LATITUDE TREE HOLDINGS BERHAD

(302829-W)

2018
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Haji Shaharuddin Bin Haji Haron
(Demised on 16 October 2018)
Chairman/Senior Independent Director

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

Mr Lin, Chin-Hung
Managing Director

Mr Toh Seng Thong
Independent Director

Mr Yek Siew Liong
Non-Independent Non-Executive Director

Mr Lin, Cheng-Hung
(Resigned on 17 August 2018)
Non-Independent Non-Executive Director

COMPANY SECRETARIES

Mr Yeoh Joe Son (MIA 9238)

Ms Tai Yit Chan (MAICSA 7009143)

Ms Wong Siew Yeen (MAICSA 7018749)

AUDIT COMMITTEE

Mr Toh Seng Thong (Chairman)
Independent Director

Dato' Haji Shaharuddin Bin Haji Haron
(Demised on 16 October 2018)
Senior Independent Director

Mr Yek Siew Liong
Non-Independent Non-Executive Director

NOMINATION COMMITTEE

Dato' Haji Shaharuddin Bin Haji Haron (Chairman)
(Demised on 16 October 2018)
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)
(Demised on 16 October 2018)
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

Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights, 50490 Kuala Lumpur
Wilayah Persekutuan
Telephone : 603-2084 9000
Facsimile : 603-2094 9940

AUDITORS

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

PRINCIPAL BANKERS

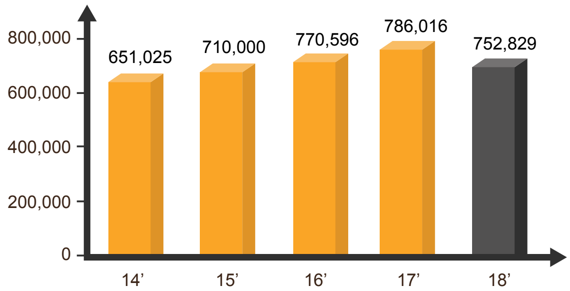
HSBC Bank Malaysia Berhad
Alliance Bank Malaysia Berhad
Standard Chartered Bank Malaysia Berhad
Citibank Berhad
Malayan Banking Berhad
CTBC Bank Co. Ltd.
Indovina Bank Ltd.
Bank Sinopac

FINANCIAL HIGHLIGHTS

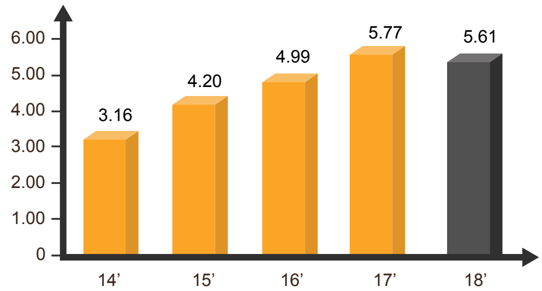
Five Years Financial Highlights	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
REVENUE	752,829	786,016	770,596	710,000	651,025
PROFIT FOR THE YEAR	12,077	69,065	72,924	78,253	64,333
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	12,077	69,065	72,725	77,812	55,016
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	545,571	560,450	484,805	408,571	306,798
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (RM)	5.61	5.77	4.99	4.20	3.16
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (SEN)	12.43	71.05	74.81	80.05	56.60
DIVIDEND PER SHARE (SEN)	6.00	12.00	12.00	12.00	8.50
DIVIDEND AMOUNT (RM'000)	5,816*	11,665	11,665	11,665	8,263

* This represents a final tax exempt dividend of 6.00 sen. The final tax exempt dividend was recommended by the Board of Directors and is subject to shareholders' approval at the forthcoming Annual General Meeting.

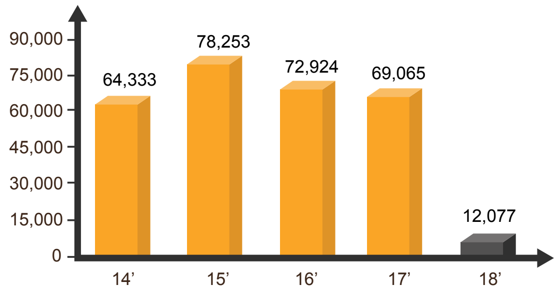
REVENUE (RM'000)



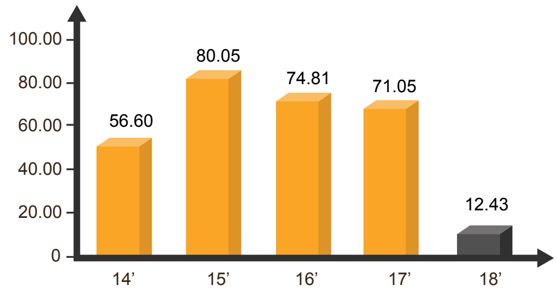
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (RM)



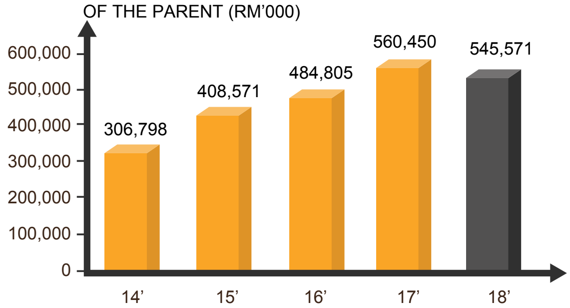
PROFIT FOR THE YEAR (RM'000)



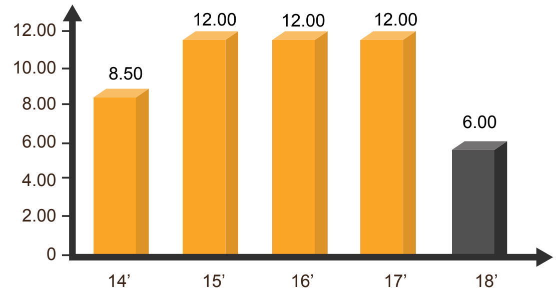
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (SEN)



EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (RM'000)



DIVIDEND PER SHARE (SEN)



MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis compares the Group's financial condition and results of operations for the financial year 2018 ("FY2018") with financial year 2017 ("FY2017").

1) Overview of the Group's Business and Operations

Latitude Tree Holdings Berhad ("LTHB") is an integrated household furniture manufacturer specialises in the manufacturing and sale of wooden household furniture and components particularly rubber-wood furniture for export markets. About 55% of raw materials the Group are rubber-wood-based with the remaining being oak, pine wood and other wood-based materials. The Group's manufacturing activities are operated from its three (3) factories in Malaysia, two (2) factories in Vietnam and one (1) factory in Thailand. The total floor area of the six manufacturing plants is approximately 8.0 million square feet. Total workforce as at 30 June 2018 is approximately 7,000 workers. The main products manufactured by the Group are Bedroom Collection Sets (including beds, nightstands, chests, armoires and wardrobes), Dining Room Collection Sets (including tables, chairs, buffets, hutches, curios, sideboards and servers) and Living Room Collection Sets (including sofas, sofa tables, occasional tables, coffee tables and cabinets (TV and low cabinets) and Small Office, Home Office (SoHo) sets).

FY2018 was a tough and challenging year for the Group. The Group's revenue and profitability for FY2018 were impacted by the fire incident, rising material costs, labour costs, forex volatility and competition from manufacturers in Vietnam.

LTHB had put in place the following strategies to ensure that the Group continues to deliver consistent results:

- expanding capacity of panel board lamination plant to meet the increasing demand from overseas customers by setting up new lamination line;
- setting up new upholstery facility to cater for increasing demand for upholstery products; and
- upgrade or increase automation of existing production lines with advanced automation machinery to improve efficiency and reduce reliance of labour.

2) Financial Performance Review

	2018 (RM'000)	2017 (RM'000)	Variance (RM'000)	Variance (%)
Items of Statements of Profit or Loss and Other Comprehensive Income:				
Revenue	752,829	786,016	(33,187)	(4.2)
Gross profit	84,755	131,970	(47,215)	(35.8)
Other income	2,655	6,260	(3,605)	(57.6)
Operating costs	(65,386)	(48,976)	16,410	33.5
Finance costs	(3,164)	(2,620)	544	20.8
Profit before tax	20,777	88,347	(67,570)	(76.5)
Items of Statements of Financial Position:				
Non-current assets	269,883	278,372	(8,489)	(3.0)
Current assets	481,150	491,895	(10,745)	(2.2)
Total liabilities	205,462	209,817	(4,355)	(2.1)

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

2) Financial Performance Review (cont'd)

	2018 (RM'000)	2017 (RM'000)	Variance (RM'000)	Variance (%)
Items of Statements of Cash Flows:				
Net cash flows from operating activities	12,980	46,209	(33,229)	(71.9)
Net cash flows used in investing activities	(41,328)	(21,726)	19,602	90.2
Net cash flows (used in)/from financing activities	(13,688)	212	13,900	>100.0
Cash and cash equivalents as at 30 June	151,569	195,741	(44,172)	(22.6)

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

The Group recorded revenue of RM752.8 million for FY2018, representing a decrease of 4.2% as compared to FY2017.

The decrease in the Group's revenue was mainly attributable to the weakening of the United States Dollar ("USD") against the Ringgit Malaysia ("RM") by 4.9%, lower orders received by furniture plants amounting to USD2.9 million and discounts given to our customers to compete for orders with manufacturers in Vietnam.

Revenue information based on the geographical location of the operations of the Group is as follows:

	2018 (RM'000)	2017 (RM'000)	Variance (RM'000)	Variance (%)
Malaysia	134,776	126,340	8,436	6.7
Vietnam	586,033	632,418	(46,385)	(7.3)
Thailand	32,020	27,258	4,762	17.5
Total	752,829	786,016	(33,187)	(4.2)

Revenue from Malaysia operation reported a growth of 6.7% in FY2018 was mainly contributed by higher revenue achieved by raw material and lamination plants. For Thailand operation, revenue increased by 17.5% in FY2018 mainly due to higher orders received. Conversely, revenue from Vietnam operation decreased by 7.3% was mainly due to lower orders received and impact from discount given to customers to compete for orders.

The Group's gross profit decreased by 35.8% from RM132.0 million in FY2017 to RM84.8 million in FY2018. The substantial decrease in gross profit was in line with the decrease in revenue, higher average prices of raw materials, higher sales of lower margin products and higher labour costs in Vietnam plant due to increase in minimum wages.

Other income decreased substantially by 57.6% from RM6.3 million in FY2017 to RM2.7 million in FY2018 mainly due to the decrease in foreign exchange gain of RM3.2 million.

The Group's operating costs comprised selling and distribution expenses, administrative expenses and other expenses. The Group's total operating costs amounted to RM65.4 million in FY2018 and were 33.5% higher than FY2017. The increase was primarily attributable to the increase in other expenses of RM20.1 million mainly due to foreign exchange loss of RM5.1 million recorded in FY2018 and the fire incident occurred in FY2018 resulted inventories and property, plant and equipment ("PPE") amounting to RM10.8 million and RM3.1 million respectively were written off.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

2) Financial Performance Review (cont'd)

2.1) Review of Items of Statements of Profit or Loss and Other Comprehensive Income (cont'd)

Finance costs increased by 20.8% from RM2.6 million in FY2017 to RM3.2 million in FY2018. The increase was mainly due to increase in interest rates and higher utilisation of short-term bank borrowings during FY2018.

Profit before income tax of the Group amounted to RM20.8 million in FY2018, representing a decrease of 76.5% from RM88.3 million in FY2017. The decrease was in line with the decrease in gross profit and substantial increase in operating costs.

2.2) Review of Items of Statements of Financial Position

Non-current assets decreased by 3.0% to RM269.9 million as at 30 June 2018 from RM278.4 million as at 30 June 2017. The decrease was mainly due to PPE written off from the fire incident and provision for depreciation offset with addition of PPE during the year.

Current assets decreased by 2.2% to RM481.2 million as at 30 June 2018 as compared to RM491.9 million as at 30 June 2017. The decrease was mainly attributable to the decrease cash and bank balances offset with increase in inventories, trade and other receivables and investment securities. Lower cash and bank balance was mainly due to higher placement of investment securities during the year. Due to anticipation of increase in the prices of plywood, the Group buffers inventories of plywood. As a result, inventories stood at RM172.1 million as at 30 June 2018, represents RM8.6 million higher than inventories as at 30 June 2017. Trade and other receivables increased by RM2.6 million due to higher trade receivables of RM2.0 million and other receivables of RM0.6 million. Higher trade receivables were mainly contributed by panel board lamination factory due to higher sales in last quarter of FY2018 of RM6.0 million compared to RM4.0 million in the last quarter of FY2017.

As at 30 June 2018, total liabilities decreased by 2.1% to RM205.5 million as at 30 June 2018 from RM209.8 million as at 30 June 2017. The decrease was mainly attributable to the decrease in loans and borrowings and trade and other payables offset with increase in tax payables. Loans and borrowings decreased by RM5.2 million due to net repayments of loans and borrowings of RM0.9 million and foreign exchange differences arising from translation of foreign currency loans and borrowings of RM4.3 million. Trade and other payables decreased by RM5.6 million mainly due lower other payables of RM7.4 million offset with higher trade payables of RM1.8 million. Tax payable increased by RM5.9 million mainly due to tax provision of FY2018.

2.3) Review of Items of Statements of Cash Flow

The Group registered net cash flows from operating activities of RM13.0 million for FY2018 as compared to RM46.2 million for FY2017. The drop was in tandem with decrease in profit before tax.

Net cash used in investing activities was RM41.3 million for FY2018, mainly resulted from the purchase of property, plant and equipment of RM20.6 million, net purchase of investment securities of RM16.3 million and increase in deposits with licensed banks of RM5.7 million.

Net cash used in financing activities of RM13.7 million for FY2018 was mainly due to the payment of final dividend for FY2017, which amounted to RM11.7 million, net repayments of loans and borrowings of RM0.9 million and purchase of treasury shares of RM0.8 million.

Overall, cash and cash equivalents decreased by RM44.2 million to RM151.6 million as at 30 June 2018, mainly attributable to net cash flows from operating activities which were offset by net cash flows used in investing and financing activities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

2) Financial Performance Review (cont'd)

2.4) Capital Expenditure

In FY2018, total purchase of PPE by the Group was RM20.6 million. The breakdown of the addition during the financial year is as follows:

Category of PPE	RM'000
Buildings	4,876
Plant and machinery	13,106
Others	2,593
Total	20,575

Addition of RM4.9 million on buildings was incurred for enhancement of existing factory buildings at our Vietnam and Malaysia plants. We have also spent RM13.1 million to purchase new machinery to replace aged machinery at all our operating plants to streamline efficiency and increase productivity.

