



**LATITUDE TREE HOLDINGS BERHAD**  
(302829-W)



# ANNUAL REPORT **2017**



# CONTENTS

<i>CORPORATE INFORMATION</i>	<b>2</b>
<i>FINANCIAL HIGHLIGHTS</i>	<b>3</b>
<i>MANAGEMENT DISCUSSION AND ANALYSIS</i>	<b>4</b>
<i>CORPORATE PROFILE</i>	<b>9</b>
<i>PROFILE OF BOARD OF DIRECTORS</i>	<b>11</b>
<i>PROFILE OF KEY SENIOR MANAGEMENT</i>	<b>14</b>
<i>CORPORATE GOVERNANCE STATEMENT</i>	<b>16</b>
<i>STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL</i>	<b>32</b>
<i>AUDIT COMMITTEE REPORT</i>	<b>35</b>
<i>NOMINATION COMMITTEE REPORT</i>	<b>39</b>
<i>STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES</i>	<b>40</b>
<i>FINANCIAL STATEMENTS</i>	<b>41</b>
<i>PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES</i>	<b>129</b>
<i>ANALYSIS OF SHAREHOLDINGS</i>	<b>132</b>
<i>NOTICE OF ANNUAL GENERAL MEETING</i>	<b>134</b>
<i>PROXY FORM</i>	





# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dato' Haji Shaharuddin Bin Haji Haron**  
Chairman/Senior Independent Director

**Mdm Lin Chen, Jui-Fen**  
Deputy Executive Chairperson/Executive Director

**Mr Lin, Chin-Hung**  
Managing Director

**Mr Toh Seng Thong**  
Independent Director

**Mr Yek Siew Liong**  
Non-Independent Non-Executive Director

**Mr Lin, Cheng-Hung**  
Non-Independent Non-Executive Director

## COMPANY SECRETARIES

**Ms Tai Yit Chan** (MAICSA 7009143)

**Ms Wong Siew Yeen** (MAICSA 7018749)

**Mr Yeoh Joe Son** (MIA 9238)

## AUDIT COMMITTEE

**Mr Toh Seng Thong** (Chairman)  
Independent Director

**Dato' Haji Shaharuddin Bin Haji Haron**  
Senior Independent Director

**Mr Yek Siew Liong**  
Non-Independent Non-Executive Director

## NOMINATION COMMITTEE

**Dato' Haji Shaharuddin Bin Haji Haron** (Chairman)  
Senior Independent Director

**Mr Toh Seng Thong**  
Independent Director

**Mr Yek Siew Liong**  
Non-Independent Non-Executive Director

## REMUNERATION COMMITTEE

**Dato' Haji Shaharuddin Bin Haji Haron** (Chairman)  
Senior Independent Director

**Mr Toh Seng Thong**  
Independent Director

**Mr Yek Siew Liong**  
Non-Independent Non-Executive Director

## PLACE OF INCORPORATION AND DOMICILE

Malaysia

## STOCK EXCHANGE LISTING/STOCK NAME

**Main Market of Bursa Malaysia Securities Berhad**  
Stock Short Name : LATITUD  
Stock Code : 7006

## REGISTERED OFFICE

Lot 6.05, Level 6, KPMG Tower  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya, Selangor Darul Ehsan  
Telephone : 603-7720 1188  
Facsimile : 603-7720 1111  
Website : www.lattree.com

## SHARE REGISTRAR

**Boardroom Corporate Services (KL) Sdn. Bhd.**  
Lot 6.05, Level 6, KPMG Tower  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya, Selangor Darul Ehsan  
Telephone : 603-7720 1188  
Facsimile : 603-7720 1111

## AUDITORS

**Ernst & Young (AF 0039)**  
Chartered Accountants  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur

## PRINCIPAL BANKERS

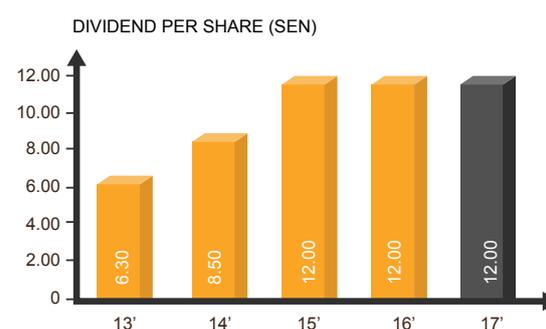
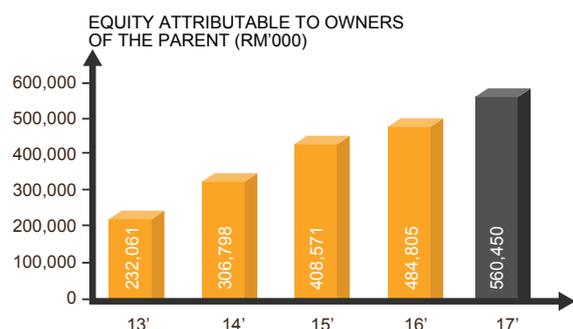
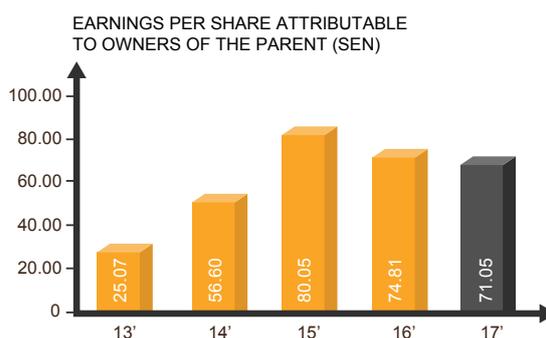
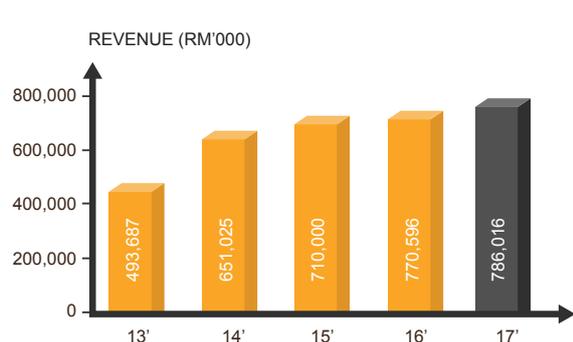
HSBC Bank Malaysia Berhad  
Alliance Bank Malaysia Berhad  
Standard Chartered Bank Malaysia Berhad  
Citibank Berhad  
Malayan Banking Berhad  
CTBC Bank Co. Ltd.  
Indovina Bank Ltd.  
Bank Sinopac



# FINANCIAL HIGHLIGHTS

Five Years Financial Highlights	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
REVENUE	786,016	770,596	710,000	651,025	493,687
PROFIT FOR THE YEAR	69,065	72,924	78,253	64,333	32,046
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	69,065	72,725	77,812	55,016	24,366
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	560,450	484,805	408,571	306,798	232,061
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (RM)	5.77	4.99	4.20	3.16	2.39
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (SEN)	71.05	74.81	80.05	56.60	25.07
DIVIDEND PER SHARE (SEN)	12.00	12.00	12.00	8.50	6.30
DIVIDEND AMOUNT (RM'000)	11,665*	11,665	11,665	8,263	6,124

\* This represents a final tax exempt dividend of 12.00 sen. The final tax exempt dividend was recommended by the Board of Directors and is subject to shareholders' approval at the forthcoming Annual General Meeting.





# MANAGEMENT DISCUSSION AND ANALYSIS

## 1) Overview of the Group's Business and Operations

The financial year under review of 1 July 2016 to 30 June 2017 was a period when Latitude Tree Holdings Berhad ("LTHB") remained resolute to our upward expansion strategy to strengthen competitive position. LTHB had put in place the following strategies to ensure that the Group continues to deliver consistent results:

- enhancing upstream activities via upgrading and adding new production facilities to increase output of wooden parts and components;
- setting up new production line and warehouse facility to cater for low volume high value products; and
- expanding Research and Development ("R&D") center to innovate and improve products and services.

LTHB is a world class integrated household furniture manufacturer specialises in the manufacturing and sale of wooden household furniture and components particularly rubber-wood furniture for export markets. About 60% of raw materials the Group are rubber-wood-based with the remaining being oak, pine wood and other wood-based materials. The Group's manufacturing activities are operated from its four (4) factories in Malaysia, two (2) factories in Vietnam and one (1) factory in Thailand. The total floor area of the seven (7) manufacturing plants is approximately 8.2 million square feet. Total workforce as at 30 June 2017 is approximately 7,000 workers. The main products manufactured by the Group are Bedroom Collection Sets (including beds, nightstands, chest, armoires and wardrobes), Dining Room Collection Sets (including tables, chairs, buffets, hutches, curios, sideboard and servers) and Living Room Collection Sets (including sofas, sofa tables, occasional tables, coffee tables and cabinets (TV and low cabinets) and Small Office, Home Office (SoHo) sets).

The main challenges faced by the Group during the financial year were shortage of raw materials, escalating raw material prices, increasing labour costs and foreign exchange fluctuation. The Group will continue to improve our products and services in order to meet or exceed the expectations of our customers and identify and implement programs to save time and lower product costs while maintain high quality of our products.

## 2) Financial Performance Review

	2017 (RM'000)	2016 (RM'000)	Variance (RM'000)	Variance (%)
<b>Items of Statements of Profit or Loss and Other Comprehensive Income:</b>				
Revenue	786,016	770,596	15,420	2.0
Gross profit	131,970	136,661	(4,691)	(3.4)
Other income	6,260	4,663	1,597	34.2
Operating costs	(48,976)	(47,261)	1,715	3.6
Finance costs	(2,620)	(3,290)	(670)	(20.4)
Profit before tax	88,347	92,213	(3,866)	(4.2)
<b>Items of Statements of Financial Position:</b>				
Non-current assets	278,372	254,390	23,982	9.4
Current assets	491,895	411,485	80,410	19.5
Total liabilities	209,817	181,070	28,747	15.9
<b>Items of Statements of Cash Flows:</b>				
Net cash flows from operating activities	39,947	84,745	(44,798)	(52.9)
Net cash flows used in investing activities	(21,617)	(52,855)	31,238	59.1
Net cash flows from/(used in) financing activities	212	(30,719)	30,931	>100.0
Cash and cash equivalents as at 30 June	195,741	165,758	29,983	18.1



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

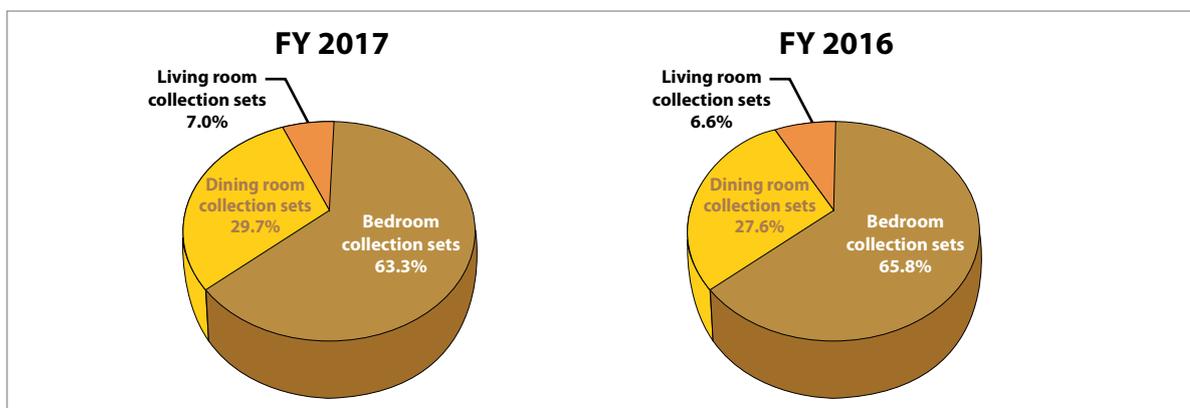
### 2) Financial Performance Review (Cont'd)

#### 2.1 Review of Items of Statements of Profit or Loss and Other Comprehensive Income

The Group recorded revenue of RM786.0 million for the financial year ended 30 June 2017 ("FY2017") exceeding the previous all-time high achieved in FY 2016 by 2.0%.

The increase in the Group's revenue was mainly attributable to the strengthening of the United States Dollar ("USD") against the Ringgit Malaysia ("RM") by 3.7%. However, the Group's revenue in the USD term declined by USD2.3 million or approximately 1.3% due to drop in orders.

Revenue information based on the main products manufactured by the Group is as follows:



In FY 2017, sales of bedroom collection sets accounted for 63.3% of total sales, 2.5% lower compared to FY 2016 of 65.8% of total sales. The decrease was due to lower orders received in FY 2017. Conversely, sales of dining room collection sets and living room sets reported growth of 2.1% and 0.4% respectively due to better orders received in FY 2017.

The Group's gross profit decreased by 3.4% from RM136.7 million in FY2016 to RM132.0 million in FY2017. Despite the marginal increase in revenue, decrease in gross profit was mainly contributed by higher labour costs and hike in prices of raw materials.

Other income increased substantially by 34.2% from RM4.7 million in FY2016 to RM6.3 million in FY2017 mainly due to the increase in investment income from investment securities of RM0.9 million from RM0.3 million in FY2016 to RM1.2 million in FY2017 and increase in fair value gain on derivatives of RM0.5 million from a loss of RM0.05 million in FY 2016 to a gain of RM0.4 million in FY 2017.

The Group's operating costs comprised selling and distribution expenses, administrative expenses and other expenses. The Group's total operating costs amounted to RM49.0 million in FY2017 and was 3.6% higher than FY2016. The increase was primarily attributable to the increase in selling and distribution expenses of RM1.8 million due to higher promotional and carriage outwards expenses incurred in FY 2017.

Finance costs decreased by 20.4% from RM3.3 million in FY2017 to RM2.6 million in FY2016. The decrease was mainly due to lower utilisation of short-term bank borrowings during FY2017.

Profit before tax of the Group amounted to RM88.3 million in FY2017, representing a decrease of 4.2% from RM92.2 million in FY2016. The decrease was in line with the decrease in gross profit and higher operating costs.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 2) Financial Performance Review (Cont'd)

#### 2.2 Review of Items of Statements of Financial Position

Non-current assets increased by RM24.0 million to RM278.4 million as at 30 June 2017 from RM254.4 million as at 30 June 2016. The increase was mainly due to addition in property, plant and equipment of RM34.0 million and foreign exchange differences of RM9.0 million offset with depreciation expense of RM19.5 million.

Current assets increased by RM80.4 million to RM491.9 million as at 30 June 2017 as compared to RM411.5 million as at 30 June 2016. The increase was mainly attributable to the increase in inventories, trade and other receivables and cash and bank balances. Due to shortage of raw materials in the market and rising prices of raw materials, the Group buffers inventories of raw materials. As a result, inventories stood at RM163.5 million as at 30 June 2017, represents RM30.6 million higher than inventories as at 30 June 2016. Trade and other receivables increased by RM27.1 million due to higher trade receivables of RM18.3 million and other receivables of RM8.8 million. Higher trade receivables were due to longer credit term granted to a few major customers of the Group in FY2017 as compared to shorter credit term in FY 2016. Higher other receivables were mainly due to more advances to suppliers in FY 2017 to secure raw materials supply as the Group is struggling with raw materials shortage issue. Higher cash and bank balance was mainly due to lower placement of investment securities during the year.

As at 30 June 2017, total liabilities increased by RM28.7 million to RM209.8 million as at 30 June 2017 from RM181.1 million as at 30 June 2016. The increase was mainly attributable to the increase in loans and borrowings, trade and other payables and tax payable. Loans and borrowings increased by RM16.0 million due to net drawdown of loans and borrowings of RM11.4 million and foreign exchange differences arising from translation of foreign currency loans and borrowings of RM4.6 million. Trade and other payables increased by RM8.4 million mainly due higher costs of purchases as a result of the increase in prices of raw materials. Tax payable increased by RM4.8 million mainly due to tax provision of FY 2017.

#### 2.3 Review of Items of Statements of Cash Flow

The Group registered net cash flows from operating activities of RM39.9 million for FY2017 as compared to RM84.7 million for FY2016. This was mainly due to higher inventories of RM30.7 million and trade and other receivables of RM27.1 million offset with higher trade and other payables of RM8.4 million.

Net cash used in investing activities was RM21.6 million for FY2017, mainly resulted from the purchase of property, plant and equipment of RM34.0 million, offset by net proceeds from investment securities of RM5.6 million and decrease in deposits with licensed banks of RM4.5 million.

Net cash flows from financing activities of RM0.2 million for FY2017 was mainly due to the payment of final dividend for FY2016, which amounted to RM11.7 million offset by net drawdown of loans and borrowings of RM11.4 million.

Overall, cash and cash equivalents increased by RM29.9 million to RM195.7 million as at 30 June 2017, mainly attributable to net cash flows from operating and financing activities which were offset by net cash used in investing activities.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 2) Financial Performance Review (Cont'd)

#### 2.4 Capital Expenditure

In FY 2017, total purchase of property, plant and equipment (“PPE”) by the Group was RM34.0 million. The breakdown of the addition during the financial year is as follows:

Category of PPE	RM'000
Land and buildings	10,705
Plant and machinery	7,633
Buildings under construction	13,812
Others	1,869
<b>Total</b>	<b>34,019</b>

Addition of RM10.0 million on land and buildings represent completion of new High-Value Production and Design Centre in June 2017 at our Vietnam plant. With this, we are now able to penetrate and focus on new market segment of low volume high value products without affecting efficiency of the Vietnam plant. We have also spent RM7.6 million to purchase new machinery to replace aged machinery at all our operating factories. In FY 2016, we have commenced construction of an additional saw mill plant in Kuala Terengganu, Malaysia. Buildings under construction refer to construction cost incurred to erect saw mill plant in Kuala Terengganu, Malaysia. Construction of this saw mill plant was completed in July 2017. With the completion of this saw mill plant, it will further reduce the processing cost of our downstream furniture plant.

### 3) Risks relating to Our Business

#### 3.1 Exposure to Credit Risk

The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. Trade and other receivables are monitored on an ongoing basis via the Group's management reports.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

As at 30 June 2017, 43% (2016: 31%) of the Group's trade receivables were due from 3 major overseas customers (2016: 3 major overseas customers).





## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 3) Risks relating to Our Business (Cont'd)

#### 3.2 Exposure to Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposure arising from sales or purchases that are denominated in a currency other than the functional currency of the Group, i.e. Ringgit Malaysia ("RM"). The foreign currencies in which these transactions are denominated are mainly Vietnam Dong ("VND"), United States Dollar ("USD") and Thai Baht ("THB").

Approximately 97% (2016: 97%) and 84% (2016: 84%) of the Group's sales and costs are denominated in foreign currencies. The Group's trade receivables and trade payables balances at the reporting date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amounted to RM185,396,000 (2016: RM160,913,000) and RM10,751,000 (2016: RM17,000) for the Group and the Company respectively.

The Group uses forward currency contracts to eliminate the currency exposures on its bank balances. At 30 June 2017, the Group entered into forward currency contracts with notional amount of RM31,362,000 (2016: RM9,506,000).

#### 3.3 Exposure to Shortage of Raw Materials

Wood is one of the main raw materials used in manufacturing of our products. The wood or wood-based raw materials used in our products include rubber wood, poplar wood, pine wood, oak wood, particle boards, MDF, plywood and veneer boards. Total cost of wood or wood-based raw materials accounted for 40% to 55% of our total costs of sales.

As the Group does not have long-term supply arrangements with our vendors, there can be no assurance that we will continue to be able to obtain sufficient supply of raw materials, at competitive prices and in a timely manner from our vendors. The Group has been working closely with our vendors to secure sufficient supply for our production needs by providing cash advances to wood-based raw materials vendors.

### 4) Dividend

The Board is proposing a final tax exempt dividend of 12.0 sen per ordinary share amounting to RM11.665 million for FY 2017. The proposed dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting to be convened on 28 November 2017.

### 5) Future Prospect and Outlook of the Group

In view of the uncertainty of the global economy, the Group will continue to address the rising material costs, labour costs and increasing competition from manufacturers in Vietnam.

Continuous effort will also be taken to strengthen its operations in order to enhance productivity, new product development and maximize its profit margin. The Group will also continue to explore new markets to expand its revenue base.

The Group is also on lookout for business or assets that are related and synergise with LTHB's activities with the intention of acquisition or joint venture.



# CORPORATE PROFILE

## Mission

We are a world class integrated household furniture manufacturer co-existing in harmony with nature and the society it serves.

Our mission is to continually improve our products and services to meet or exceed the expectations of our customers. We emphasise employee teamwork and involvement in identifying and implementing programs to save time and lower production costs while maintaining the highest quality values. These strategies allow us to prosper as a business with high degree of integrity and to provide a reasonable return to our shareholders, the ultimate owners of our business.

## History

Latitude Tree Holdings Berhad was incorporated in Malaysia as an investment holding company. Through its subsidiary companies, the Group specialises in the manufacturing and sale of wooden furniture and components particularly rubber-wood furniture for both the domestic and export markets.

The Group has carved out a strong niche in the household furniture segment, specifically dining room and bedroom sets. From its humble beginnings as a manufacturer of chairs for dining room sets in 1988, the Group has grown into a complete high-and-medium-end dining room and bedroom sets manufacturer. About 60% of its raw materials are rubber-wood-based with the remaining being oak, pine wood and other wood-based materials.

The Group has made great advances to position itself as one of the largest rubber-wood furniture manufacturers and exporters in Malaysia and Vietnam. Approximately 99% of the Group's products are exported overseas to the United States of America, Canada, Europe, South Africa, Australia, China and the Middle East countries.

## Manufacturing/Operating Activities

The Group's manufacturing activities are operated from its four (4) factories in Malaysia, two (2) factories in Vietnam and one (1) factory in Thailand. The total floor area of the seven (7) manufacturing plants is approximately 8.2 million square feet. The total current workforce is approximately 7,000 workers.

## Products

The Group has developed an extensive range of products to cater for different customers' requirements and expectations.

The followings are the main products of the Group:

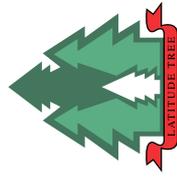
- Bedroom Collection Sets including Beds, Nightstands, Chests, Armoires and Wardrobes;
- Dining Room Collection Sets including Tables, Chairs, Buffets, Hutches, Curios, Sideboards and Servers; and
- Living Room Collection Sets including Sofas, Sofa Tables, Occasional Tables, Coffee Tables and Cabinets (TV and Low Cabinets) and Small Office, Home Office (SoHo) sets.

From the traditional piece-meal furniture, the Group has shifted strategically into the manufacture of whole set and collection set furniture as a response to the emerging demand trends for whole set and collection set furniture. The Group has a team of in-house designers, technicians and developers who are able to develop products that meet customers' requirements and tastes for different markets.

