



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2013

A1. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”)

The condensed consolidated interim financial statements, for the period ended 30 June 2013, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. For the periods up to and including the year ended 30 June 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

The consolidated financial statements of the Group for the year ended 30 June 2012 which were prepared under FRS are available upon request from the Company registered office at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

These condensed consolidated interim financial statements are the Group’s first MFRS condensed interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ended 30 June 2013. MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards* (“MFRS 1”) has been applied.

The explanatory notes attached to these condensed consolidated 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 2012.

In preparing its opening MFRS Statements of Financial Position as at 1 July 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group’s financial position, financial performance and cash flows is set out in Note A2 below. These notes include reconciliations of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

A2. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF MFRS 1

The audited financial statements of the Group for the year ended 30 June 2012 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 30 June 2012 except as discussed below:

a) Business combination

MFRS 1 provides the option to apply MFRS 3 *Business Combinations*, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2013

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

- (i) The classification of former business combinations under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

b) Property, plant and equipment

The Group has previously adopted the transitional provisions available on the first application of the MASB Approved Accounting Standard IAS 16 (Revised) Property, Plant and Equipment which was effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, the Group had recorded certain freehold land and buildings at revalued amounts but had not adopted a policy of revaluation and continued to carry those freehold land and buildings on the basis of their previous revaluations subject to continuity in its depreciation policy and requirement to write down the assets to their recoverable amounts for impairment adjustments.

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 *Property, Plant and Equipment*. At the date of transition to MFRS, the Group uses previous revaluation at or before the date of transition as deemed cost. Accordingly, the revaluation reserve of RM1,114,000 (30 June 2012: RM1,114,000) was transferred to retained earnings on the date of transition to MFRS.

c) Foreign currency translation reserve

Under FRS, the Group recognised translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS. Accordingly, at date of transition to MFRS, the cumulative foreign currency translation differences of RM10,346,000 (30 June 2012: RM5,989,000) were adjusted to retained earnings.

The reconciliations of financial statements at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:



LATITUDE TREE HOLDINGS BERHAD
(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2013

(i) Reconciliation as at 1 July 2011

	FRS as at 1 July 2011 RM'000	Note A2(b) Property, plant and equipment RM'000	Note A2(c) Foreign currency translation reserve RM'000	MFRS as at 1 July 2011 RM'000
Revaluation reserve	1,114	(1,114)	-	-
Foreign currency translation reserve	(10,346)	-	10,346	-
Retained earnings	107,013	1,114	(10,346)	97,781

(ii) Reconciliation as at 30 June 2012

	FRS as at 30 June 2012 RM'000	Note A2(b) Property, plant and equipment RM'000	Note A2(c) Foreign currency translation reserve RM'000	MFRS as at 30 June 2012 RM'000
Revaluation reserve	1,114	(1,114)	-	-
Foreign currency translation reserve	(5,989)	-	10,346	4,357
Retained earnings	116,117	1,114	(10,346)	106,885

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT

The latest audited financial statements for the financial year ended 30 June 2012 were not subject to any qualification.

A4. 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 2013.

A5. 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 2013

A6. TAXATION

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

	Individual Quarter		Cumulative Quarter	
	30.6.2013	30.6.2012	30.6.2013	30.6.2012
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian	(12)	(126)	(14)	(126)
Overseas	1,211	914	3,703	2,077
Total	1,199	788	3,689	1,951
Deferred taxation				
Malaysian	-	-	-	-
Overseas	(77)	(54)	(77)	(54)
Total	(77)	(54)	(77)	(54)
	1,122	734	3,612	1,897

A7. CHANGES IN THE COMPOSITION OF THE GROUP

There was no change to the composition of the Group in the quarter ended 30 June 2013 except for the following:

An application had been submitted to the Indonesia Investment Coordinating Board to wind up PT Latitude Tree, a dormant wholly-owned subsidiary of L-Tree Resources Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company ("The Winding Up").

The Winding Up will not have any material effects on the earnings or net asset of the Company for the financial year ended 30 June 2013.

The Winding Up is expected to be completed upon the official revocation of PT Latitude Tree's tax ID obtained from Tax Office of Republic of Indonesia.

