



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2014

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 2014.

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 2014 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 2014.

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 2014 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 2014.

A4. VALUATION OF PROPERTY, PLANT & EQUIPMENT

There was no revaluation of properties of the Group during the financial period ended 31 December 2014.



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A5. TAXATION

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

	Individual Quarter		Cumulative Quarter	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian	-	-	-	-
Overseas	1,947	2,395	3,639	4,646
Total	1,947	2,395	3,639	4,646
Deferred tax expense				
Malaysian	-	-	-	-
Overseas	-	-	-	-
Total	-	-	-	-
	1,947	2,395	3,639	4,646

A6. CHANGES IN THE COMPOSITION OF THE GROUP

There was no change to the composition of the Group in the quarter ended 31 December 2014 except for the completion of winding up process of PT Latitude Tree on 9 October 2014. The winding up has no material effects on the earnings or net asset of the Group for the financial period ended 31 December 2014.

A7. 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 except for the acquisition of Property and Machinery by wholly-owned subsidiaries of the Company, Uptown Promenade Sdn. Bhd. and Rhong Khen Industries Sdn. Bhd. from Hai Ming Industries Sdn. Bhd. and I'Kranji Industries Sdn. Bhd. was successfully completed on 7 January 2015.

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 2014.



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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	10,903	3,160
Portion repayable within twelve months	(4,846)	(3,160)
Total Long Term Liabilities	6,057	-
Short Term Liabilities		
Unsecured :		
Current portion of long term loans	-	-
Short term loans	-	-
Secured :		
Current portion of long term loans	4,846	3,160
Short term loans	77,324	70,520
Bank overdrafts	431	192
Total Short Term Liabilities	82,601	73,872



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A10. REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained earnings of the Group as at 31 December 2014 and 30 June 2014 are as follows:

	As at end of current quarter 31.12.14 RM'000	As at end of preceding financial year 30.6.14 RM'000
Total retained earnings of Latitude Tree Holdings Berhad and its subsidiaries:		
- Realised	260,835	216,526
- Unrealised	5,968	(719)
	<u>266,803</u>	<u>215,807</u>
Less: Consolidation adjustments	(22,787)	(15,836)
Total group retained earnings	<u>244,016</u>	<u>199,971</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 2014, 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	4,029.7	4,192.8	(163.1)

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 12 February 2015.

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	103,537	290,444	14,711	3,232	411,924
INTER-SEGMENT REVENUE	(43,726)	(51)	(3,326)	-	(47,103)
EXTERNAL REVENUE	59,811	290,393	11,385	3,232	364,821
PROFIT BEFORE TAXATION	7,683	37,443	1,673	1,137	47,936



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A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

Transacting Parties	Related Party	Nature of Interest	Nature of Transaction	Current Quarter ended 31.12.2014 RM'000	Current Year To Date 31.12.2014 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 and substantial shareholder of LTHB holds 27.78% 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.	1,870	3,325

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

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

RM Million	31.12.2014	30.9.2014	Variance
Revenue	189.1	175.7	+7.6%
Gross profit	34.4	26.2	+31.3%
Profit before taxation	29.5	18.5	+59.5%

Revenue

For the quarter under review, the Group's revenue surged by 7.6% to RM189.1 million as compared to the preceding quarter of RM175.7 million. The increase was mainly attributable to the followings:

- higher orders received in the quarter under review;
- strengthening of US Dollar against Ringgit Malaysia; and
- overall higher production output by all the factories of the Group in current quarter as compared to preceding quarter.



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Gross profit

The Group has recorded higher gross profit from RM26.2 million in the preceding quarter to RM34.4 million in current quarter, representing an increase of 31.3%. The substantial increase was in line with the increase in revenue and also mainly attributable to the followings:

- higher orders received of better margin products;
- strengthening of US Dollar against Ringgit Malaysia; and
- improved productivity.

Profit before taxation (“PBT”)

The Group has recorded an increase in PBT from RM18.5 million in preceding quarter to RM29.5 million in current quarter. The substantial increase in PBT was mainly attributable to the followings:

- in line with the substantial increase in gross profit due to better gross profit margin;
- lower finance costs due to decrease in total bank borrowings; and
- increase in unrealised foreign exchange gain.

B2. REVIEW OF PERFORMANCE

RM Million	31.12.2014	31.12.2013	Variance
Revenue	364.8	361.5	+0.9%
Gross profit	60.6	65.8	-7.9%
Profit before taxation	47.9	46.8	+2.4%

Revenue

The Group recorded revenue of RM364.8 million for six months financial period ended 31 December 2014 (“HY2015”), representing a slight increase of 0.9% as compared to the six months financial period ended 31 December 2014 (“HY2014”) of RM361.5 million. The slight increase was mainly due to strengthening of US Dollar against Ringgit Malaysia by 2.1%. However, the Group’s revenue in the USD term decreased by 1.2% from USD111.8 million for HY 2014 to USD110.5 million for HY 2015 mainly due to lower orders received.

Gross profit

Gross profit of the Group amounted to RM60.6 million in HY2015, representing a decrease of 7.9% from RM65.8 million in HY2014. The decrease was mainly attributable to the followings:

- lower orders received in the period under review;
- increase in material cost ranging from 2% to 10%; and
- higher labour costs due to upward revision of national minimum wages in Vietnam.



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Profit before taxation (“PBT”)

PBT of the Group amounted to RM47.9 million in HY2015, representing an increase of 2.4% from RM46.8 million in HY2014. The increase in PBT was mainly due to the higher unrealised forex gain arising from translation of monetary assets and liabilities denominated in foreign currencies at the reporting date and lower interest expenses.

B3. PROFIT FOR THE PERIOD

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

	Individual quarter ended		Cumulative quarter ended	
	31.12.14	31.12.13	31.12.14	31.12.13
	RM'000	RM'000	RM'000	RM'000
Interest income	(199)	(291)	(430)	(521)
Interest expense	673	916	1,357	1,897
Depreciation and amortization	4,585	4,477	8,994	8,604
Loss/(gain) on disposal of property, plant and equipment	-	4	78	(6)
Unrealised foreign exchange (gain)/loss	(4,193)	1,938	(5,280)	270
Realised foreign exchange loss	19	165	79	380
Loss/(gain) on derivatives	173	55	392	(70)

B4. CORPORATE PROPOSAL

There were no other corporate proposals announced during the quarter ended 31 December 2014.

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.



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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 maximise its profit margin.

Barring unforeseen circumstances, the Board is confident that the Group will continue to remain profitable for the financial year ending 30 June 2015.

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 2014.

B8. DIVIDEND

The Company had on 29 January 2015 paid a final tax exempt dividend of 8.5 sen per share for the financial year ended 30 June 2014.

The Board of Directors did not recommend any interim dividend for the current quarter ended 31 December 2014.

B9. EARNINGS PER SHARE

Basic EPS	Individual Quarter		Cumulative Quarter	
	31.12.14	31.12.13	31.12.14	31.12.13
Net profit attributable to equity holders of the Company (RM'000)	27,398	18,971	44,046	33,575
Weighted average no. of shares ('000)	97,207.5	97,207.5	97,207.5	97,207.5
Basic EPS (sen)	28.19	19.52	45.31	34.54



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B10. CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment not provided for in the financial statements as at 31 December 2014 were as follows:

	RM'000
Authorised by Directors and contracted	735
Authorised by Directors and not contracted	-
	735