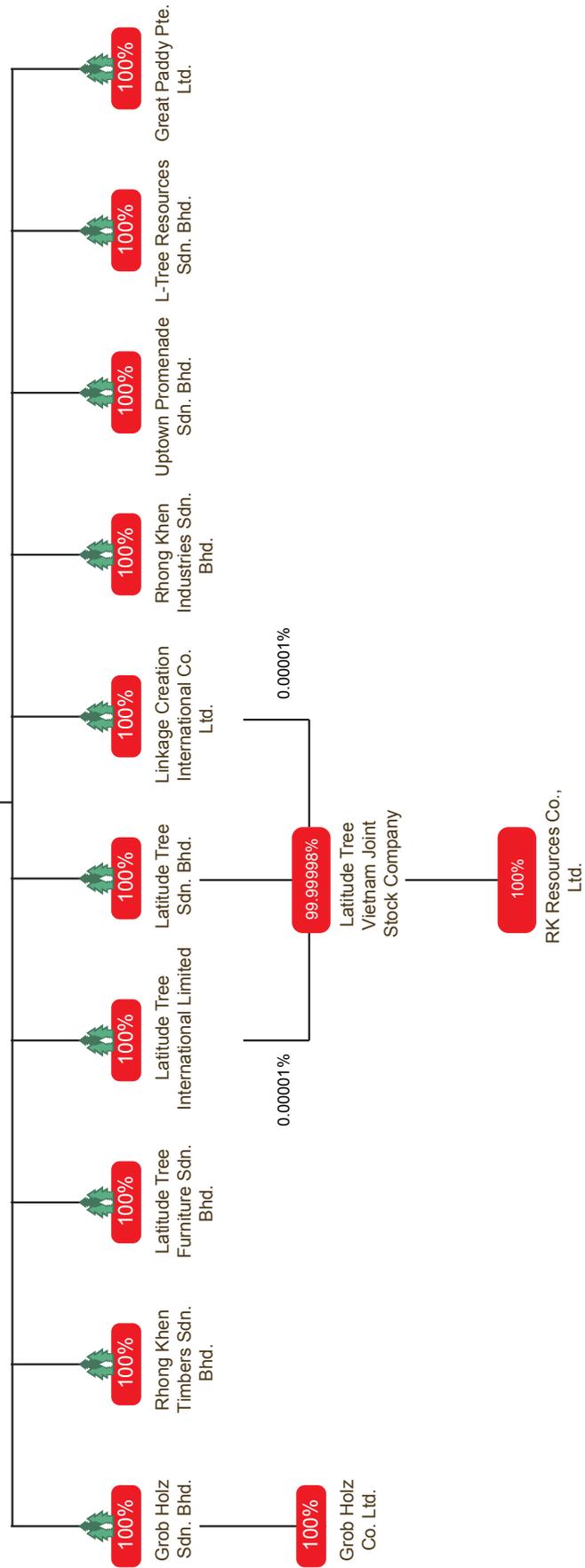


CORPORATE PROFILE (CONT'D)

CORPORATE STRUCTURE



LATITUDE TREE HOLDINGS BERHAD



## PROFILE OF BOARD OF DIRECTORS

**DATO' HAJI SHAHARUDDIN BIN HAJI HARON**  
**Aged 79, Malaysian, Male**  
**Chairman/Senior Independent Director**

Dato' Haji Shaharuddin Bin Haji Haron was appointed to the Board of Latitude Tree Holdings Berhad ("LTHB") on 21 June 2000. His last re-appointment as a director was on 29 November 2016. He is the Chairman of Remuneration Committee and Nomination Committee and a member of the Audit Committee.

He graduated with a Bachelor of Arts (Hons) from the University of Malaya and a Master of Economics from University of Pittsburgh, USA. He served in the Malaysian Administrative and Diplomatic Service. He was initially appointed and held various positions in the Economic Planning Unit of the Prime Minister's Department. He was the first Secretary of the Foreign Investment Committee (from 1974 to 1979). Subsequently, he was appointed the Director General of Insurance of Ministry of Finance ("MOF") (from 1979 to 1983), the Secretary of Finance, MOF (from 1983 to 1984), the Director General of the National Padi and Rice Board Malaysia (from 1984 to 1987). He was appointed the Secretary General of the Ministry of Public Enterprise (from 1987 to 1990), the Secretary General of the Ministry of International Trade and Industry (from 1990 to 1992) and the Secretary General of the Ministry of Domestic Trade and Consumers' Affairs (from 1992 to 1993). While in the Malaysian civil service, he served on the boards of a number of government companies/corporations at State and Federal Government levels, including the State Economic/Development Corporations, Petronas, Permodalan Nasional Berhad ("PNB"), EXIM, the Capital Issue Committee, Malaysian Investment Development Authority ("MIDA") and Malaysian Industrial Development Finance Berhad ("MIDF"). He retired from public service in September 1993.

Particulars of his other directorships in public companies:

- Malayan Flour Mills Berhad
- Gopeng Berhad

Currently, he also sits on the Board of a few private limited companies.

Dato' Haji Shaharuddin does not have any family relationship with any other Directors and/or major shareholder of the Company nor any conflict of interest in any business arrangement involving the Company.

**LIN CHEN, JUI-FEN**  
**Aged 63, Taiwanese, Female**  
**Deputy Executive Chairperson/Executive Director**

Mdm Lin Chen, Jui-Fen was appointed as Executive Director to the Board of LTHB on 28 April 1997. She is currently the Deputy Executive Chairperson and a substantial shareholder of the Company. Her last re-election as a director was on 10 December 2015.

Prior to her appointment as Deputy Executive Chairperson, Mdm Lin was the Managing Director of the Company from 2009 to 2012 and was involved in the overall management of the sales, marketing, finance, operation and human resource activities of LTHB Group. Mdm Lin was the Chief Executive Officer of Latitude Tree International Group Limited (now known as China Star Food Group Limited) from 2012 to 2014.

Mdm Lin together with the late Mr Lin, Tzu-Keng founded the Company and its subsidiaries with the setting up of Latitude Tree Furniture Sdn. Bhd. in 1988. She together with the late Mr Lin led LTHB Group to venture into Vietnam in 2000 with the setting up of Latitude Tree Vietnam Joint Stock Company and followed by RK Resources Co., Ltd. in 2002.

Other than LTHB, she is not a director for any public company. She is a director in several private limited companies.

Mdm Lin is the parent of Mr Lin, Chin-Hung and aunt to Mr Lin, Cheng-Hung. Mr Lin, Chin-Hung and Mr Lin, Cheng-Hung are both substantial shareholders of the Company.

Mdm Lin does not have any conflict of interest in any business arrangement involving the Company.





## PROFILE OF BOARD OF DIRECTORS (CONT'D)

**LIN, CHIN-HUNG**  
**Aged 38, Taiwanese, Male**  
**Managing Director**

Mr Lin Chin-Hung was appointed to the Board of LTHB on 18 January 2012 as the Managing Director and a substantial shareholder of the Company. His last re-election as a director was on 10 December 2015.

Mr Lin attended the Hawaii Pacific University and graduated with a Master in Business Management from National University of Kaohsiung, Taiwan.

Mr Lin was an Assistant to the Managing Director of LTHB where he assisted in the marketing, production and purchasing activities of LTHB Group from July 2001 to August 2007. Mr Lin joined LTHB Group in January 2008 and assisted the Head of Operations of RK Resources Co., Ltd. in the procurement and purchase of all raw materials.

Other than LTHB, he is not a director for any public company. He is a director in several private limited companies.

Mr Lin is the son of Mdm Lin Chen, Jui-Fen and cousin of Mr Lin, Cheng-Hung. Mdm Lin Chen, Jui-Fen and Mr Lin, Cheng-Hung are both substantial shareholders of the Company.

Mr Lin does not have any conflict of interest in any business arrangement involving the Company.

**LIN, CHENG-HUNG**  
**Aged 52, Taiwanese, Male**  
**Non-Independent Non-Executive Director**

Mr Lin Cheng-Hung was appointed to the Board of LTHB on 28 May 2015 as Non-Independent Non-Executive Director and a substantial shareholder of the Company. His last re-election as a director was on 10 December 2015.

Mr Lin graduated with a Bachelor of Arts Degree in Business Administration from California States University. He has many years of experience in various fields such as information communication technology system, garment, sofa manufacturing and wooden furniture manufacturing.

Other than LTHB, he is not a director for any public or private limited companies.

Mr Lin is the cousin to Mr Lin, Chin-Hung and nephew to Mdm Lin Chen, Jui-Fen. Mr Lin, Chin-Hung and Mdm Lin Chen, Jui-Fen are both substantial shareholders of the Company.

Mr Lin does not have any conflict of interest in any business arrangement involving the Company.



## PROFILE OF BOARD OF DIRECTORS (CONT'D)

### **TOH SENG THONG, JP, PJK**

**Aged 59, Malaysian, Male**

**Independent Director**

Mr Toh Seng Thong was appointed to the Board of LTHB on 18 August 2003. His last re-election as a director was on 29 November 2016. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee.

Mr Toh graduated with a Bachelor of Commerce (Accounting) degree from the University of Canterbury, New Zealand in 1981. He is a Chartered Accountant by profession and a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants, Chartered Accountants Australia and New Zealand, a Fellow Member of the Chartered Tax Institute of Malaysia and an Associate member of the Harvard Business School Alumni Club of Malaysia. Mr Toh has over 29 years experience in auditing, taxation and corporate advisory and financial advisory as a practicing Chartered Accountant of Malaysia. He started his own practice under Messrs S T Toh & Co in 1997.

Particulars of his other directorships in public companies:

- Adventa Berhad
- Malaysian Genomics Resource Centre Berhad

Mr Toh does not have any family relationship with any other Directors and/or major shareholder of the Company nor any conflict of interest in any business arrangement involving the Company.

### **YEK SIEW LIONG**

**Aged 58, Malaysian, Male**

**Non-Independent Non-Executive Director**

Mr Yek Siew Liong was appointed to the Board of LTHB on 18 May 2007. His last re-election as a director was on 29 November 2016. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr Yek graduated with a Bachelor of Arts (Hons) in Architecture and Environmental Design degree from University of Nottingham, United Kingdom in 1983, Bachelor of Architecture (Hons) from University of Nottingham, United Kingdom in 1986 and Master of Business Administration from Aston University in Birmingham, United Kingdom in 1988. He is currently a member of the Malaysian Institute of Chartered Secretaries and Administrators and the Institute of Approved Company Secretaries.

Mr Yek has many years of experience in various fields such as timber trading, logging, saw-milling, kiln-drying, laminated truck flooring, oil palm plantations, shipping, petrol station, hospitality, cable manufacturing, township and property development. He is currently the Group Managing Director and Chief Executive Officer of Hock Lee Holdings Sdn. Bhd. and its group of companies.

Particulars of his other directorships in public companies:

- Sarawak Cable Berhad
- Hock Lee Asia Berhad
- Cinacom Bintulu Berhad

Mr Yek does not have any family relationship with any other Directors and/or major shareholder of the Company nor any conflict of interest in any business arrangement involving the Company.

Other than traffic offences, all Directors have never been convicted for any offences within the past five (5) years, nor any public sanctions or penalty imposed by the relevant regulatory bodies during the financial year.

All Directors attended all the five (5) board meetings held in the financial year ended 30 June 2017.





## PROFILE OF KEY SENIOR MANAGEMENT

### **YEOH JOE SON**

**Aged 49, Malaysian, Male**  
**Group Finance Director**

Mr Yeoh is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) since 1995 and a Fellow Member of the Association of Chartered Certified Accountants (ACCA) since 1999.

Mr Yeoh has many years of working experience in the fields of accounting, audit, corporate finance, treasury, corporate recovery and financial management. He started his career with Ernst & Young, Kuala Lumpur in 1989. He joined LTHB Group as Accountant in 1995 and was promoted to Group Accountant in 1998. Prior to his appointment as Group Finance Director, his last appointment with LTHB was Group Financial Controller. He was the Finance Director of Latitude Tree International Group Limited (now known as China Star Food Group Limited) from 2009 to 2014.

Currently, Mr Yeoh is also a Director of Latitude Tree Vietnam Joint Stocks Company and a Company Secretary of LTHB. He is not a director for any public company.

Mr Yeoh does not have any family relationship with any other Directors and/or major shareholder of the Company nor any conflict of interest in any business arrangement involving the Company.

### **FONG TOH WAI**

**Aged 35, Malaysian, Male**  
**Group Financial Controller**

Mr Fong graduated with Bachelor of Accountancy with Distinction from University of Wollongong, Australia and he is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) since 2007. He is also a Certified Practising Accountant of CPA Australia since 2007.

Mr Fong has many years of working experience in the fields of accounting, audit, corporate finance, taxation and corporate governance. He started his career as an auditor with PricewaterhouseCoopers, Kuantan in 2003. In 2004, he joined Ernst & Young, Kuantan. During his tenure with Ernst & Young, he had involved on various assignments including statutory audits, due diligence audits, initial public offering audits, FRS convergence and FRS 139 implementation. Mr Fong was appointed as Group Financial Controller of LTHB on 1 June 2012.

Mr Fong is not a director for any public and private limited companies.

Mr Fong does not have any family relationship with any other Directors and/or major shareholder of the Company nor any conflict of interest in any business arrangement involving the Company.



## PROFILE OF KEY SENIOR MANAGEMENT (CONT'D)

### **LU CHIN-CHIA**

**Aged 58, Taiwanese, Male**

**General Manager of Vietnam Division**

Mr Lu is a graduate of the National Chung Hsing University (BS) in Taiwan with a major in Wood Science.

Mr Lu has many years of working experience in wood making machinery, furniture production, factory management and manufacturing operation. He worked as an anti-smuggling officer in the Ministry of Finance, Kaoshiung Custom Office, Taiwan, from March 1995 to March 2000. He was the factory manager of Latitude Tree Furniture Sdn. Bhd.'s factory operations in Terengganu, Malaysia from March 2000 to December 2001. From June 2002 to April 2003, Mr Lu was the Vice General Manager of Exact Wood Manufacturing Co., Ltd.. From April 2003 to February 2005, he was the Rough Mill Manager of Lacquer Craft Furniture Co., Ltd., a company involved in the manufacture of wooden furniture.

Mr Lu joined LTHB Group in March 2005 and currently, he is the General Manager of Vietnam division and is also a Director of RK Resources Co., Ltd.. He is not a director for any public company.

Mr Lu does not have any family relationship with any other Directors and/or major shareholder of the Company nor any conflict of interest in any business arrangement involving the Company.

Other than traffic offences, all key senior management have never been convicted for any offences within the past five (5) years, nor any public sanctions or penalty imposed by the relevant regulatory bodies during the financial year.





# CORPORATE GOVERNANCE STATEMENT

## INTRODUCTION

The Board of Directors (“the Board”) of Latitude Tree Holdings Berhad (“LTHB” or the “Company”) is committed to achieve and maintain high standards of corporate governance within the LTHB and its subsidiaries (the “Group” or “LTHB Group”).

The Board is guided by the principles and recommendations as promulgated in the Malaysian Code on Corporate Governance 2012 (the “MCCG 2012”), Second Edition of Corporate Governance Guide issued by Bursa Malaysia Berhad and Paragraph 15.25 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) wherever applicable in the best interest of the shareholders of the Company.

This Statement sets out the key aspects of how the Company has applied the principles and recommendations of the MCCG 2012 during the financial year which includes commitment to excellence in governance standards. Save for limited exceptions as explained within this statement, the Board considers that throughout the financial year of 30 June 2017, the Company complied with the principles and recommendations of the MCCG 2012.

## ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

### 1.1 Clear functions of the Board and Management

The LTHB Group acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholders’ value. To fulfill this role, the Board is responsible for the overall corporate governance of the LTHB Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board has delegated the authority to achieve the corporate objectives to the Managing Director. The Managing Director remains accountable to the Board for the authority that is delegated to him, and for the performance of the Group.

The Board monitors the decisions and actions of the Managing Director and the performance of the Group to gain assurance that progress is being made towards the corporate objectives.

The roles of the Board, Board Chairman and Managing Director are clearly defined in the Board Charter to ensure accountability and division of responsibilities.

### 1.2 Duties and responsibilities

The Board has primary responsibility for the governance and management of the Group and fiduciary responsibility for the financial health of the Group. The Group acknowledges the importance of having an effective Board to lead and control the Group. The principal responsibilities of the Board include:

- a) Reviewing and adopting a strategic plan for the Group
  - The Board provides insights and guidance to the Managing Director and Management to achieve corporate objectives of the Group. The Board reviews the strategic business plan presented by the Managing Director and Management.
- b) Overseeing the conduct of the Group’s business to evaluate whether the business is being properly managed
  - The Managing Director is accountable to the Board to ensure effective implementation of the Group’s business plan and policies approved by the Board as well as to manage the daily conduct of the business to ensure its smooth operation. At each meeting, the Managing Director will report to the Board a summary report on the performance and activities of the Group including specific proposals for capital expenditure and acquisitions, if any.



## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

#### 1.2 Duties and responsibilities (cont'd)

- c) Identifying principal risks and ensure the implementation of appropriate systems to manage these risks
- The oversight of the Group's risk management process is the responsibility of the Managing Director who is assisted by the Head of Department of the respective operating companies. The Company has established a Risk Management Committee ("RMC") whom together with the Audit Committee, are responsible for ensuring more effective and efficient identification, evaluation, management and reporting of Group's risks. Details on the function of RMC are set out in the Statement on Risk Management and Internal Control on page 32 of this Annual Report.
- d) Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing Executive Directors and Senior Management
- The Board noted the importance of succession planning to the Group. A succession planning policy has been established to address the possibility of replacing Executive Directors and Senior Management if circumstances required.
- e) Developing and implementing an investor relations programme or shareholder communications policy for the Company
- The Company's website, [www.lattree.com](http://www.lattree.com), incorporates an Investor Relations section which provide all relevant information on the Company and accessible by the public. The information available in the website includes Financial Reports, Company's announcements as well the corporate and governance structure of the Company.
- f) Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines
- The Board acknowledges the importance of establishing a sound system of internal control. A Risk Management Framework has been established to manage risks and to safeguard shareholders' investment and the Group's assets. Details on the framework are set out in the Statement on Risk Management and Internal Control on page 33 of this Annual Report.
- g) Determining the remuneration of Non-Executive Directors, with the individuals concerned abstaining from discussions of their own remuneration
- The determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decision in respect of his individual remuneration package. The Board recommends the Directors' fees payable to Non-Executive Directors on a yearly basis to the shareholders for approval at the Annual General Meeting ("AGM").
- h) Ensuring that the Group adheres to high standards of ethics and corporate behaviour
- The Group has established and adopted a Code of Business Conducts and Ethics for Directors and employees ("the Code"). The Code has been circulated to all employees of the Group and each employee is contractually bound to abide by the Code. Refer Note 1.3 below for summary of the Code for Directors.

To ensure the effective discharge of its functions and responsibilities, the Board has established and delegated certain power and responsibilities to the Board Committees which have been set up, namely the Audit Committee, Nomination Committee and Remuneration Committee.

The Board Committees are entrusted with specific powers and responsibilities to oversee the relevant matters, in accordance with their respective Terms of References and operating procedures and the Board receives reports of their proceedings and deliberations. The Chairman of the respective committees will report to the Board the outcome of these meetings and such reports are incorporated into the Board papers. These committees were formed in order to ensure an optimum structure for efficient and effective decision-making in the organisation.

The Board remains fully responsible for the direction and control of the LTHB Group.





## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

#### 1.3 Directors' Code of Business Conducts and Ethics

##### Code of Ethics

The Board has adopted a Code of Business Conducts and Ethics for Directors ("the Code"). The Code is intended to focus the Board and each Director on areas of ethical risk, provide guidance to Directors to help them recognise and deal with ethical issues, provide mechanisms to report unethical conduct and help foster a culture of integrity, honesty and accountability.

The summary of the Code include:

- (i) Directors have obligation to act in the best interest of the Group. All directors should endeavor to avoid situations that present a potential or actual conflict between their interest and the interest of the Group.
- (ii) Directors are prohibited from taking for themselves business opportunities that are discovered through the use of corporate property, information or position.
- (iii) Directors should maintain the confidentiality of information entrusted to them by the Company, its customers, consumers or suppliers, except when disclosure is authorised or legally mandated.
- (iv) Each Director should endeavor to deal fairly with customers, consumers, suppliers, competitors, employees, the public and one another at all times and in accordance with ethical business practices.
- (v) Protecting Group's assets against loss, theft or other misuse is the responsibility of everyone who acts for the Group, including Directors.
- (vi) The Group is strongly committed to conduct the business affairs with honesty and integrity and in full compliance with all applicable laws, rules and regulations.
- (vii) Directors are required to comply with the Company's policy against insider trading. Directors should contact Company Secretaries before engaging in any transaction involving Company's securities.
- (viii) Any political contributions made by or on behalf of the Company and any solicitations for political contributions of any kind must be lawful and in compliance with the Company's policies.

##### Whistle Blowing Policy

As part of the Group's continuous efforts to ensure that good corporate governance practices are being adopted, the Group has an established Whistle Blowing Policy to provide a clear line of communication and reporting of concerns for employees at all levels.

The Whistle Blowing Policy covers the safeguards of whistle blowers, reporting procedure and investigation process which have been circulated to all employees of the Group.

#### 1.4 Strategies promoting sustainability

The Group recognises the importance of sustainability and its increasing impact to the business. The Group is committed to understanding and implementing sustainable practices and exploring the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success. The Board has adopted a Sustainability/Environmental, Social and Corporate Governance (ESG) Policy for the Group.



## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

#### 1.4 Strategies promoting sustainability (cont'd)

The Group is committed to create a working environment in which all individuals are treated fairly and respectfully and have equal access to opportunities. Decisions related to recruitment selection, development or promotion are based on merit, irrespective of gender, age or ethnicity.

The Group is involved in various activities as part of its Corporate Social Responsibility (“CSR”) efforts:

- a) **Occupational Safety and Health**  
The Company is committed to maintain high safety and health standards at work place. A committee has been set up to monitor the compliance of the safety and health standards. A series of in-house programmes on safety and health are regularly conducted at all factories with the assistance of external experts and committee members. This includes training on handling of machinery, chemical and flammable materials at work place and first aid.
- b) **Contribution to charitable causes**  
The Group has been contributing regularly to schools with an objective to assist in the development of education of the less fortunate as well as gift and cash donations to charitable organisations. List of CSR activities carried out by the Group during the financial year are as follows:

Date	CSR Activity
24 July 2016	Organised a blood donation campaign in conjunction with Vietnam Red Cross Society at one of our Vietnam factory in Binh Duong Province, Vietnam
13 October 2016	Volunteering service at a nursing home, Tu Tam Nhan Ai in Binh Duong Province, Vietnam and distributed gift packs and donated cash
12 to 14 November 2016	Distributed flood relief packs and donated cash to affected flood area in Vietnam
24 December 2016	Distributed Christmas gift packs and donated cash to a preschool in Binh Duong Province, Vietnam
20 January 2017	Distributed Chinese New Year gift packs to poor families nearby one of Vietnam factory in Binh Duong Province, Vietnam

#### 1.5 Access to information and advice

To ensure effective functioning of the Board, the Directors are given access to information through the following means:

- i) Management and external advisers may be invited to the Board and Board Committees’ meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agendas and to report or present areas within their responsibility to ensure the Board is able to effectively discharge its responsibilities.
- ii) Information provided to the Board and Board Committees are compiled into reports via the Board and Board Committees papers circulated to Directors prior to the Board and Board Committees’ meetings, to enable the Board and Board Committees to make decisions and to deal with matters arising from such meetings.





## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

#### 1.5 Access to information and advice (cont'd)

- iii) Directors have ready and unrestricted access to the advice and services of the Company Secretaries.
- iv) Directors may obtain independent professional advice at the Company's expense in furtherance of their duties, where this is deemed necessary, after consultation with the Chairman and other Board members and in accordance with established procedures set out in the Board Charter.

The notice of a Board meeting is given in writing at least seven (7) days prior to the meeting. The agenda has included, amongst others, matters specifically reserved for the Board's decision.

#### 1.6 Qualified and competent Company Secretaries

The Board has access to information with regard to the activities within the Group and to the advice and services of the Company Secretaries, who are responsible for ensuring the Board meeting procedures are adhered to. All matters discussed and resolutions passed at each Board Meeting are recorded in the minutes of the Board meeting.

The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and competent on new statutory and regulatory requirements, and the resultant implications to the Company and Directors in relation to their duties and responsibilities. The Company Secretaries brief the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretaries attend all Board and Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

The removal of Company Secretaries, if any, is a matter for the Board, as a whole, to decide. Every Director has unhindered access to the advice and services of the Company Secretaries.

#### 1.7 Board Charter

The Board Charter was established by the Board to achieve the objectives of transparency, accountability and effective performance for the Group and the enhancement of corporate governance standards with the aim of enshrining the concepts of good governance as promulgated in the MCCG 2012.

The Board Charter promotes high standards of corporate governance and is designed to provide guidance and clarity for Directors and management with regard to the roles of the Board and its committees.

The Board Charter is subject to review by the Board periodically to ensure it remain consistent with the Board's objectives and responsibilities. The Board Charter is available in the Company's website, [www.lattree.com](http://www.lattree.com).

### STRENGTHEN COMPOSITION OF THE BOARD

#### 2.1 Nomination Committee

The members of the Nomination Committee ("NC") consist of three (3) Non-Executive Directors and meet as and when required. The NC Report is set out on page 39 of this Annual Report.



## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

#### 2.2 Develop, maintain and review criteria for recruitment processes and annual assessment of Directors

##### Appointment process

The Board, through the NC's annual appraisal, believes that the current composition of the Board brings the required mix of skills and core competencies required for the Board to discharge its duties effectively.

The NC is responsible for making recommendations to the Board on the suitability of candidates nominated for appointment to the Board and Board Committees. A formal and transparent procedures for appointment of directors was set out in the Terms of Reference of NC which is published on the Company's website.

The decision as to who should be appointed is the responsibility of the full Board after considering the recommendations of the NC. The Company Secretaries will ensure that all appointments are properly made; all the necessary information is obtained as well as all legal and regulatory obligations are met.

##### Re-election /Re-appointment of Directors

In accordance with the Company's Articles of Association ("Articles"), any Director appointed during the year is required to retire and seek re-election by shareholders at the following AGM immediately after their appointment and that one third of the Board members are required to retire at every AGM and be subject to re-election by shareholders. All Directors, including the Managing Director shall retire from office at least once in every three years but shall be eligible for re-election.

Pursuant to the Articles of Association of the Company, Madam Lin Chen, Jui-Fen and Mr Lin, Chin-Hung will retire at the Twenty-Third ("23rd") AGM of the Company and be eligible for re-election.

At the Twenty-Second ("22nd") AGM of the Company held on 29 November 2016, Dato' Haji Shaharuddin Bin Haji Haron, who is above the age of seventy (70), was re-appointed pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the 23rd AGM. His term of office will end at the conclusion of the 23rd AGM and he has expressed himself for re-appointment.

The NC and the Board are satisfied that the Directors, who are required to stand for re-election and re-appointment at the 23rd AGM, continue to demonstrate the necessary commitment to be fully effective members of the Board and Board Committees.

The Chairman of the NC is also the Senior Independent Director appointed by the Board.

##### Board evaluation

The Board regularly evaluates its performance and the governance processes that support the Board's work with the aim of improving individual contributions, effectiveness of the Board and its committees and LTHB's performance.

The effectiveness of the Board is assessed in the areas of the Board structure and composition, meeting process, administration and conduct, relationship with Management, Board responsibilities, as well as the effectiveness of the Board Chairman. Whilst, the effectiveness of Board Committees is assessed in terms of composition, processes, responsibilities, as well as the effectiveness of the Chairman and each members of the respective Board Committees.

The NC also assessed the performance of individual Directors based on integrity and ethics, contribution and interaction, knowledge, judgement and decision making, understanding of role and leadership.

During the financial year, the NC had reviewed and assessed the mix of skills and experience and size of the Board, contribution of each Director and effectiveness of the Board and Board Committees.





## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

#### 2.2 Develop, maintain and review criteria for recruitment processes and annual assessment of Directors (cont'd)

##### Gender diversity

The Board is presently of the view that there is no necessity yet to fix a specific gender diversity policy as the Board has a female director. The appointment of any Director(s) should be based on their merit, qualification and working experience and the Board is supportive of gender equality.

#### 2.3 Remuneration policies and procedures

##### Remuneration Committee

The members of the Remuneration Committee ("RC") consist of three (3) Non-Executive Directors and meet as and when required. The current members of the RC are:

##### **Chairman:**

**Dato' Haji Shaharuddin Bin Haji Haron**  
*Senior Independent Director*

##### **Members:**

**Toh Seng Thong**  
*Independent Director*

##### **Yek Siew Liong**

*Non-Independent Non-Executive Director*

The duties of the RC shall be to recommend to the Board the remuneration of the Executive Directors in all its forms. Executive Directors should play no part in decisions on their own remuneration. The determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman should be a matter for the Board as a whole. The individuals concerned should abstain from discussion of their own remuneration.

The fees paid to the Non-Executive Directors are determined by the Board.

The RC follows formal and transparent policy and procedures when deciding the remuneration packages of the Executive Directors. The policy of the RC is in line with the Group's overall practice on compensation and benefits, which is to reward employees competitively, taking into account performance, market comparisons and competitive pressures in the industry. Whilst not seeking to maintain a strict market position, it takes into account comparable roles in similar organisations. The remuneration of the Board of Directors is determined on the basis of standards in the market and reflects demands to the expected competencies and efforts in light of the scope of their work and the number of board and board committee meetings.

During the financial year, the RC has reviewed and evaluated the remuneration packages of Executive Directors and put forward the recommendation to the Board for approval.



# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

### 2.3 Remuneration policies and procedures (cont'd)

#### Remuneration Committee (cont'd)

The RC meeting held during the financial year under review and details of attendance of each RC member is as follows:

	No. of Remuneration Committee Meeting Held	Attended
Dato' Haji Shaharuddin Bin Haji Haron	1	1
Toh Seng Thong	1	1
Yek Siew Liong	1	1

#### Directors' remuneration

The details of aggregate remuneration of Directors during the financial year are as follows:

#### Company

Remuneration	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Salaries and other emoluments	12	-	12
Benefits payables	-	59	59
Fees	-	288	288
Total	12	347	359

#### Group

Remuneration	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Salaries and other emoluments	1,826	-	1,826
Benefits payables	-	59	59
Fees	-	288	288
Total	1,826	347	2,173





## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

#### 2.3 Remuneration policies and procedures (cont'd)

##### Directors' remuneration (cont'd)

The number of directors of the Company whose total remunerations during the financial year fell within the following bands is analysed below:

##### Company

Range of remuneration	Number of Executive Directors	Number of Non-Executive Directors
Below RM50,000	2	-
RM50,001 - RM100,000	-	4
Total	2	4

##### Group

Range of remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM50,001 - RM100,000	-	4
RM700,001 - RM750,000	1	-
RM1,050,001- RM1,100,000	1	-
Total	2	4

### REINFORCE INDEPENDENCE

#### 3.1 Annual assessment of independence

The Board recognises the importance of independence and objectivity in the decision-making process. The Independent Directors bring their respective knowledge and experience and provide independent judgement to the Board. The Board is committed in ensuring that Independent Directors are capable and willing to make decisions in the best interests of the Company and the Group and the shareholders free from interest or influence and are independent of the Management.

The Independent Directors namely, Dato' Haji Shaharuddin Bin Haji Haron and Mr Toh Seng Thong fulfilled the criteria of "Independence" as prescribed under the MMLR of Bursa Securities. The key criteria for the appointment of an Independent Director is one who is not a member of the management (a Non-Executive Director) and who is free of any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company and the Group. The Board composition complies with the MMLR of Bursa Securities which requires that at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, to be Independent Directors.



# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## REINFORCE INDEPENDENCE (CONT'D)

### 3.2 Tenure of Independent Directors

In line with the MCGG 2012, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. In exceptional cases and subject to assessment by the NC, the Board may recommend for an Independent Director who has served a consecutive or cumulative term of nine (9) years to remain as an Independent Director subject to shareholders' approval.

The two (2) Independent of Directors, namely Dato' Haji Shaharuddin Bin Haji Haron and Mr Toh Seng Thong, have served the Board of LTHB for more than nine (9) years. Their tenure of service is set out in the Profile of Board of Directors this Annual Report. The Board has via the NC conducted an annual performance evaluation and assessment on the Independent Directors and is of the opinion that Dato' Haji Shaharuddin Bin Haji Haron and Mr Toh Seng Thong remain objective and independent in expressing their views. The Board will be seeking the shareholders' approval in the 23rd AGM for Dato' Haji Shaharuddin Bin Haji Haron and Mr Toh Seng Thong to continue as Independent Directors of the Company. The justifications for their continuation as Independent Directors are disclosed in the Notice of the AGM.

### 3.3 Separation of position of the Chairman and Managing Director

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman leads the Board and facilitates its work. He engages directly with the Managing Director to understand and oversee the strategy implementation and performance delivery. He is responsible for ensuring the processes of the Board are effective in carrying out its duties and responsibilities, including the timely provision of sufficient relevant information on financial and non-financial matters. The Chairman, in conjunction with the Managing Director and Company Secretaries, sets agendas for the meetings of the Board that focus on strategic direction and performance of the Group.

The Managing Director is responsible for the day-to-day management of the Group's operations and business as well as implementation of the Board's policies and decisions.

### 3.4 Board composition and balance

The Board consists of six (6) members; comprising one (1) Senior Independent Director, one (1) Independent Director, two (2) Non-Independent Non-Executive Directors and two (2) Executive Directors of which one (1) is the Managing Director. The composition of the Board reflects a balance of Executive and Non-Executive Directors to ensure that the interest of not only the Group, but also stakeholders and the public in general are represented in all business strategies formulation and adoption.

The qualification and experience of the Directors are set in the Profile of Board of Directors on pages 11 to 13 of this Annual Report. The Board is satisfied with its current composition which comprises the balanced mix of operational skills of the Executive Directors in the wooden furniture manufacturing industry with the professional expertise of the Non-Executive Directors in the fields of manufacturing, auditing and accounting.





## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### FOSTERING COMMITMENT

#### 4.1 Time commitment

The Board is aware of the time commitment expected from each of them to attend to matters of the Group generally, including attendance at Board, Board Committees and other types of meetings. The annual Board meeting calendar is planned and agreed with the Board prior to the commencement of each new financial year.

The Board meets on a quarterly basis and additionally as required. The general agenda of the meetings includes discussion over minutes of previous meetings, quarterly financial results of the Group and any other issues requiring the Board's deliberation and approval. The agenda for each Board meeting is circulated to all the Directors for their perusal prior to the convening of each meeting to enable Directors to obtain further clarifications/explanations prior to the meeting to ensure smooth proceeding of each meeting. The proceedings and resolutions reached at each Board meeting are minuted and signed by Chairman of the meeting.

Besides Board meetings, the Board exercises control on matters that require Board's deliberation and approval through circulation of Directors' Resolutions.

The Board held five (5) meetings during the financial year and details of attendance of each Director is as follows:

Name	Attendance
Dato' Haji Shaharuddin Bin Haji Haron #	5/5
Lin Chen, Jui-Fen	5/5
Lin, Chin-Hung	5/5
Lin, Cheng-Hung # #	5/5
Toh Seng Thong #	5/5
Yek Siew Liong # #	5/5

# Denotes Independent Director

# # Denotes Non-Independent Non-Executive Director

Procedures are in place for Directors to seek both independent professional advice at the Company's expense and have access to the Company Secretaries in order to fulfill their duties and specific responsibilities as enumerated in the Board Charter.

The Board members are required to notify the Company prior to their acceptance of new directorships in other companies.

#### 4.2 Directors' training

The Board recognises the need to continuously enhance the skills and knowledge of its members and to keep abreast with the developments in the economy, industry and technology in order to remain relevant and progressive. The Board refers to the findings from the Board Annual Assessment to determine the training needs of the Board.

All the Directors have completed the Mandatory Accreditation Programme ("MAP") conducted by Bursa Securities. Directors are also advised of developments or changes to relevant laws and regulatory requirements and suitable training and education programmes are identified for their participation from time to time.



## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### FOSTERING COMMITMENT (CONT'D)

#### 4.2 Directors' training (cont'd)

Management briefings during Board and Audit Committee meetings on various operational, technical, financial and corporate matters are also aimed at ensuring that Directors are well versed with the knowledge of the Group's business and affairs in enabling them to make meaningful decisions.

During the financial year, the Directors have attended and participated in various training programme which they have individually or collectively considered as relevant and useful in contributing to the effective discharge of their duties as Directors. The training seminars attended by the Directors during the financial year include:

Director	Date	Courses/Seminars
Dato' Haji Shaharuddin Bin Haji Haron	8 December 2016	Anti-corruption and Integrity – Foundation of Corporate Sustainability
	21 February 2017	Companies Act 2016
Lin Chen, Jui-Fen	21 February 2017	Companies Act 2016
Lin, Chin-Hung	21 February 2017	Companies Act 2016
Lin, Cheng-Hung	21 February 2017	Companies Act 2016
Toh Seng Thong	9 November 2016	National Tax Seminar 2016
	20 December 2016	Companies Act 2016 – Key Insights and Implication for Directors/Shareholders
	21 February 2017	Companies Act 2016
Yek Siew Liong	16 May 2017	The New Malaysian Code on Corporate Governance
	8 and 9 August 2016	MAICSA Annual Conference 2016 Sustainability – Shaping The Future
	12 October 2016	Prohibition of Loans to Directors
	15 November 2016	National Tax Conference 2016
	21 February 2017	Companies Act 2016
	12 May 2017	The Companies Act 2016: Memorandum & Articles – To Amend or Not to Amend

The Company Secretaries circulated the relevant guidelines on regulatory requirements from time to time for the Board's reference and briefed the Board quarterly on these updates at the Board meetings.

New directors, if any, upon joining the Board, would be briefed on the Company's business and governance matters, amongst others in respect of the duties and responsibilities of Directors, to introduce new Directors to the Group's business, its operations and its governance arrangements.





## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### UPHOLD INTEGRITY IN FINANCIAL REPORTING

#### 5.1 Compliance with applicable financial reporting standards

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial position and prospects via the quarterly announcements of results and the publishing of audited financial statements via the annual report distributed to shareholders yearly.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting with particular emphasis on the application of accounting standards, policies and the making of reasonable and prudent estimates and assumptions.

A summary of the works of the Audit Committee on financial reporting, oversight role on external and internal auditors during the financial year is set out in the Audit Committee Report on pages 36 and 37 of this Annual Report.

A statement by the Board of its responsibilities for preparing the financial statements is set out on page 40 of this Annual Report.

#### 5.2 Assessment of suitability and independence of external auditors

The Board maintains an active, transparent and professional relationship with its external auditors through Audit Committee, which has been conferred with the authority to interface directly with the external auditors of the Group.

The Audit Committee has received an annual written confirmation of the external auditors' independence in accordance with its firm's requirements and the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants. Messrs Ernst & Young was appointed as the external auditors of the Company on 21 December 2010.

The external auditors provide mainly audit-related services to the Company. The provision of non-audit services is reviewed by the Audit Committee to ensure that such services do not impair the external auditors' independence or objectivity.

The Audit Committee has also taken note of the non-audit services and the fees charged by the external auditors and considered the quantum of the fee which was not material as compared with the total audit fee paid to the external auditors, has concluded that the provision of such services did not compromise the external auditors' independence and objectivity.

The Board, based on the recommendation by the Audit Committee, recommended the re-appointment of the external auditors at the forthcoming AGM.

A summary of the works of the Audit Committee during the financial year is set out in the Audit Committee Report on pages 36 and 37 of this Annual Report.



# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## RECOGNISE AND MANAGE RISKS

### 6.1 Sound framework to manage risks

The Board has ultimate responsibility for reviewing the Company's risks, approving the risk management framework and policy and overseeing the Company's strategic risk management and internal control framework.

The Company has in place an on-going process for identifying, evaluating and managing significant risks that may affect the achievement of the business objectives of the Group. A Risk Management Committee comprising members with risk and business management knowledge and experience has been established by the Company to regularly review the risk management policies formulated by the respective local management and makes relevant recommendations to the Board for approval.

The Board through the Audit Committee and Risk Management Committee reviews the key risks identified by the Risk Management Committee on a regular basis to ensure proper management of risks and that measures are taken to mitigate any weaknesses in the control environment.

The key features of the Risk Management Framework are set out in the Statement on Risk Management and Internal Control of the Company on pages 32 and 33 of this Annual Report.

### 6.2 Internal audit function

The Board has established an internal audit function within the Company, which is led by the out-sourced Internal Auditor, Axcelasia Columbus Sdn. Bhd. who reports directly to the Audit Committee.

Details of the Company's internal control system and framework are set out in the Statement on Risk Management and Internal Control together with Audit Committee Report of this Annual Report.

## ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 7.1 Corporate disclosure policy

#### Information disclosure

The Board has in place a policy to ensure disclosure of information is in accordance with the disclosure requirements under the MMLR of Bursa Securities and other applicable laws.

### 7.2 Leverage on information technology for effective dissemination of information

The Company's website incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by the public. This Investor Relations section enhances the Investor Relations function by including Financial Reports, Company's announcements as well as the corporate and governance structure of the Company.

While the Company endeavors to provide as much information as possible to its shareholders and stakeholders, it is also be wary of the legal and regulatory framework governing the release of material and price-sensitive information. The Company takes into account the prevailing legislative restrictions and requirements as well as the investors' needs for timely release of price sensitive information such as financial performance results and statements, material acquisitions, significant corporate proposals as well as other significant corporate events when releasing such information.





## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (CONT'D)

#### 7.2 Leverage on information technology for effective dissemination of information (cont'd)

Shareholders and other interested parties may contact the Managing Director, to address any concerns by writing or via telephone or facsimile as follows:

**Address** : Latitude Tree Holdings Berhad  
 Lot 3356, Batu 7 3/4, Jalan Kapar,  
 42200 Kapar, Selangor Darul Ehsan, Malaysia

**Tel** : 603-3291 5401

**Fax** : 603-3291 0048

**Website** : [www.lattree.com](http://www.lattree.com)

### STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

#### 8.1 Encourage shareholder participation at general meetings

The Board fully recognises the rights of shareholders and encourages them to exercise of their rights at the Company's AGM.

It has also been the Company's practice to send the Notice of the AGM and related papers to shareholders at least twenty-one (21) clear days before the meeting. The date, venue and time of these meetings are determined to provide the maximum opportunity for as many shareholders as possible to attend and participate either in person, by corporate representative or by proxy.

#### 8.2 Encourage poll voting

Pursuant to Paragraph 8.29A of the MMLR of Bursa Securities, the Company must ensure that any resolution set out in the notice of general meetings is voted by poll and at least one (1) scrutineer must be appointed to validate the votes at the general meeting who must not be an officer of the Company and its related corporation, and must be independent of the person undertaking the polling process.

All resolutions put forth for shareholders' approval at the 22nd AGM held on 29 November 2016 were voted by poll and a scrutineer was appointed to validate the votes.

#### 8.3 Communication with shareholders and investors

The AGM is the main forum where dialogue with shareholders can be effectively conducted. Shareholders are given reasonable time to ask questions pertaining to issues in the Annual Report, corporate developments on the business of the Group and resolutions proposed and to vote on all resolutions proposed. Those unable to attend are allowed to appoint proxies to attend and vote on their behalf. During the meeting, the Managing Director and the Executive Director are prepared to provide responses to queries and to receive feedback from the shareholders.

External auditors are also present to provide their professional and independent clarification on issues of concern raised by the shareholders, if any.

The importance of keeping shareholders informed of developments concerning the Group is high on the agenda.

The shareholders are kept abreast of all important developments concerning the Group through regular and timely dissemination of information via quarterly financial announcements through Bursa Securities' website, distribution of annual report and various other announcements made during the financial year. These will enable the shareholders, investors and members of public to have an overview of the Group's performance and hence, will enable them to make any informed investment decision in relation to the Group.

The Company's website, [www.lattree.com](http://www.lattree.com), provides an avenue for information, such as dedicated sections on corporate information, including financial information and announcements. The website is continuously updated to ensure that the information contained within is correct.



## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### OTHER INFORMATION PURSUANT TO THE MMLR OF THE BURSA SECURITIES

The information set out below is disclosed in compliance with the MMLR of Bursa Securities.

#### 9.1 Utilisation of proceeds

There was no corporate exercise carried out during the financial year ended 30 June 2017 to raise funds.

#### 9.2 Audit and non-audit fees

The amount of audit and non-audit fees paid and payable to external auditors by the Company and the Group for the financial year ended 30 June 2017 are as follows:

	Group (RM'000)	Company (RM'000)
Audit fees	540	55
Non-audit fees	8	-
<b>Total</b>	<b>548</b>	<b>55</b>

#### 9.3 Material contracts involving directors' and major shareholders' interests

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by LTHB and/or its subsidiaries which involve Directors' and major shareholders' interests during the financial year ended 30 June 2017.

### CONCLUSION

The Board is supportive of all the Recommendations of the Code and will take reasonable steps and also review the existing policies and procedures in place from time to time to ensure full compliance thereof.

The Board is satisfied that the Company has substantially complied with the Principles and Recommendations of the Code.

This Statement is made in accordance with a resolution of the Board of Directors dated 3 October 2017.





# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## 1. INTRODUCTION

Pursuant to Paragraph 15.26(b) of the MMLR of Bursa Securities and the Principles and Best Practices provisions relating to internal control provided in the Malaysian Code on Corporate Governance 2012 (the “MCCG 2012”), the Board of listed issuers are required to include in their Annual Report a “statement on the state of its risk management and internal controls”. The following Statement on Risk Management and Internal Control has also been prepared in accordance with the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers”.

## 2. RESPONSIBILITY

The Board acknowledges its overall responsibility to establish a sound system of internal control and risk management in order for the Group to safeguard shareholders’ investment and the Group’s assets. Notwithstanding that, in view of the inherent limitations in any system of internal control, the Board recognises that reviewing the Group’s systems of internal control is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, the system can only provide reasonable and not absolute assurance against material misstatement of management, loss or fraud and failure to achieve business objectives.

