Living with Style

LATITUDE TREE HOLDINGS BERHAD

(302829-W)

Annual Report 2013

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Mdm Lin Chen, Jui-Fen
Deputy Chairman /
Non-Independent Non-Executive Director

Mr Lin, Chin-Hung
Managing Director

Mr Lin, Tzu-Lang
Executive Director

Mr Toh Seng Thong
Independent Director

Mr Yek Siew Liong
Non-Independent Non-Executive Director

COMPANY SECRETARIES

Ms Tai Yit Chan (MAICSA 7009143)
Ms Tan Ai Ning (MAICSA 7015852)
Mr Yeoh Joe Son (MIA 9238)

AUDIT COMMITTEE

Mr Toh Seng Thong (Chairman)
Independent Director

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

Mr Yek Siew Liong
Non-Independent Non-Executive Director

NOMINATION COMMITTEE

Dato' Haji Shaharuddin Bin Haji Haron (Chairman)
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)
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
11th Floor, Kompleks Teruntum
Jalan Mahkota
25000 Kuantan
Pahang Darul Makmur

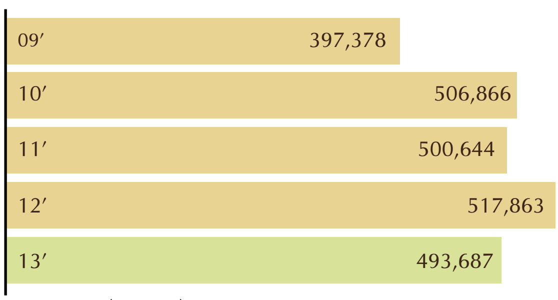
PRINCIPAL BANKERS

AmBank (M) Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
RHB Bank Berhad
Cathay United Bank Company Limited
Chinatrust Commercial Bank
Indovina Bank
Far East National Bank
HSBC Bank (Vietnam) Limited

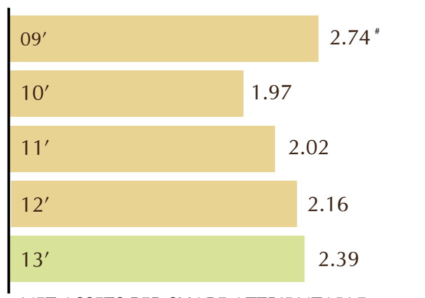
Five Years Financial Highlights	2013 RM'000	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000
REVENUE	493,687	517,863	500,644	506,866	397,378
PROFIT FOR THE YEAR	32,046	14,753	19,741	36,483	13,213
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	24,366	9,840	12,471	27,730	14,009
SHAREHOLDERS' FUNDS	232,061	209,675	196,214	191,857	177,486
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (RM)	2.39	2.16	2.02	1.97	2.74#
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (SEN)	25.07	10.12	12.83	28.53	21.62#
DIVIDEND PER SHARE (SEN)	6.30	3.00	2.00	10.00	5.80
DIVIDEND AMOUNT (RM'000)	6,124*	2,916	1,944	6,480	3,759

* This represents a final tax exempt dividend of 6.3 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

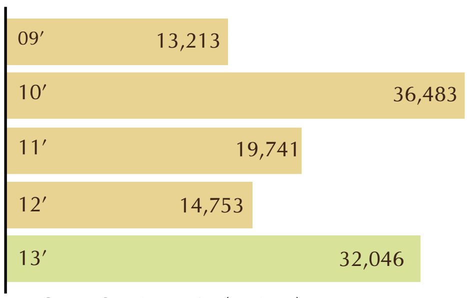
Calculated based on 64,805,000 ordinary shares.



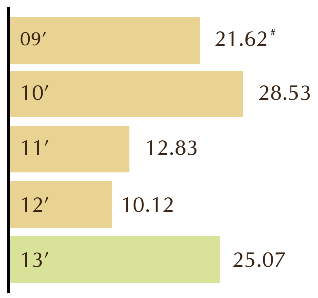
REVENUE (RM'000)



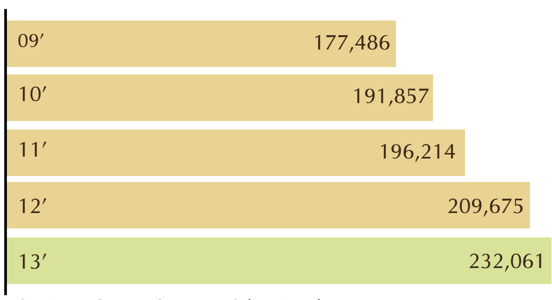
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (RM)



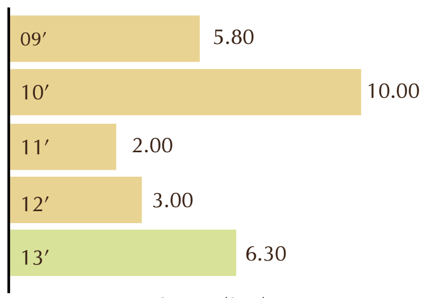
PROFIT FOR THE YEAR (RM'000)



EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (SEN)



SHAREHOLDERS' FUNDS (RM'000)



DIVIDEND PER SHARE (SEN)

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, we are pleased to present to you the Annual Report and Audited Financial Statements of Latitude Tree Holdings Berhad (the "Company") and its subsidiaries (the "Group") for the financial year ended 30 June 2013 ("FY 2013").

Financial Performance

FY 2013 has been another strong year for the Group, building further on good performance in financial year ended 30 June 2012 ("FY 2012"). Despite a challenging economic environment, the Group continued delivering strong bottom line results. The transformation of the Group to a sustainable growth Group is well on tract with ongoing effort in improving efficiencies and core competitiveness. The Group's net profit attributable to shareholders surged 149% to RM24.4 million in FY 2013 from RM9.8 million in FY 2012. This is in spite of the decrease in Group revenue to RM493.7 million in FY 2013 from RM517.9 million in FY 2012, representing a 4.7% decrease. The slight decrease in the Group's revenue was mainly attributable to the scaling down of production capacity of a factory in Malaysia in order to align with the Group's strategy in improving efficiency and competitiveness in the market. The substantial increase in net profit attributable to shareholders was mainly due to sizeable gross profit achieved by the Group as a result of higher revenue from better margin products, upward revision of selling price of certain products, improved productivity of new production line in Vietnam and lower raw and packing material costs.

Dividend

The Board is pleased to recommend to shareholders a final tax-exempt dividend of 6.3 sen per ordinary share for financial year ended 30 June 2013, subject to the approval of the shareholders of the Company at the Annual General Meeting to be convened on 23rd December 2013.

Corporate and Business Developments

In line with the corporate strategy of the Group, on 9 May 2013, the Company had entered into a conditional sale and purchase agreement with Latitude Tree International Group Ltd. ("LTIGL"), a 77.62% owned subsidiary of the company, to acquire all the subsidiaries of LTIGL, for an aggregate consideration of SGD48,750,000 ("Proposed Restructuring").

The Proposed Restructuring was carried out pursuant to internal strategic review of the Group's long term corporate strategies and business plans. The Proposed Restructuring will enable the Board to streamline the corporate structure of the Group whereby all subsidiaries of the Company are directly held to facilitate the Group to achieve operational and financial flexibility to pursue growth opportunities.

Business Strategy and Future Plans

The United States remains the core market for the Group, accounted for approximately 92% of FY2013's revenue and the remaining revenue contribution were from other markets. In line with our expansion plans, the Group plans to diversify into other export markets with high growth potential such as China, Russia, India and Indonesia.

In order to strengthen the Group production facilities, the Group plans to extend further its business scope upstream by leveraging on the area of material sourcing. With greater control over the material sourcing process, the Group can better manage the quality as well as the stability of supply of raw materials.

Business Strategy and Future Plans (cont'd)

Research and development ("R&D") is a cornerstone for the success of our business. The Group invests considerable resources into developing new, innovative and attractive designs which are market and customer driven. The R&D process is driven by teams of R&D employees geared towards producing a wider range of new, innovative and attractive design products to help the Group to better meet the increasing customers' demand and expectation. Besides, we are also focused on achieving a more balanced product mix by increasing our production of ODM products to avoid over reliance on OEM products. Since last year, we have increased our ODM production ratio to 26% from 24% and will continue our future expansion to focus more on ODM production.

In order to lessen the impact of the implementation of the minimum monthly wage policy of RM900, the Group will continue to reduce the use of low-skilled labour and improve manufacturing processes by using more automated and advanced technology machinery. The Group also plans to further automate certain production processes and spray painting operations, with the ultimate goal of reducing labour.

As one of the leading manufacturer of household wooden furniture manufacturer in Malaysia and Vietnam, we will continue to develop new products to enhance the Group's current product offering. Notwithstanding that, we will look out for and explore new investment and business opportunities.

Acknowledgement and Appreciation

On behalf of the Board, we would like to extend our sincere appreciation to all our valued shareholders, customers, partners, business associates, stakeholders and regulatory bodies for your continued support and confidence in us.

To our Board of Directors, thank you for giving us the benefit of your vast experience and wise counsel.

Finally, we would like to express our deepest appreciation to the management and employees of the Group for upholding the highest standards of excellence and service, who together have carried the Group through another challenging year.

We look forward to your continued support in the next leg of the Company's journey and growth.

Dato' Haji Shaharuddin Bin Haji Haron
Chairman
29 November 2013

Lin, Chin-Hung
Managing Director

Mission

We aspire to become 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 emphasize 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 and bedroom sets. From its humble beginnings as a manufacturer of chairs for dining sets in 1988, the Group has grown into a complete high-and-medium-end dining 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 and the Middle East countries.

Manufacturing / Operating Activities

The Group's manufacturing activities are operated from its three factories in Malaysia, two factories in Vietnam and one factory in Thailand. The total floor area of the six manufacturing plants is approximately 7.8 million square feet. The total current workforce is about 7,000 workers.

Products

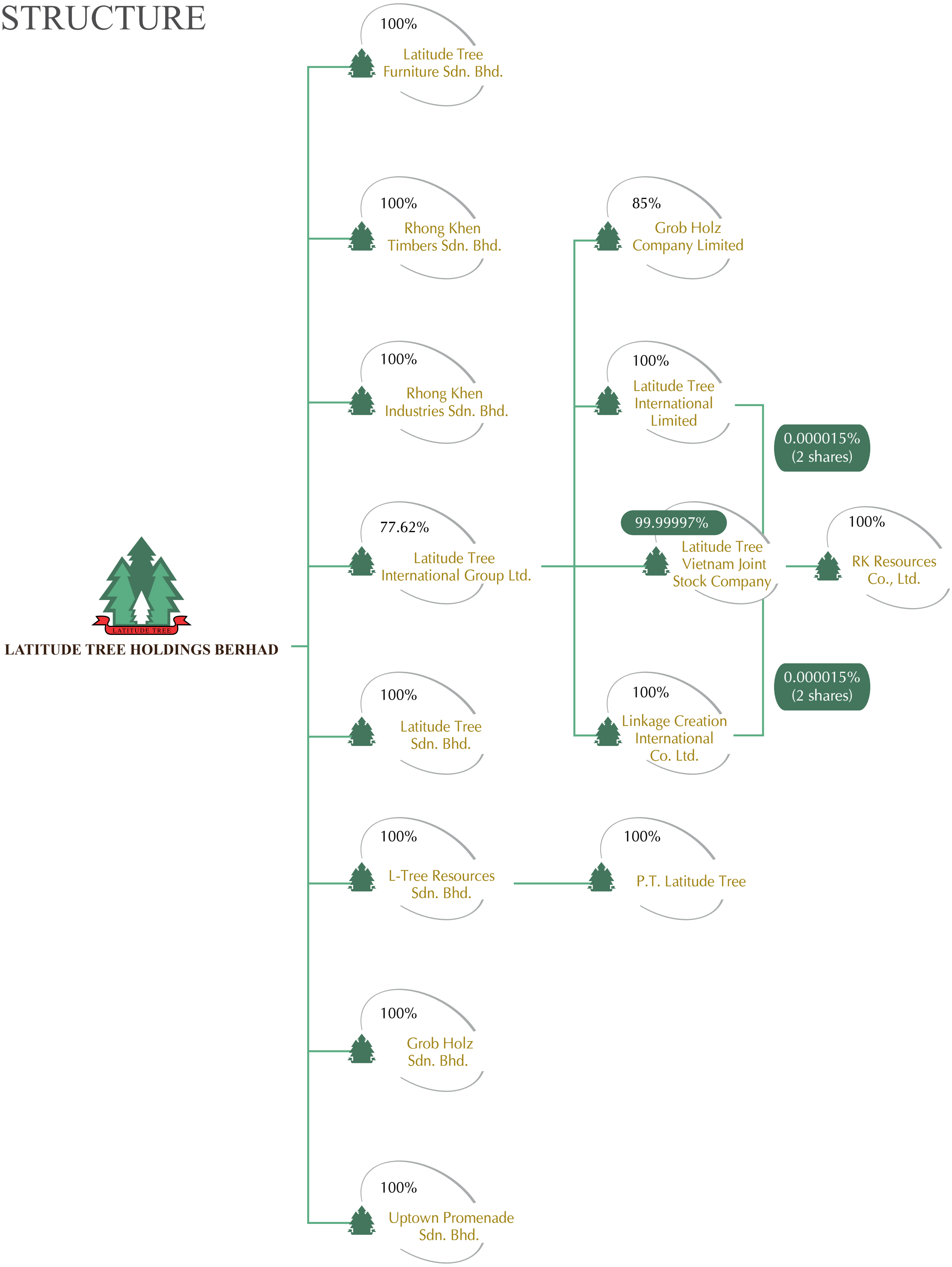
The Group has developed an extensive range of products to cater for different customers' requirements and expectations.

The followings are the main products of the Group:

- Bedroom Collection Sets including Beds, Nightstands, Chests, Armoires and Wardrobes;
- Dining 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 STRUCTURE



DATO' HAJI SHAHARUDDIN BIN HAJI HARON
Chairman / Senior Independent Director

Dato' Haji Shaharuddin Bin Haji Haron, aged 75, a Malaysian, was appointed to the Board of Latitude Tree Holdings Berhad ("LTHB") on 21 June 2000. His last re-appointment as a director was on 18 December 2012. 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, PNB, EXIM, the Capital Issue Committee, MIDA and MIDF. He retired from public service in September 1993.

Particulars of other directorships in public companies:
- Malayan Flour Mills Berhad
- Gopeng Berhad

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

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

MDM LIN CHEN, JUI-FEN
Deputy Chairman / Non-Independent Non-Executive Director

Mdm Lin Chen, Jui-Fen, aged 59, a Taiwanese, was appointed as Executive Director to the Board of LTHB on 28 April 1997. She is currently the Deputy Chairman. Her last re-election as a director was on 18 December 2012.