A8. CORPORATE PROPOSAL

There were no corporate proposals announced but not completed as at 29 August 2013 except for the following:



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2013

On 5 February 2013, the Board of Directors of the Company announced that the Company proposes to acquire all the subsidiaries of Latitude Tree International Group Ltd. (“LTIGL”), a 77.62% owned subsidiary of the Company, for an aggregate consideration of SGD46,770,000.00 (“Purchase Consideration”) (“Proposed Acquisitions”). A letter of offer has been issued by the Company to the Board of Directors of LTIGL on even date to notify them of the Company’s intention to undertake the Proposed Acquisitions (“Offer Letter”).

On 28 March 2013, the Board of Directors of the Company announced that LTIGL had agreed on even date to accept the revised Offer made by the Company whereby the aggregate consideration for the Proposed Acquisitions was increased from SGD46,770,000 to SGD48,750,000. The Proposed Acquisitions are subject to, amongst others, the share sale agreement comprising the terms and conditions to be agreed upon by the Company and LTIGL, the approval of the shareholders of the Company and LTIGL and relevant regulatory authorities.

On 9 May 2013, the Company had entered into a conditional sale and purchase agreement (“SPA”) with LTIGL, a 77.62% owned subsidiary of the Company, to undertake the Proposed Acquisitions.

On 21 August 2013, the shareholders of the Company have approved the Proposed Acquisition at the Company’s Extraordinary General Meeting pursuant to the SPA dated 9 May 2013.

A9. CHANGES IN EQUITY AND LONG TERM DEBTS

There were no changes in equity and long term debts for the current quarter ended 30 June 2013.

A10. 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	22,289	12,785
Portion repayable within twelve months	(8,833)	(7,146)
Total Long Term Liabilities	13,456	5,639



LATITUDE TREE HOLDINGS BERHAD
(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2013

Short Term Liabilities		
Unsecured :		
Current portion of long term loans	-	-
Short term loans	-	-
	-	-
Secured :		
Hire purchase payables	6	-
Current portion of long term loans	8,833	7,146
Short term loans	74,061	63,102
Bank overdrafts	2,211	2,005
Total Short Term Liabilities	85,111	72,253

A11. REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained earnings of the Group as at 31 March 2013 and 30 June 2012 are as follows:

	As at end of current quarter 30.6.13 RM'000	As at end of preceding financial year 30.6.12 RM'000
Total retained earnings of Latitude Tree Holdings Berhad and its subsidiaries:		
- Realised	193,921	176,857
- Unrealised	343	1,079
	<u>194,264</u>	<u>177,936</u>
Total share of accumulated losses from associated companies:		
- Realised	-	(527)
Less: Consolidation adjustments	(65,929)	(70,524)
Total group retained earnings	<u>128,335</u>	<u>106,885</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.



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2013

A12. FINANCIAL INSTRUMENTS - DERIVATIVES

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

	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	7,495.2	7,624.8	(129.6)

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.

A13. 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 29 August 2013.

A14. 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.



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2013

In presenting information on the basis of geographical segments, segment revenue and (loss)/profit 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:

RM'000	MALAYSIA	VIETNAM	THAILAND	OTHERS	GROUP
TOTAL REVENUE	133,369	373,388	23,591	-	530,348
INTER-SEGMENT REVENUE	(32,584)	-	(4,077)	-	(36,661)
EXTERNAL REVENUE	100,785	373,388	19,514	-	493,687
(LOSS)/PROFIT BEFORE TAXATION	(2,147)	42,417	(1,715)	(2,897)	35,658

A15. SIGNIFICANT RELATED PARTY TRANSACTIONS

Transacting Parties	Related Party	Nature of Interest	Nature of Transaction	Current Quarter ended 30.6.2013 RM'000	Current Year To Date 30.6.2013 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 and substantial shareholder of LTHB holds 24.92% 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.	1,129	4,077



LATITUDE TREE HOLDINGS BERHAD
(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2013

The LTIG Group and the LTHB Group	Mr. Yek Siew Liong	<p>LTHB is the holding company of LTIG. Mr Yek Siew Liong is a director and substantial shareholder of both LTIG and LTHB.</p> <p>Mr Yek Siew Liong owns approximately 4.85% direct 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</p>	Purchases of raw materials and supplies, furniture components and finished goods by LTIG Group from the LTHB Group.	-	-
			Purchases of raw materials and supplies, furniture components and finished goods by LTHB Group from the LTIG Group.	697	2,854