During the financial year, the Board has reviewed the adequacy and effectiveness of the risk management and internal control system and concluded that the Group’s risk management and internal control systems have been operating adequately and effectively. The Board has also received assurance from the Managing Director, Group Finance Director and Group Financial Controller that the Group’s risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the financial year and up to the date of this Statement.

The Board has extended the responsibilities of the Audit Committee (“AC”) to include the role of reviewing and monitoring the effectiveness of the Group’s internal control system. The AC review and deliberate reports from the internal auditors on findings from audits carried out at operating units, and the external auditors on areas for improvement identified during the course of statutory audit. The Reports of the AC is set out on pages 35 to 38 of this Annual Report.

## 3. RISK MANAGEMENT FRAMEWORK

The oversight of the Group’s risk management process is the responsibility of the Managing Director who is assisted by the Heads of Department of the respective operating companies. The Company has established a Risk Management Committee (“RMC”) whom together with the AC, are entrusted to ensure more effective and efficient identification, evaluation, management and reporting of Group’s risks. Its functions include, inter alia:

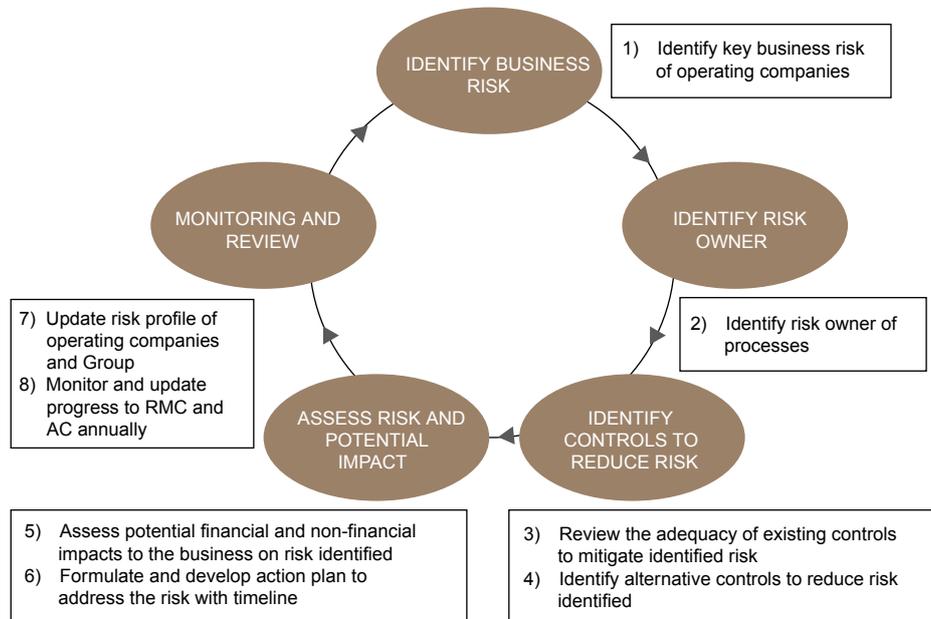
- developing Risk Management Framework;
- coordinate the updating of the risk profile;
- monitor the implementation of action plans; and
- review and assess the feasibility of action plans and the overall of the control environment in mitigating risk.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### 3. RISK MANAGEMENT FRAMEWORK (CONT'D)

The Company has established an Enterprise-Wide Risk Management (“ERM”) framework. The Group’s ERM framework comprises of five main processes.



Within the ERM framework, risks and control measures are documented and compiled by the RMC to represent the risk profile of the operating companies which in turn are consolidated to form the risk profile of the Group. Risk profiles are reviewed and updated on a yearly basis. Meetings are held at least once a year in which the updated risk profile will be deliberated by the AC before reporting to the Board.

During the financial year, the Group has continued with its ERM efforts. The risk profile of the Group was reviewed and updated to reflect the current conditions.

### 4. INTERNAL AUDIT FUNCTION

The internal audit function adopts a risk-based approach and prepares its audit strategies and plans for the AC’s approval prior to execution of internal audit assessments.

The internal audit function is outsourced to an independent consulting firm who assesses the adequacy and effectiveness of the internal control system and report to the AC on findings and recommendations for improvement. Internal audit also reviews the extent to which its recommendations have been implemented by the Management. The AC reviews internal audit reports and management responses thereto and ensures significant findings especially control deficiencies are adequately addressed and rectified by Management of the operating units concern.

The AC reviews internal control matters and update the Board on significant issues for the Board’s attention and action.

During the financial year ended 30 June 2017, the AC with the assistance of the external professional consulting firm, Axcelasia Columbus Sdn. Bhd. have reviewed the adequacy and effectiveness of the Group’s internal control systems relating to Regulatory Compliance, Sales and Marketing Management, Manufacturing, Inventory Management Procurement Management and Quality Controls of:

- Grob Holz Co. Ltd.; and
- Latitude Tree Vietnam Joint Stock Company.





## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### 5. OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from risk management and internal audit, the Group's system of internal controls comprises the following key elements:

- an ERM framework for identifying, evaluating and managing business risks in order to safeguard shareholders' investment and the Group's assets;
- a well defined organisational structure with clear reporting lines and accountabilities;
- a clearly defined operating procedures for key processes to ensure full compliance by all operating units;
- a Code of Business Conducts and Ethics ("the Code") has been established and adopted. The Code has been circulated to all employees of the Group and each employee is contractually bound to abide by the Code;
- a close monthly monitoring and review of financial results and forecasts for all operating units by the Group's Management Steering Committee ("MSC"), headed by the Managing Director; and
- a standardised formulation of action plans at the Group level through discussions carried out by the MSC, to focus on areas of concern.

### 6. REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in the Annual Report of the Company for the financial year ended 30 June 2017 in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement other than Audits or Reviews of Historical Financial Information and RPG 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Controls. Their work performed are restricted to the requirements by Paragraph 15.23 of the MMLR of Bursa Securities.

Based on their review, the External Auditors have reported that nothing has come to their attention that cause them to believe that the Statement on Risk Management and Internal Control intended to be included in the Annual Report of the Company is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

### 7. CONCLUSION

In accordance with the Guidance, the Group has in place an ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives and this process has operated during the financial year and up to the date of approval of the Annual Report.

There was no control deficiencies noted during the financial year which has a material impact on the Group's performance or operations.

This Statement is made in accordance with a resolution of the Board of Directors dated 3 October 2017.



# AUDIT COMMITTEE REPORT

The Board of the Company is pleased to present the Audit Committee (“AC”) Report for the financial year ended 30 June 2017 in accordance with Paragraph 15.15 of the MMLR of Bursa Securities.

## A. COMPOSITION

The current composition of the AC was in compliance with the requirements of Paragraphs 15.09 and 15.10 of the MMLR of Bursa Securities.

The AC was appointed by the Board amongst its members with majority of them being independent. All members are financially literate and fulfil requisite qualifications as prescribed under Paragraph 15.09 (1)(c) of the MMLR of Bursa Securities. The members of the AC elected a Chairman from among its members who is an Independent Director.

In the event of any vacancy in the AC (including the Chairman), the vacancy must be filled within 3 months of that event and no alternate director shall be appointed as a member of the AC.

The current members of the AC are:

**Chairman:**

**Toh Seng Thong**

*Independent Director*

**Members:**

**Dato’ Haji Shaharuddin Bin Haji Haron**

*Senior Independent Director*

**Yek Siew Liong**

*Non-Independent Non-Executive Director*

The Terms of Reference of the AC is available on the Company’s website, [www.lattree.com](http://www.lattree.com).

## B. MEETINGS AND ATTENDANCE

The AC meetings held during the financial year and details of attendance of each Committee member is as follows:

	No. of Audit Committee Meeting Held	No. of Audit Committee Meeting Attended
Toh Seng Thong	5	5
Dato’ Haji Shaharuddin Bin Haji Haron	5	5
Yek Siew Liong	5	5

The Managing Director, Group Finance Director, Group Financial Controller, Internal Auditors and External Auditors were also invited to attend the AC Meetings.

## C. TERMS OF REFERENCE OF THE AC

The information on the Terms of Reference of the AC is available on the Company’s website at [www.lattree.com](http://www.lattree.com).





## AUDIT COMMITTEE REPORT (CONT'D)

### D. SUMMARY OF WORKS OF THE AC

In accordance with the Terms of Reference of the AC, the AC had discharged its function and duties and undertaken the following works to meet its responsibilities during the financial year:

#### 1) Financial reporting

- i) Reviewed the quarterly financial statements including the draft announcements pertaining thereto and made recommendations to the Board for approval of the same.

The above review is to ensure that the Company's quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the Group accounting policies, going concern assumptions, significant judgements and the Malaysian Financial Reporting Standard ("MFRS") 134 - Interim Financial Reporting Standards in Malaysia and International Accounting Standards ("IAS") 34 - Interim Financial Reporting as well as applicable disclosure provisions of the MMLR of Bursa Securities.

- ii) Reviewed and made recommendations to the Board in respect of the Audited Financial Statements of the Company and the Group for financial year ended 30 June 2017 and to ensure it presented a true and fair view of the Company's financial position and performance for the year and compliance with regulatory requirements.

Prior to that, the AC had reviewed the status report on the Audit Results for the financial year ended 30 June 2017 prepared by the External Auditors, Messrs Ernst & Young ("EY") at the meeting held on 29 August 2017.

Considered and reviewed the integrity of information in the financial statements and quarterly reports, focus particularly on any changes in accounting policies and practices, significant adjustments resulting from the audit, going concern assumption, completeness of disclosures and compliance with accounting standards.

#### 2) External audit

- i) Reviewed with the External Auditors, their audit plan including non-audit services for the financial year ended 30 June 2017, outlining the audit scope, methodology and timetable, audit materiality, areas of focus, fraud considerations and the risk of management override and also the new and revised accounting standards.
- ii) Discussed and considered the significant accounting adjustments and auditing issues arising from the interim audit as well as the final audit with the External Auditors. The AC also had a private discussion with the External Auditors on 29 August 2016, 27 September 2016 and 30 May 2017 without the presence of Management to review on the issues relating to financial controls and operational efficiencies of the Company and its subsidiaries.
- iii) Evaluated the performance of the External Auditors for the financial year ended 30 June 2017 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence as well as the audit fees of the External Auditors.

The AC having been satisfied with the independence, suitability and performance of EY, had recommended to the Board for approval, the re-appointment of EY as External Auditors for the ensuing financial year of 30 June 2018 at its meeting held on 2017.

- iv) Reviewed the Statement on Risk Management and Internal Control for inclusion in the Annual Report.



## AUDIT COMMITTEE REPORT (CONT'D)

### D. SUMMARY OF WORKS OF THE AC (CONT'D)

#### 3) Internal audit

- i) Reviewed and approved the Internal Audit Plan prepared by Axcelasia Columbus Sdn. Bhd. for the financial year ended 30 June 2017 to ensure there is adequate scope and comprehensive coverage over the activities of the subsidiaries in the Group and that all the risk areas are audited annually.
- ii) Reviewed two Internal Audit Reports which covered the areas of Regulatory Compliance, Sales and Marketing Management, Manufacturing, Inventory Management, Procurement Management and Quality Controls.
- iii) The AC also reviewed the audit findings and recommendations to improve any weaknesses or non-compliance, and the respective Management's responses thereto. The Internal Audit monitored the implementation of Management's action plan on outstanding issues through follow up reports to ensure that all key risks and control weaknesses are being properly addressed.
- iv) Reviewed the internal audit fees in respect of their audit of the Group and of the Company for the financial year.
- v) Met with Internal Auditors once during the financial year at the AC meeting held on 30 May 2017 without the presence of any executive Board members and employees of the Group.
- vi) Assessed the adequacy of scope, functions, competency and resources of the Internal Audit functions.

#### 4) Other activities

- i) Reviewed and assessed the risk management activities of the Group to ensure all risk areas are being identified and addressed by works carried out by internal auditors, external auditors and management team.
- ii) Reviewed contents of the AC Report, Corporate Governance Statement, Statement on Risk Management and Internal Control and Statement of Directors' Responsibility in relation to the Audited Financial Statements for the financial year ended 30 June 2017 and ensured that these reports were prepared in accordance with the applicable requirements for inclusion in the Annual Report prior recommendation to the Board for approval.
- iii) Reviewed related party transactions and the adequacy of the Group's procedures and processes in identifying, monitoring, reporting and reviewing related party transactions in a timely and orderly manner.
- iv) Reviewed and recommended to the Board for approval the Statement to Shareholders in relation to the Proposed Renewal of Authority for Share Buy-Back.
- v) Received updates from the External Auditors on the new developments and amendments in disclosure requirements arising from the new and amended Malaysian Financial Reporting Standards and IC Interpretation, Companies Act 2016 and the amendments to the MMLR of Bursa Securities affecting the contents of the Annual Report, particularly on the enhancement of disclosure on non-financial information, key audit matters and going concern.





## AUDIT COMMITTEE REPORT (CONT'D)

### E. SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

During the financial year, the Group has out-sourced the provision of internal audit and management system assurance to an independent professional consulting firm, Axcelasia Columbus Sdn. Bhd.. The Head of Internal Audit reports directly to the AC and administratively to the Managing Director.

The AC is assisted by the internal auditors in discharging its duties and responsibilities with respect to the adequacy and integrity of the system of internal controls within the Group. The internal audits were performed based on risk based approach by focusing on:

- Reviewing identified high risk areas for compliance with control policies and procedures;
- Identifying business risk which have not been appropriately addressed; and
- Evaluating the adequacy and integrity of controls.

The Internal Auditors carry out audit assignments based on an audit plan that is reviewed and approved by the AC. The reports of the audits undertaken were forwarded to the Management for attention and necessary action then presented to the AC for deliberation and approval.

During the financial year, the internal auditors undertook the following activities:

- Reviewed the adequacy and integrity of the Group's internal control systems relating to Regulatory Compliance, Sales and Marketing Management, Manufacturing, Inventory Management, Procurement Management and Quality Controls of a Thailand subsidiary company and a Vietnam subsidiary company.
- Reported to the AC its internal audit findings and response and rectification undertaken by the Management.

The professional fees incurred for the internal audit function in respect of financial year ended 30 June 2017 amounted to approximately RM36,000.

This report is made in accordance with a resolution of the Board of Directors dated 3 October 2017.



# NOMINATION COMMITTEE REPORT

The Board of the Company is pleased to present the Nomination Committee (“NC”) Report for the financial year ended 30 June 2017.

## A. COMPOSITION

The current composition of the NC was in compliance with the requirements of Paragraph 15.08A of the MMLR of Bursa Securities.

The NC was appointed by the Board amongst its members with majority of them being independent. The members of the NC elected a Chairman from among its members who is an Independent Director.

The current members of the NC are:

### Chairman:

**Dato’ Haji Shaharuddin Bin Haji Haron**  
*Senior Independent Director*

### Members:

**Toh Seng Thong**  
*Independent Director*

**Yek Siew Liong**  
*Non-Independent Non-Executive Director*

## B. MEETINGS AND ATTENDANCE

The NC meeting held during the financial year and detail of attendance of each Committee member is as follows:

	No. of Nomination Committee Meeting Held	Attended
Dato’ Haji Shaharuddin Bin Haji Haron	1	1
Toh Seng Thong	1	1
Yek Siew Liong	1	1

## C. SUMMARY OF WORKS OF THE NC

A summary of works undertaken by the NC in the discharge of its duties during the financial year are as follows:

- Reviewed and evaluated the required mix of expertise and experience including core competencies of the Board as a whole, the Committees of the Board and role of each individual Director towards the accomplishment of the Board’s duties/responsibilities;
- Assessed the independence of the Independent Directors, based on the criteria of independence as set out in MMLR of Bursa Securities;
- Reviewed the term of office and performance of Audit Committee and each of its members;
- Assessed and identified the training needs of Directors for continuous education purpose;
- Assessed, considered and recommended to the Board, the Directors for re-election/re-appointment at the 23rd Annual General Meeting; and
- Reviewed the succession planning policy of the LTHB Group.

This report is made in accordance with a resolution of the Board of Directors dated 3 October 2017.





## STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows of the Group and of the Company for that year.

The Directors consider that, in preparing the financial statements for the financial year ended 30 June 2017 as set out on pages 41 to 128 of this Annual Report, the Group has used appropriate accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent. The Directors also consider that all applicable approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia.

The auditors' responsibilities are stated in their Report to the Members of the Company.

This Statement is made in accordance with a resolution of the Board of Directors dated 3 October 2017.





## FINANCIAL STATEMENTS

<i>DIRECTORS' REPORT</i>	<b>42</b>
<i>STATEMENT BY DIRECTORS</i>	<b>46</b>
<i>STATUTORY DECLARATION</i>	<b>46</b>
<i>INDEPENDENT AUDITORS' REPORT</i>	<b>47</b>
<i>STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</i>	<b>51</b>
<i>STATEMENTS OF FINANCIAL POSITION</i>	<b>53</b>
<i>STATEMENTS OF CHANGES IN EQUITY</i>	<b>55</b>
<i>STATEMENTS OF CASH FLOWS</i>	<b>58</b>
<i>NOTES TO THE FINANCIAL STATEMENTS</i>	<b>60</b>
<i>SUPPLEMENTARY INFORMATION</i>	<b>128</b>





# DIRECTORS' REPORT

## Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2017.

## Principal activities

The principal activities of the Company are investment holding and provision of management services.

The principal activities of the subsidiaries are described in Note 14 to the financial statements.

## Results

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit net of tax	69,065	21,509

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

## Dividends

The amount of dividend paid by the Company since 30 June 2016 was as follows:

	<b>RM'000</b>
In respect of the financial year ended 30 June 2016 as reported in the directors' report of that year:	
Final tax exempt dividend of 12.0 sen, on 97,207,500 ordinary shares, declared on 27 September 2016 and paid on 13 January 2017	11,665

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 30 June 2017, of 12.0 sen on 97,207,500 ordinary shares, amounting to a dividend payable of RM11,664,900 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2018.



## DIRECTORS' REPORT (CONT'D)

### Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Dato' Haji Shaharuddin Bin Haji Haron\*  
Lin Chen, Jui-Fen #  
Lin, Chin-Hung #  
Toh Seng Thong\*  
Yek Siew Liong\* #  
Lin, Cheng-Hung

\* Being a member of the Audit Committee

# Being a director of one or more subsidiaries

The names of the directors of the subsidiaries of the Company since the beginning of the financial year to the date of this report, not including those directors listed above are:

Latitude Tree Furniture Sdn. Bhd.

Lin, Tzu-Lang (resigned on 18 May 2017)

Latitude Tree Vietnam Joint Stock Company

Yeoh Joe Son  
Liu, Kun-Chin

RK Resources Co., Ltd.

Lu, Chin-Chia

Grob Holz Company Limited

Lin, Shin-Ni  
Tee Ah Ann  
Chen, Cheng-Lung  
Chen, Yu-Lien

### Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 9 to the financial statements or the fixed salary of a full time employee of the Company or its related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 29(b) to the financial statements.





## DIRECTORS' REPORT (CONT'D)

### Directors' benefits (cont'd)

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1.7.2016	Acquired	Sold	At 30.6.2017
<b>Direct interest:</b>				
<b>Ordinary shares of the Company</b>				
Lin Chen, Jui-Fen	24,219,978	-	-	24,219,978
Lin, Chin-Hung	6,520,000	-	-	6,520,000
Lin, Cheng-Hung	5,000,000	-	-	5,000,000
<b>Deemed interest:</b>				
<b>Ordinary shares of the Company</b>				
Yek Siew Liong <sup>#</sup>	14,610,000	-	-	14,610,000

<sup>#</sup> Deemed interest in shares held by Konsortium Kontrek Sdn. Bhd., a company in which the director has an interest

Lin Chen, Jui-Fen and Yek Siew Liong by virtue of their interests in shares in the Company, are also deemed interested in the shares of all the Company's subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

### Indemnities to directors, officers or auditors

At the date of this report, no indemnity was given to or insurance effected for any directors, officers or auditors of the Company.

### Other statutory information

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts in the financial statements of the Group and of the Company; and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

- (i) it necessary to write off any bad debts (i) or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
- (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.



## DIRECTORS' REPORT (CONT'D)

### Other statutory information (cont'd)

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### Subsequent event

Details of subsequent event are disclosed in Note 35 to the financial statements.

### Auditors and auditors' remuneration

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 7 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 October 2017.

Dato' Haji Shaharuddin Bin Haji Haron

Lin, Chin-Hung





## STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Haji Shaharuddin Bin Haji Haron and Lin, Chin-Hung, being two of the directors of Latitude Tree Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 51 to 127 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

In the opinion of the directors, the information set out in Note 37 to the financial statements on page 128 have been prepared in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 October 2017.

Dato' Haji Shaharuddin Bin Haji Haron

Lin, Chin-Hung

## STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Fong Toh Wai, being the officer primarily responsible for the financial management of Latitude Tree Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 51 to 128 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Fong Toh Wai at Kuala Lumpur  
in Wilayah Persekutuan on 10 October 2017

Fong Toh Wai

Before me:



# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF LATITUDE TREE HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

### Report on the financial statements

#### Opinion

We have audited the financial statements of Latitude Tree Holdings Berhad, which comprise the statements of financial position as at 30 June 2017 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 127.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

#### *Income taxes*

We draw your attention to the summary of significant accounting policies in Note 2.23, significant accounting judgements and estimates in Note 3.2(c) and the disclosure of income taxes in Note 10 to the financial statements.

The Group recognised income tax expense of RM19.3 million and provision for tax of RM14.2 million for the financial year ended 30 June 2017. The Group has both local and foreign operations that are subject to income taxes in different tax jurisdictions.

Due to the complexity of the tax rules in certain foreign operations, we identified accounting for income tax as an area of audit focus. Specifically, we focused our audit efforts to assess the possibility of under recognition of income tax liabilities.





# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF LATITUDE TREE HOLDINGS BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

### Key audit matters (cont'd)

#### *Income taxes (cont'd)*

Our audit procedures include the following:

- (a) We held discussion with the component auditor and tax specialists to obtain an understanding of the country specific tax risks for certain foreign operations;
- (b) We involved the tax specialists to assist in the evaluating of provisions for income taxes; and
- (c) We reviewed prior year's tax submission and all relevant tax correspondences with the relevant tax authorities.

#### *Inventories*

We draw your attention to the summary of significant accounting policies in Note 2.15, significant accounting judgement and estimate in note 3.2 (g) and the disclosure of inventories in Note 18 to the financial statements.

As at 30 June 2017, the Group's inventories amounted to RM163.5 million, representing 21.2% of the Group's total assets.

Included in the inventories are raw materials, work-in-progress and finished goods. Work-in-progress and finished goods comprise cost of raw materials, labour and manufacturing overheads. The Group applies cost of raw materials and predetermined labour and overhead expenses to derive at the costs of work-in-progress and finished goods which involved significant management estimates.