3) Risks relating to Our Business

3.1) Exposure to Credit Risk

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

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

3.2) Exposure to Foreign Currency Risk

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

3) Risks relating to Our Business (cont'd)

3.3) Exposure to Shortage of Raw Materials

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

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

4) Dividend

The Board is proposing a final tax exempt dividend of 6.0 sen per ordinary share amounting to RM5.816 million for FY2018. The proposed dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting to be convened on 27 November 2018.

5) Future Prospect and Outlook of the Group

FY2018 was a challenging year and the Group believes that the worst will be over. The outlook for FY2019 will be better as aggressive strategies have been developed to grow its upholstery products as well as its market segments. It will maximise the Group's gross margin through a more refined pricing strategy. At the same time the Group will also step up efforts to enhance its upstream activities and to expand its panel board operations. The Group is also on lookout for business or assets that are related and synergise with LTHB's activities with the intention of acquisition or joint venture.

CORPORATE PROFILE

Mission

We 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 emphasise employee teamwork and involvement in identifying and implementing programs to save time and lower production costs while maintaining the highest quality values. These strategies allow us to prosper as a business with high degree of integrity and to provide a reasonable return to our shareholders, the ultimate owners of our business.

History

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

The Group has carved out a strong niche in the household furniture segment, specifically dining room and bedroom sets. From its humble beginnings as a manufacturer of chairs for dining room sets in 1988, the Group has grown into a complete high-and-medium-end dining room, living room and bedroom sets manufacturer. About 55% of its raw materials are rubber-wood-based with the remaining being oak, pine wood and other wood-based materials.

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

Manufacturing/Operating Activities

The Group's manufacturing activities are operated from its three (3) factories in Malaysia, two (2) factories in Vietnam and one (1) factory in Thailand. The total floor area of the six (6) manufacturing plants is approximately 8.0 million square feet. The total current workforce is approximately 7,000 workers.

Products

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

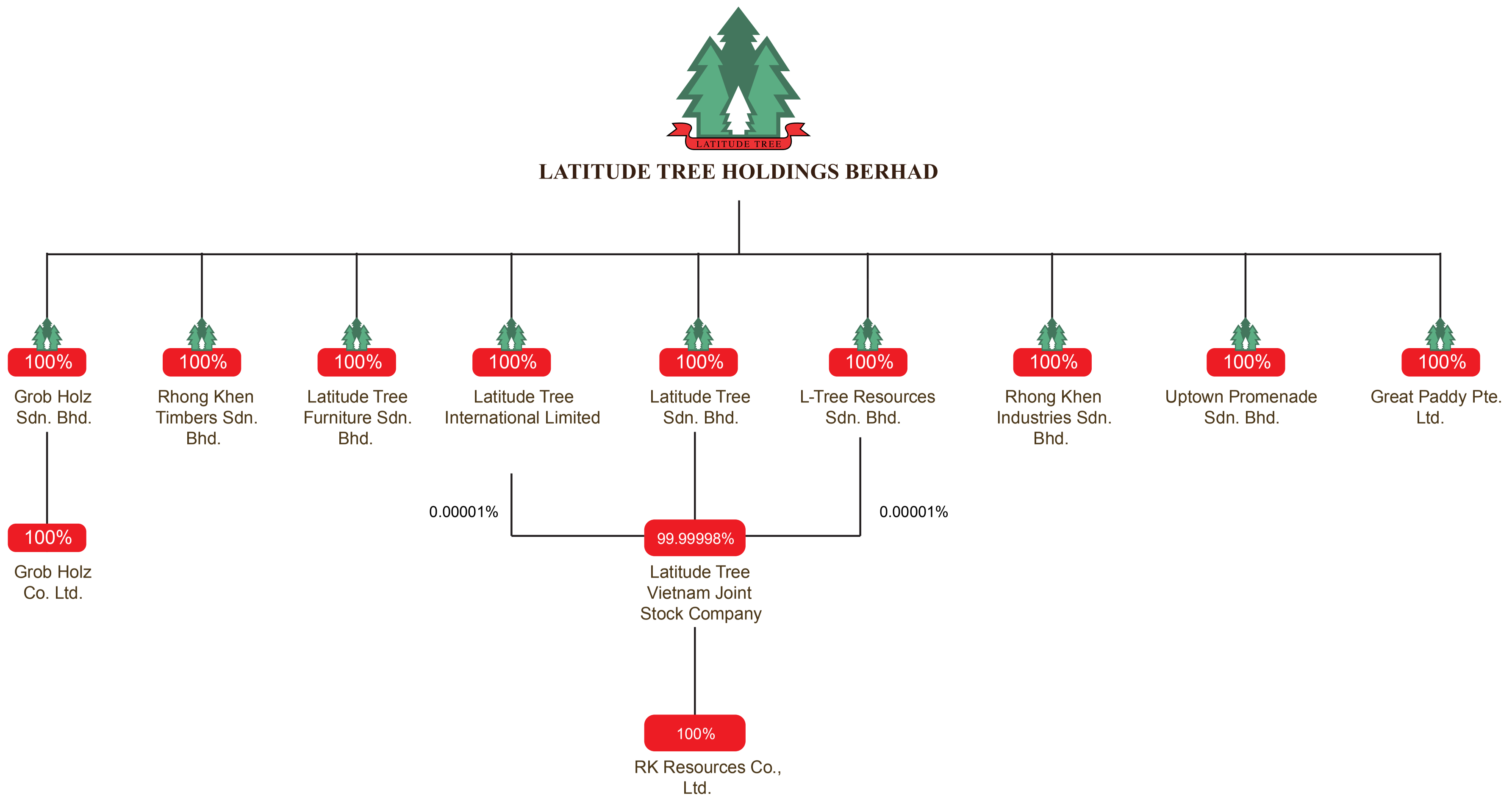
The followings are the main products of the Group:

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

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

CORPORATE PROFILE (CONT'D)

CORPORATE STRUCTURE



PROFILE OF BOARD OF DIRECTORS

LIN CHEN, JUI-FEN

Aged 64, Taiwanese, Female
Deputy Executive Chairperson/Executive Director

Mdm Lin Chen, Jui-Fen was appointed as Executive Director to the Board of Latitude Tree Holdings Berhad ("LTHB") on 28 April 1997. She is currently the Deputy Executive Chairperson and a substantial shareholder of the Company. Her last re-election as a director was on 28 November 2017.

Prior to her appointment as Deputy Executive Chairperson, Mdm Lin was the Managing Director of the Company from 2009 to 2012 and was involved in the overall management of the Sales, Marketing, Finance, Operation and Human Resource Departments of LTHB Group. Mdm Lin was the Chief Executive Officer of Latitude Tree International Group Limited (now known as China Star Food Group Limited) from 2012 to 2014.

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

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

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

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

LIN, CHIN-HUNG

Aged 39, Taiwanese, Male
Managing Director

Mr Lin Chin-Hung was appointed to the Board of Latitude Tree Holdings Berhad ("LTHB") on 18 January 2012 as the Managing Director and a substantial shareholder of the Company. His last re-election as a director was on 28 November 2017.

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

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

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

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

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

PROFILE OF BOARD OF DIRECTORS (CONT'D)

TOH SENG THONG, JP, PJK
Aged 60, Malaysian, Male
Independent Director

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

Mr Toh graduated with a Bachelor of Commerce (Accounting) degree from the University of Canterbury, New Zealand in 1981. He is a Chartered Accountant by profession and a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants, Chartered Accountants Australia and New Zealand, a Fellow Member of the Chartered Tax Institute of Malaysia and an Associate member of the Harvard Business School Alumni Club of Malaysia. Mr Toh has over 30 years experience in auditing, taxation and corporate and financial advisory. He is also a practicing Chartered Accountant of Malaysia. He started his own practice under Messrs S T Toh & Co in 1997.

Particulars of his other directorships in public companies:
- Adventa Berhad
- Malaysian Genomics Resource Centre Berhad

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

YEK SIEW LIONG
Aged 59, Malaysian, Male
Non-Independent Non-Executive Director

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

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

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

Particulars of his other directorships in public companies:
- Sarawak Cable Berhad
- Hock Lee Asia Berhad
- Cinacom Bintulu Berhad

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

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

All Directors attended all the five (5) board meetings held in the financial year ended 30 June 2018.

PROFILE OF KEY SENIOR MANAGEMENT

YEOH JOE SON

Aged 50, Malaysian, Male
Group Finance Director

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

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

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

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

FONG TOH WAI

Aged 36, Malaysian, Male
Group Financial Controller

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

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

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

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

PROFILE OF KEY SENIOR MANAGEMENT(CONT'D)

LU CHIN-CHIA
Aged 59, Taiwanese, Male
General Manager of Vietnam Division

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

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

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

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

The Board is guided by the principles and recommendations as promulgated in the revised Malaysian Code on Corporate Governance (the "MCCG") issued by Securities Commission on 26 April 2017 and Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") wherever applicable in the best interest of the shareholders of the Company.

This Statement should be read in conjunction with the Corporate Governance Report ("CG Report"), which is available on the Company's website at www.lattree.com. The CG Report sets out the key aspects of how the Company has applied the principles and recommendations of the MCCG during the financial year and up to the date of this report.

Save for limited exceptions as explained within this statement and the CG report, the Board is satisfied that the practice set out in the MCCG have, in all material aspects, been applied to achieve the intended outcomes which are found to be suitable and appropriate to the Group.

A summary of the Company's corporate governance practices with reference to MCCG is described below:

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

1.1. BOARD RESPONSIBILITIES

The Board is responsible for the proper stewardship of the Group's business direction and objectives, and ultimately the enhancement of long-term shareholders' value.

The roles of the Board, Board Chairman, Board Committee and Managing Director are clearly defined in the Board Charter to ensure accountability and division of responsibilities. The Board Charter is subject to review by the Board periodically to ensure it remain consistent with the Board's objectives and responsibilities. The Board Charter is available on the Company's website, www.lattree.com.

The Managing Director is empowered by the Board to oversee the management and business operation of the Group. The Managing Director is accountable to the Board for the authority that is delegated to him, and for the performance of the Group.

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

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

a) Reviewing and adopting the business plan and overall strategic direction for the Group
   - The Board provides insights and guidance to the Managing Director and Management to achieve corporate objectives of the Group. The Board reviews the strategic business plan presented by the Managing Director and Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.1. BOARD RESPONSIBILITIES (cont'd)

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

c) Identifying principal risks and ensure the implementation of appropriate systems to manage these risks
   - The oversight of the Group's risk management process is the responsibility of the Managing Director who is assisted by the Head of Department of the respective operating subsidiaries. The Company has established a Risk Management Committee ("RMC") whom together with the Audit Committee, are responsible for ensuring more effective and efficient identification, evaluation, management and reporting of Group's risks. Details on the function of RMC are set out in the Statement on Risk Management and Internal Control on page 29 of this Annual Report.

d) Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing Executive Directors and Senior Management
   - The Board noted the importance of succession planning to the Group. A succession planning policy has been established to address the possibility of replacing Executive Directors and Senior Management if circumstances required.

e) Developing and implementing an investor relations programme or shareholder communications policy for the Group
   - The Company's website, www.lattree.com, incorporates an Investor Relations section which provide all relevant information on the Company and accessible by the public. The information available in the website includes Financial Reports, Company's announcements, Annual General Meeting ("AGM") minutes as well the corporate and governance structure of the Company.

f) Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines
   - The Board acknowledges the importance of establishing a sound system of internal control. An Enterprise Wide Risk Management Framework has been established to manage risks and to safeguard shareholders' investment and the Group's assets. Details on the framework are set out in the Statement on Risk Management and Internal Control on page 30 of this Annual Report.

g) Determining the remuneration of Non-Executive Directors, with the individuals concerned abstaining from discussions of their own remuneration
   - The determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decision in respect of his individual remuneration package. The Board recommends the Directors' fees payable to Non-Executive Directors on a yearly basis to the shareholders for approval at the Annual General Meeting ("AGM").

h) Ensuring the Company's financial statements are true and fair and conform to any applicable laws and/or regulations
   - The Board considered and reviewed the integrity of information in the financial statements and quarterly reports based on the recommendation from Audit Committee to ensure the financial statements presented are true and fair and in compliance with regulatory requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.1. BOARD RESPONSIBILITIES (cont'd)

i) Ensuring the Company has appropriate corporate governance structure in place
- The Group has established and adopted a Code of Business Conducts and Ethics for Directors and employees ("the Code"). The Code has been circulated to all employees of the Group and each employee is contractually bound to abide by the Code. The Code for Directors is available in the Company's website, www.lattree.com.

j) Deciding on necessary steps to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken

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

i) Management and external advisers may be invited to the Board and Board Committees' meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agendas and to report or present areas within their responsibility to ensure the Board is able to effectively discharge its responsibilities.

ii) Information provided to the Board and Board Committees are compiled into reports via the Board and Board Committees papers circulated to Directors prior to the Board and Board Committees' meetings, to enable the Board and Board Committees to make decisions and to deal with matters arising from such meetings.

iii) Directors have ready and unrestricted access to the advice and services of the Company Secretaries.

iv) Directors may obtain independent professional advice at the Company's expense in furtherance of their duties, where this is deemed necessary, after consultation with the Chairman and other Board members.

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

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

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

Name	Attendance
Dato' Haji Shaharuddin Bin Haji Haron (Demised on 16 October 2018)#	5/5
Lin Chen, Jui-Fen	5/5
Lin, Chin-Hung	5/5
Toh Seng Thong #	5/5
Yek Siew Liong # #	5/5
Lin, Cheng-Hung (Resigned on 17 August 2018) # #	5/5

# Denotes Independent Director
Denotes Non-Independent Non-Executive Director

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.1. BOARD RESPONSIBILITIES (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 brief the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretaries attend all Board and Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

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

Whistle Blowing Policy

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

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

1.2. BOARD COMPOSITION

During the financial year, the Board consists of five (5) members; comprising one (1) Senior Independent Director, one (1) Independent Director, one (1) 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.

On 17 October 2018, the Company had announced the demise of the Chairman of the Board, Dato' Haji Shaharuddin Bin Haji Haron on 16 October 2018.

The qualification and experience of the Directors are set in the Profile of Board of Directors on pages 11 and 12 of this Annual Report. The Board is satisfied with its current composition which comprises the balanced mix of operational skills of the Executive Directors in the wooden furniture manufacturing industry with the professional expertise of the Non-Executive Directors in the fields of manufacturing, auditing and accounting.