Prior to her appointment as Deputy Chairman, Mdm Lin was the Managing Director of the Company from 2009 to 2012 whom involved in the overall management of the sales, marketing, finance, operation and human resource department of LTHB Group.

Mdm Lin is currently the Chief Executive Officer and Executive Director of Latitude Tree International Group Ltd. ("LTIGL"), a subsidiary of the Company listed on the Singapore Exchange Securities Trading Limited.

In LTIGL, Mdm Lin is responsible for the development of the overall corporate strategies and business development of LTIGL Group. 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, which were both hived off to form part of LTIGL Group.

Mdm Lin is the parent of Mr Lin, Chin-Hung and sister-in-law to Mr Lin, Tzu-Lang who is a substantial shareholder of the Company.

MR LIN, CHIN-HUNG
Managing Director

Mr Lin Chin-Hung, aged 34, a Taiwanese, was appointed to the Board of LTHB on 18 January 2012 as the Managing Director. His last re-election as a director was on 18 December 2012.

Mr Lin was the Alternate Director to the Chief Executive Officer and Executive Director, late Mr Lin, Tzu-Keng in LTIGL, a subsidiary of the Company listed on the Singapore Exchange Securities Trading Limited from 21 May 2009 to 26 December 2011. From July 2001 to August 2007, he was an assistant to the Managing Director of LTHB where he assisted in the marketing, production and purchasing activities of LTHB Group. Mr Lin joined LTHB Group in January 2008 and assisted the Head of Operations of RK Resources Co., Ltd. in the procurement and purchases of all raw materials.

Mr Lin attended the Hawaii Pacific University and is currently pursuing the Master in Business Management in National University of Kaohsiung, Taiwan.

Mr Lin is the son of Mdm Lin Chen, Jui-Fen and nephew of Mr Lin, Tzu-Lang. Mdm Lin Chen, Jui-Fen and Mr Lin, Tzu-Lang are both substantial shareholders of the Company.

MR LIN, TZU-LANG
Executive Director

Mr Lin Tzu-Lang, aged 71, a Taiwanese, was appointed to the Board of LTHB on 28 April 1997 as the Deputy Chairman/Non-Independent Non-Executive Director and was redesignated as an Executive Director with effect from 28 May 2009. His last re-election as a director was on 18 December 2012. He has many years of experience in the manufacturing of wooden furniture and has been involved for more than 39 years in the industry.

Mr Lin was appointed the Chairman of the Association of Furniture Manufacturers of Tai Chung, Taiwan in 1986 and 1988 in recognition of his contribution to promote the furniture manufacturing industry.

Mr Lin is the uncle to Mr Lin, Chin-Hung and brother-in-law to Mdm Lin Chen, Jui-Fen who is also a substantial shareholder of the Company.

MR TOH SENG THONG JP, PJK

Independent Director

Mr Toh Seng Thong, aged 55, a Malaysian, was appointed to the Board of LTHB on 18 August 2003. His last re-election as a director was on 15 December 2011. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. He is the Non-Executive Non-Independent Director of LTIGL.

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, New Zealand Institute of Chartered Accountants, Fellow member of the Malaysian Institute of Taxation and Associate member of the Harvard Business School Alumni Club of Malaysia. Mr Toh has over 25 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 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 substantial shareholder of the Company nor any conflict of interest in any business arrangement involving the Company.

MR YEK SIEW LIONG

Non-Independent Non-Executive Director

Mr Yek Siew Liong, aged 54, a Malaysian, was appointed to the Board of LTHB on 18 May 2007. His last re-election as a director was on 21 December 2010. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee. He is the Non-Executive Chairman of LTIGL.

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 other directorships in public companies:
- Hock Lee Asia Berhad
- Hock Lee Resources Berhad
- Cinacom Bintulu Berhad
- Sarawak Cable Berhad

Mr Yek does not have any family relationship with any other Directors and/or substantial shareholder of the Company nor any conflict of interest in any business arrangement involving the Company, other than those stated in item 11 of the Listing Requirements of the Bursa Malaysia Securities Berhad Compliance Information.

None of the Directors have conviction of any offences within the past ten (10) years.

INTRODUCTION

The Board of Directors ("the Board") remains fully committed to achieve and maintain high standards of corporate governance within the Latitude Tree Holdings Berhad ("LTHB") Group.

The Board is guided by the Principles and Recommendations as promulgated by the Malaysian Code on Corporate Governance 2012 (the "MCCG 2012") and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") 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 following the release of this framework by the Securities Commission in late March 2012 which includes commitment to excellence in governance standards. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observance, including the reasons thereof, is included in this Statement.

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 objective 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.

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 company. The Group acknowledges the importance of having an effective Board to lead and control the Group. The Board's responsibilities include:

a) Reviewing and adopting a strategic plan for the Company;
b) Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
c) Identifying principal risks and ensure the implementation of appropriate systems to manage these risks;
d) Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing Executive Directors and Senior Management;
e) Developing and implementing an investor relations programme or shareholder communications policy for the Company;
f) Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
g) Determining the remuneration of Non-Executive Directors, with the individuals concerned abstaining from discussions of their own remuneration; and
h) Ensuring that the Company adheres to high standards of ethics and corporate behaviour.

To ensure the effective discharge of its duties and responsibilities, the Board has established and delegates certain responsibilities to the Board Committees which have been set up, that is Audit Committee, Nomination Committee and Remuneration Committee.

1.2 Duties and responsibilities (cont'd)

The Board Committees are entrusted with specific responsibilities to oversee the Company's affairs, in accordance with their respective written 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 enhance business and operational efficiency as well as efficacy. The Board remains fully responsible for the direction and control of the Company and the LTHB Group.

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 of Business Conducts and Ethics for Directors 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.

Whistle Blowing Policy

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

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.

The Company is involved in various activities as part of its Corporate Social Responsibility 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 with the assistance of external experts and committee members. This includes training on handling of machinery, chemical and flammable materials at work place.

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 donations to charitable organisations.

The Group had on 31 March 2013 donated 162 sets of classroom tables and chairs, manufactured by a Malaysia subsidiary of the Company, to a primary school in Terengganu.

1.5 Access to information and advice

All Directors have access to all information concerning the Company and the Group from the Management and Board Committees as well as the advice and services of the Company Secretaries for the performance of their duties. Where necessary, the Director(s) may engage independent professionals at the Group's expense on specialized issues to enable the Director(s) to discharge his/their duties with adequate knowledge on the matters being deliberated.

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 Secretary, who is 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.

1.6 Qualified and competent Company Secretaries (cont'd)

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, who oversee adherence with board policies and procedures, 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 also unhindered access to the advice and services of the Company Secretaries.

1.7 Board Charter

The Board Charter was reviewed and revised 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 established 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 available in the Company's website, www.lattree.com.

STRENGTHEN COMPOSITION OF THE BOARD

2.1 Nomination Committee

The members of the Committee shall comprise exclusively of Non-Executive Directors, a majority of whom are independent and number at least 2 in total. The majority of the members of the Committee shall comprise Independent Directors. The current members of the Nomination Committee are:-

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

Members:
Mr Toh Seng Thong
Independent Director

Mr Yek Siew Liong
Non-Independent Non-Executive Director

The Nomination Committee held one (1) meeting during the financial year ended 30 June 2013.

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

Appointment process

The Board, through the Nomination Committee'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 Nomination Committee is also responsible for making recommendations to the Board on the suitability of candidates nominated for appointment to the Board. The Committee shall consider the candidates':-

i) skills, knowledge, expertise and experience;
ii) professionalism;
iii) integrity; and
iv) in the case of candidates for the position of Independent Directors, the Committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Directors.

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

Appointment process (cont'd)

The actual decision as to who should be nominated will be the responsibility of the full board after considering the recommendations of the committee. 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 of Directors

In accordance with the Company's Articles of Association ("Articles"), any Director appointed during the year is required to retire and seek election by shareholders at the following Annual General Meeting ("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.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

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.

During the financial year under review, the Nomination Committee 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 and also reviewed the retirement of Directors by rotation eligible for re-election.

Gender diversity

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

2.3 Remuneration policies and procedures

Remuneration Committee

The members of the Remuneration Committee shall comprise wholly or mainly of Non-Executive Directors and number at least 3 in total. The current members of the Remuneration Committee are:

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

Members :
Mr Toh Seng Thong
Independent Director

Mr Yek Siew Liong
Non-Independent Non-Executive Director

The duties of the Committee 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.

2.3 Remuneration policies and procedures (cont'd)

Remuneration Committee (cont'd)

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

The Committee follows formal and transparent procedures when deciding the remuneration packages of the Executive Directors.

The Remuneration Committee held one (1) meeting for the financial year ended 30 June 2013.

Directors' remuneration

During the financial year, the details of aggregate remuneration of Directors of the Company are as follows:

Remuneration	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Salaries and other emoluments	12	44	56
Fees	72	288	360
Total	84	332	416

The number of Directors of the Company whose total remuneration during the financial year fall within the respective bands are as follows:

Range of remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM Nil – RM50,000	1	-
RM50,001 – RM100,000	1	4
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 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 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 Listing Requirements. 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. The Board composition complies with the Listing Requirements 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.

3.2 Tenure of Independent Directors

In line with the MCCG 2012, the tenure of an Independent Director should not exceed a cumulative term of nine 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 Nomination Committee, the Board may recommend for an Independent Director who has served a consecutive or cumulative term of nine years to remain as an Independent Director subject to shareholders' approval.

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 Secretary, 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 8 to 10 of the 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 wooden furniture, finance, auditing/accounting and economics.

FOSTERING COMMITMENT

4.1 Time commitment

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 the 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 to control and monitor the development of the Group.

4.1 Time commitment (cont'd)

Record of each Director's meeting attendance during the year under review is set out below:-

Name	Attendance
Dato' Haji Shaharuddin Bin Haji Haron #	5/5
Mdm Lin Chen, Jui-Fen ##	5/5
Mr Lin, Chin-Hung	5/5
Mr Lin, Tzu-Lang	5/5
Mr Toh Seng Thong #	5/5
Mr 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

All the Directors have completed the Mandatory Accreditation Programme ("MAP") conducted by Bursa Malaysia Securities Berhad ("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.

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:-

- National Tax Conference 2012 held on 17 and 18 July 2012;
- The Transfer Pricing Seminar 2012 held on 12 September 2012;
- MIRA-Boardroom Seminar on Malaysian Budget 2013 held on 10 October 2012;
- National Tax Seminar 2012 held on 16 October 2012;
- Budget 2013 – Highlights on Tax Changes and Implications on Business held on 30 October 2012;
- Accounting for MFRS held on 17 January 2013; and
- National Tax Conference 2013 held on 24 and 25 June 2013.

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.

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 statement by the Board of its responsibilities for preparing the financial statements is set out on page 30 of the 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 external auditors provide mainly audit-related services to the Company. Due to the strong knowledge of the Company, the external auditors also undertake certain non-audit services such as regulatory reviews and reporting and other services.

A summary of the activities of the Audit Committee during the year is set out in the Audit Committee Report on pages 25 to 29 of the Annual Report.

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. The Board through the Audit Committee and Risk Management Committee reviews the key risks identified 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 page 23 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, Columbus Advisory Sdn. Bhd. who reports directly to the Audit Committee.

Details of the Company's internal control system and framework as 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 Listing Requirements 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 provide 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 endeavours 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.

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 7¾, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan, Malaysia
Tel	:	603-3291 5401
Fax	:	603-3291 0048
Website	:	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 Annual General Meeting ("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

All resolutions put forth for shareholders' approval at the 18th AGM held on 18 December 2012 were voted by a show of hands whilst the resolution put forth for shareholders' approval at the Extraordinary General Meeting held on 21 August 2013 was voted by a poll.

The Company will adopt poll voting if there is/are substantive resolution(s) to be put forth for shareholders' approval at the general meetings going forward.

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 Directors 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 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, 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.

OTHER INFORMATION PURSUANT TO THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES")

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

9.1 Utilisation of Proceeds

There were no corporate exercises carried out during the year ended 30 June 2013 to raise funds.

9.2 Share Buy-Back

The Company had obtained its shareholders' authority at the Company's Annual General Meeting held on 18 December 2012 in respect of the share buy-back of up to 10% of the issued and paid up share capital of the Company.

9.3 Options, Warrants or Convertible Securities

There were no other options, warrants or convertible securities exercised in respect of the financial year ended 30 June 2013.

9.4 Depository Receipt Programme

The Company had not sponsored Deposit Receipt programme for the year ended 30 June 2013.

9.5 Sanctions and/or Penalties

The Company and its subsidiaries, Directors and Management had not been imposed with any sanctions and/or penalties.

9.6 Non-Audit Fees

The amount of non-audit fees paid and payable to external auditors by the Company and its subsidiaries for the financial year ended 30 June 2013 amounted to RM40,500.

9.7 Variation of Results

There were no material variances between the actual results for the year ended 30 June 2013 and the unaudited results previously announced by the Company.

9.8 Profit Forecast and Guarantee

The Company did not issue any profit forecast and guarantee for the year ended 30 June 2013.

9.9 Revaluation Policy

There was no revaluation of properties of the Group during the financial year.

9.10 Material Contracts Involving Directors and Major Shareholders

Save as disclosed below, 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 2013.

(a) Sale and Purchase Agreement dated 31 December 2012 between Uptown Promenade Sdn. Bhd. ("UPSB"), a wholly-owned subsidiary of LTHB and Mr Chen Cheng-Pin ("CCP") for the disposal of 1,405,250 Ordinary Shares of NTD10 each in Win Yuan Bio Tech Co. Ltd. ("Win Yuan"), representing 35% of the issued and paid-up share capital of Win Yuan by UPSB to CCP for a total consideration of NTD5,000,000 or approximately RM523,569.

(b) Conditional Sale and Purchase agreement dated 9 May 2013 between LTHB and Latitude Tree International Group Ltd. ("LTIGL") in relation to the Proposed Acquisition of all the subsidiaries of LTIGL for an aggregate consideration of SGD48,750,000 or approximately RM117,692,250.

