



LATITUDE TREE HOLDINGS BERHAD

(302829-W)

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2015

A1. BASIS OF PREPARATION

The interim financial report is unaudited and have been prepared in accordance with the requirements of MFRS 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 MFRSs, Amendment to MFRSs and IC Interpretations that are effective for the financial periods beginning on 1 July 2014.

The adoption of relevant MFRSs, Amendment to MFRSs 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 30 June 2015.

A4. VALUATION OF PROPERTY, PLANT & EQUIPMENT

There was no revaluation of properties of the Group during the financial period ended 30 June 2015.



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A5. TAXATION

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

	Individual Quarter		Cumulative Quarter	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian	1,051	-	1,051	-
Overseas	1,544	1,715	6,774	7,597
Total	2,595	1,715	7,825	7,597
Deferred tax expense				
Malaysian	2,316	-	2,316	-
Overseas	59	(63)	59	(63)
Total	2,375	(63)	2,375	(63)
	4,970	1,652	10,200	7,534

A6. CHANGES IN THE COMPOSITION OF THE GROUP

There was no change to the composition of the Group in the quarter ended 30 June 2015.

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.

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 2015.



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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	20,011	1,141
Portion repayable within twelve months	(7,590)	(1,141)
Total Long Term Liabilities	12,421	-
Short Term Liabilities		
Unsecured :		
Current portion of long term loans	-	-
Short term loans	-	-
Secured :		
Current portion of long term loans	7,590	1,141
Short term loans	69,299	64,731
Bank overdrafts	-	-
Total Short Term Liabilities	76,889	65,872



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A10. REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained earnings of the Group as at 30 June 2015 and 30 June 2014 are as follows:

	As at end of current quarter 30.06.2015 RM'000	As at end of preceding financial year 30.6.2014 RM'000
Total retained earnings of Latitude Tree Holdings Berhad and its subsidiaries:		
- Realised	275,126	216,526
- Unrealised	6,603	(719)
	<u>281,729</u>	<u>215,807</u>
Less: Consolidation adjustments	(10,271)	(15,836)
Total group retained earnings	<u>271,458</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 30 June 2015, 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	13,230.7	13,374.0	143.3

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 August 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 and Thailand.

In presenting information on the basis of geographical segments, segment revenue and 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	181,879	562,155	31,004	7,726	782,764
INTER-SEGMENT REVENUE	(64,526)	(51)	(8,186)	-	(72,763)
EXTERNAL REVENUE	117,353	562,104	22,818	7,726	710,001
PROFIT BEFORE TAXATION	14,556	70,249	2,945	2,642	90,392



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A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

Transacting Parties	Related Party	Nature of Interest	Nature of Transaction	Current Quarter ended 30.06.2015 RM'000	Current Year To Date 30.06.2015 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.	2,460	8,186

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

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

RM Million	30.06.2015	31.03.2015	Variance
Revenue	179.6	165.6	+8.5%
Gross profit	29.4	27.5	+6.9%
Profit before taxation	21.2	21.3	-0.5%

Revenue

For the quarter under review, the Group's revenue increased by 8.5% to RM179.6 million as compared to the preceding quarter of RM165.6 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
- higher production output by most of 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 RM27.5 million in the preceding quarter to RM29.4 million in current quarter, representing an increase of 6.9%. The increase was in line with the increase in revenue.

Profit before taxation (“PBT”)

The Group has recorded marginal decrease in PBT from RM21.3 million in preceding quarter to RM21.2 million in current quarter, representing a decrease of 0.5%. The decrease in PBT was mainly due lower unrealised foreign exchange gain in current quarter as compared to preceding quarter.

B2. REVIEW OF PERFORMANCE

RM Million	30.06.2015	30.06.2014	Variance
Revenue	710.0	651.0	+9.1%
Gross profit	117.5	109.8	+7.0%
Profit before taxation	90.4	71.9	+25.7%

Revenue

The Group recorded revenue of RM710.0 million for the financial year ended 30 June 2015 (“FY 2015”), representing an increase of 9.1% as compared to the financial period year 30 June 2014 (“FY 2014”) of RM651.0 million. The increase was mainly attributable to the followings:

- higher orders received and production output in FY 2015 as compared to FY 2014; and
- strengthening of US Dollar against Ringgit Malaysia (“RM”) by 6.7%;

Gross profit

Gross profit of the Group amounted to RM117.5 million in FY 2015, representing an increase of 7.0% from RM109.8 million in FY 2014. The increase was in line with the increase in revenue. However, gross profit margin decreased by 0.3 percentage point mainly due to increase in material costs ranging from 2% to 10%.



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Profit before taxation (“PBT”)

PBT of the Group amounted to RM90.4 million in FY 2015, representing an increase of 25.7% from RM71.9 million in FY 2014. The substantial increase in PBT was mainly attributable to the followings:

- higher gross profit;
- higher unrealised foreign exchange gain; and
- lower finance costs.

B3. PROFIT FOR THE PERIOD

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

	Individual quarter ended		Cumulative quarter ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM'000	RM'000	RM'000	RM'000
Interest income	(224)	(213)	(894)	(898)
Interest expense	880	879	3,027	3,673
Depreciation and amortization	4,654	4,666	18,627	17,754
(Gain)/loss on disposal of property, plant and equipment	-	(106)	76	(252)
Property, plant and equipment written off	7	27	11	74
Impairment loss on receivables	-	31	-	31
Net gain on winding up of a subsidiary	(5)	-	(5)	-
Unrealised foreign exchange loss/(gain)	144	808	(8,054)	1,382
Realised foreign exchange (gain)/loss	(652)	1,361	(598)	(356)
(Gain)/loss on derivatives	(28)	(81)	344	(359)

B4. CORPORATE PROPOSAL

There were no other corporate proposals announced during the quarter ended 30 June 2015.



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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 material and labour costs and foreign exchange fluctuations.

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

The Board is confident that the Group will continue to remain profitable for the financial year ending 30 June 2016.

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 2015.

B8. DIVIDEND

The Board of Directors did not recommend any interim dividend for the current quarter ended 30 June 2015.

B9. EARNINGS PER SHARE

Basic EPS	Individual Quarter		Cumulative Quarter	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
Net profit attributable to equity holders of the Company (RM'000)	16,192	8,681	79,750	55,008
Weighted average no. of shares ('000)	97,207.5	97,207.5	97,207.5	97,207.5
Basic EPS (sen)	16.66	8.93	82.04	56.59



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B10. CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment not provided for in the financial statements as at 30 June 2015 were as follows:

	RM'000
Authorised by Directors and contracted	733
Authorised by Directors and not contracted	-
	733