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.2. BOARD COMPOSITION (cont'd)

Nomination Committee

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

Chairman:
Dato' Haji Shaharuddin Bin Haji Haron (Demised on 16 October 2018)
Senior Independent Director

Members:
Toh Seng Thong
Independent Director

Yek Siew Liong
Non-Independent Non-Executive Director

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

The main duties and activities of NC are as follows:

i) Appointment Process

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

The NC is responsible for making recommendations to the Board on the suitability of candidates nominated for appointment to the Board and Board Committees. A formal and transparent procedures for appointment of directors was set out in the Policies Governing the Board of Directors which is published on the Company's website, www.lattree.com.

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

On appointment of senior management, the NC focuses on their working experience, skills set, competencies, qualifications, integrity and commitment in the assessment of the identified senior management personnel before recommending for approval of the Board. The criteria for the recruitment/appointment of senior management are available in the Policies Governing the Board of Directors which is published on the Company's website.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.2. BOARD COMPOSITION (cont'd)

ii) Re-election / Re-appointment of Directors

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

Pursuant to the Articles of the Company, Mr Toh Seng Thong and Mr Yek Siew Liong will retire at the Twenty-Fourth ("24th") AGM of the Company and be eligible for re-election.

The NC and the Board are satisfied that the Directors, who are required to stand for re-election at the 24th AGM, continue to demonstrate the necessary commitment to be fully effective members of the Board and Board Committees.

iii) Board Evaluation

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

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

The NC also assessed the performance of individual Directors based on integrity and ethics, contribution and interaction, knowledge, judgement and decision making, understanding of role and leadership. The NC determined the training needs of Directors via Board Annual Assessment to ensure the Board remain relevant and progressive.

According to Practice 4.2 of MCCG, if the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process. Mr Toh Seng Thong, Independent Director has served the Board of LTHB for more than twelve (12) years. His tenure of service is set out in the Profile of Board of Directors of this Annual Report.

The Board has via the NC conducted an annual performance evaluation and assessment on the Independent Directors and is of the opinion that Dato' Haji Shaharuddin Bin Haji Haron (demised on 16 October 2018) and Mr Toh Seng Thong remains objective and independent in expressing their views.

Based on the recommendation of the NC, the Board will be seeking the shareholders' approval in the 24th AGM for Mr Toh Seng Thong to continue as Independent Director of the Company by way of ordinary resolution. The justifications for his continuation as Independent Director is disclosed in the Notice of the AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.2. BOARD COMPOSITION (cont'd)

iii) Board Evaluation (cont'd)

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

- Reviewed and evaluated the required mix of expertise and experience including core competencies of the Board as a whole, the Committees of the Board and role of each individual Director towards the accomplishment of the Board's duties/responsibilities;
- Assessed the independence of the Independent Directors, based on the criteria of independence as set out in MMLR of Bursa Securities;
- Reviewed the term of office and performance of Audit Committee and each of its members;
- Assessed and identified the training needs of Directors for continuous education purpose; and
- Assessed, considered and recommended to the Board, the Directors for re-election/re-appointment at the 24th AGM.

During the financial year, the Directors have attended and participated in various training programme which they have individually or collectively based on the recommendation of NC from the findings of the Board Annual Assessment on the training needs. The training or seminars attended by the Directors during the financial year include:

Director	Date	Training/Seminars
Dato' Haji Shaharuddin Bin Haji Haron (Demised on 16 October 2018)	7 November 2017	CG Breakfast Series: Integrating An Innovation Mindset with Effective Governance
	15 March 2018	Corporate Governance Briefing Sessions: MCCG Reporting and CG Guide
Lin Chen, Jui-Fen	30 August 2017	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers
Lin, Chin-Hung	30 August 2017	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers
	15 March 2018	Corporate Governance Briefing Sessions: MCCG Reporting and CG Guide
Lin, Cheng-Hung	30 August 2017	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers
	7 November 2017	CG Breakfast Series: Integrating An Innovation Mindset with Effective Governance

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.2. BOARD COMPOSITION (cont'd)

iii) Board Evaluation (cont'd)

Director	Date	Training/Seminars
Toh Seng Thong	27 July 2017	National Tax Conference 2017
	9 November 2017	Case Study Workshop for Independent Directors – "Rethinking-Independent Directors: A New Frontier"
	27 February 2018	National GST Conference 2018
	15 March 2018	Corporate Governance Briefing Sessions: MCCG Reporting and CG Guide
Yek Siew Liong	15 November 2017	National Tax Conference 2017

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

	No. of NC Meeting Held	No. of NC Meeting Attended
Dato' Haji Shaharuddin Bin Haji Haron (Demised on 16 October 2018)	1	1
Toh Seng Thong	1	1
Yek Siew Liong	1	1

1.3. REMUNERATION

Remuneration Committee

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

Chairman:
Dato' Haji Shaharuddin Bin Haji Haron (Demised on 16 October 2018)
Senior Independent Director

Members:
Toh Seng Thong
Independent Director

Yek Siew Liong
Non-Independent Non-Executive Director

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.3. REMUNERATION (cont'd)

Remuneration Committee (cont'd)

The fees paid to the Non-Executive Directors are determined by the Board. The remuneration packages of senior management are determined by the Executive Directors.

The RC follows formal and transparent policy and procedures when deciding the remuneration packages of the Executive Directors, which is in line with the Group's overall practice on compensation and benefits, which is to reward employees competitively, taking into account performance, market comparisons and competitive pressures in the industry. Whilst not seeking to maintain a strict market position, it takes into account comparable roles in similar organisations.

The remuneration of the Board of Directors is determined by (i) the amount of time commitment of the director concerned channels toward the Company; (ii) the expertise and skills that the director concerned brings to the Board; (iii) the business strategy and long-term objectives of the Company, and (iv) the number of Board Committees that the director sits on, as well as in what capacity (i.e. Chairman or member). The remuneration policies and procedures governing the remuneration of executive directors, independent directors and senior management are available in the Policies Governing the Board of Directors which is published on the Company's website.

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

	No. of RC Meeting Held	Attended
Dato' Haji Shaharuddin Bin Haji Haron (Demised on 16 October 2018)	1	1
Toh Seng Thong	1	1
Yek Siew Liong	1	1

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

Company

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.3. REMUNERATION (cont'd)

Remuneration Committee (cont'd)

Group

Remuneration	**Executive Directors (RM'000)**	**Non-Executive Directors (RM'000)**	**Total (RM'000)**
Salaries and other emoluments	1,843	-	1,843
Benefits payables	-	59	59
Fees	-	288	288
Total	1,843	347	2,190

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

Company

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

Group

Range of remuneration	**Number of Executive Directors**	**Number of Non-Executive Directors**
RM50,001 – RM100,000	-	4
RM650,001- RM700,000	1	-
RM1,150,001- RM1,200,000	1	-
Total	2	4

The Board is of the view that the disclosure of Senior Management's remuneration on a named basis will not be in the best interest of the Group, as it will give rise to recruitment and talent retention issues and may lead to the performing Senior Management staffs being lured away by the competitors and hence, the Group may lose high calibre personnel who have been contributing to the Group's performance. Alternatively, the Company has disclosed the aggregate total remuneration of all the key management personnel for the financial year ended 30 June 2018, under Note 30 to the Financial Statements on page 109 of the Company's Annual Report 2018. This coincides with the requirements of Paragraph 17 of MFRS 124: Related Party Disclosures.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

2.1. AUDIT COMMITTEE

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 ("AC") to oversee the Group's internal control function, 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. The composition of the AC shall comply with the requirements of Paragraphs 15.09 and 15.10 of the MMLR of Bursa Securities, with majority of them being independent. The members of the AC elected a Chairman from among its members who is an Independent Director and is a member of Malaysia Institute of Certified Public Accountants and Malaysian Institute of Accountants.

A summary of the works of the AC on financial reporting, oversight role on external and internal auditors during the financial year is set out in the AC Report on pages 32 and 35 of this Annual Report.

A statement by the Board of its responsibilities for preparing the financial statements is set out on page 39 of this Annual Report.

During the financial year, the AC has adopted policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC. To-date, the Company has not appoint any former key audit partner as director of the Company.

Assessment of suitability and independence of External Auditors

The Board maintains an active, transparent and professional relationship with its External Auditors ("EA") through AC, which has been conferred with the authority to interface directly with the external auditors of the Group.

The AC reviews and assesses the suitability and independence of EA of the Company on an annual basis. The annual review and assessment is carried out via assessment questionnaires. The areas for assessment of the EA cover, inter-alia, their technical competencies, independence, objectivity, professionalism, quality of services, sufficiency of resources and communication and interaction with the EA.

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

The EA provide mainly audit-related services to the Company. The provision of non-audit services is reviewed by the AC to ensure that such services do not impair the EAs' independence or objectivity.

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

The AC had in October 2018 assessed the performance of the EA, Messrs Ernst & Young and was satisfied with their performance, technical competence and audit independence.

The Board, based on the recommendation by the AC, recommended the re-appointment of Messrs Ernst & Young as the EA of the Company at the forthcoming AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

2.2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has ultimate responsibility for reviewing the Company's risks, approving the Enterprise-Wide Risk Management Framework ("ERM") and policies 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 RMC, which is not a board committee and chaired by the Managing Director, comprising members from the Heads of Department of respective operating subsidiaries with risk and business management knowledge and experience has been established by the Company to regularly review the ERM and policies formulated by the respective local management and makes relevant recommendations to the Board for approval.

The Board through the AC and RMC reviews the key risks identified by the RMC 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 ERM are set out in the Statement on Risk Management and Internal Control of the Company on page 30 of this Annual Report.

Internal audit function

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

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

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

3.1 COMMUNICATION WITH STAKEHOLDERS

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

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

The Company's website, www.lattree.com, 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.

The Board has in place a Corporate and Communication Disclosure Policy to ensure the dissemination of information to shareholders and stakeholders is in accordance with the disclosure requirements under the MMLR of Bursa Securities and other applicable laws.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

3.1. COMMUNICATION WITH STAKEHOLDERS (cont'd)

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

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

Address	:	Latitude Tree Holdings Berhad Lot 3356, Batu 7 3/4, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan, Malaysia
Tel	:	603-3291 5401
Fax	:	603-3291 0048
Website	:	www.lattree.com

3.2. CONDUCT OF GENERAL MEETINGS

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

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

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

All resolutions put forth for shareholders' approval at the Twenty-Third ("23rd") AGM held on 28 November 2017 were voted by poll and a scrutineer was appointed to validate the votes.

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.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

OTHER INFORMATION PURSUANT TO THE MMLR OF THE BURSA SECURITIES

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

4.1. UTILISATION OF PROCEEDS

There was no corporate exercise carried out during the financial year ended 30 June 2018 to raise funds.

4.2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid and payable to external auditors by the Company and the Group for the financial year ended 30 June 2018 are as follows:

	Group (RM'000)	Company (RM'000)
Audit fees	455	55
Non-audit fees	38	38
Total	493	93

4.3. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by LTHB and/or its subsidiaries which involve Directors' and major shareholders' interests during the financial year ended 30 June 2018.

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 the Board of Directors' approval. This Statement is dated 17 October 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1. INTRODUCTION

Pursuant to Paragraph 15.26(b) of the MMLR of Bursa Securities, the Board of listed issuers are required to include in their Annual Report a “statement on the state of its risk management and internal controls”. The following Statement on Risk Management and Internal Control has also been prepared in accordance with the “Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

2. RESPONSIBILITY

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

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

The Board has extended the responsibilities of the Audit Committee (“AC”) to include the role of reviewing and monitoring the effectiveness of the Group’s internal control system. The AC reviews and deliberates reports from the internal auditors on findings from audits carried out at operating subsidiaries, and the external auditors on areas for improvement identified during the course of statutory audit. The Reports of the AC is set out on pages 32 to 35 of this Annual Report.

3. RISK MANAGEMENT FRAMEWORK

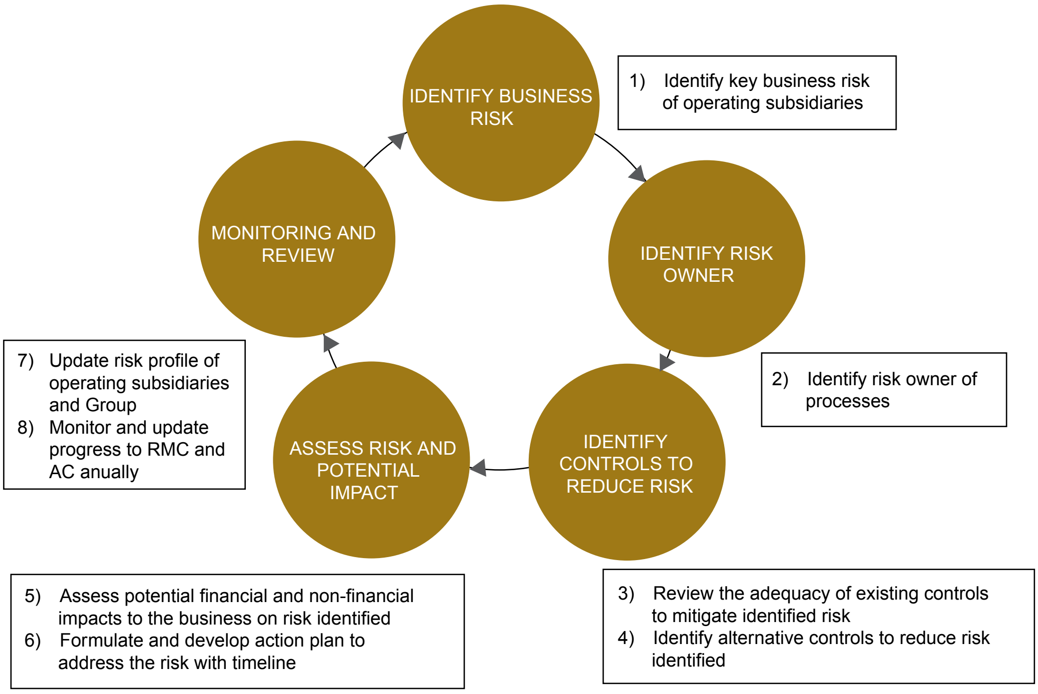
The oversight of the Group’s risk management process is the responsibility of the Managing Director who is assisted by the Heads of Department of the respective operating subsidiaries. The Company has established a Risk Management Committee (“RMC”) whom together with the AC, are entrusted to ensure more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

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

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

3. RISK MANAGEMENT FRAMEWORK (cont'd)

The Company has established an Enterprise-Wide Risk Management ("ERM") framework. The Group's ERM framework comprises of five (5) main processes.