9.11 Recurrent Related Party Transactions of Revenue Nature

The details of the Recurrent Related Party Transactions ("RRPT") of a revenue and trading nature carried out by the Group during the financial year ended 30 June 2013 are as follows:

Nature of transaction	Related parties	Transacting parties	Nature of relationship	Amount transacted during the financial year RM'000
Purchases of raw materials and supplies, laminated boards and furniture components by the LTHB Group from Grob Holz Company Limited ("GHCL").	GHCL and the LTHB Group	Mr. Yek Siew Liong and Konsortium Kontrek Sdn. Bhd. ("KKSB")	GHCL is a 65.98% owned subsidiary of LTHB. Mr. Yek Siew Liong, a director of LTHB and substantial shareholder of LTHB holds 24.92% equity interest in GHCL (via KKSB).	4,077
Purchases of raw materials and supplies, furniture components and finished goods by LTIGL Group from the LTHB Group	The LTIGL Group and the LTHB Group	Mr. Yek Siew Liong	LTHB is the holding company of LTIGL. Mr Yek Siew Liong is a director and substantial shareholder of both LTIGL and LTHB. He owns approximately 4.85% direct equity interest and 0.96% indirect equity interest in LTIGL via his spouse and 15.03% indirect equity interest in LTHB via KKSB.	-
Purchases of raw materials and supplies, furniture components and finished goods by LTHB Group from the LTIGL Group.	The LTIGL Group and the LTHB Group	Mr. Yek Siew Liong	LTHB is the holding company of LTIGL. Mr Yek Siew Liong is a director and substantial shareholder of both LTIGL and LTHB. He owns approximately 4.85% direct equity interest and 0.96% indirect equity interest in LTIGL via his spouse and 15.03% indirect equity interest in LTHB via KKSB.	2,854

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 dated 30 October 2013.

1. INTRODUCTION

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and the Principles and Best Practices provisions relating to internal control provided in the Malaysian Code and Corporate Governance ("Code"), the Board of Directors ("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 and for reviewing the effectiveness of the system 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.

The Board has received assurance from the Managing Director and the management team of the Group that the Group's risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement.

The Board has extended the responsibilities of the Audit Committee to include the role of reviewing and monitoring the effectiveness of the Group's internal control system. The Audit Committee receives assurance 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 Audit Committee is set out on pages 25 to 29 of the 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 Audit Committee, 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 applicability of the control environment in mitigating risk.

The Company has in place an enterprise-wide risk management ("ERM") framework.

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 are deliberated by Audit Committee before reporting to the Board.

During the financial year under review, 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 based on the risk profiles of the major business units of the Group. Internal audit reviews the internal controls in the key activities of the Group's businesses.

The internal audit team, outsourced to an independent consulting firm, assesses the adequacy and integrity of the internal control system based on scope of work approved by Audit Committee and report to the Audit Committee on findings and recommendations for improvement. Internal audit also reviews the extent to which its recommendations have been accepted and implemented by the Management. Audit Committee 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 Audit Committee 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 2013, the Audit Committee with the assistance of the external professional consulting firm, Columbus Advisory Sdn. Bhd. reviewed the adequacy and integrity of the Group's internal control systems relating to Strategic Management, Marketing, Procurement, Manufacturing Operation Management, Inventory Management, Quality Controls, Plant and Machinery Maintenance, Human Resource, Treasury Management and Property, Plant and Equipment Management of the following companies:

- Latitude Tree Vietnam Joint Stock Company
- RK Resources Co., Ltd.
- Rhong Khen Timbers Sdn. Bhd.

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:-

- 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 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. 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 under review and up to the date of approval of the Annual Report.

There were no control deficiencies noted during the financial year under review 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 30 October 2013 and has been duly reviewed by the external auditors, pursuant to paragraph 15.23 of the Listing Requirements.

The Board of Directors ("Board") of the Company is pleased to present the report of the Audit Committee for the financial year ended 30 June 2013.

A. MEMBERSHIP

The current members of the Audit Committee are:

Chairman:
Mr Toh Seng Thong
Independent Director

Members:
Dato' Haji Shaharuddin Bin Haji Haron
Chairman / Senior Independent Director.

Mr Yek Siew Liong
Non-Independent Non-Executive Director

B. TERMS OF REFERENCE

The terms of reference of the Committee are as follows:

1. Composition

The Audit Committee shall be appointed by the Directors from among their members (pursuant to a resolution of the Board which fulfil the following requirements:-

a) The Audit Committee must be composed of no fewer than 3 members;

b) A majority of the Audit Committee must be Independent Directors;

c) All members of the Audit Committee must be Non-Executive Directors;

d) All members of the Audit Committee must be financially literate; and

e) At least one member of the Audit Committee:-

   i) must be a member of the Malaysian Institute of Accountants; or

   ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-

   - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or

   - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or

   iii) fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

The members of the Audit Committee shall elect a chairman from among their members who shall be an Independent Director.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of (a) to (c) above, the vacancy must be filled within 3 months of that event.

No Alternate Director shall be appointed as a member of the Audit Committee.

1. Composition (cont'd)

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference.

2. Functions

The functions of the Audit Committee are as follows:-

a) Review the following and report the same to the Board of Directors:-

   i) with the external auditors, the audit plan;

   ii) with the external auditors, his evaluation of the system of internal controls;

   iii) with the external auditors, his audit report;

   iv) the assistance given by the Company's employees to the external auditors; and

   v) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity.

b) To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;

c) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

d) To review the quarterly and year-end financial statements of the Company, focusing particularly on:-

   - any changes in accounting policies and practices;
   - significant adjustments arising from the audit;
   - the going concern assumption; and
   - compliance with accounting standards and other legal requirements.

e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);

f) To review the external auditors' management letter and management's response;

g) To assist the Board in establishing an internal audit function which is independent of the activities it audits and to do the following:-

   - review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
   - review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
   - review any appraisal or assessment of the performance of members of the internal audit function;
   - approve any appointments or termination of senior staff members of the internal audit function;
   - take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning; and
   - include in the Audit Committee report, a summary of the activities of the internal audit function or activity.

2. **Functions (cont'd)**

h) To consider the major findings of internal investigations and management's response; and

i) To consider other areas as defined by the Board.

3. **Rights of the Audit Committee**

The Audit Committee shall, wherever necessary and reasonable for the Company to perform of its duties, in accordance with a procedure to be determined by the Board and at the cost of the Company:-

a) Have authority to investigate any matter within its terms of reference;

b) Have the resources which are required to perform its duties;

c) Have full and unrestricted access to any information pertaining to the Company;

d) Have direct communication channels with employees of the Company, the external auditors and person(s) carrying out the internal audit function or activity (if any);

e) Be able to obtain independent professional or other advice; and

f) Be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

4. **Meetings**

The Audit Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. However, at least twice a year the Audit Committee shall meet with the external auditors, internal auditors or both, without executive Board members and employees present.

In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company's Chief Executive, or the internal or external auditors.

The Company Secretary or other appropriate senior official shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to the other members of the Board.

A quorum shall consist of a majority of Independent Directors.

By invitation of the Audit Committee, the Company must ensure that other Directors and employees attend any particular Audit Committee Meeting specific to the relevant meeting.

The Chairman of the Committee shall engage on a continuous basis with Senior Management, such as the Managing Director, Financial Controller, the Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Group.

The Board should appoint internal auditors who will report functionally to the Audit Committee directly and the Audit Committee is to review their performance. The Head of Internal Audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company.

4. **Meetings (cont'd)**

The Audit Committee meetings held during the financial year ended 30 June 2013 and details of attendance of each Committee member is as follows:-

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

C. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

Activities undertaken during the financial year under review are as follows:-

- Reviewed and evaluated the scope of works and audit plans of the internal and external auditors;
- Reviewed the quarterly and year-to date unaudited financial statements, prior to deliberation and approval by Board;
- Reviewed the Audited Financial Statements of the Group and of the Company and recommended for Board's approval;
- Reviewed and discussed the external auditors' audit report and areas of concern;
- Reviewed and discussed the external auditors' management letter and management's response;
- Reviewed and assessed the risk management activities of the Group;
- Reviewed the internal auditors' reports pertaining to the state of internal control operating units within the Group and appraised the adequacy and effectiveness of Management's response in resolving the audit issues reported;
- Reviewed the proposed audit fees for the internal and external auditors in respect of their audit of the Group and of the Company for the financial year;
- Met with both internal and external auditors twice during the financial year without the presence of any executive Board members and employees of the Group;
- Reviewed the draft Circular to Shareholders on Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature and Statement to Shareholders in relation to the proposed renewal of authority for Share Buy-Back and recommended for Board's approval;
- 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; and
- Noted emerging financial reporting issues pursuant to the introduction of new accounting standards and additional statutory and regulatory disclosure requirements.

D. SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

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

The Audit Committee 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 Audit Committee. The reports of the audits undertaken were forwarded to the management for attention and necessary action then presented to the Audit Committee for deliberation and approval.

During the financial year under review, the internal auditors undertook the following activities:-

- Reviewed the adequacy and integrity of the Group's internal control systems relating to Strategic Management, Marketing, Procurement, Manufacturing Operation Management, Inventory Management, Quality Controls, Plant and Machinery Maintenance, Human Resource, Treasury Management and Property Plant and Equipment Management of a Malaysian subsidiary company and two Vietnam subsidiary companies.
- Reported to the Audit Committee 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 2013 amounted to approximately RM34,000.

This Statement is made in accordance with a resolution of the Board dated 30 October 2013.

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 cashflows 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 2013 as set out on pages 32 to 109 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, 1965 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 30 October 2013.

FINANCIAL STATEMENTS

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 2013.

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.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit net of tax	32,046	4,695
Profit attributable to:		
Owners of the parent	24,366	4,695
Non-controlling interests	7,680	-
	32,046	4,695

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 dividends paid by the Company since 30 June 2012 was as follows:

	RM'000
In respect of the financial year ended 30 June 2012 as reported in the directors' report of that year:	
Final tax exempt dividend of 3.0 sen, on 97,207,500 ordinary shares, declared on 23 November 2012 and paid on 18 January 2013	2,916

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 30 June 2013, of 6.3 sen on 97,207,500 ordinary shares, amounting to a dividend payable of RM6,124,073 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 2014.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Haji Shaharuddin Bin Haji Haron
Lin Chen, Jui-Fen
Lin, Tzu-Lang
Toh Seng Thong
Yek Siew Liong
Lin, Chin-Hung

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 or the fixed salary of a full time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

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

	Number of ordinary shares of RM1 each			
	At 1.7.2012	Acquired	Sold	At 30.6.2013
The Company				
Direct interest:				
Lin Chen, Jui-Fen	11,016,201	-	-	11,016,201
Lin, Tzu-Lang	10,665,375	-	-	10,665,375
Lin, Chin-Hung	820,000	-	-	820,000
Deemed interest:				
Lin Chen, Jui-Fen *	19,723,777	-	(820,000)^	18,903,777
Yek Siew Liong #	14,610,000	-	-	14,610,000
Lin, Chin-Hung	29,919,978	-	(29,919,978)**	-

Directors' interests (cont'd)

	Number of ordinary shares			
	At 1.7.2012	Acquired	Sold	At 30.6.2013
Subsidiary-Latitude Tree International Group Ltd.				
Direct interest:				
Yek Siew Liong	11,630,000	-	-	11,630,000
Deemed interest:				
Lin Chen, Jui-Fen ^^	187,550,000	-	-	187,550,000
Lin, Tzu-Lang ^^	186,000,000	-	-	186,000,000
Yek Siew Liong ***	2,295,000	-	-	2,295,000

	Number of ordinary shares of THB100 each			
	At 1.7.2012	Acquired	Sold	At 30.6.2013
Subsidiary-Grob Holz Company Limited				
Deemed interest:				
Yek Siew Liong #	352,500	-	-	352,500

* Deemed interested by virtue of the late spouse's shareholding
^ Ceased to have deemed interest in shares held by child
\# Deemed interest in shares held by Konsortium Kontrek Sdn. Bhd. in which the director has an interest
** Ceased to have deemed interest in shares held by parents
^^ Deemed interest pursuant to Section 6A of the Companies Act 1965
*** Deemed interested by virtue of spouse's shareholding

Lin Chen, Jui-Fen, Lin, Tzu-Lang and Lin, Chin-Hung 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.

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.

Issue of shares and debentures

The Company did not issue any new shares or debentures during the financial year.

Other statutory information

(a) Before the statements of 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; 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.

Other statutory information (cont'd)

(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 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.

(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.

Significant events

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 14, Note 15 and Note 37 to the financial statements.

Subsequent event

Details of the subsequent event are disclosed in Note 38 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 October 2013.

Dato' Haji Shaharuddin Bin Haji Haron　　　　Lin, Chin-Hung

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

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 39 to 109 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 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 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 41 to the financial statements 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.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 October 2013.

Dato' Haji Shaharuddin Bin Haji Haron

Lin, Chin-Hung

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

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 39 to 110 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 the Federal Territory on 30 October 2013

Fong Toh Wai

Before me,

Report on the financial statements

We have audited the financial statements of Latitude Tree Holdings Berhad, which comprise statements of financial position as at 30 June 2013 of the Group and of the Company, and statements of 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 a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 109.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2013 and of their financial performance and 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 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 41 on page 110 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 174 of the Companies Act 1965 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

Sandra Segaran a/l Muniandy@Krishnan
No. 2882/01/15(J)
Chartered Accountant

Kuala Lumpur, Malaysia
30 October 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Revenue	4	493,687	517,863	16,049	20,135
Cost of sales		(422,485)	(464,346)	-	-
Gross profit		71,202	53,517	16,049	20,135
Other items of income					
Interest income from loans and receivables		594	345	6	38
Other income	5	1,944	1,427	1,626	5,069
Other items of expense					
Selling and distribution expenses		(11,602)	(11,038)	-	-
Administrative expenses		(16,464)	(14,724)	(1,278)	(589)
Other expenses		(5,547)	(7,858)	(11,708)	(6,613)
Finance costs	6	(4,469)	(4,974)	-	-
Share of results of an associate		-	(45)	-	-
Profit before tax	7	35,658	16,650	4,695	18,040
Income tax expense	10	(3,612)	(1,897)	-	-
Profit net of tax		32,046	14,753	4,695	18,040
Other comprehensive income:					
Foreign currency translation		1,209	5,901	-	-
Total comprehensive income for the year		33,255	20,654	4,695	18,040

STATEMENTS OF COMPHERENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit attributable to:					
Owners of the parent		24,366	9,840	4,695	18,040
Non-controlling interests		7,680	4,913	-	-
		32,046	14,753	4,695	18,040
Total comprehensive income attributable to:					
Owners of the parent		25,302	14,197	4,695	18,040
Non-controlling interests		7,953	6,457	-	-
		33,255	20,654	4,695	18,040
Earnings per share attributable to owners of the parent (sen per share)					
- Basic	11	25.07	10.12		