ADDITIONAL INFORMATION REQUIRED BY MAIN MARKET LISTING REQUIREMENT (APPENDIX 9B)

B1. MATERIAL CHANGE IN PROFIT BEFORE TAXATION COMPARED TO IMMEDIATE PRECEDING QUARTER

RM Million	30.6.2013	31.3.2013
Revenue	124.4	107.2
Gross profit	20.1	14.5
Consolidated profit before taxation	9.4	5.8

Revenue

For the quarter under review, the Group's revenue increased approximately 16.0% to RM124.4 million as compared to the preceding quarter of RM107.2 million. The increase was mainly attributable to the followings:



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2013

- 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 of RM20.1 million for the fourth quarter of financial year ended 30 June 2013 representing an increase of 38.6% as compared to RM14.5 million of the preceding quarter. The increase was mainly attributable to the followings :

- higher revenue;
- improved productivity; and
- upward revision of selling price of certain products.

Profit before taxation (“PBT”)

The Group has recorded an increase in PBT from RM5.8 million in preceding quarter to RM9.4 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 RM493.7 million for the financial year ended 30 June 2013 (“FY2013”) representing a decrease of 4.7% as compared to the financial year ended 30 June 2012 (“FY2012”) of RM517.9 million. The decrease was mainly due to scaling down of production capacity of a factory in Malaysia and was offset by the increase in production in Vietnam.

Gross profit

Gross profit of the Group amounted to RM71.2 million in FY2013, representing an increase of 33.1% from RM53.5 million in FY2012. The significant increase was mainly attributable to the followings:

- upward revision of selling price of certain products;
- higher orders received of better margin products;
- lower material costs as a result of decrease in the price of raw materials and packing materials; and
- improved productivity of the new production line in Vietnam.



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2013

Profit before taxation (“PBT”)

PBT of the Group amounted to RM35.7 million in FY2013, representing an increase of 113.8% from RM16.7 million in FY2012. The substantial increase in PBT was in line with the substantial increase in gross profit due to better gross profit margin coupled with the decrease in finance costs and gain from disposal of an associate.

B3. PROFIT FOR THE PERIOD

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

	Individual quarter ended		Cumulative quarter ended	
	30.6.13	30.6.12	30.6.13	30.6.12
	RM'000	RM'000	RM'000	RM'000
Interest income	(320)	(114)	(736)	(345)
Interest expense	1,124	1,185	4,469	4,974
Depreciation and amortization	4,175	4,224	16,824	16,703
(Gain)/loss on disposal of property, plant and equipment	(1)	(4)	41	(21)
Property, plant and equipment written off	-	25	2	25
Impairment loss on receivables	206	164	206	164
Impairment loss on investment in an associate	-	971	-	971
Impairment loss on other investments	-	440	-	440
Gain on disposal of an associate	(4)	-	(524)	-
Unrealised foreign exchange loss/(gain)	164	(634)	15	(871)
Realised foreign exchange (gain)/loss	(414)	41	(702)	(78)
Loss on derivatives	566	1,352	178	962

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.



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2013

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 continue to take a cautious approach in its business strategy especially in managing rising labour costs and the volatility of US Dollar.

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

Going forward, the Board is confident that the Group will continue to remain profitable for the financial year ending 30 June 2014.

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 2013.

B8. DIVIDEND

The Board of Directors did not recommend any interim dividend for the current quarter ended 30 June 2013.

B9. EARNINGS PER SHARE

Basic EPS	Individual Quarter		Cumulative Quarter	
	30.6.13	30.6.12	30.6.13	30.6.12
Net profit attributable to equity holders of the Company (RM'000)	5,949	6,759	24,366	9,840
Weighted average no. of shares ('000)	97,207.5	97,207.5	97,207.5	97,207.5
Basic EPS (sen)	6.12	6.95	25.07	10.12



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2013

B10. CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment not provided for in the financial statements as at 30 June 2013 were as follows:

	RM'000
Authorised by Directors and contracted	2,573
Authorised by Directors and not contracted	-
	-