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

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

4. INTERNAL AUDIT FUNCTION

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

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

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

During the financial year ended 30 June 2018, the AC with the assistance of the external professional consulting firm, Axcelasia Columbus Sdn. Bhd. have reviewed the adequacy and effectiveness of the Group's internal control systems relating to Information Technology, Manufacturing, Inventory Management, Procurement Management and Quality Controls of:

- Rhong Khen Timbers Sdn. Bhd.; and
- RK Resources Co., Ltd..

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

5. OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

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

6. REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in the Annual Report of the Company for the financial year ended 30 June 2018 in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement other than Audits or Reviews of Historical Financial Information and RPG 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Controls. Their work performed is restricted to the requirements by Paragraph 15.23 of the MMLR of Bursa Securities.

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

7. CONCLUSION

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

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

This Statement is made in accordance with the Board of Directors' approval. This Statement is dated 17 October 2018.

AUDIT COMMITTEE REPORT

The Board of the Company is pleased to present the Audit Committee ("AC") Report for the financial year ended 30 June 2018 in accordance with Paragraph 15.15 of the MMLR of Bursa Securities.

A. COMPOSITION

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

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

The current members of the AC are:

Chairman:
Toh Seng Thong
Independent Director

Members:
Dato' Haji Shaharuddin Bin Haji Haron (Demised on 16 October 2018)
Senior Independent Director

Yek Siew Liong
Non-Independent Non-Executive Director

B. MEETINGS AND ATTENDANCE

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

	No. of AC Meeting	
	Held	**Attended**
Toh Seng Thong	5	5
Dato' Haji Shaharuddin Bin Haji Haron (Demised on 16 October 2018)	5	5
Yek Siew Liong	5	5

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

C. TERMS OF REFERENCE OF THE AC

The information on the Terms of Reference of the AC is available on the Company's website at www.lattree.com.

AUDIT COMMITTEE REPORT (CONT'D)

D. SUMMARY OF WORKS OF THE AC

During the financial year under review, the AC has carried out its function and duties and undertaken the following works to meet its responsibilities in accordance with its Term of Reference:

The works carried out by the AC up to the date of this Statement encompassed the following:

1) Financial reporting

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

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

ii) Reviewed and made recommendations to the Board in respect of the Audited Financial Statements of the Company and the Group for financial year ended 30 June 2018 and to ensure it presented a true and fair view of the Company's financial position and performance for the year and compliance with regulatory requirements.

Prior to that, the AC had reviewed the status report on the Audit Results for the financial year ended 30 June 2018 prepared by the External Auditors, Messrs Ernst & Young ("EY") at the meeting held on 28 August 2018.

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

2) External audit

i) Reviewed with the External Auditors, their audit plan including non-audit services for the financial year ended 30 June 2018, outlining the audit scope, methodology and timetable, audit materiality, areas of focus, fraud considerations and the risk of management override and also the new and revised accounting standards.

ii) Discussed and considered the key audit matters, significant accounting adjustments and auditing issues arising from the interim audit as well as the final audit with the External Auditors. The AC also had a private discussion with the External Auditors on 29 August 2017, 3 October 2017 and 21 May 2018 without the presence of Management to review on the issues relating to financial controls and operational efficiencies of the Company and its subsidiaries.

iii) Evaluated the performance of the External Auditors for the financial year ended 30 June 2018 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence as well as the audit fees of the External Auditors.

The AC having been satisfied with the independence, suitability and performance of EY, had at its meeting held on 9 October 2018 recommended to the Board to proposed the re-appointment of EY as External Auditors for the ensuing financial year of 30 June 2019 for shareholders' approval.

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

AUDIT COMMITTEE REPORT (CONT'D)

D. SUMMARY OF WORKS OF THE AC (cont'd)

3) Internal audit

i) Reviewed and approved the Internal Audit Plan prepared by Axcelasia Columbus Sdn. Bhd. for the financial year ended 30 June 2018 to ensure there is adequate scope and comprehensive coverage over the activities of the subsidiaries in the Group and that all the risk areas are audited annually.

ii) Reviewed two Internal Audit Reports which covered the areas of Information Technology, Manufacturing, Inventory Management, Procurement Management and Quality Controls.

iii) The AC also reviewed the audit findings and recommendations to improve any weaknesses or non-compliance, and the respective Management's responses thereto. The Internal Auditors monitored the implementation of Management's action plan on outstanding issues through follow up reports to ensure that all key risks and control weaknesses are being properly addressed.

iv) Reviewed the internal audit fees in respect of their audit of the Group and of the Company for the financial year.

v) Met with Internal Auditors once during the financial year at the AC meeting held on 21 May 2018 without the presence of any executive Board members and employees of the Group.

vi) Assessed the adequacy of scope, functions, competency and resources of the Internal Audit functions.

4) Other activities

i) Reviewed and assessed the risk management activities of the Group to ensure all risk areas are being identified and addressed by works carried out by internal auditors, external auditors and management team.

ii) Reviewed contents of the AC Report, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control and Statement of Directors' Responsibility in relation to the Audited Financial Statements for the financial year ended 30 June 2018 and ensured that these reports were prepared in accordance with the applicable requirements for inclusion in the Annual Report prior recommendation to the Board for approval.

iii) Reviewed the Corporate Governance Report prior recommendation to the Board for approval.

iv) 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.

v) Reviewed and recommended to the Board for approval the Statement to Shareholders in relation to the Proposed Renewal of Authority for Share Buy-Back.

vi) Received updates from the External Auditors on the new developments and amendments in disclosure requirements arising from the new and amended Malaysian Financial Reporting Standards and IC interpretation, Companies Act 2016 and the amendments to the MMLR of Bursa Securities affecting the contents of the Annual Report, particularly on the enhancement of disclosure on non-financial information, key audit matters and going concern.

AUDIT COMMITTEE REPORT (CONT'D)

E. SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

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

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

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

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

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

- Reviewed the adequacy and integrity of the Group's internal control systems relating to Information Technology, Manufacturing, Inventory Management, Procurement Management and Quality Controls of a Malaysia subsidiary company and a Vietnam subsidiary company.

- Reported to the AC its internal audit findings and response and rectification undertaken by the Management.

The professional fees incurred for the internal audit function in respect of financial year ended 30 June 2018 amounted to approximately RM38,000.

This Report is made in accordance with the Board of Directors' approval. This Report is dated 17 October 2018.

SUSTAINABILITY STATEMENT

INTRODUCTION

The Board of Directors ("the Board") of Latitude Tree Holdings Berhad ("LTHB" or the "Company") recognises the importance of sustainability and its increasing impact to the business. As a leader in our industry, we are firmly 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 Company will implement practices that enhance economic prosperity, create social value and reduce environmental impacts and will strive for continuous improvement of performance in these areas while advancing the interests of our stakeholders. Our primary stakeholder groups are investors, employees, customers, suppliers and local communities.

SCOPE OF REPORTING

The scope of reporting covers all the operating subsidiaries of the Company. This report covers period from 1 July 2017 up to the date of this report unless otherwise specified.

MATERIAL SUSTAINABILITY MATTERS

The determination of the Company's material sustainability impacts is made through several processes. These include a benchmarking review of sustainability reports across the wooden furniture manufacturing sector to compare material impacts of similar organisations. The views of a range of stakeholders have also been considered in the selection of material impact. We monitor the progress of our environmental, social and governance (ESG) performance through a Corporate Social Responsibility (CSR) Scorecard for each factory.

The material sustainability matters determined and identified are discussed below.

ENVIRONMENT IMPACT	ECONOMIC IMPACT	SOCIAL IMPACT
Energy and Greenhouse Gas Emissions	Corporate Procurement - Responsible sourcing	Employment Practices - Occupational Health and Safety
Water		- Diversity and Equal Opportunities
Waste		Community Development

(I) ENVIRONMENT IMPACT

Energy and Greenhouse Gas Emissions

Our main raw materials are woods. All our furniture plants obtained Chain of Custody from the Forest Stewardship Council ("FSC") and Programme for the Endorsement of Forest Certification ("PEFC"). Hence, woods used in production are FSC and PEFC certified. This provides assurance that our products are handled and manufactured under strict regulations that support responsible forest management. We also uses Medium Density Fibreboard that is California Air Resources Board ("CARB2") certified to reduce formaldehyde emission.

Usage of all machinery, equipment and appliances are monitored daily to avoid waste. Most of new machinery invested by us is energy-saving to reduce carbon print and ultimately reduce production cost.

SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY MATTERS (cont'd)

(I) ENVIRONMENT IMPACT (cont'd)

Water

Water is an increasingly important issue for our business and its conservation is imperative. We use water for boiler, spraying booth, cleaning, drinking, cooking and irrigation. We aim to achieve the best practice levels of efficiency across our operations. We continued our water conservation efforts which focused on harvesting of rain water and water recycling.

Waste

Waste management is a major concern for local authorities and communities in many of the locations in which we operate. Our aim is to reduce waste and boost recycling. We encourage employees and sub-contractors to reduce waste and to dispose waste in responsible manner, and we grant contracts to responsible disposal companies.

Raw materials utilisation and construction methods are closely reviewed and monitored to reduce wastages and production cost. Production by-products i.e off-cut or short length timbers are collected and reuse in production when required.

(II) ECONOMIC IMPACT

We recognise that sourcing and procurement and the practices of our suppliers have a significant influence on impacts of our products. During the period under review, we have taken proactive steps to ensure our procurement practices are better aligned with our values, including visiting key suppliers of ours. This approach has assisted us to understand our suppliers better and work hand-in-hand to reduce production cost and wastages. We believe that engagement of local suppliers in the countries of our operation will create economic opportunity for local businesses and reduce environmental impact of transporting goods from overseas and ultimately lower our cost.

(III) SOCIAL IMPACT

Occupational Health and Safety

The safety of our people is our most material impact. We have implemented a series of safety measures to ensure our staffs can carry out their roles safely including compulsory daily housekeeping of workplace, first aid training for staffs at all manufacturing plants, provide personal protective equipment for all production staffs including safety glasses, hearing protection and high visibility clothing and introduction of automatic timber cutting machines to reduce accident rate and manual handling issues.

Diversity and Equal Opportunities

We also recognise the importance of creating a workplace that is conducive to our staffs to work to their full potential. The minimum wage offered to our staffs is in line with the Minimum Wage Order in the countries of our operation. We provide competitive and fair remuneration packages to our staffs that meet the market standard. The standard benefits cover group personal accident insurance, social security and allowances. We are committed to create a working environment in which all staffs are treated fairly and respectfully and have equal access to opportunities. Decisions related to recruitment selection, development or promotion is based on merit, irrespective of gender, age or ethnicity.

SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY MATTERS (cont'd)

(III) SOCIAL IMPACT (cont'd)

Community Development

We also supports industry based learning program with public and private universities by providing internship to students. Selected interns are placed under the supervision of Production Manager to guide them through assigned projects or tasks.

We have been contributing regularly to schools with an objective to assist in the development of education of the less fortunate as well as gift and cash donations to charitable organisations. List of CSR activities carried out from 1 July 2017 up to the date of this report are as follows:

Date	CSR activity
9 October 2017	Organised a blood donation campaign at one of our Vietnam factory in Binh Duong Province, Vietnam for Ho Chi Minh City Blood Center
27 and 28 October 2017	Distributed flood relief packs and donated cash to affected flood area, Thanh Hoa in Vietnam
6 July 2018	Donated one (1) unit of fire engine to Binh Duong Province, Fire Station No 6 (Bau Bang District), Vietnam

Moving forward, we intend to progressively learn from and improve our sustainability initiatives to build a strong, sustainable and resilient business. The Board is committed to improve greater disclosures of sustainability matters in next financial year.

This Statement is made in accordance with the Board of Directors' approval. This Statement is dated 17 October 2018.

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

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

The Directors consider that, in preparing the financial statements for the financial year ended 30 June 2018 as set out on pages 40 to 126 of this Annual Report, the Group has used appropriate accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent. The Directors also consider that all applicable approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

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

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

This Statement is made in accordance with the Board of Directors' approval. This Statement is dated 17 October 2018.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

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 15 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit net of tax	12,077	20,199

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

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

Dividends

The amount of dividend paid by the Company since 30 June 2017 was as follows:

	RM'000
In respect of the financial year ended 30 June 2017 as reported in the directors' report of that year:	
Final tax exempt dividend of 12.0 sen, on 97,207,500 ordinary shares, declared on 03 October 2017 and paid on 30 January 2018	11,665

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 30 June 2018, of 6.0 sen on 96,938,800 ordinary shares amounting to a dividend payable of RM5,816,000 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 2019.

DIRECTORS' REPORT (CONT'D)

Directors

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

Dato' Haji Shaharuddin Bin Haji Haron*	(Demised on 16 October 2018)
Lin Chen, Jui-Fen #	
Lin, Chin-Hung #	
Toh Seng Thong*	
Yek Siew Liong* #	
Lin, Cheng-Hung	(Resigned on 17 August 2018)

* Being a member of the Audit Committee
\# These directors are also directors of the Company's subsidiaries

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

<u>Latitude Tree Vietnam Joint Stock Company</u>
Yeoh Joe Son
Liu, Kun-Chin

<u>RK Resources Co. Ltd.</u>
Lu, Chin-Chia

<u>Grob Holz Company Limited</u>
Lin, Shin-Ni
Tee Ah Ann
Chen, Cheng-Lung
Chen, Yu-Lien

Directors' benefits

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

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

DIRECTORS' REPORT (CONT'D)

Directors' interest

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

	Number of ordinary shares			
	At 1.7.2017	Acquired	Sold	At 30.6.2018
Direct interest:				
Ordinary shares of the Company				
Lin Chen, Jui-Fen	24,219,978	-	-	24,219,978
Lin, Chin-Hung	6,520,000	-	-	6,520,000
Lin, Cheng-Hung	5,000,000	-	-	5,000,000
Deemed interest:				
Ordinary shares of the Company				
Yek Siew Liong #	14,610,000	-	-	14,610,000

Deemed interest in shares held by Konsortium Kontrek Sdn. Bhd., a company in which the director has an interest

Lin Chen, Jui-Fen by virtue of her interest in shares in the Company, is 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.