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

	Note	Group 30.6.2013 RM'000	Group 30.6.2012 RM'000	Group 1.7.2011 RM'000	Company 30.6.2013 RM'000	Company 30.6.2012 RM'000	Company 1.7.2011 RM'000
Assets							
Non-current assets							
Property, plant and equipment	13	206,483	217,977	215,503	-	-	-
Investment in subsidiaries	14	-	-	-	82,368	84,382	82,189
Investment in an associate	15	-	-	1,016	-	-	-
Other investments	16	81	81	521	-	-	440
Intangible asset	17	-	-	-	-	-	-
Land use rights	18	14,405	14,828	14,496	-	-	-
Deferred tax assets	19	889	812	743	-	-	-
		221,858	233,698	232,279	82,368	84,382	82,629
Current assets							
Inventories	20	89,653	76,101	84,765	-	-	-
Trade and other receivables	21	33,530	41,578	35,368	66,843	66,999	76,866
Prepayments		925	1,431	1,280	5	-	-
Tax recoverable		897	1,101	1,771	180	227	192
Investment securities	22	204	1,196	1,018	-	-	-
Derivatives	23	-	-	655	-	-	-
Cash and bank balances	24	103,319	59,942	54,429	50	1,619	2,666
		228,528	181,349	179,286	67,078	68,845	79,724
Total assets		450,386	415,047	411,565	149,446	153,227	162,353
Equity and liabilities							
Current liabilities							
Tax payable		1,283	909	363	-	-	-
Loans and borrowings	25	85,117	93,567	99,363	-	-	13,200
Trade and other payables	26	73,551	64,187	64,639	15,795	21,355	33,377
Derivatives	23	130	307	-	-	-	-
		160,081	158,970	164,365	15,795	21,355	46,577
Net current assets		68,447	22,379	14,921	51,283	47,490	33,147

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2013 (CONT'D)

	Note	Group 30.6.2013 RM'000	Group 30.6.2012 RM'000	Group 1.7.2011 RM'000	Company 30.6.2013 RM'000	Company 30.6.2012 RM'000	Company 1.7.2011 RM'000
Non-current liabilities							
Loans and borrowings	25	13,416	9,184	13,939	-	-	-
Provision for severance allowance	27	474	564	612	-	-	-
Retirement benefit obligation		57	40	-	-	-	-
		13,947	9,788	14,551	-	-	-
Total liabilities		174,028	168,758	178,916	15,795	21,355	46,577
Net assets		276,358	246,289	232,649	133,651	131,872	115,776
Equity attributable to owners of the parent							
Share capital	28	97,208	97,208	97,208	97,208	97,208	97,208
Share premium	28	1,225	1,225	1,225	1,225	1,225	1,225
Retained earnings	29	128,335	106,885	97,781	35,218	33,439	17,343
Other reserves	30	5,293	4,357	-	-	-	-
		232,061	209,675	196,214	133,651	131,872	115,776
Non-controlling interests		44,297	36,614	36,435	-	-	-
Total equity		276,358	246,289	232,649	133,651	131,872	115,776
Total equity and liabilities		450,386	415,047	411,565	149,446	153,227	162,353

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

		Attributable to owners of the parent								
				Non-distributable		Distributable	Non-distributable			
	Note	Total equity RM'000	Total equity attributable to owners of the parent RM'000	Share capital (Note 28) RM'000	Share premium (Note 28) RM'000	Retained earnings (Note 29) RM'000	Total other reserves (Note 30) RM'000	Asset revaluation reserve (Note 30) RM'000	Foreign currency translation reserve (Note 30) RM'000	Non-controlling interests RM'000
2013										
Group										
Opening balance at 1 July 2012		246,289	209,675	97,208	1,225	116,117	(4,875)	1,114	(5,989)	36,614
Effects of transition to MFRS	2.2	-	-	-	-	(9,232)	9,232	(1,114)	10,346	-
		246,289	209,675	97,208	1,225	106,885	4,357	-	4,357	36,614
Total comprehensive income		33,255	25,302	-	-	24,366	936	-	936	7,953
Transactions with owners										
Dividends on ordinary shares	12	(2,916)	(2,916)	-	-	(2,916)	-	-	-	-
Dividends to minority shareholders		(270)	-	-	-	-	-	-	-	(270)
Total transactions with owners		(3,186)	(2,916)	-	-	(2,916)	-	-	-	(270)
Closing balance at 30 June 2013		276,358	232,061	97,208	1,225	128,335	5,293	-	5,293	44,297

		← Attributable to owners of the parent							
			← Non-distributable →		Distributable	← Non-distributable →			
	Note	Total equity RM'000	Total equity attributable to owners of the parent RM'000	Share capital (Note 28) RM'000	Share premium (Note 28) RM'000	Retained earnings (Note 29) RM'000	Total other reserves (Note 30) RM'000	Asset revaluation reserve (Note 30) RM'000	Foreign currency translation reserve (Note 30) RM'000	Non-controlling interests RM'000
2012										
Group										
Opening balance at 1 July 2011		232,649	196,214	97,208	1,225	107,013	(9,232)	1,114	(10,346)	36,435
Effects of transition to MFRS	2.2	-	-	-	-	(9,232)	9,232	(1,114)	10,346	-
		232,649	196,214	97,208	1,225	97,781	-	-	-	36,435
Total comprehensive income		20,654	14,197	-	-	9,840	4,357	-	4,357	6,457
Transactions with owners										
Acquisition of non-controlling interests		(2,531)	(284)	-	-	(284)	-	-	-	(2,247)
Change of interest in a subsidiary		-	1,492	-	-	1,492	-	-	-	(1,492)
Dividends on ordinary shares	12	(1,944)	(1,944)	-	-	(1,944)	-	-	-	-
Dividends to minority shareholders		(2,539)	-	-	-	-	-	-	-	(2,539)
Total transactions with owners		(7,014)	(736)	-	-	(736)	-	-	-	(6,278)
Closing balance at 30 June 2012		246,289	209,675	97,208	1,225	106,885	4,357	-	4,357	36,614

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

	Note	Total equity RM'000	← Non-distributable Share capital (Note 28) RM'000	→ Share premium (Note 28) RM'000	Distributable Retained earnings (Note 29) RM'000
2013					
Company					
Opening balance at 1 July 2012		131,872	97,208	1,225	33,439
Total comprehensive income		4,695	-	-	4,695
Dividends on ordinary shares, representing total transaction with owners	12	(2,916)	-	-	(2,916)
Closing balance at 30 June 2013		133,651	97,208	1,225	35,218
2012					
Company					
Opening balance at 1 July 2011		115,776	97,208	1,225	17,343
Total comprehensive income		18,040	-	-	18,040
Dividends on ordinary shares, representing total transaction with owners	12	(1,944)	-	-	(1,944)
Closing balance at 30 June 2012		131,872	97,208	1,225	33,439

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Operating activities					
Profit before tax		35,658	16,650	4,695	18,040
Adjustments for:					
Reversal of allowance for impairment of other receivables	5	-	-	(1,623)	(4,962)
Gain on disposal of an associate	5	(524)	-	-	-
Loss/(gain) on disposal of property, plant and equipment	5, 7	30	(21)	-	-
Fair value (gain)/loss on derivatives	5, 7	(177)	962	-	-
Net unrealised foreign exchange loss/(gain)	5,7	14	(871)	1	158
Finance costs	6	4,469	4,974	-	-
Amortisation of land use rights	7	413	414	-	-
Depreciation of property, plant and equipment	7	16,354	16,703	-	-
Impairment loss on investment in an associate	7	-	971	-	-
Impairment loss on investment in subsidiaries	7	-	-	2,014	338
Impairment loss on other investments	7	-	440	-	440
Impairment loss on other receivables	7	63	103	9,691	5,666
Impairment loss on trade receivables	7	143	61	-	-
Property, plant and equipment written off	7	2	25	-	-
Provision for severance allowance	7	130	216	-	-
Retirement benefit expense	7	17	40	-	-
Interest income on loans and receivables		(594)	(345)	(6)	(38)
Share of loss of an associate		-	45	-	-
Total adjustments		20,340	23,717	10,077	1,602
Operating cash flows before changes in working capital		55,998	40,367	14,772	19,642

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Operating activities (cont'd)					
Changes in working capital					
(Increase)/decrease in inventories		(13,552)	8,664	-	-
Decrease/(increase) in trade and other receivables		7,828	(6,401)	(7,912)	9,161
Decrease/(increase) in prepayments		506	(151)	(5)	-
Increase/(decrease) in trade and other payables		9,364	(452)	(5,560)	(12,022)
Decrease in provision for severance allowance		(217)	(294)	-	-
Total changes in working capital		3,929	1,366	(13,477)	(2,861)
Cash flows from operations		59,927	41,733	1,295	16,781
Interest paid		(4,469)	(4,974)	-	-
Interest received		594	345	6	38
Taxes refunded		295	969	81	-
Taxes paid		(3,468)	(1,704)	(34)	(35)
Net cash flows from operating activities		52,879	36,369	1,348	16,784
Investing activities					
Purchase of property, plant and equipment	13	(5,285)	(13,431)	-	-
Proceeds from disposal of property, plant and equipment		557	27	-	-
Acquisition of non-controlling interests		-	(2,531)	-	-
Additional investment in a subsidiary		-	-	-	(2,531)
Proceeds from disposal of investment in an associate		524	-	-	-
Purchase of investment securities		(8)	(2,178)	-	-
Proceeds from investment securities		1,000	2,000	-	-
Net cash flows used in investing activities		(3,212)	(16,113)	-	(2,531)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Financing activities					
Repayment of obligations under finance lease		(24)	(18)	-	-
Repayment of loans and borrowings		(250,081)	(265,478)	-	(13,200)
Proceeds from loans and borrowings		246,299	251,876	-	-
Deposits uplifted from/(placed as) security for bank borrowings		1,032	(481)	1,409	(38)
Dividends paid to minority shareholders		(270)	(2,539)	-	-
Dividends paid on ordinary shares	12	(2,916)	(1,944)	(2,916)	(1,944)
Net cash flows used in financing activities		(5,960)	(18,584)	(1,507)	(15,182)
Exchange differences in translation of financial statements of foreign subsidiaries		49	793	-	-
Net increase/(decrease) in cash and cash equivalents		43,756	2,465	(159)	(929)
Effect of exchange rate changes on cash and cash equivalents		974	3,379	(1)	(156)
Cash and cash equivalents at 1 July		51,361	45,517	210	1,295
Cash and cash equivalents at 30 June	24	96,091	51,361	50	210

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

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 7 3/4, 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 disclosed in Note 14 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. These are the Group's first financial statements prepared in accordance with MFRS and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia. At the beginning of the current financial year, the Group and the Company adopted MFRS framework for annual periods beginning on or after 1 July 2012 as described fully in Note 2.2.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

These financial statements, for the year ended 30 June 2013, are the first the Group and the Company have prepared in accordance with MFRS in Malaysia. For periods up to and including the year ended 30 June 2012, the Group and the Company prepared their financial statements in accordance with FRS in Malaysia.

The accounting policies described in the financial statements have been applied in preparing the financial statements of the Group and the Company for the financial year ended 30 June 2013, the comparative information presented in these financial statements for the financial year ended 30 June 2012 and in the preparation of the opening MFRS statements of financial position at 1 July 2011, the Group's and the Company's date of transition to MFRS.

a) Business combination

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

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

2.2 First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (cont'd)

a) Business combination (cont'd)

Acquisition before date of transition

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

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

b) Property, plant and equipment

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

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group uses previous revaluation at or before the date of transition as deemed cost. The revaluation surplus for the Group of RM1,114,000 was transferred to retained earnings on the date of transition to MFRS.

c) Foreign currency translation reserve

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

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

2.2 First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (cont'd)

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

i) Reconciliation of equity as at 30 June 2012

	FRS as at 30.6.2012 RM	Note 2.2 (b) Property, plant and equpment RM	Note 2.2 (c) Foreign currency translation reserve RM	MFRS as at 30.6.2012 RM
Assets				
Non-current assets	233,698			233,698
Current assets	181,349			181,349
Total assets	415,047			415,047
Equity and liabilities				
Current liabilities	158,970			158,970
Non-current liabilities	9,788			9,788
Total liabilities	168,758			168,758
Equity attributable to owners of the parent				
Share capital	97,208			97,208
Share premium	1,225			1,225
Retained earnings	116,117	1,114	(10,346)	106,885
Revaluation reserve	1,114	(1,114)	10,346	-
Foreign currency translation reserve	(5,989)			4,357
	209,675			209,675
Non-controlling interests	36,614			36,614
Total equity	246,289			246,289
Total equity and liabilities	415,047			415,047

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

2.2 First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (cont'd)

ii) Reconciliation of equity as at 1 July 2011

	FRS as at 1.7.2011 RM	Note 2.2 (b) Property, plant and equpment RM	Note 2.2 (c) Foreign currency translation reserve RM	MFRS as at 1.7.2011 RM
Assets				
Non-current assets	232,279			232,279
Current assets	179,286			179,286
Total assets	411,565			411,565
Equity and liabilities				
Current liabilities	164,365			164,365
Non-current liabilities	14,551			14,551
Total liabilities	178,916			178,916
Equity attributable to owners of the parent				
Share capital	97,208			97,208
Share premium	1,225			1,225
Retained earnings	107,013	1,114	(10,346)	97,781
Revaluation reserve	1,114	(1,114)		-
Foreign currency translation reserve	(10,346)		10,346	-
	196,214			196,214
Non-controlling interests	36,435			36,435
Total equity	232,649			232,649
Total equity and liabilities	411,565			411,565

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

2.3 Standards issued but not yet effective

The standards, amendments 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 101 *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*	1 January 2013
MFRS 3 *Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)*	1 January 2013
MFRS 10 *Consolidated Financial Statements*	1 January 2013
MFRS 11 *Joint Arrangements*	1 January 2013
MFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
MFRS 13 *Fair Value Measurement*	1 January 2013
MFRS 119 *Employee Benefits*	1 January 2013
MFRS 127 *Separate Financial Statements*	1 January 2013
MFRS 128 *Investment in Associate and Joint Ventures*	1 January 2013
MFRS 127 *Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)*	1 January 2013
Amendment to IC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)*	1 January 2013
IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Amendments to MFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*	1 January 2013
Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*	1 January 2013
Amendments to MFRS 116 *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*	1 January 2013
Amendments to MFRS 132 *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*	1 January 2013
Amendments to MFRS134 *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*	1 January 2013
Amendments to MFRS 10 *Consolidated Financial Statements: Transition Guidance*	1 January 2013
Amendments to MFRS 11 *Joint Arrangements: Transition Guidance*	1 January 2013
Amendments to MFRS 12 *Disclosure of Interests in Other Entities: Transition Guidance*	1 January 2013
Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127 *Investment Entities*	1 January 2014
Amendments to MFRS 136 *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
IC Interpretation 21 *Levies*	1 January 2014
MFRS 9 *Financial Instruments*	1 January 2015

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

2.3 Standards issued but not yet effective (cont'd)

The directors expect that the adoption of the above standards, amendments and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

Amendments to MFRS 101 *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*

The Amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's and the Company's financial position and performance.