Given the significance of the account balances and the significant management estimates involved in deriving at the cost of work-in-progress and finished goods, we have identified the valuation of work-in-progress and finished goods to be an area of audit focus.

Our audit procedures include the following:

- (a) We obtained an understanding of the management's process in deriving the cost of work-in-progress and finished goods;
- (b) We compared the costing method used in deriving the cost of work-in-progress and finished goods to the Group's policy and to prior years; and
- (c) We evaluated management's estimation in deriving the cost of work-in-progress and finished goods.

### Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF LATITUDE TREE HOLDINGS BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

### Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.





# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF LATITUDE TREE HOLDINGS BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

### Auditors' responsibilities for the audit of the financial statements (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

### Other reporting responsibilities

The supplementary information set out in Note 37 on page 128 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young  
AF: 0039  
Chartered Accountants

Teoh Soo Hock  
No. 2477/10/17(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
10 October 2017



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Revenue</b>	4	786,016	770,596	24,900	24,900
Cost of sales		(654,046)	(633,935)	-	-
<b>Gross profit</b>		131,970	136,661	24,900	24,900
<b>Other items of income</b>					
Interest income from deposits		1,713	1,440	13	20
Other income	5	6,260	4,663	3,295	342
<b>Other items of expense</b>					
Selling and distribution expenses		(19,795)	(17,952)	-	-
Administrative expenses		(26,513)	(21,505)	(561)	(668)
Other expenses		(2,668)	(7,804)	(6,138)	(12,713)
Finance costs	6	(2,620)	(3,290)	-	-
<b>Profit before tax</b>	7	88,347	92,213	21,509	11,881
Income tax expense	10	(19,282)	(19,289)	-	(17)
<b>Profit net of tax</b>		69,065	72,924	21,509	11,864
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Available-for-sale financial assets - gain on fair value changes		109	-	-	-
Foreign currency translation		18,136	16,305	-	-
<b>Other comprehensive income for the year, net of tax</b>		18,245	16,305	-	-
<b>Total comprehensive income for the year</b>		87,310	89,229	21,509	11,864
<b>Profit attributable to:</b>					
Owners of the parent		69,065	72,725	21,509	11,864
Non-controlling interest		-	199	-	-
		69,065	72,924	21,509	11,864





# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		87,310	89,103	21,509	11,864
Non-controlling interest		-	126	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		87,310	89,229	21,509	11,864
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Earnings per share attributable to owners of the parent (sen per share)</b>					
- Basic/diluted	11	71.05	74.81		
		<hr/>	<hr/>		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.



# STATEMENTS OF FINANCIAL POSITION

## AS AT 30 JUNE 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	258,733	236,098	-	-
Investment in subsidiaries	14	-	-	43,721	41,041
Other investments	15	81	81	-	-
Land use rights	16	17,623	17,060	-	-
Derivatives	21	18	-	-	-
Deferred tax assets	17	1,917	1,151	-	-
		278,372	254,390	43,721	41,041
<b>Current assets</b>					
Inventories	18	163,514	132,909	-	-
Trade and other receivables	19	79,194	52,077	90,851	89,020
Prepayments		2,539	1,192	-	-
Tax recoverable		417	219	3	7
Investment securities	20	37,895	41,964	17,405	16,790
Derivatives	21	241	74	-	-
Cash and bank balances	22	208,095	183,050	10,812	6,083
		491,895	411,485	119,071	111,900
<b>Total assets</b>		<b>770,267</b>	<b>665,875</b>	<b>162,792</b>	<b>152,941</b>
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Tax payable		14,158	9,352	-	-
Derivatives	21	19	133	-	-
Loans and borrowings	23	78,907	59,487	-	-
Trade and other payables	24	96,342	87,919	84	77
		189,426	156,891	84	77
<b>Net current assets</b>		<b>302,469</b>	<b>254,594</b>	<b>118,987</b>	<b>111,823</b>
<b>Non-current liabilities</b>					
Loans and borrowings	23	17,610	21,006	-	-
Provision for severance allowance	25	37	38	-	-
Retirement benefit obligation		138	109	-	-
Derivatives	21	-	119	-	-
Deferred tax liabilities	17	2,606	2,907	-	-
		20,391	24,179	-	-
<b>Total liabilities</b>		<b>209,817</b>	<b>181,070</b>	<b>84</b>	<b>77</b>
<b>Net assets</b>		<b>560,450</b>	<b>484,805</b>	<b>162,708</b>	<b>152,864</b>





# STATEMENTS OF FINANCIAL POSITION

## AS AT 30 JUNE 2017 (CONT'D)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Equity attributable to owners of the parent</b>					
Share capital	26	98,433	97,208	98,433	97,208
Share premium	26	-	1,225	-	1,225
Retained earnings	27	386,776	329,376	64,275	54,431
Other reserves	28	75,241	56,996	-	-
<b>Total equity</b>		<b>560,450</b>	<b>484,805</b>	<b>162,708</b>	<b>152,864</b>
<b>Total equity and liabilities</b>		<b>770,267</b>	<b>665,875</b>	<b>162,792</b>	<b>152,941</b>

The accompanying accounting policies and explanatory information form an integral part of the financial statements.



# STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2017

	← Non-distributable → Distributable ←				← Non-distributable →			Attributable to owners of the parent	
	Share capital (Note 26) RM'000	Share premium (Note 26) RM'000	Retained earnings (Note 27) RM'000	Fair value adjustment reserve (Note 28) RM'000	Foreign currency translation reserve (Note 28) RM'000	Other reserves (Note 28) RM'000	Total equity attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
<b>2017 Group</b>									
<b>Opening balance at 1 July 2016</b>	97,208	1,225	329,376	-	56,996	56,996	484,805	-	484,805
Transfer on 31 January 2017	1,225	(1,225)	-	-	-	-	-	-	-
Profit for the year	-	-	69,065	-	-	-	69,065	-	69,065
Other comprehensive income	-	-	-	109	18,136	18,245	18,245	-	18,245
Total comprehensive income	-	-	69,065	109	18,136	18,245	87,310	-	87,310
<b>Transaction with owners</b>									
Dividends on ordinary shares, representing total transaction with owners	-	-	(11,665)	-	-	-	(11,665)	-	(11,665)
<b>Closing balance at 30 June 2017</b>	98,433	-	386,776	109	75,132	75,241	560,450	-	560,450





# STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

Note	Attributable to owners of the parent				Fair value adjustment reserve (Note 28) RM'000	Foreign currency translation reserve (Note 28) RM'000	Other reserves (Note 28) RM'000	Total equity attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
	Share capital (Note 26) RM'000	Share premium (Note 26) RM'000	Retained earnings (Note 27) RM'000	Distributable						
<b>2016 Group</b>										
<b>Opening balance at 1 July 2015</b>	97,208	1,225	269,520	-	40,618	40,618	408,571	1,195	409,766	
Profit for the year	-	-	72,725	-	-	-	72,725	199	72,924	
Other comprehensive income	-	-	-	-	16,378	16,378	16,378	(73)	16,305	
Total comprehensive income	-	-	72,725	-	16,378	16,378	89,103	126	89,229	
<b>Transaction with owners</b>										
Dividends on ordinary shares	-	-	(11,665)	-	-	-	(11,665)	-	(11,665)	
Acquisition of non-controlling interest	-	-	(1,204)	-	-	-	(1,204)	(1,321)	(2,525)	
Total transactions with owners	-	-	(12,869)	-	-	-	(12,869)	(1,321)	(14,190)	
<b>Closing balance at 30 June 2016</b>	97,208	1,225	329,376	-	56,996	56,996	484,805	-	484,805	

The accompanying accounting policies and explanatory information form an integral part of the financial statements.



# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

	← Non-distributable →		Distributable	
	Share capital	Share premium	Retained earnings	Total equity
Note	(Note 26) RM'000	(Note 26) RM'000	(Note 27) RM'000	RM'000
<b>2017</b>				
<b>Company</b>				
<b>Opening balance at 1 July 2016</b>	97,208	1,225	54,431	152,864
Transfer on 31 January 2017	26 1,225	(1,225)	-	-
Total comprehensive income	-	-	21,509	21,509
<b>Transaction with owners</b>				
Dividends on ordinary shares, representing total transaction with owners	12 -	-	(11,665)	(11,665)
<b>Closing balance at 30 June 2017</b>	98,433	-	64,275	162,708
<b>2016</b>				
<b>Company</b>				
<b>Opening balance at 1 July 2015</b>	97,208	1,225	54,232	152,665
Total comprehensive income	-	-	11,864	11,864
<b>Transaction with owners</b>				
Dividends on ordinary shares, representing total transaction with owners	12 -	-	(11,665)	(11,665)
<b>Closing balance at 30 June 2016</b>	97,208	1,225	54,431	152,864

The accompanying accounting policies and explanatory information form an integral part of the financial statements.





# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Operating activities</b>					
Profit before tax		88,347	92,213	21,509	11,881
<u>Adjustments for:</u>					
Reversal of impairment loss of trade receivables	5	(17)	-	-	-
Investment income from investment securities	5	(1,239)	(341)	(615)	(251)
Fair value (gain)/loss on derivatives	5, 7	(418)	46	-	-
(Gain)/loss on disposal of property, plant and equipment	5, 7	(108)	3	-	-
Net unrealised foreign exchange (gain)/loss	5, 7	(1,047)	4,054	279	(91)
Finance costs	6	2,620	3,290	-	-
Reversal of impairment loss of investment in a subsidiary	5	-	-	(2,680)	-
Amortisation of land use rights	7	641	678	-	-
Depreciation of property, plant and equipment	7	19,468	20,488	-	-
Impairment loss on other receivables	7	9	20	5,859	12,713
Property, plant and equipment written off	7	18	-	-	-
Provision for severance allowance	7	85	95	-	-
Bad debts written off	7	-	2	-	-
Inventories written down	7	54	84	-	-
Retirement benefit expense	8	16	19	-	-
Interest income on deposits		(1,713)	(1,440)	(13)	(20)
Total adjustments		18,369	26,998	2,830	12,351
<b>Operating cash flows before changes in working capital</b>		106,716	119,211	24,339	24,232
<u>Changes in working capital</u>					
Increase in inventories		(30,659)	(14,260)	-	-
(Increase)/decrease in trade and other receivables		(27,109)	(2,002)	(7,586)	3,474
Increase in prepayments		(1,347)	(557)	-	-
Increase/(decrease) in trade and other payables		8,423	(3,704)	7	(29)
Decrease in provision for severance allowance	25	(87)	(92)	-	-
Total changes in working capital		(50,779)	(20,615)	(7,579)	3,445
<b>Cash flows from operations</b>		55,937	98,596	16,760	27,677
Interest paid	6	(2,620)	(3,290)	-	-
Interest received		1,713	1,288	13	20
Taxes refunded		27	182	5	129
Taxes paid		(15,110)	(12,031)	(1)	(2)
<b>Net cash flows from operating activities</b>		39,947	84,745	16,777	27,824



# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Investing activities</b>					
Investment income from investment securities	5	1,239	341	615	251
Purchase of property, plant and equipment	13	(34,019)	(18,580)	-	-
Proceeds from disposal of property, plant and equipment		1,050	187	-	-
Additional investment in a subsidiary	14(a)	-	(2,525)	-	-
Proceeds from investment securities		20,089	10,550	-	-
Purchase of investment securities		(14,460)	(46,221)	(615)	(12,101)
Decrease in deposits with licensed banks		4,484	3,393	-	-
<b>Net cash flows used in investing activities</b>		<b>(21,617)</b>	<b>(52,855)</b>	<b>-</b>	<b>(11,850)</b>
<b>Financing activities</b>					
Repayments of loans and borrowings		(180,912)	(293,502)	-	-
Drawdown of loans and borrowings		192,335	279,336	-	-
Movement of deposits placed as securities for bank borrowings and guarantees		454	(4,888)	-	-
Dividends paid on ordinary shares	12	(11,665)	(11,665)	(11,665)	(11,665)
<b>Net cash flows from/(used in) financing activities</b>		<b>212</b>	<b>(30,719)</b>	<b>(11,665)</b>	<b>(11,665)</b>
Exchange differences in translation of financial statements of foreign subsidiaries		4,807	4,954	-	-
<b>Net increase in cash and cash equivalents</b>		<b>23,349</b>	<b>6,125</b>	<b>5,112</b>	<b>4,309</b>
Effect of exchange rate changes on cash and cash equivalents		6,634	5,111	(383)	91
Cash and cash equivalents at 1 July		165,758	154,522	6,083	1,683
Cash and cash equivalents at 30 June	22	195,741	165,758	10,812	6,083

The accompanying accounting policies and explanatory information form an integral part of the financial statements.





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

### 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at Lot 3356, Batu 7¾, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and provision of management services.

The principal activities of the subsidiaries are described in Note 14.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

On 15 September 2016, the Companies Act 2016 ("New Act") was enacted and it replaces the Companies Act, 1965 in Malaysia with the New Act with effect from 31 January 2017. The key changes of the New Act are disclosed in Note 2.31.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below and are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

#### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2016, the Group and the Company adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 July 2016.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016

The adoption of the above standards does not have any significant impact on the financial statements of the Group and the Company.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.2 Changes in accounting policies (cont'd)

##### Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The amendments do not have any impact on the Group's and the Company's financial statements.

##### Annual Improvements to MFRSs 2012–2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

Standards	Descriptions
<b>MFRS 7: Financial Instruments: Disclosures</b>	<p>The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.</p> <p>In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report. This amendment is applied retrospectively.</p>
<b>MFRS 119: Employee Benefits</b>	<p>The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.</p>
<b>MFRS 134: Interim Financial Reporting</b>	<p>The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.</p>





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards and interpretations issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 107: Disclosures Initiatives	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses	1 January 2017
Annual Improvements to MFRSs 2014 – 2016	
(i) Amendments to MFRS 12: Disclosure of Interests in Other Entities	1 January 2017
(ii) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
(iii) Amendments to MFRS 128: Investment in Associates and Joint Ventures	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 140: Transfer of Investment Property	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 15: Clarification to MFRS 15	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
MFRS 16: Leases	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application other than for Amendments to MFRS 107: Disclosure initiatives, MFRS 15: Revenue from Contracts with Customers, MFRS 16: Leases and MFRS 9: Financial Instruments. The Group is still in the process of assessing the financial impact of MFRS 107, MFRS 15, MFRS 16 and MFRS 9.

#### Amendments to MFRS 107: Disclosures Initiatives

The amendments to MFRS 107: Disclosures Initiatives requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.3 Standards and interpretations issued but not yet effective

##### **Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies these amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group and on the Company.

##### **MFRS 15: Revenue from Contracts with Customers**

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118: Revenue, MFRS 111: Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

##### **MFRS 9: Financial Instruments**

MFRS 9: Financial Instruments replaces MFRS 139: Financial Instruments: Recognition and Measurement. This standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group is currently assessing the impact of MFRS 9 and plans to adopt the new standard on the required effective date.





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.3 Standards and interpretations issued but not yet effective

##### **MFRS 16: Leases**

MFRS 16 will replace MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Lease-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Company are currently assessing the impact of MFRS 16 and plan to adopt the new standard on the required effective date.

#### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Group controls an investee if, and only if, the Group has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Group, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.4 Basis of consolidation (cont'd)

Subsidiaries are consolidated when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiaries. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries is accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

#### 2.5 Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values and the amount of any non-controlling interest in the acquiree at the acquisition date. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interest in the acquiree (if any) either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses in the period in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139: Financial Instruments: Recognition and Measurement ("MFRS 139") in profit or loss. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.6 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

### 2.7 Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the parent and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the company.

Changes in the company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

### 2.8 Foreign currency

#### a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

#### b) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss for the year except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the translation of non-monetary items in respect of which gain and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.8 Foreign currency (cont'd)

##### c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

#### 2.9 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, at the following annual rates:

Leasehold land	60 to 68 years
Buildings	10 to 50 years
Plant and machinery	10 to 20 years
Electrical installation	10 years
Furniture and fittings	5 to 10 years
Motor vehicles	5 to 8 years
Office equipment	5 to 10 years
Renovation	10 years
Computer software	3 to 5 years

Buildings under construction are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.10 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the lease terms ranging from 20 to 50 years.

### 2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

### 2.12 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.12 Financial assets (cont'd)

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

##### a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

##### b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

##### c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

The Group and the Company have not designated any financial assets as held-to-maturity investments.





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.12 Financial assets (cont'd)

#### d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

### 2.13 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.13 Impairment of financial assets (cont'd)

##### a) Trade and other receivables and other financial assets carried at amortised cost (cont'd)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and amount due from subsidiaries, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

##### b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

##### c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

#### 2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on weighted average basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

#### 2.16 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### 2.17 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

##### a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

##### b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.17 Financial liabilities (cont'd)

##### b) Other financial liabilities (cont'd)

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### 2.18 Financial guarantee contracts

A financial contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

#### 2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

#### 2.20 Employee benefit

##### a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees.





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.20 Employee benefit (cont'd)

#### b) Defined contribution plans

The Group and the Company participate in the national pension scheme as defined by the law of the country in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### c) Retirement benefit obligation - defined benefit plans

The Group estimates and recognises the obligation of employee retirement benefits for which a foreign subsidiary shall have to pay in accordance with the labour law of Thailand by using the current salary of employees and the probability that employees will work until retirement ages.

#### d) Provision for severance allowance

The severance pay to employees of foreign subsidiary is accrued at the end of each reporting period for all employees who have more than 12 months in service up to 31 December 2008 at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 in accordance with the Labour Code, the Law on Social Insurance and related implementing guidance in Vietnam. Commencing 1 January 2009, the average monthly salary used in this calculation will be revised at the end of each reporting period following the average monthly salary of the 6-month period up to the reporting date. Any changes to the accrued amount will be recognised in profit or loss.

### 2.21 Leases

#### a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(e).



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

##### a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

##### b) Interest income

Interest income is recognised using the effective interest method.

##### c) Management fees

Management fees are recognised when services are rendered.

##### d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

##### e) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

#### 2.23 Income taxes

##### a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.23 Income taxes (cont'd)

#### b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.24 Goods and Services Tax ("GST")

The net amount of GST being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in trade and other payables or trade and other receivables in the statements of financial position.

#### 2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

#### 2.26 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### 2.27 Fair value measurement

The Group and the Company measure financial instruments and non-financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.27 Fair value measurement (cont'd)

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial period.

External valuers are involved for valuation of significant assets, such as properties and financial assets, and significant liabilities, such as contingent consideration and retirement benefit.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### 2.28 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

#### 2.29 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.30 Related parties

A related party is defined as follows:

- a) A person or a close member of that person's family is related to the Group and Company if that person:
  - i) has control or joint control over the company;
  - ii) has significant influence over the company; or
  - iii) is a member of the key management personnel of the Group or the company or of a parent of the company.
- b) An entity is related to the Group and the Company if any of the following conditions applies:
  - i) the entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - iii) both entities are joint ventures of the same third party;
  - iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company;
  - vi) the entity is controlled or jointly controlled by a person identified in (a); or
  - vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

#### 2.31 Significant changes in regulatory requirements

##### Companies Act 2016 ("New Act")

Amongst the key changes introduced in the New Act which affected the financial statements of the Group and the Company upon the commencement of the New Act on 31 January 2017 are:

- i) the removal of the authorised share capital; and
- ii) the ordinary shares of the Company will cease to have par or nominal value.

The adoption of the New Act has no financial impact on the Group and the Company for the current financial year ended 30 June 2017. The effects of adoption are mainly on the disclosures to the financial statements of the Group and the Company.

### 3. Significant accounting judgements and estimates

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 3. Significant accounting judgements and estimates (cont'd)

##### 3.1 Judgements made in applying accounting policies

There were no significant judgements made in applying the accounting policies of the Group which may have significant effects on the amounts recognised in the financial statements.

##### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

###### a) Useful lives of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these assets to be within 10 to 20 years. These are common life expectancies applied in the furniture industry. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the Group's plant and machinery at 30 June 2017 were RM59,674,000 (2016: RM62,639,000) (Note 13). A 5% (2016: 5%) difference in the expected useful lives of these assets from management's estimates would result in RM652,000 (2016: RM670,000) variance in the Group's profit for the year.

###### b) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

When there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and the Company's loans and receivables at the reporting date are disclosed in Note 19.

###### c) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's income tax recoverable and tax payable as at 30 June 2017 was RM417,000 (2016: RM219,000) and RM14,158,000 (2016: RM9,352,000) respectively. The carrying amounts of the Company's income tax recoverable as at 30 June 2017 was RM3,000 (2016: RM7,000).



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 3. Significant accounting judgements and estimates (cont'd)

#### 3.2 Key sources of estimation uncertainty (cont'd)

##### d) Deferred tax assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax assets has been recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of the Group's deferred tax assets as at 30 June 2017 was RM1,917,000 (2016: RM1,151,000). The total carrying value of unused capital allowances, reinvestment allowances and tax losses of the Group was RM34,582,000 (2016: RM34,214,000). Further details of unused capital allowances, reinvestment allowances and tax losses are disclosed in Note 10.

##### e) Impairment of investment in subsidiaries

The Group assesses at each reporting date whether there is any objective evidence that the investment in subsidiaries are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the subsidiaries.

The Company had recognised an impairment loss in respect of investments in subsidiaries. The Company carried out the impairment test based on the estimation of the higher of the value-in-use or the fair value less cost to sell of the cash-generating units ("CGU") to which the investments in subsidiaries belong to. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the CGU and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The impairment losses recognised to date are disclosed in Note 14.

##### f) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its value in use and its fair value less cost of disposal.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and the Company's property, plant and equipment at the reporting date are disclosed in Note 13.

##### g) Inventories costing

The Group applies actual cost of raw materials and predetermined labor and overhead expenses to derive at the costs of work-in-progress and finished goods. Significant management estimates are involved when allocating labor and overhead expenses into the different types of inventories. The carrying amount of inventories of the Group are disclosed in Note 18.

##### h) Write-down of inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidenced available at the time the estimate is made. Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 4. Revenue

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of goods	786,016	770,596	-	-
Dividend income from subsidiaries	-	-	24,900	24,900
	786,016	770,596	24,900	24,900

#### 5. Other income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fair value gain on derivatives	418	-	-	-
Gain on disposal of property, plant and equipment	108	-	-	-
Insurance compensation	-	1	-	-
Net realised foreign exchange gain	2,136	2,861	-	-
Net unrealised foreign exchange gain	1,047	-	-	91
Rental income	766	859	-	-
Reversal of impairment loss of investment in a subsidiary (Note 14)	-	-	2,680	-
Reversal of impairment loss of trade receivables (Note 19)	17	-	-	-
Investment income from investment securities	1,239	341	615	251
Scrap sales	320	360	-	-
Miscellaneous	209	241	-	-
	6,260	4,663	3,295	342

#### 6. Finance costs

	Group	
	2017 RM'000	2016 RM'000
Interest expense on:		
Bank overdrafts	1	35
Bankers' acceptances	42	212
Term loans	954	1,144
Trust receipts	1,623	1,899
	2,620	3,290



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 7. Profit before tax

The following items have been included in arriving at profit before tax:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Auditors' remuneration:				
Statutory audit				
- current year	540	483	55	38
- underprovision in prior year	2	47	-	3
Other services	8	6	-	-
Amortisation of land use rights (Note 16)	641	678	-	-
Bad debts written off (Note 19)	-	2	-	-
Depreciation of property, plant and equipment (Note 13)	19,468	20,488	-	-
Employee benefits expense (Note 8)	162,895	149,731	12	90
Fair value loss on derivatives	-	46	-	-
Impairment loss on other receivables (Note 19)	9	20	5,859	12,713
Loss on disposal of property, plant and equipment	-	3	-	-
Net unrealised foreign exchange loss	-	4,054	279	-
Non-executive directors' remuneration (Note 9)	347	347	347	347
Property, plant and equipment written off (Note 13)	18	-	-	-
Inventories written down	54	84	-	-
Provision for severance allowance (Note 25)	85	95	-	-

#### 8. Employee benefits expense

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages and salaries	148,275	127,358	-	-
Social security contributions	9,691	9,111	-	-
Contributions to defined contribution plan	1,666	1,654	-	-
Retirement benefit expense	16	19	-	-
Other benefits	3,247	11,589	12	90
	162,895	149,731	12	90

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,826,000 (2016: RM1,763,000) and RM12,000 (2016: RM90,000) respectively as further disclosed in Note 9.





