT was in line with the increase in revenue and gross profit margin.

B2. REVIEW OF PERFORMANCE

Revenue

The Group recorded revenue of RM517.9 million for the twelve months financial year ended 30 June 2012 (“FY2012”) representing an increase of 3.4% as compared to the twelve months financial year ended 30 June 2011 (“FY2011”) of RM500.7 million. The increase was mainly attributable to the followings:

The increase was mainly due to:

- Higher orders received by the group’s operations in Malaysia and Vietnam; and
- Higher production output.

Gross profit

Gross profit of the Group amounted to RM53.5 million in FY2012, representing a decrease of 7.1% from RM57.6 million in FY2011. 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
- Increase in depreciation as a result of the commencement of new production line in Vietnam.

PBT

PBT of the Group amounted to RM16.7 million in FY2012, representing a decrease of 23.0% from RM21.7 million in FY2011. The decrease was mainly attributable to 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	
	30.6.12	30.6.11	30.6.12	30.6.11
	RM’000	RM’000	RM’000	RM’000
		Restated		Restated
Interest income	112	146	343	621



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 June 2012

Other income including investment income	(88)	314	264	618
Interest expense	1,185	1,099	4,974	5,632
Depreciation & amortization	4,259	3,623	16,738	14,835
Gain/(loss) disposal of quoted or unquoted investments or properties	(121)	1	(65)	401
Impairment of investment in associate	971	-	971	-
Foreign exchange gain / (loss)	543	(762)	899	(986)
(Loss)/gain on derivatives	(572)	(227)	(962)	486

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 of 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 2013.

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 30 June 2012.

B8. DIVIDEND

The Board of Directors did not recommend any interim dividend for the current quarter ended 30 June 2012.



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 June 2012

B9. EARNINGS PER SHARE

Basic EPS	Individual Quarter		Cumulative Quarter	
	30.6.12	30.6.11	30.6.12	30.6.11
		Restated		Restated
Net profit attributable to equity holders of the Company (RM'000)	6,853	1,498	9,934	12,471
Weighted average no. of shares ('000)	97,207.5	97,207.5	97,207.5	97,207.5
Basic EPS (sen)	7.05	1.54	10.22	12.83

B10. CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment not provided for in the financial statements as at 30 June 2012 were as follows:

	RM'000
Authorised by Directors and contracted	346
Authorised by Directors and not contracted	-
	346