MFRS 3 *Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) and MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)*

An entity shall apply these earlier versions of MFRS 3 and MFRS 127 only if the entity has elected to do so as allowed in MFRS 10 *Consolidated Financial Statements*. The adoptions of these standards are not expected to have any significant impact to the Group and the Company.

MFRS 10 *Consolidated Financial Statements*

MFRS 10 replaces part of MFRS 127 *Consolidated and Separate Financial Statements* that deals with consolidated financial statements and IC Interpretation 112 *Consolidation – Special Purpose Entities.*

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 *Consolidated and Separate Financial Statements*, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances.

The change in accounting of the Group's investments (if any) will be applied in accordance with the relevant transitional provisions as set out in MFRS 10 as if the acquisitions of the affected entities had been accounted for in accordance with MFRS 3 at the date of acquisition.

MFRS 12 *Disclosure of Interests in Other Entities*

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

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

2.3 Standards issued but not yet effective (cont'd)

MFRS 13 *Fair Value Measurement*

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted. The Group is currently assessing the impact of adoption of MFRS 13.

MFRS 127 *Separate Financial Statements*

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in the separate financial statements of the Company.

MFRS 9 *Financial Instruments*

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. In subsequent phases, it will address hedge accounting and impairment of financial assets. The adoption of this first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Group is currently assessing the impact of adoption of MFRS 9.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company 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 to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statements of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

2.5 Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

2.6 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.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the year.

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. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment

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 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. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises 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 as follows:

Long term 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

Buildings under construction are not depreciated until the assets are ready for their intended 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.

2.8 Intangible asset

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

2.8 Intangible asset (cont'd)

Goodwill (cont'd)

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

2.9 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.

2.10 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.

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

2.10 Impairment of non-financial assets (cont'd)

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.

2.11 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2.12 Associate

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investment in an associate is accounted for using the equity method. Under the equity method, the investment in associate is measured in the statements of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The most recent available audited financial statements of the associate are used by the Group in applying equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

2.12 Associate (cont'd)

In the Company's separate financial statements, investment in an associate is stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.13 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.

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 is held primarily for trading purposes are presented as current whereas financial assets that is 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.

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

2.13 Financial assets (cont'd)

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 did not have any held-to-maturity investments as at 30 June 2013.

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 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. Summary of significant accounting policies (cont'd)

2.14 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.

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.

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, 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.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, demand deposits and highly liquid investments with original maturities of three months or less. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 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. **Summary of significant accounting policies (cont'd)**

2.17 Provisions

Provisions are recognised when the Group has 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.

2.18 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.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss.

b) Other financial liabilities

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

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.

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

2.18 Financial liabilities (cont'd)

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.

2.19 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 associate 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.

2.20 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.

2.21 Employee benefits

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.

b) Defined contribution plans

The Group participates 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

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.

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

2.21 Employee benefits (cont'd)

d) Provision for severance allowance

The severance pay to employees of foreign subsidiaries are 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.

2.22 Leases

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.

2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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.

b) Interest income

Interest income is recognised using the effective interest method.

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

2.23 Revenue (cont'd)

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.

2.24 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.

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.

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.

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

2.24 Income taxes (cont'd)

b) Deferred tax (cont'd)

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.

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 Company 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 36, 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 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 events not wholly within the control of the Group.

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

3. Significant accounting judgements and estimates

The preparation of the Group'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.

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. Significant accounting judgements and estimates (cont'd)

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 2013 were RM65,707,000 (2012: RM75,340,000). A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately RM579,000 (2012: RM599,000) variance in the Group's profit for the year.

b) Impairment of 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 annual impairment testing 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 or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the assets does not generate cash inflows that are largely independent of those from other assets or groups' of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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 2013 was RM897,000 (2012: RM1,101,000) and RM1,283,000 (2012: RM909,000) respectively.

d) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax assets have been recognised. The carrying amount of the Group's deferred tax assets as at 30 June 2013 was RM889,000 (2012: RM812,000).

4. Revenue

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Sale of goods	493,687	517,863	-	-
Dividend income from subsidiaries	-	-	15,929	20,015
Management fees from subsidiaries	-	-	120	120
	493,687	517,863	16,049	20,135

5. Other income

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Gain on disposal of an associate	524	-	-	-
Fair value gain on derivatives	177	-	-	-
Gain on disposal of property, plant and equipment	-	21	-	-
Insurance compensation	2	198	-	-
Net realised foreign exchange gains	702	78	3	107
Net unrealised foreign exchange gains	-	871	-	-
Reversal of allowance for impairment of other receivables (Note 21)	-	-	1,623	4,962
Scrap sales	321	215	-	-
Miscellaneous	218	44	-	-
	1,944	1,427	1,626	5,069

6. Finance costs

	Group 2013 RM'000	Group 2012 RM'000
Interest expense on:		
Bank overdrafts	207	264
Bankers' acceptances	278	501
Bills payables	134	257
Obligation under finance lease	1	2
Term loans	897	1,423
Trust receipts	2,952	2,525
Others	-	2
	4,469	4,974

7. Profit before tax

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Auditors' remuneration:				
- current year	462	408	30	28
- under provision in prior year	-	5	-	-
Amortisation of land use rights (Note 18)	413	414	-	-
Depreciation of property, plant and equipment (Note 13)	16,354	16,703	-	-
Employee benefits expense (Note 8)	82,704	81,378	84	106
Fair value loss on derivatives	-	962	-	-
Impairment loss on investment in an associate	-	971	-	-
Impairment loss on investment in subsidiaries	-	-	2,014	338
Impairment loss on other investments	-	440	-	440
Impairment loss on:				
- other receivables (Note 21)	63	103	9,691	5,666
- trade receivables (Note 21)	143	61	-	-
Loss on disposal of property, plant and equipment	30	-	-	-
Net unrealised foreign exchange loss	14	-	1	158
Non-executive directors' remuneration (Note 9)	1,346	873	332	270
Property, plant and equipment written off	2	25	-	-
Provision for severance allowance (Note 27)	130	216	-	-
Retirement benefit expense	17	40	-	-

8. Employee benefits expense

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Wages and salaries	71,723	71,188	-	-
Social security contributions	4,220	3,624	-	-
Contributions to defined contribution plan	1,782	1,753	-	-
Other benefits	4,979	4,813	84	106
	82,704	81,378	84	106

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM407,000 (2012: RM596,000) and RM84,000 (2012: RM106,000) respectively as further disclosed in Note 9.

9. Directors' remuneration

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Executive:				
Salaries and other emoluments	198	379	6	4
Fees	72	102	72	102
Bonus	38	22	6	-
Defined contribution plan	99	93	-	-
Total executive directors' remuneration	407	596	84	106
Non-executive:				
Salaries and other emoluments	619	320	20	18
Fees	437	399	288	252
Bonus	290	154	24	-
Total non-executive directors' remuneration	1,346	873	332	270
Total directors' remuneration	1,753	1,469	416	376

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

	Number of directors	
	2013	2012
Executive directors:		
RM Nil - RM50,000	1	1
RM50,001 - RM100,000	1	1
Non-executive directors:		
RM Nil - RM50,000	-	1
RM50,001 - RM100,000	4	3

10. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 30 June 2013 and 2012 are:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Statements of comprehensive income:-				
Current income tax:				
- Malaysian income tax	-	14	-	-
- Foreign tax	3,303	2,051	-	-
- Under/(over) provision in respect of previous years	383	(114)	-	-
	3,686	1,951	-	-
Deferred tax (Note 19):				
- Origination and reversal of temporary differences	(74)	(54)	-	-
Income tax expense recognised in profit or loss	3,612	1,897	-	-

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 2013 and 2012 are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before tax	35,658	16,650	4,695	18,040
Tax at Malaysian statutory tax rate of 25% (2012: 25%)	8,915	4,163	1,174	4,510
Different tax rates in other countries	(8,084)	(4,828)	-	-
Adjustments:				
- Income not subject to taxation	-	-	(2,138)	(5,004)
- Non-deductible expenses	1,436	2,113	874	452
- Utilisation of previously unrecognised unutilised reinvestment allowances	(812)	(336)	-	-
- Under/(over) provision of income tax in respect of previous years	383	(114)	-	-
- Deferred tax assets not recognised in respect of unutilised capital allowances, unutilised reinvestment allowances and unutilised tax losses	1,774	899	90	42
Income tax expense recognised in profit or loss	3,612	1,897	-	-

10. Income tax expense (cont'd)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

The foreign subsidiaries in Vietnam are entitled to corporate income tax exemption for the first four years from the first profit-making year and a 50% tax reduction for the following four years and subsequently are subject to pay corporate income tax at the rate of 10%.

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.

Tax savings during the financial year arising from:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Utilisation of current year tax losses	2	9	2	9

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unutilised capital allowances	2,364	9	-	-
Unutilised reinvestment allowances	16,159	16,772	-	-
Unutilised tax losses	21,541	18,321	579	220
	40,064	35,102	579	220

The availability of the unutilised 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

a) Basic

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.

	Group	
	2013 RM'000	2012 RM'000
Profit net of tax attributable to owners of the parent used in the computation of basic earnings per share	24,366	9,840

11. Earnings per share (cont'd)

a) Basic (cont'd)

	Group 2013 Number of shares '000	Group 2012 Number of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	97,208	97,208

	sen per share	sen per share
Basic earnings per share	25.07	10.12

b) Dilluted

No diluted earnings per share were presented as there were no potential dilutive ordinary shares outstanding as at 30 June 2013.

12. Dividends

	Group and Company 2013 RM'000	Group and Company 2012 RM'000
Recognised during the financial year:		
Final tax exempt dividend for 2011: 2.0 sen per share on 97,207,500 ordinary shares	-	1,944
Final tax exempt dividend for 2012: 3.0 sen per share on 97,207,500 ordinary shares	2,916	-
	2,916	1,944

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 30 June 2013, of 6.3 sen on 97,207,500 ordinary shares, amounting to a dividend payable of RM6,124,073 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 2014.

13. Property, plant and equipment

	Freehold land RM'000	Long term 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
Group											
Cost											
At 1 July 2011	21,637	3,973	112,433	173,434	4,493	1,008	3,183	3,429	1,458	12,291	337,339
Additions	-	-	8,282	4,549	-	4	116	343	-	137	13,431
Disposals	-	-	-	(86)	-	-	(545)	-	-	-	(631)
Written off	-	-	-	(4)	-	-	(75)	(46)	-	-	(125)
Transfers	-	-	11,201	1,364	-	-	-	-	-	(12,565)	-
Reclassification	-	-	(13)	363	-	-	(350)	-	-	-	-
Exchange differences	30	-	3,295	4,380	43	6	63	93	21	277	8,208
At 30 June 2012	21,667	3,973	135,198	184,000	4,536	1,018	2,392	3,819	1,479	140	358,222
At 1 July 2012	21,667	3,973	135,198	184,000	4,536	1,018	2,392	3,819	1,479	140	358,222
Additions	-	-	1,007	2,573	-	9	930	415	-	351	5,285
Disposals	-	-	(74)	(1,247)	-	-	(200)	-	-	-	(1,521)
Written off	-	-	-	(978)	-	(57)	(4)	(314)	-	-	(1,353)
Transfers	-	-	137	-	-	-	-	-	-	(137)	-
Exchange differences	34	-	287	309	51	7	6	13	27	7	741
At 30 June 2013	21,701	3,973	136,555	184,657	4,587	977	3,124	3,933	1,506	361	361,374

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

	Freehold land RM'000	Long term 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
Group											
Accumulated deprection											
At 1 July 2011	-	756	17,012	94,691	2,864	963	2,183	2,614	753	-	121,836
Depreciation charge for the year	-	66	3,653	11,981	360	25	196	280	142	-	16,703
Disposals	-	-	-	(80)	-	-	(545)	-	-	-	(625)
Written off	-	-	-	(1)	-	-	(53)	(46)	-	-	(100)
Reclassification	-	-	-	204	-	-	(204)	-	-	-	-
Exchange differences	-	-	444	1,865	20	6	28	57	11	-	2,431
At 30 June 2012	-	822	21,109	108,660	3,244	994	1,605	2,905	906	-	140,245
At 1 July 2012	-	822	21,109	108,660	3,244	994	1,605	2,905	906	-	140,245
Depreciation charge for the year	-	66	3,692	11,589	337	11	269	247	143	-	16,354
Disposals	-	-	(74)	(731)	-	-	(129)	-	-	-	(934)
Written off	-	-	-	(978)	-	(57)	(4)	(312)	-	-	(1,351)
Exchange differences	-	-	102	410	32	7	5	5	16	-	577
At 30 June 2013	-	888	24,829	118,950	3,613	955	1,746	2,845	1,065	-	154,891
Net carrying amount											
At 30 June 2012	21,667	3,151	114,089	75,340	1,292	24	787	914	573	140	217,977
At 30 June 2013	21,701	3,085	111,726	65,707	974	22	1,378	1,088	441	361	206,483

* The remaining lease term of long term leasehold land is 45 to 58 years.

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

Revaluation of freehold land and buildings

At the date of transition to MFRS on 1 July 2011, the Group elected to regard the revalued amounts of land and buildings first revalued in 2002 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus of RM1,114,000 was transferred to retained earnings on date of transition to MFRS.

Asset held under finance lease

The carrying amount of property, plant and equipment held under finance lease at the reporting date was as follows:

	Group	
	2013 RM'000	2012 RM'000
Motor vehicle	34	49

Leased asset is pledged as security for the related finance lease liability (Note 25).

Assets pledged as security

In addition to asset held under finance lease, the net carrying amounts of property, plant and equipment pledged as securities for loans and borrowings (Note 25) are as follows:

	Group	
	2013 RM'000	2012 RM'000
Freehold land	15,121	15,086
Freehold buildings	16,879	17,035
Plant and machinery	13,266	7,428
	45,266	39,549

14. Investment in subsidiaries

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares, at cost	95,256	95,256
Impairment losses	(12,888)	(10,874)
	82,368	84,382

14. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2013 %	2012 %
Held by the Company:				
Latitude Tree Furniture Sdn. Bhd. *	Malaysia	Manufacture and sale of wooden furniture and components	100	100
Rhong Khen Industries Sdn. Bhd. *	Malaysia	Rental of property, plant and equipment	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
Latitude Tree International Group Ltd. **	Singapore	Investment holding	77.62	77.62
Held through L-Tree Resources Sdn. Bhd.:				
P.T. Latitude Tree #	Indonesia	Dormant	100	100
Held through Latitude Tree International Group Ltd.:				
Latitude Tree Vietnam Joint Stock Company **	Vietnam	Manufacture and sale of wooden furniture and components	77.62	77.62
Linkage Creation International Co., Ltd. ^	Brunei Darussalam	Investment holding	77.62	77.62
Latitude Tree International Limited ^	British Virgin Islands	Investment holding	77.62	77.62
Grob Holz Company Limited #	Thailand	Manufacture and sale of wooden furniture parts and components	65.98	65.98

14. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2013 %	2012 %
Held through Latitude Tree Vietnam Joint Stock Company:				
RK Resources Co. Ltd. **	Vietnam	Manufacture and sale of wooden furniture and components	77.62	77.62

* Audited by Ernst & Young, Malaysia
** Audited by member firms of Ernst & Young Global in the respective countries
# Audited by a firm other than Ernst & Young
^ As these companies are dormant, limited review has been performed for consolidation purpose only

Winding up of a subsidiary

On 30 August 2012, the winding up process of P.T. Latitude Tree ("PT Latitude"), a wholly owned subsidiary of L-Tree Resources Sdn. Bhd. has been approved by the Board of Directors of PT Latitude. Hence, an application had been submitted to the Indonesia Investment Coordinating Board to wind up PT Latitude.