Treasury shares

During the financial year, the Company repurchased 263,000 of its issued ordinary shares from the open market at an average price of RM3.235 per share. The total consideration paid for the repurchase including transaction costs was RM850,689. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

As at 30 June 2018, the Company held as treasury shares a total of 263,000 of its 97,207,500 issued ordinary shares. Such treasury shares are held at a carrying amount of RM850,689 and further relevant details are disclosed in Note 27 to the financial statements.

Indemnities to directors, officers or auditors

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

DIRECTORS' REPORT (CONT'D)

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.

(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 36 to the financial statements.

DIRECTORS' REPORT (CONT'D)

Subsequent events

Details of subsequent events are disclosed in Note 37 to the financial statements.

Auditors and auditors' remuneration

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

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

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 October 2018.

Lin Chen, Jui-Fen

Lin, Chin-Hung

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

We, Lin Chen, Jui-Fen and Lin, Chin-Hung, being two of the directors of Latitude Tree Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 51 to 126 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 October 2018.

Lin Chen, Jui-Fen

Lin, Chin-Hung

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

I, Fong Toh Wai, being the officer primarily responsible for the financial management of Latitude Tree Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 51 to 126 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Fong Toh Wai at
Kuala Lumpur in Wilayah Persekutuan on
17 October 2018

Fong Toh Wai

Before me:
Kapt (B) Jasni Bin Yusoff (W465)
Commisioner for Oaths

Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LATITUDE TREE HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Report on the financial statements

Opinion

We have audited the financial statements of Latitude Tree Holdings Berhad. which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 126.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Income taxes

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

The Group has both local and foreign operations that are subject to income taxes in different tax jurisdictions. For the financial year ended 30 June 2018, the Group recognised local and foreign income tax expense of RM1.2 million and RM6.4 million respectively.

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

Key audit matters (cont'd)

Income taxes (cont'd)

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

Our audit procedures include the following:

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

Inventories

We draw your attention to the summary of significant accounting policies in Note 2.15, significant accounting judgement and estimate in note 3.2 (c) and the disclosure of inventories in Note 19 to the financial statements.

As at 30 June 2018, the Group's inventories amounted to RM172.1 million, representing 22.9% of the Group's total assets.

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

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

Our audit procedures include the following:

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

Other matter

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

Ernst & Young	Teoh Soo Hock
AF: 0039	No. 02477/10/2019 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
17 October 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	4	752,829	786,016	24,900	24,900
Cost of sales		(668,074)	(654,046)	-	-
Gross profit		84,755	131,970	24,900	24,900
Other items of income					
Interest income		1,917	1,713	6	13
Other income	5	2,655	6,260	463	3,295
Other items of expense					
Selling and distribution expenses		(20,665)	(19,795)	-	-
Administrative expenses		(21,994)	(26,513)	(637)	(561)
Other expenses		(22,727)	(2,668)	(4,533)	(6,138)
Finance costs	6	(3,164)	(2,620)	-	-
Profit before tax	7	20,777	88,347	20,199	21,509
Income tax expense	10	(8,700)	(19,282)	-	-
Profit net of tax		12,077	69,065	20,199	21,509
Other comprehensive (loss)/income:					
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:					
Available-for-sale financial assets - (loss)/gain on fair value changes		(77)	109	-	-
Foreign currency translation		(14,363)	18,136	-	-
Other comprehensive (loss)/income for the year, net of tax		(14,440)	18,245	-	-
Total comprehensive (loss)/income for the year		(2,363)	87,310	20,199	21,509
Earnings per share attributable to owners of the parent (sen per share)					
- Basic/diluted	11	12	71		

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

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Non-current assets					
Property, plant and equipment	13	229,707	258,733	-	-
Investment properties	14	21,239	-	-	-
Investment in subsidiaries	15	-	-	43,721	43,721
Other investments	16	81	81	-	-
Land use rights	17	16,015	17,623	-	-
Investment securities	21	1,000	-	-	-
Derivatives	22	30	18	-	-
Deferred tax assets	18	1,811	1,917	-	-
		269,883	278,372	43,721	43,721
Current assets					
Inventories	19	172,136	163,514	-	-
Trade and other receivables	20	81,767	79,194	111,765	90,851
Prepayments		1,448	2,539	-	-
Tax recoverable		2,415	417	1	3
Investment securities	21	53,297	37,895	9,867	17,405
Derivatives	22	205	241	-	-
Cash and bank balances	23	169,882	208,095	5,154	10,812
		481,150	491,895	126,787	119,071
Total assets		751,033	770,267	170,508	162,792
Equity and liabilities					
Current liabilities					
Tax payable		20,048	14,158	-	-
Derivatives	22	-	19	-	-
Loans and borrowings	24	78,006	78,907	-	-
Trade and other payables	25	90,768	96,342	117	84
		188,822	189,426	117	84
Net current assets		292,328	302,469	126,670	118,987

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018 (CONT'D)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current liabilities					
Loans and borrowings	24	13,268	17,610	-	-
Provision for severance allowance	26	26	37	-	-
Retirement benefit obligation		148	138	-	-
Deferred tax liabilities	18	3,198	2,606	-	-
		16,640	20,391	-	-
Total liabilities		205,462	209,817	117	84
Net assets		545,571	560,450	170,391	162,708
Equity attributable to owners of the parent					
Share capital	27	98,433	98,433	98,433	98,433
Treasury shares	27	(851)	-	(851)	-
Retained earnings	28	387,188	386,776	72,809	64,275
Other reserves	29	60,801	75,241	-	-
Total equity		545,571	560,450	170,391	162,708
Total equity and liabilities		751,033	770,267	170,508	162,792

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Share capital (Note 27) RM'000	Treasury shares (Note 27) RM'000	Distributable: Retained earnings (Note 28) RM'000	Non-distributable: Fair value adjustment reserve (Note 29) RM'000	Non-distributable: Foreign currency translation reserve (Note 29) RM'000	Non-distributable: Other reserves (Note 29) RM'000	Total equity RM'000
2018								
Group								
Opening balance at 1 July 2017		98,433	-	386,776	109	75,132	75,241	560,450
Profit for the year		-	-	12,077	-	-	-	12,077
Other comprehensive loss		-	-	-	(77)	(14,363)	(14,440)	(14,440)
Total comprehensive income/(loss)		-	-	12,077	(77)	(14,363)	(14,440)	(2,363)
Transactions with owners								
Dividends on ordinary shares	12	-	-	(11,665)	-	-	-	(11,665)
Purchase of treasury shares	27	-	(851)	-	-	-	-	(851)
Total transactions with owners		-	(851)	(11,665)	-	-	-	(12,516)
Closing balance at 30 June 2018		98,433	(851)	387,188	32	60,769	60,801	545,571

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018 (CONT'D)

				Distributable	Non-distributable			
	Note	Share capital (Note 27) RM'000	Share premium RM'000	Retained earnings (Note 28) RM'000	Fair value adjustment reserve (Note 29) RM'000	Foreign currency translation reserve (Note 29) RM'000	Other reserves (Note 29) RM'000	Total equity RM'000
2017								
Group								
Opening balance at 1 July 2016		97,208	1,225	329,376	-	56,996	56,996	484,805
Transfer on 31 January 2017	27	1,225	(1,225)	-	-	-	-	-
Profit for the year		-	-	69,065	-	-	-	69,065
Other comprehensive income		-	-	-	109	18,136	18,245	18,245
Total comprehensive income		-	-	69,065	109	18,136	18,245	87,310
Transaction with owners								
Dividends on ordinary shares, representing total transaction with owners	12	-	-	(11,665)	-	-	-	(11,665)
Closing balance at 30 June 2017		98,433	-	386,776	109	75,132	75,241	560,450

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018 (CONT'D)

	Note	← Non-distributable Share capital (Note 27) RM'000	Share premium RM'000	→ Treasury shares (Note 27) RM'000	Distributable Retained earnings (Note 28) RM'000	Total equity RM'000
2018						
Company						
Opening balance at 1 July 2017		98,433	-	-	64,275	162,708
Total comprehensive income		-	-	-	20,199	20,199
Transactions with owners						
Dividends on ordinary shares	12	-	-	-	(11,665)	(11,665)
Purchase of treasury shares	27	-	-	(851)	-	(851)
Total transactions with owners		-	-	(851)	(11,665)	(12,516)
Closing balance at 30 June 2018		98,433	-	(851)	72,809	170,391
2017						
Company						
Opening balance at 1 July 2016		97,208	1,225	-	54,431	152,864
Transfer on 31 January 2017	27	1,225	(1,225)	-	-	-
Total comprehensive income		-	-	-	21,509	21,509
Transaction with owners						
Dividends on ordinary shares, representing total transaction with owners	12	-	-	-	(11,665)	(11,665)
Closing balance at 30 June 2017		98,433	-	-	64,275	162,708

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Operating activities					
Profit before tax		20,777	88,347	20,199	21,509
Adjustments for:					
Reversal of impairment loss of trade receivables	5	-	(17)	-	-
Reversal of impairment loss of investment in a subsidiary	5	-	-	-	(2,680)
Investment income from investment securities	5	(1,076)	(1,239)	(463)	(615)
Net fair value gain on investment securities	5	(801)	-	-	-
Net fair value loss/(gain) on derivatives	5, 7	5	(418)	-	-
Effects on liquidation of a subsidiary	5	(49)	-	-	-
Loss/(gain) on disposal of property, plant and equipment	5, 7	89	(108)	-	-
Net unrealised foreign exchange loss/(gain)	5, 7	3,573	(1,047)	807	279
Finance costs	6	3,164	2,620	-	-
Amortisation of land use rights	7	564	641	-	-
Depreciation of property, plant and equipment	7	17,384	19,468	-	-
Impairment loss on trade receivables	7	5	-	-	-
Impairment loss on other receivables	7	-	9	3,658	5,859
Property, plant and equipment written off	7	3,129	18	-	-
Provision for severance allowance	7	130	85	-	-
Inventories written off	7	10,818	-	-	-
Inventories written down	7	525	54	-	-
Interest income on deposits		(1,917)	(1,713)	(6)	(13)
Total adjustments		35,543	18,353	3,996	2,830
Operating cash flows before changes in working capital		56,320	106,700	24,195	24,339
Changes in working capital					
Increase in inventories		(27,410)	(22,949)	-	-
Increase in trade and other receivables		(7,092)	(22,990)	(24,685)	(7,586)
Decrease/(increase) in prepayments		1,091	(1,347)	-	-
(Decrease)/increase in trade and other payables		(754)	2,856	33	7
Decrease in provision for severance allowance	26	(139)	(87)	-	-
Increase in retirement benefit obligation		16	16	-	-
Total changes in working capital		(34,288)	(44,501)	(24,652)	(7,579)
Cash flows from/(used in) operations		22,032	62,199	(457)	16,760
Interest paid		(3,118)	(2,620)	-	-
Interest received		1,675	1,713	6	13
Taxes refunded		300	27	3	5
Taxes paid		(7,909)	(15,110)	(1)	(1)
Net cash flows from/(used in) operating activities		12,980	46,209	(449)	16,777

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Investing activities					
Investment income from investment securities	5	1,076	1,239	463	615
Purchase of property, plant and equipment	13	(20,575)	(34,019)	-	-
Proceeds from disposal of property, plant and equipment		168	1,050	-	-
Proceeds from investment securities		37,360	21,219	13,537	-
Purchase of investment securities		(53,625)	(15,699)	(6,183)	(615)
(Increase)/decrease in deposits with licensed banks		(5,732)	4,484	-	-
Net cash flows (used in)/from investing activities		(41,328)	(21,726)	7,817	-
Financing activities					
Repayments of loans and borrowings		(206,636)	(180,912)	-	-
Drawdown of loans and borrowings		205,691	192,335	-	-
Movement of deposits placed as securities for bank borrowings and guarantees		(227)	454	-	-
Treasury shares acquired	27	(851)	-	(851)	-
Dividends paid on ordinary shares	12	(11,665)	(11,665)	(11,665)	(11,665)
Net cash flows (used in)/from financing activities		(13,688)	212	(12,516)	(11,665)
Net (decrease)/increase in cash and cash equivalents		(42,036)	24,695	(5,148)	5,112
Effects of exchange rate changes		(2,136)	5,288	(510)	(383)
Cash and cash equivalents at 1 July		195,741	165,758	10,812	6,083
Cash and cash equivalents at 30 June	23	151,569	195,741	5,154	10,812

Reconciliation of liabilities arising from financing activities

	Carrying amount as at 1 July 2017 RM'000	Cash flows RM'000	Effects of foreign exchange RM'000	Carrying amount as at 30 June 2018 RM'000
<u>Group</u>				
Loans and borrowings	96,517	(945)	(4,298)	91,274

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

1. Corporate information

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

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

The principal activities of the subsidiaries are described in Note 15.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

2.2 Changes in accounting policies

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

On 1 July 2017, the Group and the Company adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 July 2017.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 12: Annual Improvements to MFRS Standards 2014–2016 Cycle	1 January 2017
Amendments to MFRS 107: Disclosure Initiatives	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

The adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as discussed below:

Amendments to MFRS 107: Disclosures Initiatives

The amendments to MFRS 107 Statement of Cash Flows requires the Group and the Company to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, the Group and the Company are not required to provide comparative information for preceding periods.

The Group has disclosed the information in the statements of cash flows.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

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

2.3 Standards and interpretations issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2014 - 2016 Cycle (Amendments to MFRS 1 and MFRS 128)	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 15: Clarifications to MFRS 15	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9: Financial Instruments with MFRS 4: Insurance Contracts	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to MFRSs 2015 - 2017 Cycle (Amendments to MFRS 3, MFRS 11, MFRS 112 and MFRS 123)	1 January 2019
MFRS 16: Leases	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 2: Share-based Payment	1 January 2020
Amendments to MFRS 3: Business Combinations	1 January 2020
Amendments to MFRS 6: Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14: Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101: Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134: Interim Financial Reporting	1 January 2020
Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138: Intangible Assets	1 January 2020
Amendments to IC Interpretation 12 Service Concession Arrangements	1 January 2020
Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132 Intangible Assets - Web Site Costs	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and Its Associate	Deferred

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

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

The Directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application, except as disclosed below, where the Group is in the midst of finalising the assessment of the financial impact.

MFRS 15 Revenue from Contracts with Customers

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

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

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

During the financial year, the Group has performed an impact assessment of MFRS 15. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2019 when the Group adopts MFRS 15.

(i) Sales of goods

Revenue from sale of goods is currently recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

The Group has assessed the impact of MFRS 15 and determined that there is no significant impact to the Company's financial statements.