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 9. Directors' remuneration

The details of remuneration receivable by directors of the Company (both by the Company and by the Group) during the year are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive:				
Salaries and other emoluments	1,092	931	12	12
Fees	-	72	-	72
Bonus	643	669	-	6
Defined contribution plan	91	91	-	-
<b>Total executive directors' remuneration</b>	<b>1,826</b>	<b>1,763</b>	<b>12</b>	<b>90</b>
Non-executive:				
Benefits payables	59	59	59	59
Fees	288	288	288	288
<b>Total non-executive directors' remuneration</b>	<b>347</b>	<b>347</b>	<b>347</b>	<b>347</b>
<b>Total directors' remuneration (Note 29(b))</b>	<b>2,173</b>	<b>2,110</b>	<b>359</b>	<b>437</b>

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Group		Company	
	2017 Number of directors	2016 Number of directors	2017 Number of directors	2016 Number of directors
Executive directors:				
RM50,000 and below	-	-	2	1
RM50,001 - RM100,000	-	-	-	1
RM700,001 - RM750,000	1	1	-	-
RM1,050,001 - RM1,100,000	1	1	-	-
Non-executive directors:				
RM50,001 - RM100,000	4	4	4	4



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 10. Income tax expense

#### Major components of income tax expense

The major components of income tax expense for the years ended 30 June 2017 and 2016 are:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Statements of profit or loss and other comprehensive income:</b>				
Current income tax:				
- Malaysian income tax	3,972	5,014	-	-
- Foreign tax	16,568	10,698	-	-
- (Over)/underprovision in respect of previous years	(583)	3,222	-	17
	19,957	18,934	-	17
Deferred tax (Note 17):				
- Origination and reversal of temporary differences	429	(374)	-	-
- Benefits from previously unrecognised tax losses	(1,591)	-	-	-
- Underprovision in respect of previous years	487	729	-	-
	(675)	355	-	-
Income tax expense recognised in profit or loss	19,282	19,289	-	17





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 10. Income tax expense (cont'd)

##### Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 June 2017 and 2016 are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax	88,347	92,213	21,509	11,881
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	21,203	22,131	5,162	2,851
Different tax rates in other countries	(5,160)	(8,607)	-	-
Adjustments:				
Income not subject to taxation	-	-	(6,767)	(6,060)
Non-deductible expenses	4,838	1,548	1,512	3,091
Utilisation of previously unrecognised unused reinvestment allowances	-	(311)	-	-
(Over)/underprovision of income tax in respect of previous years	(583)	3,222	-	17
Benefits from previously unrecognised tax losses	(1,591)	-	-	-
Underprovision of deferred tax in respect of previous years	487	729	-	-
Deferred tax assets not recognised in respect of unused capital allowances, unused reinvestment allowances and unused tax losses	88	577	93	118
Income tax expense recognised in profit or loss	19,282	19,289	-	17

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 10. Income tax expense (cont'd)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unused capital allowances	11,093	11,852	-	-
Unused reinvestment allowances	9,564	9,564	-	-
Unused tax losses	13,925	12,798	1,160	772
	34,582	34,214	1,160	772

No deferred tax assets recognised in respect of the above as it is not probable that future taxable profits will be available against which the items can be utilised.

The availability of the unused capital allowances, reinvestment allowances and tax losses for offsetting against future taxable profits of the respective entities within the Group are subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

#### 11. Earnings per share

##### Basic/diluted

Basic earnings per share amounts are calculated by dividing profit net of tax attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit net of tax attributable to owners of the parent by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year.

There are no potential dilution effects on ordinary shares of the Company for the current financial year as there is no convertible instrument issued. Accordingly, the diluted earning per share for the current year is equal to basic earning per share.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

	Group	
	2017 RM'000	2016 RM'000
Profit net of tax attributable to owners of the parent used in the computation of basic/diluted earnings per share	69,065	72,725





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 11. Earnings per share (cont'd)

##### Basic/diluted (cont'd)

	Group	
	2017	2016
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for basic/diluted earnings per share computation	97,208	97,208
	Sen	Group Sen
Basic/diluted earnings per share	71.05	74.81

#### 12. Dividends

	Group and Company	
	2017	2016
	RM'000	RM'000
<b>Recognised during the financial year:</b>		
Final tax exempt dividend paid for 2015: 12.0 sen per share on 97,207,500 ordinary shares	-	11,665
Final tax exempt dividend paid for 2016: 12.0 sen per share on 97,207,500 ordinary shares	11,665	-
	11,665	11,665

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 30 June 2017, of 12.0 sen on 97,207,500 ordinary shares, amounting to a dividend payable of RM11,664,900 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2018.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 13. Property, plant and equipment

Group	Freehold land		Leasehold land*		Buildings		Plant and machinery		Electrical installation		Furniture and fittings		Motor vehicles		Office equipment		Renovation		Buildings under construction		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 July 2015</b>	29,231	4,703	167,352	215,822	4,904	973	3,910	3,049	2,350	-	432,294	-	-	-	-	-	-	-	-	-	432,294
Additions	260	-	3,259	10,539	20	28	642	1,167	-	-	18,580	2,665	-	-	-	-	-	-	-	-	18,580
Disposals	-	-	-	(313)	-	-	(200)	-	-	-	(513)	-	-	-	-	-	-	-	-	-	(513)
Write offs	-	-	-	(13,217)	(1,385)	(418)	-	(561)	-	-	(15,581)	-	-	-	-	-	-	-	-	-	(15,581)
Exchange differences	36	-	5,596	7,156	52	8	127	73	27	(11)	13,064	-	-	-	-	-	-	-	-	-	13,064
<b>At 30 June 2016</b>	29,527	4,703	176,207	219,987	3,591	591	4,479	3,728	2,377	2,654	447,844	-	-	-	-	-	-	-	-	-	447,844
<b>At 1 July 2016</b>	29,527	4,703	176,207	219,987	3,591	591	4,479	3,728	2,377	2,654	447,844	-	-	-	-	-	-	-	-	-	447,844
Additions	687	-	10,018	7,633	178	23	1,475	193	-	13,812	34,019	2,654	-	-	-	-	-	-	-	-	34,019
Disposals	-	-	-	(398)	-	-	(787)	(4)	(720)	-	(1,909)	-	-	-	-	-	-	-	-	-	(1,909)
Write offs	-	-	-	(254)	(169)	-	(93)	(64)	-	-	(580)	-	-	-	-	-	-	-	-	-	(580)
Reclassification	-	-	993	-	-	-	-	-	-	(993)	-	-	-	-	-	-	-	-	-	-	-
Exchange differences	223	-	7,750	10,263	299	48	240	190	254	40	19,307	-	-	-	-	-	-	-	-	-	19,307
<b>At 30 June 2017</b>	30,437	4,703	194,968	237,231	3,899	662	5,314	4,043	1,911	15,513	498,681	-	-	-	-	-	-	-	-	-	498,681





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 13. Property, plant and equipment (cont'd)

Group	Freehold land	Leasehold land	Buildings land*	Plant and machinery	Electrical installation	Furniture and fittings	Motor vehicles	Office equipment	Renovation	Buildings under construction	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 July 2015</b>	-	1,029	35,956	152,735	4,472	946	2,120	2,451	1,465	-	201,174
Depreciation charge for the year (Note 7)	-	77	4,962	13,399	322	9	549	951	219	-	20,488
Disposals	-	-	-	(157)	-	-	(166)	-	-	-	(323)
Write offs	-	-	-	(13,217)	(1,385)	(418)	-	(561)	-	-	(15,581)
Exchange differences	-	-	1,204	4,588	42	8	53	72	21	-	5,988
<b>At 30 June 2016</b>	-	1,106	42,122	157,348	3,451	545	2,556	2,913	1,705	-	211,746
<b>At 1 July 2016</b>	-	1,106	42,122	157,348	3,451	545	2,556	2,913	1,705	-	211,746
Depreciation charge for the year (Note 7)	-	18	5,266	13,032	57	13	667	311	104	-	19,468
Disposals	-	-	-	(86)	-	-	(728)	(3)	(150)	-	(967)
Write offs	-	-	-	(236)	(169)	-	(93)	(64)	-	-	(562)
Exchange differences	-	-	1,955	7,499	298	44	158	160	149	-	10,263
<b>At 30 June 2017</b>	-	1,124	49,343	177,557	3,637	602	2,560	3,317	1,808	-	239,948



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 13. Property, plant and equipment (cont'd)

Group	Freehold land RM'000	Leasehold land* RM'000	Buildings RM'000	Plant and machinery RM'000	Electrical installation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Buildings under construction RM'000	Total RM'000
At 30 June 2016	29,527	3,597	134,085	62,639	140	46	1,923	815	672	2,654	236,098
At 30 June 2017	30,437	3,579	145,625	59,674	262	60	2,754	726	103	15,513	258,733

The Group's office equipment included computer software with carrying amount of RM343,221 (2016: RM413,762).

\* The remaining lease term of leasehold land is 41 to 54 years (2016: 42 to 55 years).





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 13. Property, plant and equipment (cont'd)

##### Assets pledged as security

The net carrying amounts of property, plant and equipment pledged as securities for loans and borrowings (Note 23) are as follows:

	Group	
	2017 RM'000	2016 RM'000
Freehold land	18,447	18,447
Freehold buildings	29,652	28,292
	48,099	46,739

#### 14. Investment in subsidiaries

	Company	
	2017 RM'000	2016 RM'000
<b>Unquoted shares, at cost</b>		
At 1 July/30 June	53,929	53,929
<b>Accumulated impairment losses</b>		
At 1 July	(12,888)	(12,888)
Reversal of impairment loss of investment in subsidiaries (Note 5)	2,680	-
At 30 June	(10,208)	(12,888)
<b>Net carrying amount</b>	43,721	41,041



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 14. Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion ownership interest	
			2017 %	2016 %
<b><i>Held by the Company:</i></b>				
Latitude Tree Furniture Sdn. Bhd. *	Malaysia	Manufacture and sale of wooden furniture and components	100	100
Rhong Khen Industries Sdn. Bhd. *	Malaysia	Manufacture and sale of decorative wood and papers	100	100
Rhong Khen Timbers Sdn. Bhd. *	Malaysia	Manufacture and sale of wooden furniture parts and components	100	100
Latitude Tree Sdn. Bhd. *	Malaysia	Investment holding	100	100
L-Tree Resources Sdn. Bhd. *	Malaysia	Investment holding	100	100
Grob Holz Sdn. Bhd.*	Malaysia	Investment holding	100	100
Uptown Promenade Sdn. Bhd. *	Malaysia	Investment holding	100	100
Linkage Creation International Co. Ltd. *	Brunei Darussalam	Investment holding	100	100
Latitude Tree International Limited *	British Virgin Islands	Investment holding	100	100
Great Paddy Pte. Ltd. *	British Virgin Islands	Investment holding and general trading	100	100
<b><i>Held through Latitude Tree Sdn. Bhd.:</i></b>				
Latitude Tree Vietnam Joint Stock Company **	Vietnam	Manufacture and sale of wooden furniture and components	100	100





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 14. Investment in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion ownership interest	
			2017 %	2016 %
<b>Held through Grob Holz Sdn. Bhd.:</b>				
Grob Holz Company Limited #	Thailand	Manufacture and sale of wooden furniture parts and components	100	100
<b>Held through Latitude Tree Vietnam Joint Stock Company:</b>				
RK Resources Co., Ltd. **	Vietnam	Manufacture and sale of wooden furniture and components	100	100

\* Audited by Ernst & Young, Malaysia

\*\* Audited by member firms of Ernst & Young Global in the respective countries

# Audited by a firm of auditors other than Ernst & Young

(a) Acquisition of additional interest in Grob Holz Company Limited

In prior year, the Group acquired an additional 15% interest in the voting shares of Grob Holz Company Limited, increasing its ownership interest to 100%. Cash consideration of RM2,525,000 was paid to the non-controlling shareholder.

#### 15. Other investments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Transferable golf club membership, at cost	81	81	-	-



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 16. Land use rights

	Group	
	2017 RM'000	2016 RM'000
<b>Cost</b>		
At 1 July	23,954	22,391
Exchange differences	1,618	1,563
At 30 June	25,572	23,954
<b>Accumulated amortisation</b>		
At 1 July	6,894	5,672
Amortisation charged for the year (Note 7)	641	678
Exchange differences	414	544
At 30 June	7,949	6,894
<b>Net carrying amount</b>	17,623	17,060
Amount to be amortised:		
- Not later than one year	641	678
- Later than one year but not later than five years	3,205	3,390
- Later than five years	13,777	12,992
	17,623	17,060

The Group has land use rights over state-owned land at Song Than 2 Industrial Zone where the Group's Vietnam manufacturing and storage facilities reside. The land use rights are not transferable and have a remaining tenure of 14 to 40 years (2016: 15 to 41 years).





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 17. Deferred tax (assets)/liabilities

	As at 1 July 2015 RM'000	Recognised in profit or loss RM'000 (Note 10)	Exchange differences RM'000	As at 30 June 2016 RM'000	Recognised in profit or loss RM'000 (Note 10)	Exchange differences RM'000	As at 30 June 2017 RM'000
<b>Group</b>							
<b>Deferred tax liabilities</b>							
Property, plant and equipment	(5,719)	2,402	-	(3,317)	(742)	-	(4,059)
<b>Deferred tax assets</b>							
Unused tax losses, unused reinvestment allowances and unused capital allowances	3,403	(2,560)	-	843	124	-	967
Provisions	986	(235)	(33)	718	779	906	2,403
	4,389	(2,795)	(33)	1,561	903	906	3,370
	(1,330)	(393)	(33)	(1,756)	161	906	(689)

	Group	
	2017	2016
	RM'000	RM'000
Deferred tax assets	1,917	1,151
Deferred tax liabilities	(2,606)	(2,907)
	(689)	(1,756)

Presented after appropriate offsetting as follows:

Deferred tax assets  
Deferred tax liabilities



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 18. Inventories

	Group	
	2017 RM'000	2016 RM'000
<b>Cost</b>		
Raw materials	84,773	64,295
Work-in-progress	34,891	32,058
Finished goods	43,796	36,192
	<u>163,460</u>	<u>132,545</u>
<b>Net realisable value</b>		
Work-in-progress	-	18
Finished goods	54	346
	<u>54</u>	<u>364</u>
	<u>163,514</u>	<u>132,909</u>

The cost of inventories recognised as an expense in cost of sales of the Group was RM648,416,000 (2016: RM626,754,000).

### 19. Trade and other receivables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Trade receivables</b>				
Third parties	50,655	32,324	-	-
Less: Allowance for impairment	(231)	(224)	-	-
Trade receivables, net	<u>50,424</u>	<u>32,100</u>	-	-
<b>Other receivables</b>				
Amounts due from subsidiaries	-	-	129,443	121,746
Deposits	252	546	-	-
Staff loans	123	79	-	-
Goods and services tax receivable	1,615	479	-	-
Sundry receivables	27,051	19,094	-	7
	<u>29,041</u>	<u>20,198</u>	<u>129,443</u>	<u>121,753</u>
Less: Allowance for impairment				
Amounts due from subsidiaries	-	-	(38,592)	(32,733)
Sundry receivables	(271)	(221)	-	-
Other receivables, net	<u>28,770</u>	<u>19,977</u>	<u>90,851</u>	<u>89,020</u>





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 19. Trade and other receivables (cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total trade and other receivables	79,194	52,077	90,851	89,020
Less: Included within other receivables				
Import duty and other direct taxes receivables	(8,351)	(7,794)	-	-
Goods and services tax receivable	(1,615)	(479)	-	-
Advance to suppliers	(17,362)	(9,864)	-	-
Add: Cash and bank balances (Note 22)	208,095	183,050	10,812	6,083
Total loans and receivables	259,961	216,990	101,663	95,103

#### a) Trade receivables

Trade receivables are non-interest bearing and are generally on 1 to 30 day (2016: 1 to 30 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

#### Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2017 RM'000	2016 RM'000
Neither past due nor impaired	43,728	26,813
1 to 30 days past due not impaired	4,917	4,591
31 to 60 days past due not impaired	1,189	276
61 to 90 days past due not impaired	482	270
More than 91 days past due not impaired	108	150
Impaired	6,696	5,287
	231	224
	50,655	32,324



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 19. Trade and other receivables (cont'd)

#### a) Trade receivables (cont'd)

##### Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

##### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM6,696,000 (2016: RM5,287,000) that are past due at the reporting date but not impaired. These receivables are not secured by any collateral or credit enhancement.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience and no adverse information to date, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

##### Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade receivables - nominal amounts	231	224
Less: Allowance for impairment	(231)	(224)
	-	-

Movement in allowance accounts:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 July	224	220
Bad debts written off (Note 7)	-	(2)
Reversal of impairment loss of trade receivables (Note 5)	(17)	-
Exchange differences	24	6
At 30 June	231	224





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 19. Trade and other receivables (cont'd)

##### a) Trade receivables (cont'd)

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Management conducts periodic assessment on its trade receivable balance on account-by-account basis. Hence, all impairment losses are provided for specific trade receivable balances. Management is of the opinion that there are no further factors that warrants the consideration of additional impairment losses on a collective basis.

##### b) Other receivables

Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

Further details on related party transactions are disclosed in Note 29.

Included in sundry receivables of the Group are:

- i) Import duty and other direct taxes receivable in foreign subsidiaries of RM8,351,000 (2016: RM7,794,000); and
- ii) Advance to suppliers of RM17,362,000 (2016: RM9,864,000) that mainly relates to payment in advance for raw materials purchased.

##### Other receivables that are impaired

The Group's and the Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	Individually impaired 2017 RM'000	Individually impaired 2016 RM'000	Individually impaired 2017 RM'000	Individually impaired 2016 RM'000
Other receivables - nominal amounts	271	221	81,799	62,729
Less: Allowance for impairment	(271)	(221)	(38,592)	(32,733)
	-	-	43,207	29,996



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 19. Trade and other receivables (cont'd)

#### b) Other receivables (cont'd)

##### Other receivables that are impaired (cont'd)

Movement in allowance accounts:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 July	221	198	32,733	20,020
Charge for the year (Note 7)	9	20	5,859	12,713
Exchange differences	41	3	-	-
At 30 June	271	221	38,592	32,733

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Other financial information on financial risks of trade and other receivables are disclosed in Note 32(a).

The currency profiles of the Group's and of the Company's trade and other receivables are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	5,227	1,856	89,185	87,477
United States Dollar	45,020	32,882	1,666	1,543
Vietnam Dong	21,979	15,572	-	-
Thai Baht	6,968	1,767	-	-
	79,194	52,077	90,851	89,020





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 20. Investment securities

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current</b>				
<i>Available-for-sale financial assets</i>				
- Unit trusts in Malaysia	37,895	41,964	17,405	16,790

Other financial information of financial risks of other investments are disclosed in Note 32.

The currency profiles of the Group's and of the Company's investment securities are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	31,325	25,874	17,405	16,790
United States Dollar	6,570	16,090	-	-
	37,895	41,964	17,405	16,790

#### 21. Derivatives

	Group					
	Contract/ Notional amount	2017		Contract/ Notional amount	2016	
Assets		Liabilities	Assets		Liabilities	
<b>Non-hedging derivatives:</b>						
<b>Current</b>						
Forward currency contracts	31,362	241	-	9,506	74	-
Interest rate swap	11,160	-	(19)	13,668	-	(133)
<b>Non-current</b>						
Interest rate swap	11,160	18	-	13,668	-	(119)
Total non- hedging derivatives		259	(19)		74	(252)
Add: Investment securities (Note 20)		37,895	-		41,964	-
Total financial assets/ (liabilities) at fair value through profit or loss		38,154	(19)		42,038	(252)



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 21. Derivatives (cont'd)

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's bank balance denominated in United States Dollar ("USD") for which Group's commitments existed at the reporting date, extending to February 2018 (2016: October 2016)(Note 32(d)). During the financial year, the Group recognised a gain of RM167,000 (2016: gain of RM206,000) arising from fair value changes of forward currency contracts. The fair value changes are attributable to changes in foreign exchange closing and forward rate.

The Group has an interest rate swap agreement in place which is used to hedge cash flow interest rate risk arising from a floating rate bank loan amounting to RM11,160,000. This interest rate swap receives floating interest equal to USD loan at Effective Cost Of Funds + 1.75% per annum, pays a fixed rate of interest of 3.31% per annum and has the same maturity terms as the bank loan. The changes in the fair value of interest rate swap of RM251,000 gain (2016: RM252,000 loss) has been recognised in statements of profit or loss and other comprehensive income.

The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 31.

### 22. Cash and bank balances

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash at banks and in hand	139,053	109,145	10,812	83
Deposits with licensed banks	69,042	73,905	-	6,000
Cash and bank balances	208,095	183,050	10,812	6,083

Deposits with licensed banks are made for varying periods of between 1 day and 365 days (2016: 1 day and 365 days) depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The interest rates as at 30 June 2017 for the Group and the Company were 0.95% to 4.70% (2016: 0.45% to 5.20%) and Nil% (2016: 2.10%) per annum respectively.

Deposits with licensed banks of the Group of RM8,798,000 (2016: RM9,252,000) are pledged as securities for bank borrowings and guarantees (Note 23).