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

The winding up process has not been completed as at the date of this report. The winding up process is expected to be completed upon the official revocation of PT Latitude Tree's tax identification obtained from the Tax Office of Republic of Indonesia.

15. Investment in an associate

	Group 2013 RM'000	2012 RM'000
Unquoted shares, at cost	-	1,498
Impairment losses	-	(971)
	-	527
Share of post-acquisition reserves	-	(527)
	-	-

15. Investment in an associate (cont'd)

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2013 %	2012 %
Held through a subsidiary:				
Win Yuan Bio-Tech Co. Ltd.	Taiwan	Manufacture and distribution of organic fertiliser	-	35

Disposal of an associate

During the financial year, the Company had disposed off its interest in Win Yuan Bio-Tech Co. Ltd. ("Win Yuan") of 1,405,250 ordinary shares of NTD10 each, representing 35% of the issued and paid-up share capital of Win Yuan for a total consideration of NTD5,000,000 or approximately RM523,569.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group 2013 RM'000	2012 RM'000
Assets and liabilities:		
Total assets	-	13,886
Total liabilities	-	12,382
Results:		
Loss for the year	-	1,323

16. Other investments

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Subordinated bonds, at cost	3,500	3,500	3,500	3,500
Impairment losses	(3,500)	(3,500)	(3,500)	(3,500)
	-	-	-	-
Transferable golf club membership, at cost	81	81	-	-
	81	81	-	-

17. Intangible asset

	Group Goodwill 2013 RM'000	Group Goodwill 2012 RM'000
Cost:		
At 1 July/30 June	2,114	2,114
Accumulated impairment:		
At 1 July/30 June	2,114	2,114
Net carrying amount:		
At 1 July/30 June	-	-

18. Land use rights

	Group 2013 RM'000	Group 2012 RM'000
Cost:		
At 1 July	18,718	17,847
Exchange differences	2	871
At 30 June	18,720	18,718
Accumulated amortisation and impairment:		
At 1 July	3,890	3,351
Amortisation charged for the year (Note 7)	413	414
Exchange differences	12	125
At 30 June	4,315	3,890
Net carrying amount	14,405	14,828
Amount to be amortised:		
- Not later than one year	413	414
- Later than one year but not later than five years	2,065	2,070
- Later than five years	11,927	12,344

The land use rights have a remaining tenure of 18 to 44 years.

19. Deferred tax

	Group 2013 RM'000	Group 2012 RM'000
At 1 July	(812)	(743)
Recognised in profit or loss (Note 10)	(74)	(54)
Exchange differences	(3)	(15)
At 30 June	(889)	(812)
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	-	-
Deferred tax assets	(889)	(812)
	(889)	(812)

The components and movements of deferred tax liabilities and assets during the year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000
At 1 July 2012	7,127
Recognised in profit or loss	(403)
At 30 June 2013	6,724
At 1 July 2011	6,647
Recognised in profit or loss	480
At 30 June 2012	7,127

19. Deferred tax (cont'd)

Deferred tax assets of the Group:

	Unutilised tax losses, unutilised reinvestment allowances and unutilised capital allowances RM'000	Provision RM'000	Total RM'000
At 1 July 2012	6,730	1,209	7,939
Recognised in profit or loss	(403)	74	(329)
Exchange differences	-	3	3
At 30 June 2013	6,327	1,286	7,613
At 1 July 2011	6,250	1,140	7,390
Recognised in profit or loss	480	54	534
Exchange differences	-	15	15
At 30 June 2012	6,730	1,209	7,939

20. Inventories

	Group	
	2013 RM'000	2012 RM'000
Cost		
Raw materials	46,955	39,233
Work-in-progress	22,144	22,525
Finished goods	20,554	14,343
	89,653	76,101

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM359,124,000 (2012: RM375,881,000).

21. Trade and other receivables

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade receivables				
Third parties	23,317	33,629	-	-
Less: Allowance for impairment	(206)	(61)	-	-
Trade receivables, net	23,111	33,568	-	-
Other receivables				
Amounts due from subsidiaries	-	-	73,775	74,863
Amount due from an associate	-	1,138	-	-
Deposits	470	234	-	-
Staff loans	98	47	-	-
Dividend receivable from a subsidiary	-	-	9,000	-
Sundry receivables	10,020	6,694	-	-
	10,588	8,113	82,775	74,863
Less: Allowance for impairment				
Amounts due from subsidiaries	-	-	(15,932)	(7,864)
Sundry receivables	(169)	(103)	-	-
Other receivables, net	10,419	8,010	66,843	66,999
Total trade and other receivables	33,530	41,578	66,843	66,999
Add: Cash and bank balances (Note 24)	103,319	59,942	50	1,619
Total loans and receivables	136,849	101,520	66,893	68,618

a) Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 30 day (2012: 7 to 30 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

21. Trade and other receivables (cont'd)

a) Trade receivables (cont'd)

Ageing analysis of trade receivables

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

	Group	
	2013 RM'000	2012 RM'000
Neither past due nor impaired	21,532	32,308
1 to 30 days past due not impaired	1,238	1,021
31 to 60 days past due not impaired	32	36
61 to 90 days past due not impaired	34	16
More than 90 days past due not impaired	275	187
	1,579	1,260
Impaired	206	61
	23,317	33,629

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 RM1,579,000 (2012: RM1,260,000) that are past due at the reporting date but not impaired.

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.

21. Trade and other receivables (cont'd)

a) Trade receivables (cont'd)

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:

	Group Individually impaired 2013 RM'000	Group Individually impaired 2012 RM'000
Trade receivables - nominal amounts	206	61
Less: Allowance for impairment	(206)	(61)
	-	-

Movement in allowance accounts:

	Group 2013 RM'000	Group 2012 RM'000
At 1 July	61	-
Charge for the year (Note 7)	143	61
Exchange differences	2	-
At 30 June	206	61

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.

b) Other receivables

Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

Amount due from an associate in prior year was unsecured, non-interest bearing and repayable on demand.

Included in sundry receivables of the Group are:

i) Import duty and other direct taxes receivable in foreign subsidiaries of RM8,441,000 (2012: RM4,895,000).

ii) Advance to suppliers of RM1,306,000 (2012: RM1,486,000) mainly relates to payment in advance for raw materials purchased.

21. Trade and other receivables (cont'd)

b) Other receivables (cont'd)

Other receivables that are impaired

The Group'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 Individually impaired		Company Individually impaired	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other receivables - nominal amounts	169	103	46,634	8,178
Less: Allowance for impairment	(169)	(103)	(15,932)	(7,864)
	-	-	30,702	314

Movement in allowance accounts:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 July	103	-	7,864	7,160
Charge for the year (Note 7)	63	103	9,691	5,666
Reversal of allowance for impairment (Note 5)	-	-	(1,623)	(4,962)
Exchange differences	3	-	-	-
At 30 June	169	103	15,932	7,864

The currency profiles of the Group's and of the Company's trade and other receivables as at 30 June are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Ringgit Malaysia	404	1,030	66,792	66,948
United States Dollars	24,600	33,301	51	51
Vietnam Dong	7,955	5,523	-	-
Thai Baht	571	586	-	-
Taiwanese Dollars	-	1,138	-	-
	33,530	41,578	66,843	66,999

22. Investment securities

	Group 2013 RM'000		Group 2012 RM'000	
	Carrying amount	Market value of quoted investments	Carrying amount	Market value of quoted investments
Current				
Held for trading investments				
- Equity instruments (quoted in Malaysia)	204	204	1,196	1,196

23. Derivatives

	Group 2013 RM'000			Group 2012 RM'000		
	Contract/ Notional amount	Assets	Liabilities	Contract/ Notional amount	Assets	Liabilities
Non-hedging derivatives:						
Current						
Forward currency contracts	7,495	-	(130)	26,376	-	(307)
Add: Held for trading investment (Note 22)		204	-		1,196	-
Total held for trading financial assets/(liabilities)		204	(130)		1,196	(307)

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 balances denominated in United States Dollars for which Group's commitments existed at the reporting date, extending to September 2013 (2012: December 2012)(Note 34(d)).

During the financial year, the Group recognised a gain of RM177,000 (2012: loss of RM962,000) arising from fair value changes of derivative assets. The fair value changes are attributable to changes in foreign exchange closing and forward rate. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 33.

24. Cash and bank balances

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash at banks and in hand	34,480	25,217	50	210
Short term deposits with licensed banks	68,839	34,725	-	1,409
Cash and bank balances	103,319	59,942	50	1,619

Cash at banks earns interest at floating rates based on daily bank deposit rates. Deposits with licensed banks are made for varying periods of between 1 day and 365 days (2012: 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 weighted average effective interest rates as at 30 June 2013 for the Group and the Company were 1.69% (2012: 1.83%) and Nil % (2012: 2.74%) per annum respectively.

Short term deposits with licensed banks of the Group and the Company of RM5,017,000 (2012: RM6,049,000) and RM Nil (2012: RM1,409,000) respectively are pledged as securities for loans and borrowings (Note 25).

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following as at the reporting date:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and bank balances	103,319	59,942	50	1,619
Bank overdrafts (Note 25)	(2,211)	(2,532)	-	-
	101,108	57,410	50	1,619
Deposits pledged as securities for bank borrowings	(5,017)	(6,049)	-	(1,409)
Total cash and cash equivalents	96,091	51,361	50	210

The currency profiles of the Group's and of the Company's cash and bank balances as at 30 June are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Ringgit Malaysia	18,713	9,191	48	1,428
United States Dollars	71,793	40,655	2	191
Singapore Dollars	4,382	5,289	-	-
Vietnam Dong	8,299	4,677	-	-
Thai Baht	129	127	-	-
Others	3	3	-	-
	103,319	59,942	50	1,619

25. Loans and borrowings

	Maturity	Group 2013 RM'000	Group 2012 RM'000
Current			
Secured:			
Bank overdrafts	On demand	2,211	2,532
Bankers' acceptances	2014	7,153	10,797
Bills payable	2014	653	3,794
Term loans	2014	8,832	7,798
Trust receipts	2014	66,262	68,622
Obligation under finance lease (Note 32(b))	2014	6	24
		85,117	93,567
Non-current			
Secured:			
Term loans	2015 - 2026	13,416	9,178
Obligation under finance lease (Note 32(b))	2014	-	6
		13,416	9,184
Total loans and borrowings		98,533	102,751

The remaining maturities of the loans and borrowings as at 30 June are as follows:

	Group 2013 RM'000	Group 2012 RM'000
On demand or within one year	85,117	93,567
More than 1 year and less than 2 years	6,332	3,935
More than 2 years and less than 5 years	4,512	2,411
5 years or more	2,572	2,838
	98,533	102,751

Bank overdrafts

The weighted average effective interest rate of bank overdrafts as at the reporting date was 7.42% (2012 : 7.90%) per annum. Bank overdrafts of the Group are secured by short term deposits of the Group (Note 24), negative pledge over the assets of the Group and corporate guarantee from the Company.

Bankers' acceptances

The weighted average effective interest rate of bankers' acceptances as at the reporting date was 3.74% (2012: 3.61%) per annum. The bankers' acceptances are secured by the short term deposits of the Group (Note 24), certain freehold land and buildings of the Group (Note 13), negative pledge over the assets of the subsidiaries (Note 13) and corporate guarantee from the Company.

25. Loans and borrowings (cont'd)

Bills payable

The weighted average effective interest rate of bills payable as at the reporting date was 7.14% (2012: 6.45%) per annum. The bills payable are secured by the fixed charge on freehold land and buildings and plant and machinery (Note 13) of a subsidiary.

Term loans

The term loans are secured by the following:

a) Short term deposits with licensed banks of a subsidiary (Note 24);

b) Fixed charge over the freehold land and buildings and plant and machinery of certain subsidiaries;

c) Corporate guarantee by the Company and a subsidiary;

Term loans bear interest at respective term loans rates. The term loans bear interest rate of 2.77% to 6.54% (2012: 3.75% to 6.54%) per annum.

Trust receipts

The weighted average effective interest rate of trust receipts as at the reporting date was 3.94% (2012: 4.14%) per annum. Trust receipts of the Group are secured by corporate guarantee from the Company and a subsidiary.

Obligation under finance lease

This obligation is secured by a charge over the leased asset (Note 13). The discount rate implicit in the lease is 3.55% (2012: 3.55%) per annum.

The currency profiles of the Group's loans and borrowings as at 30 June are as follows:

	Group	
	2013 RM'000	2012 RM'000
Ringgit Malaysia	16,869	16,434
United States Dollars	79,007	77,510
Thai Baht	2,657	8,807
	98,533	102,751

26. Trade and other payables

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade payables				
Third parties	49,629	44,300	-	-
Other payables				
Amount due to a subsidiary	-	-	15,243	21,258
Accruals	9,319	10,886	549	94
Sundry payables	14,603	9,001	3	3
	23,922	19,887	15,795	21,355
Total trade and other payables	73,551	64,187	15,795	21,355
Add: Loans and borrowings (Note 25)	98,533	102,751	-	-
Total financial liabilities carried at amortised cost	172,084	166,938	15,795	21,355

a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 15 to 90 day (2012: 15 to 90 day) terms.

b) Other payables

Sundry payables are non-interest bearing and are normally settled on an average term of one month (2012: average term of one month).

Included in accruals of the Group are:

(i) RM36,000 (2012: RM36,000) due to a director for director's remuneration. This amount is unsecured, interest free and is repayable on demand.

(ii) RM2,453,000 (2012: RM3,166,000) due to a director of a subsidiary for loan given to the subsidiary. This amount is unsecured, interest free and is repayable on demand.

(iii) RM2,935,000 (2012: RM2,550,000) accrued for import and export duties and other direct taxes payable in foreign subsidiaries.

Amount due to a subsidiary is unsecured, non-interest bearing and repayable on demand.