(ii) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Accordingly, the Group anticipated that the presentation and relevant disclosures will be enhanced.

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. During the financial year, the Group has performed a detailed impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2019 when the Group adopts MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

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

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

MFRS 9 Financial Instruments (cont'd)

Based on the analysis of the Group's financial assets and liabilities as at 30 June 2018 on the basis of facts and circumstances that exist at that date, the directors of the Company have assessed the key effect of the adoption of this standard would principally be in respect of the assessment of impairment losses of outstanding external and internal debts based on an "expected credit loss model" instead of the "incurred loss" model. This may have the effect of accelerating the recognition of impairment losses in respect of these debts if any.

MFRS 16 Leases

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

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

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

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

2.4 Basis of consolidation

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

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

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

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

2.4 Basis of consolidation (cont'd)

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

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

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

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

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

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

2.5 Business combinations

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

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

2.5 Business combinations (cont'd)

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

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

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

2.6 Subsidiaries

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

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

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

2.7 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.

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

2.7 Foreign currency (cont'd)

(b) Foreign currency transactions (cont'd)

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

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

(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.

2.8 Property, plant and equipment and depreciation

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

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

2.8 Property, plant and equipment and depreciation (cont'd)

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

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

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

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

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

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

2.9 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation, or for both. Such properties are measured initially at cost including transaction costs. Following initial recognition, investment properties are carried at cost less any accumulated amortisation and accumulated impairment losses. Freehold land has an unlimited useful life and therefore is not amortised. Building is amortised over 50 years on a straight line method.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

Transfers are made to or from investment properties only when there is a change in use.

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

2.10 Land use rights

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

2.11 Impairment of non-financial assets

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

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

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

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

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

2.12 Financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

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

2.12 Financial assets (cont'd)

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

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

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

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

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

(b) Loans and receivables

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

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

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

(c) Held-to-maturity investments

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

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

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

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

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

2.12 Financial assets (cont'd)

(d) Available-for-sale financial assets

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

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

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

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

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

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

2.13 Impairment of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

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

2.13 Impairment of financial assets (cont'd)

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

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

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

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

(b) Unquoted equity securities carried at cost

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

(c) Available-for-sale financial assets

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

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

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

2.14 Cash and cash equivalents

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

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

2.15 Inventories

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

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

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

2.16 Provisions

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

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

2.17 Financial liabilities

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

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

2.17 Financial liabilities (cont'd)

(b) Other financial liabilities

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

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

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

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

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

2.18 Financial guarantee contracts

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

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

2.19 Borrowing costs

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

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

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

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

(c) Retirement benefit obligation - defined benefit plans

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

(d) Provision for severance allowance

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

2.21 Leases

(a) As lessee

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

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

2.21 Leases (cont'd)

(b) As lessor

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

2.22 Revenue

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

(a) Sale of goods

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Management fees

Management fees are recognised when services are rendered.

(d) Dividend income

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

(e) Rental income

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

2.23 Income taxes

(a) Current tax

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

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

2.23 Income taxes (cont'd)

(a) Current tax (cont'd)

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 except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

2.24 Goods and Services Tax ("GST")

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

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Share capital and share issuance expenses

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

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

2.27 Fair value measurement

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

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

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

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

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

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

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

2.27 Fair value measurement (cont'd)

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

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

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

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

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

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

2.28 Contingencies

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

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

2.29 Offsetting of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

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

2.30 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the company;
(ii) has significant influence over the company; or
(iii) is a member of the key management personnel of the Group or the company or of a parent of the company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

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

3. Significant accounting judgements and estimates

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

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) 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 2018 was RM2,415,000 (2017: RM417,000) and RM20,048,000 (2017: RM14,158,000) respectively.

(b) Deferred tax assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax assets has been recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of the Group's deferred tax assets as at 30 June 2018 was RM1,811,000 (2017: RM1,917,000). The total carrying value of unused capital allowances, reinvestment allowances and tax losses of the Group was RM36,418,000 (2017: RM34,689,000). Further details of unused capital allowances, reinvestment allowances and tax losses are disclosed in Note 10.

(c) Inventories costing

The Group applies actual cost of raw materials and predetermined labour and overhead expenses to derive at the costs of work-in-progress and finished goods. Significant management estimates are involved when allocating labour and overhead expenses into the different types of inventories. The carrying amount of inventories of the Group are disclosed in Note 19.

(d) Impairment of investment in subsidiaries

In prior years, the Company had recognised an impairment loss in respect of investment in subsidiaries. The Company carries out the impairment test based on the estimation of the higher in value-in-use or the fair value less cost to sell of the cash-generating units (CGU) to which the investment in subsidiary belong to. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the CGU and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

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

The Company had recognised an impairment loss in respect of investments in subsidiaries. The Company carried out the impairment test based on the estimation of the higher of the value-in-use or the fair value less cost to sell of the cash-generating units ("CGU") to which the investments in subsidiaries belong to. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the CGU and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The impairment losses recognised to date are disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

4. Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of goods	752,629	786,016	-	-
Dividend income from subsidiaries	-	-	24,900	24,900
Rental income	200	-	-	-
	752,829	786,016	24,900	24,900

5. Other income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net fair value gain on derivatives	-	418	-	-
Gain on disposal of property, plant and equipment	-	108	-	-
Net realised foreign exchange gain	-	2,136	-	-
Net unrealised foreign exchange gain	-	1,047	-	-
Net fair value gain on investment securities	801	-	-	-
Rental income	380	766	-	-
Reversal of impairment loss of investment in a subsidiary (Note 15)	-	-	-	2,680
Reversal of impairment loss of trade receivables (Note 20)	-	17	-	-
Investment income from investment securities	1,076	1,239	463	615
Effects on liquidation of a subsidiary	49	-	-	-
Scrap sales	103	320	-	-
Miscellaneous	246	209	-	-
	2,655	6,260	463	3,295

6. Finance costs

	Group	
	2018 RM'000	2017 RM'000
Interest expense on:		
Bank overdrafts	1	1
Bankers' acceptances	192	42
Term loans	896	954
Trust receipts	2,075	1,623
	3,164	2,620

7. Profit before tax

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Auditors' remuneration:				
Statutory audit				
- Current year	455	480	55	38
- Underprovision in prior year	30	2	17	-
Other services	38	38	38	38
Amortisation of land use rights (Note 17)	564	641	-	-
Depreciation of property, plant and equipment (Note 13)	17,384	19,468	-	-
Employee benefits expense (Note 8)	163,492	162,895	12	12
Impairment loss on:				
- Other receivables (Note 20)	-	9	3,658	5,859
- Trade receivables (Note 20)	5	-	-	-
Loss on disposal of property, plant and equipment	89	-	-	-
Net realised foreign exchange loss	1,493	-	6	-
Net unrealised foreign exchange loss	3,573	-	807	279
Net fair value loss on derivatives	5	-	-	-
Non-executive directors' remuneration (Note 9)	347	347	347	347
Property, plant and equipment written off (Note 13)	3,129	18	-	-
Inventories written off	10,818	-	-	-
Inventories written down	525	54	-	-
Provision for severance allowance (Note 26)	130	85	-	-

8. Employee benefits expense

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages and salaries	93,480	148,275	-	-
Social security contributions	12,294	9,691	-	-
Contributions to defined contribution plan	1,632	1,666	-	-
Retirement benefit expense	16	16	-	-
Other benefits	56,070	3,247	12	12
	163,492	162,895	12	12

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,843,000 (2017: RM1,826,000) and RM12,000 (2017: RM12,000) respectively as further disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

9. Directors' remuneration

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive:				
Salaries and other emoluments	1,073	1,092	12	12
Bonus	679	643	-	-
Defined contribution plan	91	91	-	-
Total executive directors' remuneration	1,843	1,826	12	12
Non-executive:				
Benefits payables	59	59	59	59
Fees	288	288	288	288
Total non-executive directors' remuneration	347	347	347	347
Total directors' remuneration (Note 30(b))	2,190	2,173	359	359

10. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 30 June 2018 and 2017 are:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Statements of profit or loss and other comprehensive income:				
Current income tax:				
- Malaysian income tax	1,347	3,972	-	-
- Foreign tax	6,388	16,568	-	-
- Overprovision in respect of previous years	(167)	(583)	-	-
	7,568	19,957	-	-
Deferred tax (Note 18):				
- Origination and reversal of temporary differences	571	429	-	-
- Benefits from previously unrecognised tax losses	(2)	(1,591)	-	-
- Underprovision in respect of previous years	563	487	-	-
	1,132	(675)	-	-
Income tax expense recognised in profit or loss	8,700	19,282	-	-

10. Income tax expense (cont'd)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 June 2018 and 2017 are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax	20,777	88,347	20,199	21,509
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	4,986	21,203	4,848	5,162
Different tax rates in other countries	(893)	(5,160)	-	-
Adjustments:				
Income not subject to taxation	-	-	(6,074)	(6,767)
Non-deductible expenses	3,796	4,838	1,122	1,512
Overprovision of income tax in respect of previous years	(167)	(583)	-	-
Underprovision of deferred tax in respect of previous years	563	487	-	-
Benefits from previously unrecognised tax losses	(2)	(1,591)	-	-
Deferred tax assets not recognised in respect of unused capital allowances, unused reinvestment allowances and unused tax losses	417	88	104	93
Income tax expense recognised in profit or loss	8,700	19,282	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

10. Income tax expense (cont'd)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unused reinvestment allowances	9,564	9,564	-	-
Unused tax losses	14,592	13,538	1,204	772
Unused capital allowances	12,262	11,587	-	-
	36,418	34,689	1,204	772

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

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

11. Earnings per share

Basic/diluted

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

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

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

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

	Group	
	2018 RM'000	2017 RM'000
Profit net of tax attributable to owners of the parent used in the computation of basic/diluted earnings per share	12,077	69,065

11. Earnings per share (cont'd)

Basic/diluted (cont'd)

	Group 2018 Number of shares '000	Group 2017 Number of shares '000
Weighted average number of ordinary shares for basic/diluted earnings per share computation	97,180	97,208

	Group Sen	Group Sen
Basic/diluted earnings per share	12	71

12. Dividends

	Group and Company 2018 RM'000	Group and Company 2017 RM'000
Recognised during the financial year:		
Final tax exempt dividend paid for 2016: 12.0 sen per share on 97,207,500 ordinary shares	-	11,665
Final tax exempt dividend paid for 2017: 12.0 sen per share on 97,207,500 ordinary shares	11,665	-
	11,665	11,665

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 30 June 2018, of 6.0 sen on 96,938,800 ordinary shares amounting to a dividend payable of RM5,816,000 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 2019.

13. Property, plant and equipment

	Freehold land RM'000	Leasehold land * RM'000	Buildings RM'000	Plant and machinery RM'000	Electrical installation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Buildings under construction RM'000	Total RM'000
Group											
Cost											
At 1 July 2016	29,527	4,703	176,207	219,987	3,591	591	4,479	3,728	2,377	2,654	447,844
Additions	687	-	10,018	7,633	178	23	1,475	193	-	13,812	34,019
Disposals	-	-	-	(398)	-	-	(787)	(4)	(720)	-	(1,909)
Write offs	-	-	-	(254)	(169)	-	(93)	(64)	-	-	(580)
Reclassification	-	-	993	-	-	-	-	-	-	(993)	-
Exchange differences	223	-	7,750	10,263	299	48	240	190	254	40	19,307
At 30 June 2017	30,437	4,703	194,968	237,231	3,899	662	5,314	4,043	1,911	15,513	498,681
At 1 July 2017	30,437	4,703	194,968	237,231	3,899	662	5,314	4,043	1,911	15,513	498,681
Additions	-	-	4,876	13,106	109	12	192	151	-	2,129	20,575
Disposals	-	-	-	(495)	-	-	-	-	-	-	(495)
Write offs	-	-	(3,520)	(3,871)	(386)	-	-	(251)	-	-	(8,028)
Transfer to investment properties (Note 14)	(7,361)	-	(14,870)	-	-	-	-	-	-	-	(22,231)
Reclassification	-	-	4,853	4,468	-	-	-	-	257	(9,578)	-
Exchange differences	(102)	-	(6,893)	(9,016)	(112)	(163)	(227)	(184)	(68)	(206)	(16,971)
At 30 June 2018	22,974	4,703	179,414	241,423	3,510	511	5,279	3,759	2,100	7,858	471,531

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

	Freehold land RM'000	Leasehold land * RM'000	Buildings RM'000	Plant and machinery RM'000	Electrical installation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Buildings under construction RM'000	Total RM'000
Group											
Accumulated depreciation											
At 1 July 2016	-	1,106	42,122	157,348	3,451	545	2,556	2,913	1,705	-	211,746
Depreciation charge for the year (Note 7)	-	18	5,266	13,032	57	13	667	311	104	-	19,468
Disposals	-	-	-	(86)	-	-	(728)	(3)	(150)	-	(967)
Write offs	-	-	-	(236)	(169)	-	(93)	(64)	-	-	(562)
Exchange differences	-	-	1,955	7,499	298	44	158	160	149	-	10,263
At 30 June 2017	-	1,124	49,343	177,557	3,637	602	2,560	3,317	1,808	-	239,948
At 1 July 2017	-	1,124	49,343	177,557	3,637	602	2,560	3,317	1,808	-	239,948
Depreciation charge for the year (Note 7)	-	16	4,867	11,446	44	16	684	280	31	-	17,384
Disposals	-	-	-	(238)	-	-	-	-	-	-	(238)
Write offs	-	-	(895)	(3,398)	(386)	-	-	(220)	-	-	(4,899)
Transfer to investment properties (Note 14)	-	-	(992)	-	-	-	-	-	-	-	(992)
Exchange differences	-	-	(1,909)	(6,835)	(112)	(162)	(145)	(158)	(58)	-	(9,379)
At 30 June 2018	-	1,140	50,414	178,532	3,183	456	3,099	3,219	1,781	-	241,824

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

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

	Freehold land RM'000	Leasehold land * RM'000	Buildings RM'000	Plant and machinery RM'000	Electrical installation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Buildings under construction RM'000	Total RM'000
Group											
Net carrying amount											
At 30 June 2017	30,437	3,579	145,625	59,674	262	60	2,754	726	103	15,513	258,733
At 30 June 2018	22,974	3,563	129,000	62,891	327	55	2,180	540	319	7,858	229,707

The Group's office equipment included computer software with carrying amount of RM175,100 (2017: RM343,221).

* The remaining lease term of leasehold land is 40 to 53 years (2017: 41 to 54 years).

