



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2013

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 2013.

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 2013 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 2013.

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 STATEMENTS

The latest audited financial statements for the financial year ended 30 June 2013 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 December 2013.

A4. VALUATION OF PROPERTY, PLANT & EQUIPMENT

There was no revaluation of properties of the Group during the financial period ended 31 December 2013.



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A5. TAXATION

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

	Individual Quarter		Cumulative Quarter	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian	-	-	-	-
Overseas	2,395	1,575	4,646	2,437
Total	2,395	1,575	4,646	2,437
Deferred tax expense				
Malaysian	-	-	-	-
Overseas	-	-	-	-
Total	-	-	-	-
	2,395	1,575	4,646	2,437

A6. CHANGES IN THE COMPOSITION OF THE GROUP

There was no change to the composition of the Group in the quarter ended 31 December 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 period ended 31 December 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.



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A7. CORPORATE PROPOSAL

The Proposed Acquisition of all the subsidiaries of Latitude Tree International Group Ltd for an aggregate consideration of SGD48.75 million has been completed on 23 January 2014.

A8. CHANGES IN EQUITY AND LONG TERM DEBTS

There were no changes in equity and long term debts for the current quarter ended 31 December 2013.

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 :	-	-
Long term loans	18,438	9,502
Portion repayable within twelve months	(7,343)	(5,657)
Total Long Term Liabilities	11,095	3,845
Short Term Liabilities		
Unsecured :		
Current portion of long term loans	-	-
Short term loans	-	-
Secured :		
Current portion of long term loans	7,343	5,657
Short term loans	85,323	78,308
Bank overdrafts	2,807	1,764
Total Short Term Liabilities	95,473	85,729



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A10. REALISED AND UNREALISED PROFITS/LOSSES

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

	As at end of current quarter 31.12.13 RM'000	As at end of preceding financial year 30.6.13 RM'000
Total retained earnings of Latitude Tree Holdings Berhad and its subsidiaries:		
- Realised	235,935	193,920
- Unrealised	642	344
	<u>236,577</u>	<u>194,264</u>
Less: Consolidation adjustments	(74,667)	(65,929)
Total group retained earnings	<u>161,910</u>	<u>128,335</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 December 2013, the outstanding derivative financial instrument, which have been entered into by the Group are as follows:

	Contract Value RM'000	Fair Value RM'000	Changes in Fair Value Gain/(Loss) RM'000
<u>Foreign Currency Contracts</u>			
US dollar - less than 1 year	5,516.4	5,576.0	(59.6)

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.



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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 27 February 2014.

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 (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	73,369	289,885	14,169	-	377,423
INTER-SEGMENT REVENUE	(12,864)	(20)	(3,046)	-	(15,930)
EXTERNAL REVENUE	60,505	289,865	11,123	-	361,493
PROFIT/(LOSS) BEFORE TAXATION	3,291	44,869	(312)	(1,073)	46,775



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A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

Transacting Parties	Related Party	Nature of Interest	Nature of Transaction	Current Quarter ended 31.12.2013 RM'000	Current Year To Date 31.12.2013 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.	1,966	3,046
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 and substantial shareholder of both LTIG and LTHB. 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	Purchases of raw materials and supplies, furniture components and finished goods by LTIG Group from the LTHB Group.	1,221	1,399
			Purchases of raw materials and supplies, furniture components and finished goods by LTHB Group from the LTIG Group.	731	1,049



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

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

RM Million	31.12.2013	30.9.2013
Revenue	184.4	177.1
Gross profit	35.8	29.9
Profit before taxation	26.0	20.7

Revenue

For the quarter under review, the Group's revenue increased approximately 4.1% to RM184.4 million as compared to the preceding quarter of RM177.1 million. The increase was mainly attributable to the followings:

- higher orders received in the quarter under review (see Note B5); and
- overall higher production output by all the factories of the Group in current quarter as compared to preceding quarter.

Gross profit

The Group has recorded higher gross profit from RM29.9 million in the preceding quarter to RM35.8 million in current quarter, representing an increase of 19.7%. The increase was in line with the increase in revenue and also mainly attributable to the followings:

- higher orders received of better margin products; and
- improved productivity.

Profit before taxation ("PBT")

The Group has recorded an increase in PBT from RM20.7 million in preceding quarter to RM26.0 million in current quarter. The increase in PBT was in line with the increase in revenue and gross profit margin.



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B2. REVIEW OF PERFORMANCE

RM Million	31.12.2013	31.12.2012
Revenue	361.5	262.1
Gross profit	65.8	36.7
Profit before taxation	46.8	20.5

Revenue

The Group recorded revenue of RM361.5 million for the six months financial period ended 31 December 2013 (“HY2014”), representing an increase of 37.9% as compared to the six months financial period ended 31 December 2012 (“HY2013”) of RM262.1 million. The significant increase was mainly attributable to the followings:

- increase in monthly production capacity of a factory in Vietnam by approximately USD1.0 million;
- higher orders received in the period under review;
- strengthening of US Dollar against Ringgit Malaysia by 4.3%; and
- higher production output in the period under review as compared to corresponding period in FY2013.

Gross profit

Gross profit of the Group amounted to RM65.8 million in HY2014, representing an increase of 79.3% from RM36.7 million in HY2013. The significant increase was in line with the increase in revenue and also mainly attributable to the followings:

- higher orders received of better margin products;
- improved productivity; and
- upward revision of selling price of certain products.

Profit before taxation (“PBT”)

PBT of the Group amounted to RM46.8 million in HY2014, representing an increase of 128.3% from RM20.5 million in HY2013. 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.



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B3. PROFIT FOR THE PERIOD

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

	Individual quarter ended		Cumulative quarter ended	
	31.12.13	31.12.12	31.12.13	31.12.12
	RM'000	RM'000	RM'000	RM'000
Interest income	(291)	(131)	(521)	(250)
Interest expense	916	1,159	1,897	2,297
Depreciation and amortization	4,477	4,201	8,604	8,445
Loss/(gain) on disposal of property, plant and equipment	4	(149)	(6)	(148)
Property, plant and equipment written off	-	2	-	2
Unrealised foreign exchange loss/(gain)	1,938	(686)	270	(150)
Realised foreign exchange loss/(gain)	165	213	380	(268)
Loss/(gain) on derivatives	55	235	(70)	(511)

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 continue to take a cautious approach in its business strategy especially in managing rising labour costs.

Continuous efforts will also be taken to strengthen its operations in order to improve productivity and to maximize its profit margin.

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



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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 December 2013.

B8. DIVIDEND

The Board of Directors did not recommend any interim dividend for the current quarter ended 31 December 2013.

B9. EARNINGS PER SHARE

Basic EPS	Individual Quarter		Cumulative Quarter	
	31.12.13	31.12.12	31.12.13	31.12.12
Net profit attributable to equity holders of the Company (RM'000)	18,971	5,095	33,575	14,113
Weighted average no. of shares ('000)	97,207.5	97,207.5	97,207.5	97,207.5
Basic EPS (sen)	19.52	5.24	34.54	14.52

B10. CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment not provided for in the financial statements as at 31 December 2013 were as follows:

	RM'000
Authorised by Directors and contracted	776
Authorised by Directors and not contracted	-
	776