26. Trade and other payables (cont'd)

The currency profiles of the Group's and of the Company's trade and other payables as at 30 June are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Ringgit Malaysia	8,624	10,341	15,795	21,355
United States Dollars	22,760	18,024	-	-
Vietnam Dong	35,238	31,514	-	-
Thai Baht	6,923	4,308	-	-
Others	6	-	-	-
	73,551	64,187	15,795	21,355

27. Provision for severance allowance

	Group	
	2013 RM'000	2012 RM'000
At 1 July	564	612
Arose during the year (Note 7)	130	216
Utilised	(217)	(294)
Exchange differences	(3)	30
At 30 June	474	564

Provision for severance allowance is for employees in foreign subsidiaries who have served more than one year up to 31 December, 2008 at the rate of a half of monthly salary for each working year.

28. Share capital and share premium

	Group and Company			
	Number of ordinary shares of RM1 each	Amount		
	Share capital (Issued and fully paid) '000	Share capital (Issued and fully paid) RM'000	Share premium RM'000	Total RM'000
At 1 July 2011, 30 June 2012 and 30 June 2013	97,208	97,208	1,225	98,433

	Number of ordinary shares of RM1 each		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
Authorised				
At 1 July/30 June	200,000	200,000	200,000	200,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

29. Retained earnings

As at 30 June 2013, the Company has tax exempt profits available for distribution of approximately RM88,090,000 (2012: RM85,007,000) of its retained earnings, subject to the agreement of the Inland Revenue Board.

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 30 June 2013 to distribute cash dividend payments to ordinary shareholdings as defined under Finance Act 2007. As at 30 June 2013, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM1,634,000 (2012: RM1,634,000) out of its retained earnings. If the balance of retained earnings of RM33,584,000 (2012: RM31,805,000) were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

30. Other reserves

	Asset revaluation reserve RM'000	Foreign currency translation reserve RM'000	Total RM'000
Group			
At 1 July 2011	1,114	(10,346)	(9,232)
Effects of transition to MFRS	(1,114)	10,346	9,232
	-	-	-
Other comprehensive income:			
Foreign currency translation	-	4,357	4,357
At 30 June 2012	-	4,357	4,357
At 1 July 2012	1,114	(5,989)	(4,875)
Effects of transition to MFRS	(1,114)	10,346	9,232
	-	4,357	4,357
Other comprehensive income:			
Foreign currency translation	-	936	936
At 30 June 2013	-	5,293	5,293

a) Asset revaluation reserve

The asset revaluation reserve represents increases in the fair value of freehold land and buildings, net of tax, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

Upon transition to MFRS, the Group elected to measure all its property, plant and equipment using the cost model. Accordingly, the revaluation surplus was transferred to retained earnings on date of transition to MFRS.

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.

31. 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 related party took place at terms agreed between the parties during the financial year:

	Company	
	2013 RM'000	2012 RM'000
Management fees received from a subsidiary	120	120
Dividend income received from subsidiaries	15,929	20,015

b) Compensation of key management personnel

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short-term employee benefits	3,022	2,327	416	376
Defined contribution plan	167	96	-	-
	3,189	2,423	416	376

Included in the total key management personnel is:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors' remuneration (Note 9)	1,753	1,469	416	376

32. Commitments

a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2013 RM'000	2012 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	2,515	346

32. Commitments (cont'd)

b) Finance lease commitment

The Group has finance lease for certain item of property, plant and equipment (see Note 13).

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments is as follows:

	Group	
	2013 RM'000	2012 RM'000
Minimum lease payments:		
Not later than 1 year	6	25
Later than 1 year and not later than 2 years	-	6
Total minimum lease payments	6	31
Less: Amounts representing finance charges	-	(1)
Present value of minimum lease payments	6	30
Present value of payments:		
Not later than 1 year	6	24
Later than 1 year and not later than 2 years	-	6
Present value of minimum lease payments	6	30
Less: Amount due within 12 months (Note 25)	(6)	(24)
Amount due after 12 months (Note 25)	-	6

c) Operating lease commitments

As at the end of the financial year, commitments in respect of non-cancellable operating lease in respect of usage of land are as follows:

	Group	
	2013 RM'000	2012 RM'000
Not later than 1 year	249	201
Later than 1 year but not later than 5 years	998	803
Later than 5 years	7,445	5,805
	8,692	6,809

Operating lease payments represent rental payable by the Group for use of land in Vietnam. These leases have tenure ranging from 36 to 47 (2012: 37 to 48) years with renewal option is subject to the approval from government and no contingent rent provision included in the contracts.

33. Fair value of financial instruments

A. Determination of fair value

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:

	Note
Other investments	16
Trade and other receivables	
- Trade receivables	21
- Sundry receivables	21
- Deposits	21
- Staff loans	21
Loans and borrowings (current and non-current)	25
Trade and other payables	
- Trade payables	26
- Sundry payables	26
- Accruals	26

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 loans and 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.

Derivatives

The fair value of forward currency contracts are valued by comparing foreign exchange closing and forward rate at the date of contract entered into with licensed banks.

Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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).

33. Fair value of financial instruments (cont'd)

A. Determination of fair value (cont'd)

Quoted equity instruments (cont'd)

c) Level 3 Input for the asset or liability that are not based on observable market data (unobservable input).

	Note	Level 1 RM'000
Financial assets:		
Held for trading investments		
- Equity instruments (quoted)	22	204

34. 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 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 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.

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.

34. Financial risk management objectives and policies (cont'd)

a) Credit risk (cont'd)

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 RM51,900,000 (2012: RM43,100,000) relating to corporate guarantees provided by the Company to financial institutions for credit facilities granted to subsidiaries.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 21.

Credit risk concentration profile

The Group determines concentrations 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			
	2013		2012	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	368	1%	455	1%
United States	22,303	97%	32,598	97%
Thailand	440	2%	515	2%
	23,111	100%	33,568	100%

At the reporting date, approximately 51% (2012: 52%) of the Group's trade receivables were due from 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 21. 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 21.

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 manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met.

34. Financial risk management objectives and policies (cont'd)

b) Liquidity risk (cont'd)

The Group's and the Company's overall liquidity risk management are to maintain sufficient levels of cash to meet its 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 raise funding from shareholders, capital markets and financial institutions and balance their portfolio with some short term funding so as to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2013 RM'000			
	On demand or within one year	One to five years	Over five years	Total
Group				
Financial liabilities:				
Trade and other payables	73,551	-	-	73,551
Loans and borrowings	85,117	11,157	2,703	98,977
Total undiscounted financial liabilities	158,668	11,157	2,703	172,528
Company				
Financial liabilities:				
Trade and other payables, representing total undiscounted financial liabilities	15,795	-	-	15,795

34. Financial risk management objectives and policies (cont'd)

b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	2012 RM'000			
	On demand or within one year	One to five years	Over five years	Total
Group				
Financial liabilities:				
Trade and other payables	64,187	-	-	64,187
Loans and borrowings	93,567	6,652	2,983	103,202
Total undiscounted financial liabilities	157,754	6,652	2,983	167,389
Company				
Financial liabilities:				
Trade and other payables, representing total undiscounted financial liabilities	21,355	-	-	21,355

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.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

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 RM410,000 (2012: RM441,000) 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, Ringgit Malaysia ("RM"). The foreign currencies in which these transactions are denominated are mainly Vietnam Dong ("VND"), United States Dollars ("USD"), Thai Baht ("THB"), Singapore Dollars ("SGD") and Taiwanese Dollars ("TWD").

34. Financial risk management objectives and policies (cont'd)

d) Foreign currency risk (cont'd)

Approximately 99% (2012: 99%) and 79% (2012: 72%) of the Group's sales and costs are denominated in foreign currencies. The Group's trade receivable and trade payable 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) amount to RM71,793,000 (2012: RM40,655,000) and RM2,000 (2012: RM191,000) for the Group and the Company respectively.

The Company uses forward currency contracts to eliminate the currency exposures on its bank balances. At 30 June 2013, the Company entered into forward currency contracts amount to RM7,495,000 (2012: RM26,376,000).

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the VND, USD, THB, SGD and TWD exchange rates against the functional currency of the Group with all other variables held constant.

	Group Profit net of tax	
	2013 RM'000	**2012 RM'000**
VND/RM - strengthened 10%	(1,726)	(1,966)
VND/RM - weakened 10%	1,726	1,966
USD/RM - strengthened 10%	1,482	(613)
USD/RM - weakened 10%	(1,482)	613
THB/RM - strengthened 10%	(807)	(1,138)
THB/RM - weakened 10%	807	1,138
SGD/RM - strengthened 10%	335	471
SGD/RM - weakened 10%	(335)	(471)
TWD/RM - strengthened 10%	-	126
TWD/RM - weakened 10%	-	(126)

35. 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 shareholder 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 2013 and 2012.

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.

35. Capital management (cont'd)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Loans and borrowings	25	98,533	102,751	-	-
Trade and other payables	26	73,551	64,187	15,795	21,355
Less: Cash and bank balances	24	(103,319)	(59,942)	(50)	(1,619)
Net debt		68,765	106,996	15,745	19,736
Equity attributable to owners of the parent, represents total capital		232,061	209,675	133,651	131,872
Capital and net debt		300,826	316,671	149,396	151,608
Gearing ratio		23%	34%	11%	13%

36. 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. Wooden furniture and components

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.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

36. Segment information (cont'd)

	Wooden furniture and components RM'000	Rental of property, plant and equipment RM'000	Investment holding RM'000	Eliminations RM'000	Notes	Per consolidated financial statements RM'000
30 June 2013						
Revenue:						
External customers	493,687	-	-	-		493,687
Inter segment	20,612	-	16,049	(36,661)	A	-
Total revenue	514,299	-	16,049	(36,661)		493,687
Results:						
Interest income from loans and receivables	395	16	183	-		594
Depreciation and amortisation	15,250	1,735	-	(218)		16,767
Other non-cash expenses	159	1,695	9,757	(11,913)	B	(302)
Segment profit/(loss)	53,158	(3,427)	1,734	(15,807)	C	35,658
Assets:						
Additions to non-current assets	5,230	55	-	-	D	5,285
Segment assets	444,474	34,405	268,518	(297,011)	E	450,386
Liabilities:						
Segment liabilities	238,328	41,625	32,257	(138,182)	F	174,028

36. Segment information (cont'd)

	Wooden furniture and components RM'000	Rental of property, plant and equipment RM'000	Investment holding RM'000	Eliminations RM'000	Notes	Per consolidated financial statements RM'000
30 June 2012						
Revenue:						
External customers	517,863	-	-	-		517,863
Inter segment	23,295	-	45,180	(68,475)	A	-
Total revenue	541,158	-	45,180	(68,475)		517,863
Results:						
Interest income from loans and receivables	185	17	143	-		345
Depreciation and amortisation	15,501	1,836	-	(220)		17,117
Other non-cash expenses	681	(1)	7,112	(5,866)	B	1,926
Segment profit/(loss)	26,770	(1,699)	44,256	(52,677)	C	16,650
Assets:						
Additions to non-current assets	13,431	-	-	-	D	13,431
Segment assets	387,475	38,458	284,090	(294,976)	E	415,047
Liabilities:						
Segment liabilities	219,772	42,250	30,345	(123,609)	F	168,758

36. Segment information (cont'd)

Notes	Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.
A	Inter-segment revenues are eliminated on consolidation.
B	Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2013 RM'000	2012 RM'000
Gain on disposal of an associate	5	(524)	-
Loss/(gain) on disposal of property, plant and equipment	5, 7	30	(21)
Fair value (gain)/loss on derivatives	5, 7	(177)	962
Net unrealised foreign exchange loss/(gain)	5, 7	14	(871)
Impairment loss on investment in an associate	7	-	971
Impairment loss on other investments	7	-	440
Impairment loss on other receivables	7	63	103
Impairment loss on trade receivables	7	143	61
Property, plant and equipment written off	7	2	25
Provision for severance allowance	7	130	216
Retirement benefit expense	7	17	40
		(302)	1,926

C The following items are added to/(deducted from) segment profit to arrive at "profit before tax" presented in the consolidated statement of comprehensive income:

	2013 RM'000	2012 RM'000
Revenue from inter-segment	(36,661)	(68,475)
Cost of sales from inter-segment	22,751	25,434
Other income from inter-segment	(15,422)	(9,531)
Administrative expenses from inter-segment	120	120
Other expenses from inter-segment	13,405	(180)
Share of results of an associate	-	(45)
	(15,807)	(52,677)

36. Segment information (cont'd)

Notes	Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

D Additions to non-current assets consist of:

	2013 RM'000	2012 RM'000
Property, plant and equipment	5,285	13,431

E The following item is deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2013 RM'000	2012 RM'000
Inter-segment assets	297,011	294,976

F The following item is deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2013 RM'000	2012 RM'000
Inter-segment liabilities	138,182	123,609

Geographical information

Geographically, management reviews the performance of the businesses in Malaysia, Vietnam and Thailand. Revenue information based on the geographical location of the operations of the Group are as follows:

	Revenue	
	2013 RM'000	2012 RM'000
Malaysia	100,785	141,251
Vietnam	373,388	356,566
Thailand	19,514	20,046
	493,687	517,863

37. Significant events

On 5 February 2013, the Board of Directors of the Company announced that the Company proposes to acquire all the subsidiaries of Latitude Tree International Group Ltd. ("LTIGL"), a 77.62% owned subsidiary of the Company, for an aggregate consideration of SGD46,770,000 ("Purchase Consideration") ("Proposed Acquisitions"). A letter of offer has been issued by the Company to the Board of Directors of LTIGL on even date to notify them of the Company's intention to undertake the Proposed Acquisitions ("Offer Letter").

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

On 9 May 2013, the Company had entered into a conditional sale and purchase agreement ("SPA") with LTIGL to undertake the Proposed Acquisitions.

38. Event occurring after the reporting date

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

39. Comparatives

Certain comparative amounts as at 30 June 2012 have been reclassified to conform with current year's presentation.

40. Authorisation of financial statements for issue

The financial statements for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 30 October 2013.