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

Assets pledged as security

The net carrying amounts of property, plant and equipment pledged as securities for loans and borrowings (Note 24) are as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Freehold land	7,243	18,447
Freehold buildings	9,928	29,652
	17,171	48,099

14. Investment properties

	Group	
	2018	**2017**
	RM'000	**RM'000**
Freehold land and buildings		
Cost		
At 1 July	-	-
Transferred from property, plant and equipment (Note 13)	22,231	-
At 30 June	22,231	-
Accumulated depreciation		
At 1 July	-	-
Transferred from property, plant and equipment (Note 13)	992	-
At 30 June	992	-
Net carrying amount	21,239	-

Assets pledged as security

The investment properties are pledged as securities for loans and borrowings (Note 24).

Fair value information

The directors have estimated the fair value of investment properties of the Group as at 30 June 2018 to be RM31,683,007. The fair value have been determined by reference to market evidence of transaction prices for similar properties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

14. Investment properties (cont'd)

The following is recognised in profit or loss in respect of investment properties:

	Group	
	2018 RM'000	2017 RM'000
Rental income	200	-
Depreciation expense	297	-
Quit rent and assessment	68	-

15. Investment in subsidiaries

	Company	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost		
At 1 July/30 June	53,929	53,929
Accumulated impairment losses		
At 1 July	(10,208)	(12,888)
Reversal of impairment loss of investment in subsidiaries (Note 5)	-	2,680
At 30 June	(10,208)	(10,208)
Net carrying amount	43,721	43,721

15. Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2018 %	2017 %
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	Manufacture and sale of decorative wood panels and papers	100	100
Rhong Khen Timbers Sdn. Bhd. *	Malaysia	Manufacture and sale of wooden furniture parts and components	100	100
Latitude Tree Sdn. Bhd. *	Malaysia	Investment holding	100	100
L-Tree Resources Sdn. Bhd. *	Malaysia	Investment holding	100	100
Grob Holz Sdn. Bhd.*	Malaysia	Investment holding	100	100
Uptown Promenade Sdn. Bhd. *	Malaysia	Investment holding	100	100
Linkage Creation International Co. Ltd. *	Brunei Darussalam	Investment holding	-	100
Latitude Tree International Limited *	British Virgin Islands	Investment holding	100	100
Great Paddy Pte. Ltd. *	British Virgin Islands	Investment holding and general trading	100	100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

15. Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd):

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2018 %	2017 %
Held through Latitude Tree Sdn. Bhd.:				
Latitude Tree Vietnam Joint Stock Company **	Vietnam	Manufacture and sale of wooden furniture and components	100	100
Held through Grob Holz Sdn. Bhd.:				
Grob Holz Company Limited #	Thailand	Manufacture and sale of wooden furniture parts and components	100	100
Held through Latitude Tree Vietnam Joint Stock Company:				
RK Resources Co., Ltd. **	Vietnam	Manufacture and sale of wooden furniture and components	100	100

* Audited by Ernst & Young, Malaysia
** Audited by member firms of Ernst & Young Global in the respective countries
\# Audited by a firm of auditors other than Ernst & Young

Linkage Creation International Co. Ltd.

On 21 December 2017, Linkage Creation International Co. Ltd. ("Linkage Creation"), a wholly-owned subsidiary of the Company has been struck off from Registrar of Companies pursuant to the requirement of the International Business Companies Order 2000 in Brunei Darussalam. On even date, Linkage Creation has ceased to be a wholly-owned subsidiary of the Company. The striking off of Linkage Creation has no material financial and operational impact on the Company and its subsidiaries.

16. Other investments

	Group 2018 RM'000	Group 2017 RM'000
Transferable golf club membership, at cost	81	81

17. Land use rights

	Group 2018 RM'000	Group 2017 RM'000
Cost		
At 1 July	25,572	23,954
Exchange differences	(2,274)	1,618
At 30 June	23,298	25,572
Accumulated amortisation		
At 1 July	7,949	6,894
Amortisation charged for the year (Note 7)	564	641
Exchange differences	(1,230)	414
At 30 June	7,283	7,949
Net carrying amount	16,015	17,623

	Group 2018 RM'000	Group 2017 RM'000
Amount to be amortised:		
- Not later than one year	564	641
- Later than one year but not later than five years	2,820	3,205
- Later than five years	12,631	13,777
	16,015	17,623

The Group has land use rights over state-owned land at Song Than 2 Industrial Zone where the Group's Vietnam manufacturing and storage facilities reside. The land use rights are not transferable and have a remaining tenure of 13 to 39 years (2017: 14 to 40 years).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

18. Deferred tax assets/(liabilities)

	As at 1 July 2016 RM'000	Recognised in profit or loss RM'000 (Note 10)	Exchange differences RM'000	As at 30 June 2017 RM'000	Recognised in profit or loss RM'000 (Note 10)	Exchange differences RM'000	As at 30 June 2018 RM'000
Group							
Deferred tax liabilities							
Property, plant and equipment	(3,317)	(742)	-	(4,059)	(856)	-	(4,915)
Deferred tax assets							
Unused tax losses, unused reinvestment allowances and unused capital allowances	843	950	-	1,793	(44)	-	1,749
Provisions	718	467	392	1,577	(232)	434	1,779
	1,561	1,417	392	3,370	(276)	434	3,528
	(1,756)	675	392	(689)	(1,132)	434	(1,387)

18. Deferred tax assets/(liabilities) (cont'd)

	Group	
	2018 RM'000	2017 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	1,811	1,917
Deferred tax liabilities	(3,198)	(2,606)
	(1,387)	(689)

19. Inventories

	Group	
	2018 RM'000	2017 RM'000
Cost		
Raw materials	88,308	84,773
Work-in-progress	40,728	34,891
Finished goods	42,542	43,796
	171,578	163,460
Net realisable value		
Finished goods	558	54
	172,136	163,514

The cost of inventories recognised as an expense in cost of sales of the Group was RM649,546,000 (2017: RM648,416,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

20. Trade and other receivables

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables				
Third parties	52,600	50,655	-	-
Less: Allowance for impairment	(227)	(231)	-	-
Trade receivables, net	52,373	50,424	-	-
Other receivables				
Amounts due from subsidiaries	-	-	154,015	129,443
Deposits	2,514	252	-	-
Staff loans	118	123	-	-
Goods and services tax receivable	2,138	1,615	-	-
Sundry receivables	24,886	27,051	-	-
	29,656	29,041	154,015	129,443
Less: Allowance for impairment				
Amounts due from subsidiaries	-	-	(42,250)	(38,592)
Sundry receivables	(262)	(271)	-	-
Other receivables, net	29,394	28,770	111,765	90,851
Total trade and other receivables	81,767	79,194	111,765	90,851
Less: Included within other receivables				
Import duty and other direct taxes receivables	(11,263)	(8,351)	-	-
Goods and services tax receivables	(2,138)	(1,615)	-	-
Advance to suppliers	(10,965)	(17,362)	-	-
Add: Cash and bank balances (Note 23)	169,882	208,095	5,154	10,812
Total loans and receivables	227,283	259,961	116,919	101,663

20. Trade and other receivables (cont'd)

(a) Trade receivables (cont'd)

Trade receivables are non-interest bearing and are generally on 7 to 90 day (2017: 1 to 30 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group	
	2018 RM'000	**2017 RM'000**
Neither past due nor impaired	37,939	43,728
1 to 30 days past due not impaired	12,463	4,917
31 to 60 days past due not impaired	1,008	1,189
61 to 90 days past due not impaired	406	482
More than 91 days past due not impaired	557	108
	14,434	6,696
Impaired	227	231
	52,600	50,655

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 RM14,434,000 (2017: RM6,696,000) that are past due at the reporting date but not impaired. These receivables are not secured by any collateral or credit enhancement.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

20. Trade and other receivables (cont'd)

(a) Trade receivables (cont'd)

<u>Receivables that are impaired</u>

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	
	2018 RM'000	**2017 RM'000**
Trade receivables - nominal amounts	227	231
Less: Allowance for impairment	(227)	(231)
	-	-

Movement in allowance accounts:

	Group	
	2018 RM'000	**2017 RM'000**
At 1 July	231	224
Charge for the year (Note 7)	5	-
Reversal of impairment loss of trade receivables (Note 5)	-	(17)
Exchange differences	(9)	24
At 30 June	227	231

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Management conducts periodic assessment on its trade receivable balance on account-by-account basis. Hence, all impairment lossess are provided for specific trade receivable balances. Management is of the opinion that there are no further factors that warrants the consideration of additional impairment losses on a collective basis.

20. Trade and other receivables (cont'd)

(b) Other receivables

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

Further details on related party transactions are disclosed in Note 30.

Included in sundry receivables of the Group are:

(i) Import duty and other direct taxes receivable in foreign subsidiaries of RM11,263,000 (2017: RM8,351,000); and
(ii) Goods and services tax receivable in Malaysian subsidiaries of RM2,138,000 (2017: RM1,615,000).
(iii) Advance to suppliers of RM10,965,000 (2017: RM17,362,000) that mainly relate to payments in advance for raw materials purchased.

<u>Other receivables that are impaired</u>

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

	Group Individually impaired		Company Individually impaired	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables - nominal amounts	262	271	74,898	81,799
Less: Allowance for impairment	(262)	(271)	(42,250)	(38,592)
	-	-	32,648	43,207

Movement in allowance accounts:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 July	271	221	38,592	32,733
Charge for the year (Note 7)	-	9	3,658	5,859
Exchange differences	(9)	41	-	-
At 30 June	262	271	42,250	38,592

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Other financial information on financial risks of trade and other receivables are disclosed in Note 33(a).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

20. Trade and other receivables (cont'd)

(b) Other receivables

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	11,132	5,227	110,172	89,185
United States Dollar	40,949	45,020	1,593	1,666
Vietnam Dong	22,385	21,979	-	-
Thai Baht	7,301	6,968	-	-
	81,767	79,194	111,765	90,851

21. Investment securities

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Fair value through profit or loss				
- Fund placed with a licensed financial institution	9,500	-	-	-
Available-for-sale financial assets				
- Funds placed with licensed financial institutions	43,797	37,895	9,867	17,405
	53,297	37,895	9,867	17,405
Non-Current				
Available-for-sale financial assets				
- Fund placed with a licensed financial institution	1,000	-	-	-
Total investment securities	54,297	37,895	9,867	17,405

Other financial information of financial risks of other investments are disclosed in Note 33.

The currency profiles of the Group's and of the Company's investment securities are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	27,732	31,325	3,841	17,405
United States Dollar	22,542	6,570	2,003	-
China Renminbi	4,023	-	4,023	-
	54,297	37,895	9,867	17,405

22. Derivatives

	Group					
	2018			2017		
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
Non-hedging derivatives:						
Current						
Forward currency contract	42,747	156	-	31,362	241	-
Interest rate swap	7,267	49	-	11,160	-	(19)
		205	-		241	(19)
Non-current						
Interest rate swap	7,267	30	-	11,160	18	-
Total non-hedging derivatives		235	-		259	(19)
Add: Investment securities (Note 21)		9,500	-		-	-
Total financial assets/(liabilities) at fair value through profit or loss		9,735	-		259	(19)

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's bank balance denominated in United States Dollar ("USD") for which Group's commitments existed at the reporting date, extending to November 2019 (2017: February 2018) (Note 33(d)). During the financial year, the Group recognised a loss of RM85,000 (2017: gain of RM167,000) arising from fair value changes of forward currency contracts. The fair value changes are attributable to changes in foreign exchange closing and forward rate.

The Group has an interest rate swap agreement in place which is used to hedge cash flow interest rate risk arising from a floating rate bank loan amounting to RM7,267,000. This interest rate swap receives floating interest equal to USD loan at Effective Cost Of Funds + 1.75% per annum, pays a fixed rate of interest of 3.31% per annum and has the same maturity terms as the bank loan. The changes in the fair value of interest rate swap of RM80,000 gain (2017: RM251,000 gain) has been recognised in statements of profit or loss and other comprehensive income.

The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

23. Cash and bank balances

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash at banks and in hand	82,933	139,053	5,154	10,812
Deposits with licensed banks	86,949	69,042	-	-
Cash and bank balances	169,882	208,095	5,154	10,812

Deposits with licensed banks are made for varying periods of between 1 day and 365 days (2017: 1 day and 365 days) depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The interest rates as at 30 June 2018 for the Group were 1.10% to 5.10% (2017: 0.95% to 4.70%) per annum.

Deposits with licensed banks of the Group of RM9,025,000 (2017: RM8,798,000) are pledged as securities for bank borrowings and guarantees (Note 24).

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	169,882	208,095	5,154	10,812
Deposits pledged as securities for bank borrowings and guarantees	(9,025)	(8,798)	-	-
Deposits with licensed banks with tenure more than three months	(9,288)	(3,556)	-	-
Total cash and cash equivalents	151,569	195,741	5,154	10,812

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	23,960	22,699	1,123	61
United States Dollar	129,534	176,650	2,074	10,751
Singapore Dollar	2,061	122	1,957	-
Vietnam Dong	13,350	7,331	-	-
Thai Baht	974	1,290	-	-
Others	3	3	-	-
	169,882	208,095	5,154	10,812

24. Loans and borrowings

	Maturity	Group 2018 RM'000	Group 2017 RM'000
Current			
Secured:			
Bankers' acceptances	2019	5,127	2,811
Term loans	2019	3,882	4,090
		9,009	6,901
Unsecured:			
Trust receipts	2019	68,997	72,006
		78,006	78,907
Non-current			
Secured:			
Term loans	2020 - 2026	13,268	17,610
		13,268	17,610
Total loans and borrowings		91,274	96,517

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

	Group 2018 RM'000	Group 2017 RM'000
On demand or within one year	78,006	78,907
More than 1 year and less than 2 years	3,922	4,119
More than 2 years and less than 5 years	3,087	6,540
5 years or more	6,259	6,951
	91,274	96,517

Bankers' acceptances

The weighted average effective interest rate of bankers' acceptances as at the reporting date was 3.51% to 4.28% (2017: 3.38% to 4.46%) per annum. The bankers' acceptances are secured by the freehold land of RM7,243,000 (2017: RM7,243,000) and freehold buildings of RM9,928,000 (2017: RM9,887,000) of the Group, negative pledges over the assets of certain subsidiary and a corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

24. Loans and borrowings (cont'd)

Term loans

The term loans are secured by the following:

(a) Deposits of RM9,025,000 (2017: RM8,798,000) with licensed banks of a subsidiary;

(b) Fixed charges over freehold land of RM7,361,000 (2017: RM11,204,000) and freehold buildings of RM13,878,000 (2017: RM19,765,000) of certain subsidiaries; and

(c) A corporate guarantee from the Company.