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 22. Cash and bank balances (cont'd)

For the purpose of Statement of Cash Flows, cash and cash equivalents comprise the following as at reporting date:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	208,095	183,050	10,812	6,083
Deposits pledged as securities for bank borrowings and guarantees	(8,798)	(9,252)	-	-
Deposits with licensed banks with tenure more than three months	(3,556)	(8,040)	-	-
<b>Total cash and cash equivalents</b>	<b>195,741</b>	<b>165,758</b>	<b>10,812</b>	<b>6,083</b>

The currency profiles of the Group's and of the Company's cash and bank balances are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	22,699	22,137	61	6,066
United States Dollar	176,650	147,655	10,751	17
Singapore Dollar	122	217	-	-
Vietnam Dong	7,331	9,818	-	-
Thai Baht	1,290	3,220	-	-
Others	3	3	-	-
	<b>208,095</b>	<b>183,050</b>	<b>10,812</b>	<b>6,083</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 23. Loans and borrowings

	Maturity	Group	
		2017 RM'000	2016 RM'000
<b>Current Secured:</b>			
Bankers' acceptances	2018	2,811	1,608
Term loans	2018	4,090	3,827
		6,901	5,435
<b>Unsecured:</b>			
Trust receipts	2018	72,006	54,052
		78,907	59,487
<b>Non-current Secured:</b>			
Term loans	2019 - 2026	17,610	21,006
		17,610	21,006
Total loans and borrowings		96,517	80,493

The remaining maturities of the loans and borrowings are as follows:

	Group	
	2017 RM'000	2016 RM'000
On demand or within one year	78,907	59,487
More than 1 year and less than 2 years	4,119	3,855
More than 2 years and less than 5 years	6,540	8,535
5 years or more	6,951	8,616
	96,517	80,493





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 23. Loans and borrowings (cont'd)

##### Bank overdrafts

Bank overdrafts of the Group are secured by deposits of the Group of RMNil (2016: RM677,000), negative pledges over the assets of certain subsidiaries and a corporate guarantee from the Company. The bank overdrafts were not utilised by the Group as at reporting date.

##### Bankers' acceptances

The weighted average effective interest rate of bankers' acceptances as at the reporting date was 3.38% to 4.46% (2016: 3.08%) per annum. The bankers' acceptances are secured by the freehold land of RM7,243,000 (2016: RM7,243,000) and freehold buildings of RM9,887,000 (2016: RM8,680,000) of the Group, negative pledges over the assets of certain subsidiary and a corporate guarantee from the Company.

##### Term loans

The term loans are secured by the following:

- Deposits of RM8,798,000 (2016: RM9,252,000) with licensed banks of a subsidiary;
- Fixed charges over freehold land of RM11,204,000 (2016: RM11,204,000) and freehold buildings of RM19,765,000 (2016: RM19,612,000) of certain subsidiaries; and
- A corporate guarantee from the Company.

The term loans bear interest rates of 3.63% to 4.51% (2016: 3.59% to 4.57%) per annum.

##### Trust receipts

The weighted average effective interest rate of trust receipts as at the reporting date was 2.35% to 2.38% (2016: 2.30%) per annum. Trust receipts of the Group are secured by corporate guarantees from the Company and a subsidiary.

The currency profiles of the Group's loans and borrowings as at reporting date are as follows:

	Group	
	2017	2016
	RM'000	RM'000
Ringgit Malaysia	13,350	12,773
United States Dollar	83,167	67,720
	96,517	80,493



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 24. Trade and other payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Trade payables</b>				
Third parties	66,280	53,325	-	-
<b>Other payables</b>				
Accruals	8,555	8,420	77	76
Sundry payables	21,507	26,174	7	1
	30,062	34,594	84	77
Total trade and other payables	96,342	87,919	84	77
Less: Included within other payables				
Import and export duties and other direct taxes payable	(425)	(2,235)	-	-
Goods and services tax payable	(22)	(94)	-	-
Add: Loans and borrowings (Note 23)	96,517	80,493	-	-
Total financial liabilities carried at amortised cost	192,412	166,083	84	77

#### a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 10 to 90 days (2016: 10 to 90 days) terms.

#### b) Other payables

Sundry payables are non-interest bearing and are normally settled on an average term of 30 days (2016: average term of 30 days).

Included in accruals of the Group are:

- (i) RMNil (2016: RM7,249,000) due to directors of a subsidiary for advances to the subsidiary. The amount due in the previous year was unsecured, interest free and was repayable on demand.
- (ii) RM425,000 (2016: RM2,235,000) accrued for import and export duties and other direct taxes payable by the foreign subsidiaries.
- (iii) RM22,000 (2016: RM94,000) accrued for goods and services tax payable by the Malaysia subsidiaries.





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 24. Trade and other payables (cont'd)

The currency profiles of the Group's and of the Company's trade and other payables are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	2,338	3,105	84	77
United States Dollar	22,214	24,087	-	-
Vietnam Dong	60,547	46,585	-	-
Thai Baht	11,243	14,142	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	96,342	87,919	84	77

Further details of related party transactions are disclosed in Note 29.

Other financial information on financial risks of trade and other payables are disclosed in Note 32.

#### 25. Provision for severance allowance

	Group	
	2017 RM'000	2016 RM'000
At 1 July	38	33
Arose during the year (Note 7)	85	95
Utilised	(87)	(92)
Exchange differences	1	2
	<hr/>	<hr/>
At 30 June	37	38

Provision for severance allowance is for employees in a foreign subsidiary who have served more than one year up to 31 December 2008 at the rate of half of the average monthly salary for each year of service up to 31 December 2008.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 26. Share capital and share premium

	Group and Company			
	2017		2016	
	Number of shares '000	Monetary value RM'000	Number of shares '000	Monetary value RM'000
<b>Issued and fully paid:</b>				
Ordinary shares:				
At beginning of financial year	97,208	97,208	97,208	97,208
Transfer of share premium on 31 January 2017	-	1,225	-	-
At end of financial year	97,208	98,433	97,208	97,208

#### Share premium

	Group and Company	
	2017 RM'000	2016 RM'000
At 1 July	1,225	1,225
Transfer on 31 January 2017	(1,225)	-
At 30 June	-	1,225

Under the Companies Act 2016 in Malaysia which came into effect on 31 January 2017, the concept of authorised share capital no longer exists.

In accordance with Section 74 of the Companies Act 2016, the Group's and the Company's ordinary share no longer have a par or nominal value with effect from 31 January 2017. Pursuant to Section 618(2) of the Companies Act 2016, the amount standing to the credit of the Company's share premium became part of the Company's share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared from time to time by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 27. Retained earnings

As at 30 June 2017, the Company has tax exempt profits available for distribution of approximately RM132,038,000 (2016: RM118,803,000) of its retained earnings, subject to the agreement of the Inland Revenue Board.

The Company may distribute dividends out of its entire retained earnings as at 30 June 2017 and 30 June 2016 under the single tier system.

#### 28. Other reserves

	←	Group Foreign currency translation reserve RM'000	→	Other reserves RM'000
<b>At 1 July 2015</b>	-	40,618		40,618
Other comprehensive income:				
Foreign currency translation	-	16,378		16,378
<b>At 30 June 2016</b>	-	56,996		56,996
<b>At 1 July 2016</b>	-	56,996		56,996
Other comprehensive income:				
Available-for-sale financial assets - gain on fair value changes	109	-		109
Foreign currency translation	-	18,136		18,136
<b>At 30 June 2017</b>	109	75,132		75,241

##### a) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

##### b) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 29. Related party disclosures

#### a) Sale and purchase of services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company and the related parties took place at terms agreed between the parties during the financial year:

	Group	
	2017 RM'000	2016 RM'000
Acquisition of additional interest in a subsidiary from a related party	-	2,525

	Company	
	2017 RM'000	2016 RM'000
Dividend income received/receivable from subsidiaries	24,900	24,900

Management fees were arrived at in accordance with prices negotiated between the parties.

Information regarding outstanding balances arising from related party transactions as at 30 June 2017 and 2016 are disclosed in Note 19 and Note 24.

#### b) Compensation of key management personnel

The remuneration of key management personnel during the year were as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term employee benefits	6,527	6,380	359	437
Defined contribution plan	171	174	-	-
	6,698	6,554	359	437

Included in the total key management personnel is:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' remuneration (Note 9)	2,173	2,110	359	437





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 30. Commitments

##### a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2017	2016
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	7,706	11,365
	<hr/>	<hr/>

##### b) Operating lease commitments - as lessee

The future aggregate minimum lease payments under non-cancellable operating leases contracted for but not recognised as liabilities at the reporting date are as follows:

	Group	
	2017	2016
	RM'000	RM'000
Operating lease commitments payable:		
Not later than 1 year	710	666
Later than 1 year but not later than 5 years	2,839	2,664
Later than 5 years	19,827	19,275
	<hr/>	<hr/>
	23,376	22,605
	<hr/>	<hr/>

Operating lease payments represent rental payable by the Group for use of land in Vietnam. These leases have tenure ranging from 32 to 43 (2016: 33 to 44) years with renewal option which is subject to the approval from the Vietnam government and there is no contingent rent provision included in the contracts.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 31. Fair value of financial instruments

#### A. Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<b>Note</b>
Trade and other receivables	19
Loans and borrowings (current)	23
Trade and other payables	24

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the loans and borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

The fair values of current borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

#### Amounts due from/to subsidiaries and related parties, staff loans and fixed/ floating rate bank loans

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

#### B. Fair value of financial instruments that are carried at fair value

##### Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a) Level 1 : Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- b) Level 2 : Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3 : Input for the asset or liability that are not based on observable market data (unobservable input).





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 31. Fair value of financial instruments (cont'd)

##### B. Fair value of financial instruments that are carried at fair value (cont'd)

###### Fair value of assets and liabilities that are carried at fair value

The following table shows an analysis of the assets and liabilities carried at fair value by level of fair value hierarchy:

Group	Note	Significant observable inputs (Level 2)	
		2017 RM'000	2016 RM'000
<b>Financial assets:</b>			
Unit trusts in Malaysia	20	37,895	41,964
Derivative financial asset			
- Forward currency contracts	21	259	74
		<hr/>	<hr/>
		38,154	42,038
<b>Financial liabilities:</b>			
Derivative financial liabilities			
- Interest rate swap	21	19	252
		<hr/>	<hr/>
<b>Company</b>			
<b>Financial asset:</b>			
Unit trusts in Malaysia	20	17,405	16,790
		<hr/>	<hr/>

The Group and the Company do not have any financial instruments classified as Level 1 and Level 3 as at 30 June 2017 and 30 June 2016.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 32. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Managing Director and Management. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's and the Company's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

##### a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, derivatives, cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. Trade receivables are monitored on an ongoing basis via the Group's management reports.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

##### Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.
- A nominal amount of RM105,452,000 (2016: RM84,786,000) relating to corporate guarantees provided by the Company to financial institutions for credit facilities granted to subsidiaries as disclosed in Note 23.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 19.





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 32. Financial risk management objectives and policies (cont'd)

##### a) Credit risk (cont'd)

###### Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

	Group			
	2017		2016	
	RM'000	% of total	RM'000	% of total
<b>By country:</b>				
Malaysia	4,804	10%	2,975	9%
United States	43,478	86%	27,718	87%
Thailand	2,142	4%	1,407	4%
	50,424	100%	32,100	100%

At the reporting date, approximately 43% (2016: 31%) of the Group's trade receivables were due from 3 major overseas customers (2016: 3 major overseas customers).

###### Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 19. Deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

###### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

##### b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met.

The Group's and the Company's overall liquidity risk management are to maintain sufficient levels of cash or cash convertible investments to meet the working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company are able to raise fundings from shareholders, capital markets and financial institutions and balance their portfolios with some short and long term fundings so as to achieve overall cost effectiveness.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 32. Financial risk management objectives and policies (cont'd)

#### b) Liquidity risk (cont'd)

##### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2017			Total
	RM'000			
	On demand or within one year	One to five years	Over five years	
<b>Group</b>				
<b>Financial assets:</b>				
Trade and other receivables	51,866	-	-	51,866
Investment securities	37,895	-	-	37,895
Cash and bank balances	208,095	-	-	208,095
Derivatives	241	18	-	259
Total undiscounted financial assets	298,097	18	-	298,115
<b>Financial liabilities:</b>				
Trade and other payables	95,895	-	-	95,895
Loans and borrowings	81,311	13,299	8,185	102,795
Derivatives	19	-	-	19
Total undiscounted financial liabilities	177,225	13,299	8,185	198,709
Total net undiscounted financial assets/(liabilities)	120,872	(13,281)	(8,185)	99,406
<b>Company</b>				
<b>Financial assets:</b>				
Trade and other receivables	90,851	-	-	90,851
Investment securities	17,405	-	-	17,405
Cash and bank balances	10,812	-	-	10,812
Total undiscounted financial assets	119,068	-	-	119,068





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 32. Financial risk management objectives and policies (cont'd)

##### b) Liquidity risk (cont'd)

##### Analysis of financial instruments by remaining contractual maturities (cont'd)

	2017			Total
	RM'000			
	On demand or within one year	One to five years	Over five years	
<b>Company (cont'd)</b>				
<b>Financial liabilities:</b>				
Trade and other payables, excluding financial guarantees *, representing total undiscounted financial liability	84	-	-	84
Total net undiscounted financial assets	118,984	-	-	118,984
<b>2016</b>				
<b>RM'000</b>				
	On demand or within one year	One to five years	Over five years	Total
<b>Group</b>				
<b>Financial assets:</b>				
Trade and other receivables	33,940	-	-	33,940
Investment securities	41,964	-	-	41,964
Cash and bank balances	183,050	-	-	183,050
Derivatives	74	-	-	74
Total undiscounted financial assets	259,028	-	-	259,028
<b>Financial liabilities:</b>				
Trade and other payables	85,590	-	-	85,590
Loans and borrowings	60,427	15,529	9,483	85,439
Derivatives	252	-	-	252
Total undiscounted financial liabilities	146,269	15,529	9,483	171,281
Total net undiscounted financial assets/(liabilities)	112,759	(15,529)	(9,483)	87,747



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 32. Financial risk management objectives and policies (cont'd)

##### b) Liquidity risk (cont'd)

##### Analysis of financial instruments by remaining contractual maturities (cont'd)

	2016 RM'000			Total
	On demand or within one year	One to five years	Over five years	
<b>Company</b>				
<b>Financial assets:</b>				
Trade and other receivables	89,020	-	-	89,020
Investment securities	16,790	-	-	16,790
Cash and bank balances	6,083	-	-	6,083
<b>Total undiscounted financial assets</b>	<b>111,893</b>	<b>-</b>	<b>-</b>	<b>111,893</b>
<b>Financial liabilities:</b>				
Trade and other payables, excluding financial guarantees*, representing total undiscounted financial liability	77	-	-	77
<b>Total net undiscounted financial assets</b>	<b>111,816</b>	<b>-</b>	<b>-</b>	<b>111,816</b>

\* At the reporting date, the financial guarantee contract provided by the Company is RM105,452,000 (2016: RM84,786,000). The counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of MFRS 139 are not included in the above maturity profile analysis.





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 32. Financial risk management objectives and policies (cont'd)

##### c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from its loans and borrowings. Loans and borrowings at floating rates expose the Group and the Company to cash flow interest rate risk.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At reporting date, after taking into account the effect of interest rate swaps, approximately 12% (2016: 17%) of the Group's borrowings are at a fixed rate of interest.

##### Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10% lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM205,000 (2016: RM165,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

##### d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposure arising from sales or purchases that are denominated in a currency other than the functional currency of the Group, i.e. Ringgit Malaysia ("RM"). The foreign currencies in which these transactions are denominated are mainly Vietnam Dong ("VND"), United States Dollar ("USD"), Thai Baht ("THB"), and Singapore Dollar ("SGD").

Approximately 97% (2016: 97%) and 84% (2016: 84%) of the Group's sales and costs are denominated in foreign currencies. The Group's trade receivables and trade payables balances at the reporting date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amounted to RM185,396,000 (2016: RM160,913,000) and RM10,751,000 (2016: RM17,000) for the Group and the Company respectively.

The Group uses forward currency contracts to eliminate the currency exposures on its bank balances. At 30 June 2017, the Group entered into forward currency contracts with notional amount of RM31,362,000 (2016: RM9,506,000).

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in VND, USD, THB and SGD exchange rates against the functional currency of the Group entities with all other variables held constant.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 32. Financial risk management objectives and policies (cont'd)

##### d) Foreign currency risk (cont'd)

###### Sensitivity analysis for foreign currency risk

	Group Profit net of tax	
	2017 RM'000	2016 RM'000
VND/RM - strengthened 10% (2016: 10%)	(2,250)	(1,611)
- weakened 10% (2016: 10%)	2,250	1,611
USD/RM - strengthened 10% (2016: 10%)	10,306	7,255
- weakened 10% (2016: 10%)	(10,306)	(7,255)
THB/RM - strengthened 10% (2016: 10%)	90	(295)
- weakened 10% (2016: 10%)	(90)	295
SGD/RM - strengthened 10% (2016: 10%)	9	17
- weakened 10% (2016: 10%)	(9)	(17)

#### 33. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2017 and 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio at a reasonable level. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances.





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 33. Capital management (cont'd)

	Note	Group 2017 RM'000	2016 RM'000
Loans and borrowings	23	96,517	80,493
Trade and other payables	24	96,342	87,919
Less: Cash and bank balances	22	(208,095)	(183,050)
Net debt		(15,236)	(14,638)
Equity attributable to owners of the parent, represents total capital		560,450	484,805
<b>Capital and net debt</b>		545,214	470,167
<b>Gearing ratio</b>		-3%	-3%

#### 34. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- I. Manufacturing
- II. Rental of property, plant and equipment
- III. Investment holding

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transactions between operating segments are on an arm's length basis in a manner similar to transactions with third parties.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 34. Segment information (cont'd)

	Manufacturing RM'000	Rental of property, plant and equipment RM'000	Investment holding RM'000	Consolidation adjustments RM'000	Notes	Per consolidated financial statements RM'000
<b>30 June 2017</b>						
<b>Revenue:</b>						
External	780,883	-	5,133	-		786,016
Inter segment	26,040	1,440	75,922	(103,402)	A	-
Total revenue	806,923	1,440	81,055	(103,402)		786,016
<b>Results:</b>						
Interest income from deposits	1,086	2	625	-		1,713
Depreciation and amortisation	19,812	287	12	(2)		20,109
Other non-cash net (income)/expenses	(1,003)	-	4,491	(4,879)	B	(1,391)
Segment profit before tax	123,995	545	80,639	(116,832)	C	88,347
<b>Assets:</b>						
Additions to property, plant and equipment	33,669	-	-	350	D	34,019
Segment assets	713,159	22,103	297,309	(262,304)	E	770,267
<b>Liabilities:</b>						
Segment liabilities	340,677	17,185	35,090	(183,135)	F	209,817





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 34. Segment information (cont'd)

	Manufacturing RM'000	Rental of property, plant and equipment RM'000	Investment holding RM'000	Consolidation adjustments RM'000	Notes	Per consolidated financial statements RM'000
<b>30 June 2016</b>						
<b>Revenue:</b>						
External customers	764,611	-	5,985	-		770,596
Inter segment	24,578	1,440	76,250	(102,268)	A	-
Total revenue	789,189	1,440	82,235	(102,268)		770,596
<b>Results:</b>						
Interest income from deposits	1,118	1	321	-		1,440
Depreciation and amortisation	21,091	278	12	(215)		21,166
Other non-cash net expenses	1,560	-	17,356	(14,593)	B	4,323
Segment profit before tax	130,477	515	64,549	(103,328)	C	92,213
<b>Assets:</b>						
Additions to property, plant and equipment	18,580	-	-	-	D	18,580
Segment assets	634,695	21,617	258,617	(249,054)	E	665,875
<b>Liabilities:</b>						
Segment liabilities	293,078	17,110	40,683	(169,801)	F	181,070



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 34. Segment information (cont'd)

Notes: Nature of adjustments and consolidation adjustments to arrive at amounts reported in the consolidated financial statements.

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expense/(income) consist of the following items as presented in the respective notes to the financial statements:

	Note	2017 RM'000	2016 RM'000
Net unrealised foreign exchange (gain)/loss	5, 7	(1,047)	4,054
Fair value (gain)/loss on derivatives	5, 7	(418)	46
(Gain)/loss on disposal of property, plant and equipment	5, 7	(108)	3
Impairment loss on other receivables	7	9	20
Property, plant and equipment written off	7	18	-
Provision for severance allowance	7	85	95
Bad debts written off	7	-	2
Inventories written down	7	54	84
Retirement benefit expense	8	16	19
		(1,391)	4,323

C The following items are (deducted from)/added to segment profit to arrive at "profit before tax" presented in the consolidated statement of comprehensive income:

	2017 RM'000	2016 RM'000
Revenue from inter-segment	(103,402)	(102,268)
Cost of sales from inter-segment	29,025	27,075
Other income from inter-segment	(51,585)	(44,605)
Other expenses from inter-segment	9,130	16,470
	(116,832)	(103,328)

D Additions to non-current assets consist of:

	2017 RM'000	2016 RM'000
Property, plant and equipment	34,019	18,580





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 34. Segment information (cont'd)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

E The following item is deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Inter-segment assets	262,304	249,054

F The following item is deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Inter-segment liabilities	183,135	169,801

#### Geographical information

Revenue and non-current assets information based on the geographical location of the operations of the Group are as follows:

	<b>Revenue</b>		<b>Non-current assets</b>	
	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Malaysia	126,340	132,070	105,687	95,763
Vietnam	632,418	615,557	154,487	143,030
Thailand	27,258	22,969	18,198	15,597
	<b>786,016</b>	<b>770,596</b>	<b>278,372</b>	<b>254,390</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

### 34. Segment information (cont'd)

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	2017 RM'000	2016 RM'000
Property, plant and equipment	258,733	236,098
Other investments	81	81
Land use rights	17,623	17,060
Derivatives	18	-
	276,455	253,239

#### Information about major customers

Revenue from major customers amounting to RM780,883,000 (2016: RM764,611,000), arising from sales by the manufacturing segment derived from Vietnam, Malaysia and Thailand which accounted for 99% of the total revenue of the Group.

### 35. Event occurring after the reporting date

On 3 July 2017, Linkage Creation International Co. Ltd. ("LCICL") had entered into a Share Purchase Agreement with L-Tree Resources Sdn. Bhd. ("LTRSB"), both wholly-owned subsidiaries of the Company, for disposal of 2 ordinary shares, representing 0.000015% of the total registered capital of Latitude Tree Vietnam Joint Stock Company ("LTVJSC") from LCICL to LTRSB at a total consideration USD0.51 (equivalent to approximately RM2.18) ("Internal Re-organisation"). Upon completion of the Internal Re-organisation, LTRSB will hold 0.000015% of paid up share capital in LTVJSC.

The Internal Re-organisation has yet to complete as at 10 October 2017.

### 36. Authorisation of financial statements for issue

The financial statements for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 10 October 2017.