41. 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 2013 into realised and unrealised profits 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 RM'000	Company RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	193,920	35,219
- Unrealised	344	(1)
	194,264	35,218
Less: Consolidation adjustments	(65,929)	-
Retained earnings as per financial statements	128,335	35,218

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	20	167,433	7,377	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	13	168,800	9,953	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	15	171,518	8,565	19 March 2003 (A)
Lot 6147, Kawasan Perindustrian Ajil, Fasa 2, Batu 21, Jalan Ajil, Kuala Berang 21800 Ulu Terengganu Terengganu	Industrial land with 9 blocks of factory building and 1 single-storey office building	Leasehold	2059	15	674,879	9,913	3 August 1999 (A)
Lot 5803, Kawasan Perindustrian Ajil, Fasa 2, Batu 21, Jalan Ajil, Kuala Berang, 21800 Ulu Terengganu, Terengganu	Industrial land with 4 blocks of factory building	Leasehold	2058	13	671,345	7,602	30 May 2000 (A)
Lot 6686, Kawasan Perindustrian Ajil, Mukim Tanggul, 21800 Hulu Terengganu, Terengganu	Vacant industrial land	Leasehold	2064	N/A	143,784	169	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	11/21	332,939	19,469	2 May 2001 (R)
H.S 270, PT No.5920, Batu 8 1/2 , Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Agricultural land with 4 blocks of workers' quarter	Leasehold	2071	19	103,727	476	14 April 2003 (A)

PROPERTIES HELD BY THE COMPANY & ITS SUBSIDIARIES

AS AT 30 JUNE 2013 (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)
H.S.(M) 35437 , PT 56964, Batu 8 , Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Workers' quarters	Freehold	N/A	6	59,890	1,728	18 December 2006 (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	7	869,024	12,451	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	416	21 January 2005 (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	12	637,869	14,791	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	7	140,243	3,903	March 2006 (A)
Lot N, Road 26, Song Than Industrial Zone II, Di An District, Binh Duong Province, Vietnam	Industrial land with 2 blocks of factory building and 1 block of office building	Leasehold	2030	12	111,008	6,213	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	8	780,082	10,347	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	6	1,011,043	13,806	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	5	1,035,962	19,915	May 2002 (A)
Lot 299 Lai Uyen Commune, Ben Cat District, Binh Duong Province, Vietnam	Industrial land with 2 blocks of workers' quarter	Leasehold	2052	6	1,116,670	3,848	November 2006 (A)

Authorised share capital	:	RM200,000,000
Issued and paid-up share capital	:	RM97,207,500
Class of shares	:	Ordinary Shares of RM1.00 each
Voting rights	:	One vote per share

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
1 - 99	140	7.83	7,989	0.01
100 - 1,000	55	3.08	27,663	0.03
1,001 - 10,000	1,106	61.86	4,762,614	4.90
10,001 - 100,000	419	23.43	11,760,209	12.10
100,001 - 4,860,374	63	3.52	34,480,297	35.47
4,860,375 (5% of Issued Capital) and above	5	0.28	46,168,728	47.49
TOTAL	**1,788**	**100.00**	**97,207,500**	**100.00**

THIRTY LARGEST SHAREHOLDERS/DEPOSITORS AS AT 31 OCTOBER 2013

	Name of Shareholders/Depositors	No. of Shares	% of Issued Capital
1.	LIN, TZU-LANG	10,665,375	10.97
2.	LIN, TZU-KENG	10,651,527	10.96
3.	RHB NOMINEES (TEMPATAN) SDN BHD MAYBANK KIM ENG SECURITIES PTE. LTD. FOR KONSORTIUM KONTREK SDN BHD	10,110,000	10.40
4.	LIN CHEN, JUI-FEN	9,041,826	9.30
5.	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR LIN, TZU-KENG (SMART)	5,700,000	5.86
6.	AFFIN NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LI, YI-PING (LIY0003C)	4,789,000	4.93
7.	KONSORTIUM KONTREK SDN BHD	4,500,000	4.63
8.	AFFIN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR EONPLUS INDUSTRY SDN BHD (EON0003C)	3,492,150	3.59
9.	CHEN, CHIU-CHIN	2,758,100	2.84
10.	LIN, TZU-KENG	2,552,250	2.63
11.	LIN CHEN, JUI-FEN	1,969,125	2.03
12.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	1,365,000	1.40
13.	HO SUE BIA	1,157,472	1.19
14.	PRB NOMINEES (TEMPATAN) SDN BHD RUBBER INDUSTRY SMALLHOLDERS DEVELOPMENT AUTHORITY	880,800	0.91
15.	AFFIN NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIN, CHIN-HUNG (LIN0238C)	820,000	0.84
16.	TAN AIK CHOON	491,850	0.51
17.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOTORCRAFT ACCESSORIES (TAWAU) SDN BHD (E-TWU)	470,000	0.48
18.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR WAN HAZREEK PUTRA HUSSAIN YUSUF (MY1004)	450,900	0.46
19.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WAN HAZREEK PUTRA HUSSAIN YUSUF (473683)	383,700	0.39
20.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANTARA REALTY SENDIRIAN BERHAD	365,000	0.38
21.	WU, LI-YUN	354,300	0.36

THIRTY LARGEST SHAREHOLDERS/DEPOSITORS AS AT 31 OCTOBER 2013 (CONT'D)

	Name of Shareholders/Depositors	No. of Shares	% of Issued Capital
22.	TAN SOON ENG	329,000	0.34
23.	TEE KIAM HENG	301,000	0.31
24.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WAN HAZREEK PUTRA HUSSAIN YUSUF	300,000	0.31
25.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA SENG HUAT	300,000	0.31
26.	LOW KOK CHUAN	270,000	0.28
27.	SHEN CHAO MING	251,150	0.26
28.	MAYBANK NOMINEES (ASING) SDN BHD NOMURA SINGAPORE LIMITED FOR YONG HENG CHOE (290556)	250,000	0.26
29.	TEH THEAN LIM	238,850	0.25
30.	WONG SHAK ON	190,500	0.19
	TOTAL	**75,398,875**	**77.57**

SUBSTANTIAL SHAREHOLDERS AS AT 31 OCTOBER 2013

	Direct		Indirect	
Name of Substantial Shareholders	No. of Shares Held	% of Issued Capital	No. of Shares Held	% of Issued Capital
Lin, Tzu-Keng	18,903,777	19.45	11,016,201 [1]	11.33
Konsortium Kontrek Sdn. Bhd.	14,610,000	15.03	-	-
Lin Chen, Jui-Fen	11,016,201	11.33	18,903,777 [2]	19.45
Lin, Tzu-Lang	10,665,375	10.97	-	-
Yek Siew Liong	-	-	14,610,000 [3]	15.03

Notes:

[1] The Estate of Mr Lin, Tzu-Keng is deemed interested by virtue of his spouse's, interest in the Company

[2] Deemed interested by virtue of her late spouse's, interest in the Company

[3] Deemed interested by virtue of Section 6A(4)(c) of the Companies Act, 1965, held through Konsortium Kontrek Sdn. Bhd.

DIRECTORS' SHAREHOLDINGS AS AT 31 OCTOBER 2013

	Direct		Indirect	
Name of Directors	No. of Shares Held	% of Issued Capital	No. of Shares Held	% of Issued Capital
Lin Chen, Jui-Fen [1]	11,016,201	11.33	18,903,777 [2]	19.45
Lin, Tzu-Lang [1]	10,665,375	10.97	-	-
Lin, Chin-Hung [1]	820,000	0.84	-	-
Yek Siew Liong [1]	-	-	14,610,000 [3]	15.03
Dato' Haji Shaharuddin Bin Haji Haron	-	-	-	-
Toh Seng Thong	-	-	-	-

Notes:

[1] By virtue of their interests in shares of the Company, the Directors are also deemed to have an interest in the shares of all the subsidiaries of the Company to the extent the Company has an interest

[2] Deemed interested by virtue of her late spouse's, interest in the Company pursuant to Section 134(12)(c) of the Companies Act, 1965

[3] Deemed interested by virtue of Section 6A(4)(c) of the Companies Act, 1965, held through Konsortium Kontrek Sdn. Bhd.

NOTICE IS HEREBY GIVEN THAT the Nineteenth 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 Monday, 23 December 2013 at 1.30 p.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2013 together with Reports of the Directors' and the Auditors' thereon. **Please refer to Note 7**

2. To declare a final tax exempt dividend of 6.3 sen per share for the financial year ended 30 June 2013. **Ordinary Resolution 1**

3. To approve payment of Directors' fees for the financial year ending 30 June 2014 to be paid quarterly in arrears. **Ordinary Resolution 2**

4. To re-elect Mr Yek Siew Liong retiring pursuant to Articles 85 and 113 of the Articles of Association of the Company. **Ordinary Resolution 3**

5. To consider and, if thought fit, pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965:-

   (i) "That pursuant to Section 129(6) of the Companies Act, 1965, Dato' Haji Shaharuddin Bin Haji Haron be re-appointed as Director to hold office until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 4**

   (ii) "That pursuant to Section 129(6) of the Companies Act, 1965, Mr Lin, Tzu-Lang be re-appointed as Director to hold office until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 5**

6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

As Special Business

To consider and, if thought fit, to pass the following resolution:-

7. **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES**

   "THAT, pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting 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 issued share capital 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**

8. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR LATITUDE TREE HOLDINGS BERHAD AND ITS SUBSIDIARIES ("LTHB GROUP") TO ENTER INTO RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

"THAT, the mandate granted by the shareholders of the Company at the Annual General Meeting held on 18 December 2012 pursuant to paragraph 10.09 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, authorising the LTHB Group to enter into the recurrent transactions of a revenue or trading nature as set out in Section 2.2 of the Circular to Shareholders dated 29 November 2013 ("Circular") with the related parties mentioned therein which are necessary for the LTHB Group's day-to-day operations, be and is hereby renewed.

That approval be and is hereby given for the LTHB Group to enter into recurrent related party transactions of a revenue or trading nature set out in Section 2.2 of the Circular, which are necessary for the LTHB's Group day-to-day operations.

THAT the LTHB Group is hereby authorised to enter into the Proposed Shareholders' Mandate provided that:

a) the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

b) the disclosure will be made in the Annual Report of the breakdown of the aggregate value of the Recurrent Related Party Transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year on the type of Recurrent Related Transactions made, the names of the related parties involved in each type of Recurrent Related Party Transactions and their relationships with the Company.

THAT the authority conferred shall continue to be in force until:

i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the Nineteenth AGM at which the Proposed Shareholders' Mandate is approved, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is again renewed;

ii) the expiration of the period within which the next AGM of the Company after the Nineteenth AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to 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 Shareholders' Mandate." **Ordinary Resolution 8**

9. PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES

"THAT subject to the Companies Act, 1965 ("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 and/or share premium account to purchase such amount of ordinary shares of RM1.00 each 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 issued and paid-up share capital of the Company;

THAT an amount not exceeding the Company's share premium account and 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 retain the shares so purchased as treasury shares (as defined in Section 67A of the Act) and/or to cancel the shares so purchased and if retained as treasury shares, may resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them;

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 Annual General Meeting ("AGM") of the Company following the Nineteenth 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 9**

10. AUTHORITY FOR DATO' HAJI SHAHARUDDIN BIN HAJI HARON TO CONTINUE IN OFFICE AS SENIOR INDEPENDENT DIRECTOR

THAT authority 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 years, to continue to act as a Senior Independent Director of the Company until the conclusion of the next Annual General Meeting in accordance with Malaysian Code of Corporate Governance 2012. **Ordinary Resolution 10**

11. AUTHORITY FOR MR TOH SENG THONG TO CONTINUE IN OFFICE AS INDEPENDENT DIRECTOR

THAT authority be and is hereby given to Mr Toh Seng Thong who has served as Independent Director of the Company for a cumulative term of nine years, to continue to act as Independent Director of the Company until the conclusion of the next Annual General Meeting in accordance with Malaysian Code of Corporate Governance 2012. **Ordinary Resolution 11**

NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the final tax exempt dividend of 6.3 sen per share for the financial year ended 30 June 2013, if approved, will be paid on 28 January 2014 to shareholders whose names appear on the Record of Depositors as at 31 December 2013.

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 31 December 2013 in respect of transfers; and

b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
TAI YIT CHAN (MAICSA 7009143)
TAN AI NING (MAICSA 7015852)
YEOH JOE SON (MIA 9238)
Company Secretaries

Selangor Darul Ehsan
Date : 29 November 2013

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 and the provision of Section 149(1) (b) of the Companies Act, 1965 shall not apply to 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 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 16 December 2013 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 169(1) of the Companies Act, 1965 does not require a formal approval from shareholders of the Company and hence, Agenda 1 is not put forward for voting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Ordinary Resolution 7
- **Resolution pursuant to Section 132D of the Companies Act, 1965**

The Company had, during its Eighteenth Annual General Meeting held on 18 December 2012, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 ("the Act"). 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 132D 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 issued share capital (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.

Ordinary Resolution 8
- **Proposed Renewal of Shareholders' Mandate for Latitude Tree Holdings Berhad and its subsidiaries ("LTHB Group") to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature**

Ordinary Resolution 8, if passed, will allow LTHB Group to enter into recurrent related party transactions in the ordinary course of business and the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce the expenses associated therewith, improve administrative efficiency and allow human resources and time to be channelled towards attaining corporate objectives. The shareholders' mandate is subject to renewal on an annual basis.

For further information, please refer to the Circular to Shareholders dated 29 November 2013 accompanying the Annual Report of the Company for the financial year ended 30 June 2013.

Ordinary Resolution 9
- **Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares**

Ordinary Resolution 9, 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 Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting of the Company following the Nineteenth Annual General Meeting is required by law to be held.

For further information, please refer to the Statement to Shareholders dated 29 November 2013 accompanying the Annual Report of the Company for the financial year ended 30 June 2013.

Ordinary Resolution 10
- **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 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 enable 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 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 11
- **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 nine 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 nine 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.

LATITUDE TREE HOLDINGS BERHAD
(302829-W)

PROXY FORM

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 Nineteenth Annual General Meeting 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 Monday, 23 December 2013 at 1.30 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 :

	Resolution	For	Against
Ordinary Resolution 1	Declaration of a final tax exempt dividend of 6.3 sen per share for the financial year ended 30 June 2013		
Ordinary Resolution 2	Approval of payment of Directors' fees for the financial year ending 30 June 2014 to be paid quarterly in arrears		
Ordinary Resolution 3	Re-election of Mr Yek Siew Liong as Director		
Ordinary Resolution 4	Re-appointment of Dato' Haji Shaharuddin Bin Haji Haron as Director		
Ordinary Resolution 5	Re-appointment of Mr Lin, Tzu-Lang as Director		
Ordinary Resolution 6	Re-appointment of Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration		
Ordinary Resolution 7	Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares		
Ordinary Resolution 8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 9	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares		
Ordinary Resolution 10	Authority for Dato' Haji Shaharuddin Bin Haji Haron to continue in office as Senior Independent Director		
Ordinary Resolution 11	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 discretion

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

____
Signature/Common Seal
Date:________________________________

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 and the provision of Section 149(1) (b) of the Companies Act, 1965 shall not apply to 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 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 16 December 2013 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.

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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 7¾,
Jalan Kapar, 42200 Kapar, Selangor.
Tel: 603-3291 5401 Fax: 603-3291 0048
www.lattree.com