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

#### 37. Supplementary information – breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 30 June 2017 into realised and unrealised profits or losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised	384,369	334,496	64,554	54,340
- Unrealised	(864)	(5,957)	(279)	91
	383,505	328,539	64,275	54,431
Less: Consolidation adjustments	3,271	837	-	-
Retained earnings as per financial statements	386,776	329,376	64,275	54,431



# PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES

AS AT 30 JUNE 2017

Location	Description	Tenure	Year Lease Expiring	Age of Building (years)	Site Area (sq.ft.)	Net Book Value (RM'000)	Date of Revaluation (R)/ Acquisition (A)
Lot 3356, Batu 7 3/4, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Industrial land with 2 blocks of factory building and 1 two-storey office building	Freehold	N/A	24	167,433	8,411	25 September 2002 (R)
Lot 3358, Batu 7 3/4, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Industrial land with a 3 storey office building and 1 block of factory building	Freehold	N/A	17	168,800	9,433	27 January 2010 (A)
Lot 3360, Batu 7 3/4, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Industrial land with 1 building of factory building	Freehold	N/A	19	171,518	8,048	19 March 2003 (A)
Lot 6147, Kawasan Perindustrian Ajil, Fasa 2, Batu 21, Jalan Ajil, Kuala Berang, 21800 Ulu Terengganu Terengganu Darul Iman	Industrial land with 9 blocks of factory building and 1 single-storey office building	Leasehold	2059	19	674,879	8,897	3 August 1999 (A)
Lot 5803, Kawasan Perindustrian Ajil, Fasa 2, Batu 21, Jalan Ajil, Kuala Berang, 21800 Ulu Terengganu, Terengganu Darul Iman	Industrial land with 4 blocks of factory building	Leasehold	2058	17	671,345	6,991	30 May 2000 (A)
Lot 6686, Kawasan Perindustrian Ajil, Mukim Tanggul, 21800 Hulu Terengganu, Terengganu Darul Iman	Vacant industrial land	Leasehold	2064	N/A	143,784	156	15 October 2003 (A)
PT 64526, Batu 8, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Industrial land with 3 block of factory building and 1 two-storey office building	Freehold	N/A	14/25	332,939	20,649	2 May 2001 (R)
H.S 270, PT No.5920, Batu 8 1/2, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Agricultural land with 1 block of warehouse building	Leasehold	2071	23	103,727	423	14 April 2003 (A)
H.S.(M) 35437, PT 56964, Batu 8, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Workers' quarters	Freehold	N/A	10	59,890	1,651	18 December 2006 (A)





# PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES

AS AT 30 JUNE 2017 (CONT'D)

Location	Description	Tenure	Year Lease Expiring	Age of Building (years)	Site Area (sq.ft.)	Net Book Value (RM'000)	Date of Revaluation (R)/ Acquisition (A)
Title Deed No. 18571, 18572, 19359, 19942 and 19943, Moo 1, Tung Mo Subdistrict, Sadao District, Songkhla Province, Thailand	Industrial land with 3 blocks of factory buildings and 4 blocks of workers' quarters	Freehold	N/A	11	869,024	13,813	21 January 2005 (A)
Title Deed No. 18604, Moo 1, Tung Mo Subdistrict, Sadao District Songkhla Province, Thailand	Vacant Land	Freehold	N/A	N/A	333,860	515	21 January 2005 (A)
Title Deed No. 17617 and 42908, Moo1, Tung Mo Subdistrict, Sadao District Songkhla Province, Thailand	Vacant Land	Freehold	N/A	N/A	322,401	707	16 February 2017 (A)
No. 29, Road DT 743 Song Than Industrial Zone II, Di An District, Binh Duong Province, Vietnam	Industrial land with 5 blocks of factory building, 1 office building and 2 blocks of workers' quarters	Leasehold	2045	16	637,869	17,439	February 2001 (A)
Lot L, Road 27, Song Than Industrial Zone II, Di An District, Binh Duong Province, Vietnam	Industrial land with 1 block of warehouse building	Leasehold	2045	11	140,243	4,613	March 2006 (A)
Lot N, Road 26, Song Than Industrial Zone II, Di An District, Binh Duong Province, Vietnam	Industrial land with 3 blocks of factory building	Leasehold	2030	16	111,008	7,705	September 2010 (A)
Lot 241, 242, 249, 250 and 251, Lai Uyen Commune, Ben Cat District, Binh Duong Province, Vietnam	Industrial land with 3 blocks of factory building and 1 block of warehouse building	Leasehold	2052	12	780,082	13,542	May 2002 (A)
Lot 231 and 240, Lai Uyen Commune, Ben Cat District, Binh Duong Province, Vietnam	Industrial land with 2 blocks of factory building and 2 blocks of warehouse building	Leasehold	2052	10	1,011,043	15,591	May 2002 (A)
Lot 77, 232, 243 and 244, Lai Uyen Commune, Ben Cat District, Binh Duong Province, Vietnam	Industrial land with 3 blocks of factory building and 1 block of office building	Leasehold	2052	9	1,035,962	23,359	May 2002 (A)
Lot 299, Lai Uyen Commune, Ben Cat District, Binh Duong Province, Vietnam	Industrial land with 2 blocks of factory building and 2 blocks of staff quarters	Leasehold	2052	10	1,116,670	11,140	November 2006 (A)



# PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES

AS AT 30 JUNE 2017 (CONT'D)

Location	Description	Tenure	Year Lease Expiring	Age of Building (years)	Site Area (sq.ft.)	Net Book Value (RM'000)	Date of Revaluation (R)/ Acquisition (A)
Lot 765, Jalan Haji Sirat off Jalan Meru, 42100 Klang, Selangor Darul Ehsan	Industrial land with a 3 storey office building and 1 block of factory building	Freehold	N/A	23	190,757	21,536	8 October 2014 (A)
PT 10549, Kawasan Perindustrian Ajil, Mukim Tanggul, 21800 Hulu Terengganu, Terengganu Darul Iman	Vacant industrial land	Leasehold	2074	N/A	175,226	235	13 July 2014 (A)
PT 10550, Kawasan Perindustrian Ajil, Mukim Tanggul, 21800 Hulu Terengganu, Terengganu Darul Iman	Vacant industrial land	Leasehold	2074	N/A	199,100	267	13 July 2014 (A)
PT 10551, Kawasan Perindustrian Ajil, Mukim Tanggul, 21800 Hulu Terengganu, Terengganu Darul Iman	Vacant industrial land	Leasehold	2074	N/A	137,014	184	13 July 2014 (A)





# ANALYSIS OF SHAREHOLDINGS

## AS AT 6 OCTOBER 2017

Total number of Issued Shares	:	97,207,500
Class of shares	:	Ordinary Shares
Voting rights	:	One vote per Ordinary Share

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
1 - 99	161	7.55	7,769	0.01
100 - 1,000	489	22.93	355,678	0.36
1,001 - 10,000	1,178	55.22	4,401,628	4.53
10,001 - 100,000	258	12.10	7,417,550	7.63
100,001 - 4,860,374	42	1.97	40,000,147	41.15
4,860,375 (5% of Issued Capital) and above	5	0.23	45,024,728	46.32
<b>TOTAL</b>	<b>2,133</b>	<b>100.00</b>	<b>97,207,500</b>	<b>100.00</b>

### THIRTY LARGEST SHAREHOLDERS/DEPOSITORS AS AT 6 OCTOBER 2017

Name of Shareholders/Depositors	No. of Shares	% of Issued Capital
1. LIN CHEN, JUI-FEN	15,172,902	15.61
2. RHB NOMINEES (TEMPATAN) SDN. BHD. MAYBANK KIM ENG SECURITIES PTE. LTD. FOR KONSORTIUM KONTREK SDN. BHD.	10,110,000	10.40
3. LIN CHEN, JUI-FEN	9,041,826	9.30
4. LIN, CHIN-HUNG	5,700,000	5.87
5. LIN, CHENG-HUNG	5,000,000	5.14
6. AFFIN HWANG NOMINEES (ASING) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LI, YI-PING (LIY0003C)	4,696,700	4.83
7. HSBC NOMINEES (ASING) SDN. BHD. KBL EURO PB FOR HALLEY SICAV - HALLEY ASIAN PROSPERITY	4,606,000	4.74
8. KONSORTIUM KONTREK SDN. BHD.	4,500,000	4.63
9. AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR EONPLUS INDUSTRY SDN. BHD. (EON0003C)	3,692,150	3.80
10. CHEN, CHIU-CHIN	3,556,400	3.66
11. AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	1,792,500	1.85
12. KENANGA NOMINEES (ASING) SDN. BHD. LIU CHIA-HSING	1,400,000	1.44
13. AMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR LIM PEI TIAM @ LIAM AHAT KIAT (SMART)	1,350,000	1.39
14. MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN KIT PHENG	1,283,600	1.32
15. KENANGA NOMINEES (ASING) SDN. BHD. LIU HSU-CHOU	1,200,000	1.23
16. HO SUE BIA	1,157,472	1.19
17. HLIB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN KIT PHENG (M)	1,128,900	1.16
18. RHB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN	1,050,100	1.08
19. LIM AH CHOO	1,023,000	1.05
20. AFFIN HWANG NOMINEES (ASING) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIN, CHIN-HUNG (LIN0238C)	820,000	0.84



# ANALYSIS OF SHAREHOLDINGS

## AS AT 6 OCTOBER 2017 (CONT'D)

### THIRTY LARGEST SHAREHOLDERS/DEPOSITORS AS AT 6 OCTOBER 2017 (CONT'D)

Name of Shareholders/Depositors	No. of Shares	% of Issued Capital
21. HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR EVLI EMERGING FRONTIER FUND	780,000	0.80
22. LIU CHIA HSING	644,000	0.66
23. LIU, HSU-CHOU	561,000	0.58
24. RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	500,000	0.51
25. MAYBANK NOMINEES (ASING) SDN. BHD. NOMURA SINGAPORE LIMITED FOR YONG HENG CHOE (290556)	450,000	0.46
26. MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN. BHD. (EPF)	377,500	0.39
27. PUA SOON HUAT	259,200	0.27
28. PUA SOON HUAT	246,000	0.25
29. WONG CHONG HAI	220,500	0.23
30. KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN (002)	203,300	0.21
<b>TOTAL</b>	<b>82,523,050</b>	<b>84.89</b>

### SUBSTANTIAL SHAREHOLDERS AS AT 6 OCTOBER 2017

Name of Substantial Shareholders	Direct		Indirect	
	No. of Shares Held	% of Issued Capital	No. of Shares Held	% of Issued Capital
Lin Chen, Jui-Fen	24,219,978	24.92	-	-
Konsortium Kontrek Sdn. Bhd.	14,610,000	15.03	-	-
Lin, Chin-Hung	6,520,000	6.71	-	-
Lin, Cheng-Hung	5,000,000	5.14	-	-
Yek Siew Liong	-	-	14,610,000 <sup>(1)</sup>	15.03

**Note:**

<sup>(1)</sup> Deemed interested by virtue of Section 8(4)(c) of the Companies Act 2016, held through Konsortium Kontrek Sdn. Bhd.

### DIRECTORS' SHAREHOLDINGS AS AT 6 OCTOBER 2017

Name of Directors	Direct		Indirect	
	No. of Shares Held	% of Issued Capital	No. of Shares Held	% of Issued Capital
Lin Chen, Jui-Fen	24,219,978	24.92	-	-
Lin, Chin-Hung	6,520,000	6.71	-	-
Lin, Cheng- Hung	5,000,000	5.14	-	-
Yek Siew Liong	-	-	14,610,000 <sup>(1)</sup>	15.03
Dato' Haji Shaharuddin bin Haji Haron	-	-	-	-
Toh Seng Thong	-	-	-	-

**Note:**

<sup>(1)</sup> Deemed interested by virtue of Section 8(4)(c) of the Companies Act 2016, held through Konsortium Kontrek Sdn. Bhd.





# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Third Annual General Meeting of the shareholders of LATITUDE TREE HOLDINGS BERHAD will be held at Putra Room, Kelab Golf Sultan Abdul Aziz Shah, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor Darul Ehsan on Tuesday, 28 November 2017 at 2.00 p.m. for the following purposes:-

## AGENDA

- |  |  |
|--|--|
| 1. To receive the Audited Financial Statements for the financial year ended 30 June 2017 together with Reports of the Directors' and the Auditors' thereon.  | <b>Please refer to Note 7</b>                                |
| 2. To approve a final tax exempt dividend of 12.0 sen per ordinary share for the financial year ended 30 June 2017.  | <b>Ordinary Resolution 1</b>                                 |
| 3. To approve the payment of Directors' Fees and Benefits Payable to the Directors up to an aggregate amount of RM481,500.00 for the financial period from 1 July 2017 until the next Annual General Meeting ("AGM") of the Company to be paid quarterly in arrears. | <b>Ordinary Resolution 2</b>                                 |
| 4. To re-elect the following Directors retiring under Articles 85 and 113 of the Articles of Association of the Company:-<br><br>(i) Madam Lin Chen, Jui-Fen<br>(ii) Mr Lin, Chin-Hung   | <b>Ordinary Resolution 3</b><br><b>Ordinary Resolution 4</b> |
| 5. To re-appoint Dato' Haji Shaharuddin Bin Haji Haron as Director of the Company.   | <b>Ordinary Resolution 5</b>                                 |
| 6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.   | <b>Ordinary Resolution 6</b>                                 |

## As Special Business

To consider and, if thought fit, to pass the following resolutions:-

### 7. PROPOSED RENEWAL OF AUTHORITY UNDER SECTION 76 OF THE COMPANIES ACT 2016 ("THE ACT") FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES

"THAT, pursuant to Section 76 of the Act, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury share, if any) of the Company for the time being, subject always to the approval of all relevant Regulatory Authorities being obtained for such allotment and issuance."

**Ordinary Resolution 7**



## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### 8. PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES

“THAT subject to the Act, the Memorandum and Articles of Association of the Company, the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”) and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise the maximum amount of funds available in the Company which shall not exceed the Company’s aggregate retained earnings to purchase such amount of ordinary shares in the Company (“Proposed Renewal of Share Buy-Back Authority”) as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company;

THAT an amount not exceeding the Company’s retained earnings account be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority;

THAT authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either cancel and/or retain the shares so purchased as treasury shares (in accordance with Section 127 of the Act).

THAT the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at:-

- (i) the conclusion of the next AGM of the Company following the Twenty-Third AGM, at which such resolution was passed, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first,

but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any);

AND THAT the Directors of the Company be authorised to take all steps necessary to implement, complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Share Buy-Back Authority as may be agreed or allowed by any relevant governmental and/or regulatory authority.”

### Ordinary Resolution 8





## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### 9. AUTHORITY FOR DATO' HAJI SHAHARUDDIN BIN HAJI HARON TO CONTINUE IN OFFICE AS SENIOR INDEPENDENT DIRECTOR

"THAT approval be and is hereby given to Dato' Haji Shaharuddin Bin Haji Haron who has served as Senior Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as a Senior Independent Director of the Company until the conclusion of the next AGM in accordance with Malaysian Code on Corporate Governance 2012."

**Ordinary Resolution 9**

### 10. AUTHORITY FOR MR TOH SENG THONG TO CONTINUE IN OFFICE AS INDEPENDENT DIRECTOR

"THAT approval be and is hereby given to Mr Toh Seng Thong who has served as Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Director of the Company until the conclusion of the next AGM in accordance with Malaysian Code on Corporate Governance 2012."

**Ordinary Resolution 10**

### NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the final tax exempt dividend of 12.0 sen per ordinary share for the financial year ended 30 June 2017, if approved, will be paid on 30 January 2018 to shareholders whose names appear on the Record of Depositors as at 2 January 2018.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

- a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 2 January 2018 in respect of transfers; and
- b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

### BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)  
WONG SIEW YEEN (MAICSA 7018749)  
YEOH JOE SON (MIA 9238)  
Company Secretaries

Selangor Darul Ehsan  
Date : 31 October 2017



# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

## NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. Where a member appoints two (2) proxies to attend at the same meeting, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney so authorised.
5. The original instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the registered office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting.
6. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available a Record of Depositors as at 17 November 2017 and only Members whose names appear on such Record of Depositors shall be entitled to attend, speak and vote at this meeting and entitled to appoint proxy or proxies.
7. Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval from shareholders of the Company and hence, Agenda 1 is not put forward for voting.
8. Pursuant to Paragraph 8.29A(1) of the MMLR of Bursa Securities, all the resolutions set out in the Notice of the AGM will be put to vote by way of poll.

## EXPLANATORY NOTES

### Ordinary Resolution 5

#### - To re-appoint Dato' Haji Shaharuddin Bin Haji Haron as Director of the Company

With the enforcement of the Act on 31 January 2017, there is no age limit for the Directors.

At the Twenty-Second AGM of the Company, Dato' Haji Shaharuddin Bin Haji Haron, who is above the age of seventy (70), was re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the Twenty-Third AGM. His term of office will end at the conclusion of the Twenty-Third AGM and he has offered himself for re-appointment.

The proposed Ordinary Resolution 5, if passed, will enable Dato' Haji Shaharuddin Bin Haji Haron to continue to act as Director of the Company and he shall subject to retirement by rotation at a later date.

### Ordinary Resolution 7

#### - Proposed Renewal of Authority under Section 76 of the Act for the Directors to allot and issue shares

The Company had, during its Twenty-Second AGM held on 29 November 2016, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965. As at the date of the notice, the Company did not issue any shares pursuant to this mandate obtained.

The Ordinary Resolution 7 proposed under item 7 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 76 of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares (excluding treasury shares, if any) of the Company for such purpose as the Directors consider would be in the interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding investment project(s) and/or working capital.





## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### Ordinary Resolution 8

#### - Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

Ordinary Resolution 8, if passed, will give the Directors of the Company authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or to effect the purchase(s) of ordinary shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. The authority will, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company following the Twenty-Third AGM is required by law to be held.

For further information, please refer to the Statement to Shareholders dated 31 October 2017 accompanying the Annual Report of the Company for the financial year ended 30 June 2017.

### Ordinary Resolution 9

#### - Authority for Dato' Haji Shaharuddin Bin Haji Haron to continue in office as Senior Independent Director

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Dato' Haji Shaharuddin Bin Haji Haron who has served as Senior Independent Director of the Company for a cumulative term of more than nine (9) years and recommend him to continue to act as Senior Independent Director of the Company based on the following justifications:-

- a. He has fulfilled the criteria under the definition on Independent Directors as stated in the MMLR of Bursa Securities, and therefore is able to bring independent and objective judgement to the Board;
- b. His experience in the manufacturing industry enables him to provide the Board with a diverse set of experience, expertise, skills and competence;
- c. He has been with the Company for more than nine (9) years and therefore understand the Company's business operations which enable him to participate actively and contribute during deliberations or discussions at Audit Committee, Nomination Committee, Remuneration Committee and Board meetings;
- d. He has contributed sufficient time and efforts and attended all the Audit Committee, Nomination Committee, Remuneration Committee and Board meetings for informed and balanced decision making; and
- e. He has exercised due care during his tenure as Senior Independent Director of the Company and carried out his professional duty in the interest of the Company and shareholders.

### Ordinary Resolution 10

#### - Authority for Mr Toh Seng Thong to continue in office as Independent Director

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Mr Toh Seng Thong who has served as Independent Director of the Company for a cumulative term of more than nine (9) years and recommend him to continue to act as Independent Director of the Company based on the following justifications:-

- a. He has fulfilled the criteria under the definition on Independent Directors as stated in the MMLR of Bursa Securities, and therefore is able to bring independent and objective judgement to the Board;
- b. His experience in the audit and accounting industries enables him to provide the Board with a diverse set of experience, expertise, skills and competence;
- c. He has been with the Company for more than nine (9) years and therefore understand the Company's business operations which enable him to participate actively and contribute during deliberations or discussions at Audit Committee, Nomination Committee, Remuneration Committee and Board meetings;
- d. He has contributed sufficient time and efforts and attended all the Audit Committee, Nomination Committee, Remuneration Committee and Board meetings for informed and balanced decision making; and
- e. He has exercised due care during his tenure as Independent Director of the Company and carried out his professional duty in the interest of the Company and shareholders.

### Personal data privacy:

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*





CDS account no. of authorised nominee	No. of shares held

I/We, \_\_\_\_\_ IC No./ID No./Company No. \_\_\_\_\_  
of \_\_\_\_\_

being a member of LATITUDE TREE HOLDINGS BERHAD hereby appoint \_\_\_\_\_  
\_\_\_\_\_ IC No./ID No. \_\_\_\_\_ of \_\_\_\_\_

or failing him/her, \_\_\_\_\_ IC No./ID No. \_\_\_\_\_  
of \_\_\_\_\_

or failing him/her, \*the Chairman of the Meeting as my/our proxy to vote and act for me/us, and on my/our behalf at the Twenty-Third Annual General Meeting ("AGM") of the Company to be held at Putra Room, Kelab Golf Sultan Abdul Aziz Shah, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor Darul Ehsan on Tuesday, 28 November 2017 at 2.00 p.m. and at any adjournment thereof.

\* Please delete the words "the Chairman of the Meeting" if you wish to appoint some other person to be your proxy.

My/our proxy is to vote as indicated below :

No.	Resolution	For	Against
<b>Ordinary Business</b>			
<b>Ordinary Resolution 1</b>	To approve a final tax exempt dividend of 12.0 sen per ordinary share for the financial year ended 30 June 2017.		
<b>Ordinary Resolution 2</b>	To approve the payment of Directors' Fees and Benefits Payable to the Directors up to an aggregate amount of RM481,500.00 for the financial period from 1 July 2017 until the next AGM of the Company to be paid quarterly in arrears.		
<b>Ordinary Resolution 3</b>	To re-elect Madam Lin Chen, Jui-Fen who is retiring pursuant to Articles 85 and 113 of the Articles of Association of the Company.		
<b>Ordinary Resolution 4</b>	To re-elect Mr Lin, Chin-Hung who is retiring pursuant to Articles 85 and 113 of the Articles of Association of the Company.		
<b>Ordinary Resolution 5</b>	To re-appoint Dato' Haji Shaharuddin Bin Haji Haron as Director of the Company.		
<b>Ordinary Resolution 6</b>	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.		
<b>Special Business</b>			
<b>Ordinary Resolution 7</b>	Proposed Renewal of Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares.		
<b>Ordinary Resolution 8</b>	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares.		
<b>Ordinary Resolution 9</b>	Authority for Dato' Haji Shaharuddin Bin Haji Haron to continue in office as Senior Independent Director.		
<b>Ordinary Resolution 10</b>	Authority for Mr Toh Seng Thong to continue in office as Independent Director.		

Please indicate with an "X" in the spaces provided, how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

**Percentage**

Signature/Common Seal _____	Proxy 1 _____	%
Date: _____	Proxy 2 _____	%
	Total _____	100%

**NOTES :**

- A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.
- Where a member appoints two (2) proxies to attend at the same meeting, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney so authorised.
- The original instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the registered office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting.
- For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available a Record of Depositors as at 17 November 2017 and only Members whose names appear on such Record of Depositors shall be entitled to attend, speak and vote at this meeting and entitled to appoint proxy or proxies.
- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the AGM will be put to vote by way of poll.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 31 October 2017.

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Affix Stamp

**LATITUDE TREE HOLDINGS BERHAD**

Lot 6.05, Level 6, KPMG Tower,  
8 First Avenue, Bandar Utama,  
47800 Petaling Jaya,  
Selangor Darul Ehsan

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**LATITUDE TREE HOLDINGS BERHAD**  
(302829-W)

Latitude Tree Holdings Berhad  
Lot 3356, Batu 7<sup>3</sup>/<sub>4</sub>, Jalan Kapar,  
42200 Kapar, Selangor.  
Tel: 603-3291 5401  
Fax: 603-3291 0048