The term loans bear interest rates of 3.42% to 4.77% (2017: 3.63% to 4.51%) per annum.

Trust receipts

The weighted average effective interest rate of trust receipts as at the reporting date was 2.65% to 2.96% (2017: 2.35% to 2.38%) per annum. Trust receipts of the Group are guaranteed by the Company and certain subsidiaries.

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

	Group	
	2018 RM'000	**2017 RM'000**
Ringgit Malaysia	15,010	13,350
United States Dollar	76,264	83,167
	91,274	96,517

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

25. Trade and other payables

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade payables				
Third parties	68,124	66,280	-	-
Other payables				
Accruals	7,191	8,555	92	77
Sundry payables	15,453	21,507	25	7
	22,644	30,062	117	84
Total trade and other payables	90,768	96,342	117	84
Less: Included within other payables				
Import and export duties and other direct taxes payable	(204)	(425)	-	-
Goods and services tax payable	(6)	(22)	-	-
Add: Loans and borrowings (Note 24)	91,274	96,517	-	-
Total financial liabilities carried at amortised cost	181,832	192,412	117	84

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 3 to 90 days (2017: 10 to 90 days) terms.

(b) Other payables

Sundry payables are non-interest bearing and are normally settled on an average term of 30 days (2017: average term of 30 days).

Included in sundry payables of the Group are:

(i) RM204,000 (2017: RM425,000) accrued for import and export duties and other direct taxes payable by the foreign subsidiaries.

(ii) RM6,000 (2017: RM22,000) accrued for goods and services tax payable by the Malaysia subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

25. Trade and other payables (cont'd)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	7,465	2,338	117	84
United States Dollar	23,688	22,214	-	-
Vietnam Dong	51,708	60,547	-	-
Thai Baht	7,907	11,243	-	-
	90,768	96,342	117	84

Further details of related party transactions are disclosed in Note 30.

Other financial information on financial risks of trade and other payables are disclosed in Note 33.

26. Provision for severance allowance

	Group	
	2018 RM'000	2017 RM'000
At 1 July	37	38
Arose during the year (Note 7)	130	85
Utilised	(139)	(87)
Exchange differences	(2)	1
At 30 June	26	37

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

27. Share capital and treasury shares

	Number of ordinary shares		Amount	
	Share capital (issued and fully paid up) '000	Treasury shares '000	Share capital (issued and fully paid up) RM'000	Treasury shares RM'000
At 30 June 2016	97,208	-	97,208	-
Transfer of share premium on 31 January 2017	-	-	1,225	-
At 30 June 2017	97,208	-	98,433	-
Purchase of treasury shares	-	(263)	-	(851)
At 30 June 2018	97,208	(263)	98,433	(851)

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

During the financial year, the Company repurchased 263,000 of its issued ordinary shares from the open market at an average price of RM3.235 per share. The total consideration paid for the repurchase including transaction costs was RM850,689. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

28. Retained earnings

As at 30 June 2018, the Company has tax exempt profits available for distribution of approximately RM145,273,000 (2017: RM132,038,000) of its retained earnings, subject to the agreement of the Inland Revenue Board.

The Company may distribute dividends out of its entire retained earnings as at 30 June 2018 and 30 June 2017 under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

29. Other reserves

	Group		
	Fair value adjustment reserve RM'000	**Foreign currency translation reserve RM'000**	**Total other reserves RM'000**
At 1 July 2016	-	56,996	56,996
Other comprehensive income:			
Available-for-sale financial assets -			
gain on fair value changes	109	-	109
Foreign currency translation	-	18,136	18,136
At 30 June 2017	109	75,132	75,241
At 1 July 2017	109	75,132	75,241
Other comprehensive income:			
Available-for-sale financial assets -			
loss on fair value changes	(77)	-	(77)
Foreign currency translation	-	(14,363)	(14,363)
At 30 June 2018	32	60,769	60,801

(a) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(b) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

30. Related party disclosures

(a) Sale and purchase of services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company and the related parties took place at terms agreed between the parties during the financial year:

	Company	
	2018 RM'000	2017 RM'000
Dividend income received/receivable from subsidiaries	24,900	24,900

Information regarding outstanding balances arising from related party transactions as at 30 June 2018 and 2017 are disclosed in Note 20.

(b) Compensation of key management personnel

The remuneration of 12 key management personnel during the year were as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term employee benefits	6,298	6,527	359	359
Defined contribution plan	168	171	-	-
	6,466	6,698	359	359

Included in the total key management personnel is:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors' remuneration (Note 9)	2,190	2,173	359	359

31. Commitments

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2018 RM'000	2017 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	5,176	7,706

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

31. Commitments (cont'd)

(b) Operating lease commitments - as lessee

The future aggregate minimum lease payments under non-cancellable operating leases contracted for but not recognised as liabilities at the reporting date are as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Operating lease commitments payable:		
Not later than 1 year	615	710
Later than 1 year but not later than 5 years	2,459	2,839
Later than 5 years	16,399	19,827
	19,473	23,376

Operating lease payments represent rental payable by the Group for use of land in Vietnam. These leases have tenure ranging from 31 to 42 (2017: 32 to 43) years with renewal option which is subject to the approval from the Vietnamese government and there is no contingent rent provision included in the contracts.

32. Fair value of financial instruments

A. Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	20
Loans and borrowings (current)	24
Trade and other payables	25

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the loans and borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

The fair values of current borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Amounts due from/to subsidiaries and related parties, staff loans and fixed/ floating rate bank loans

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

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

B. Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

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).

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

Fair value of assets and liabilities that are carried at fair value

The following table shows an analysis of the assets and liabilities carried at fair value by level of fair value hierarchy:

	Note	Significant observable inputs (Level 2) 2018 RM'000	2017 RM'000
Group			
Financial assets:			
Investment securities	21	54,297	37,895
Derivative financial assets			
- Forward currency contract	22	156	241
- Interest rate swap	22	79	18
		54,532	38,154
Financial liabilities:			
Derivative financial liabilities			
- Interest rate swap	22	-	19
Company			
Financial asset:			
Investment securities	21	9,867	17,405

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

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

C. Asset not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Company's asset not measured at fair value but for which fair value is disclosed:

	Note	Significant unobservable inputs (Level 3) 2018 RM'000	2017 RM'000
Asset:			
Investment properties	14	31,683,007	-

33. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Managing Director and Management. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's and the Company's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, derivatives, cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. Trade receivables are monitored on an ongoing basis via the Group's management reports.

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

<u>Exposure to credit risk</u>

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 RM91,274,000 (2017: RM96,517,000) relating to corporate guarantees provided by the Company to financial institutions for credit facilities granted to subsidiaries as disclosed in Note 24.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 20.

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

(a) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

	Group			
	2018		2017	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	10,333	20%	4,804	10%
United States	32,016	61%	43,478	86%
Thailand	10,024	19%	2,142	4%
	52,373	100%	50,424	100%

At the reporting date, approximately 46% (2017: 43%) of the Group's trade receivables were due from 3 major overseas customers (2017: 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 20. 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 20.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met.

The Group's and the Company's overall liquidity risk management are to maintain sufficient levels of cash or cash convertible investments to meet the working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company are able to raise fundings from shareholders, capital markets and financial institutions and balance their portfolios with some short and long term fundings so as to achieve overall cost effectiveness.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

	2018 RM'000			
	On demand or within one year	One to five years	Over five years	Total
Group				
Financial assets:				
Trade and other receivables	57,401	-	-	57,401
Investment securities	53,297	1,000	-	54,297
Cash and bank balances	169,882	-	-	169,882
Derivatives	205	30	-	235
Total undiscounted financial assets	280,785	1,030	-	281,815
Financial liabilities:				
Trade and other payables	90,558	-	-	90,558
Loans and borrowings	84,676	8,487	7,309	100,472
Total undiscounted financial liabilities	175,234	8,487	7,309	191,030
Total net undiscounted financial assets/(liabilities)	105,551	(7,457)	(7,309)	90,785

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

(b) Liquidity risk (cont'd)

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

	2018 RM'000			
	On demand or within one year	**One to five years**	**Over five years**	**Total**
Company				
Financial assets:				
Trade and other receivables	111,765	-	-	111,765
Investment securities	9,867	-	-	9,867
Cash and bank balances	5,154	-	-	5,154
Total undiscounted financial assets	126,786	-	-	126,786
Financial liabilities:				
Trade and other payables, excluding financial guarantees *, representing total undiscounted financial liability	117	-	-	117
Total net undiscounted financial assets	126,669	-	-	126,669

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

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

(b) Liquidity risk (cont'd)

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

	2017 RM'000			
	On demand or within one year	**One to five years**	**Over five years**	**Total**
Group				
Financial assets:				
Trade and other receivables	51,866	-	-	51,866
Investment securities	37,895	-	-	37,895
Cash and bank balances	208,095	-	-	208,095
Derivatives	241	18	-	259
Total undiscounted financial assets	298,097	18	-	298,115
Financial liabilities:				
Trade and other payables	95,895	-	-	95,895
Loans and borrowings	81,311	13,299	8,185	102,795
Derivatives	19	-	-	19
Total undiscounted financial liabilities	177,225	13,299	8,185	198,709
Total net undiscounted financial assets/(liabilities)	120,872	(13,281)	(8,185)	99,406

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

(b) Liquidity risk (cont'd)

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

	2017 RM'000			
	On demand or within one year	**One to five years**	**Over five years**	**Total**
Company				
Financial assets:				
Trade and other receivables	90,851	-	-	90,851
Investment securities	17,405	-	-	17,405
Cash and bank balances	10,812	-	-	10,812
Total undiscounted financial assets	119,068	-	-	119,068
Financial liabilities:				
Trade and other payables, excluding financial guarantees *, representing total undiscounted financial liability	84	-	-	84
Total net undiscounted financial assets	118,984	-	-	118,984

* At the reporting date, the financial guarantee contract provided by the Company is RM91,274,000 (2017: RM96,517,000). The counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of MFRS 139 are not included in the above maturity profile analysis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from its loans and borrowings. Loans and borrowings at floating rates expose the Group and the Company to cash flow interest rate risk.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At reporting date, after taking into account the effect of interest rate swaps, approximately 8% (2017: 12%) of the Group's borrowings are at a fixed rate of interest.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10% lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM213,000 (2017: RM205,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

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

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

Approximately 96% (2017: 97%) and 84% (2017: 84%) of the Group's sales and costs are denominated in foreign currencies. The Group's trade receivables and trade payables balances at the reporting date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances as disclosed in Note 23 amounted to RM145,922,000 (2017: RM185,396,000) and RM4,031,000 (2017: RM10,751,000) for the Group and the Company respectively.

The Group uses forward currency contracts to eliminate the currency exposures on its bank balances. At 30 June 2018, the Group entered into forward currency contracts with notional amount of RM42,747,000 (2017: RM31,362,000).

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

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

(d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

	Group Profit net of tax	
	2018 RM'000	2017 RM'000
VND/RM - strengthened 10% (2017: 10%)	(1,214)	(2,250)
- weakened 10% (2017: 10%)	1,214	2,250
USD/RM - strengthened 10% (2017: 10%)	5,685	10,306
- weakened 10% (2017: 10%)	(5,685)	(10,306)
THB/RM - strengthened 10% (2017: 10%)	248	90
- weakened 10% (2017: 10%)	(248)	(90)
SGD/RM - strengthened 10% (2017: 10%)	204	9
- weakened 10% (2017: 10%)	(204)	(9)

34. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio at a reasonable level. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

34. Capital management (cont'd)

	Note	Group 2018 RM'000	Group 2017 RM'000
Loans and borrowings	24	91,274	96,517
Trade and other payables	25	90,768	96,342
Less: Cash and bank balances	23	(169,882)	(208,095)
Net debt		12,160	(15,236)
Equity attributable to owners of the parent, represents total capital		545,571	560,450
Capital and net debt		557,731	545,214
Gearing ratio		2%	-3%

35. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

I. Manufacturing

II. Rental of property, plant and equipment

III. Investment holding

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

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

35. Segment information (cont'd)

	Manufacturing RM'000	Rental of property, plant and equipment RM'000	Investment holding RM'000	Consolidation adjustments RM'000	Note	Consolidated financial statements RM'000
30 June 2018						
Revenue:						
External	748,450	200	4,179	-		752,829
Inter segment	28,650	240	75,301	(104,191)	A	-
Total revenue	777,100	440	79,480	(104,191)		752,829
Results:						
Interest income from deposits	809	8	1,100	-		1,917
Depreciation and amortisation	17,679	297	12	(40)		17,948
Other non-cash net expenses	13,896	-	53,421	(49,877)	B	17,440
Segment profit/(loss) before tax	53,805	(478)	23,500	(56,050)	C	20,777
Assets:						
Additions to property, plant and equipment	19,606	-	-	969	D	20,575
Segment assets	680,887	21,544	326,971	(278,369)	E	751,033
Liabilities:						
Segment liabilities	359,049	17,280	79,324	(250,191)	F	205,462

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

35. Segment information (cont'd)

	Manufacturing RM'000	Rental of property, plant and equipment RM'000	Investment holding RM'000	Consolidation adjustments RM'000	Note	Consolidated financial statements RM'000
30 June 2017						
Revenue:						
External	780,883	-	5,133	-		786,016
Inter segment	26,040	1,440	75,922	(103,402)	A	-
Total revenue	806,923	1,440	81,055	(103,402)		786,016
Results:						
Interest income from deposits	1,086	2	625	-		1,713
Depreciation and amortisation	19,812	287	12	(2)		20,109
Other non-cash net (income)/expenses	(1,003)	-	4,491	(4,879)	B	(1,391)
Segment profit before tax	123,995	545	80,639	(116,832)	C	88,347
Assets:						
Additions to property, plant and equipment	33,669	-	-	350	D	34,019
Segment assets	713,159	22,103	297,309	(262,304)	E	770,267
Liabilities:						
Segment liabilities	340,677	17,185	35,090	(183,135)	F	209,817

35. Segment information (cont'd)

Notes: Nature of consolidation adjustments to arrive at amounts reported in the consolidated financial statements.

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expense/(income) consist of the following items as presented in the respective notes to the financial statements:

	Note	2018 RM'000	2017 RM'000
Net unrealised foreign exchange loss/(gain)	5, 7	3,573	(1,047)
Net fair value gain on investment securities	5	(801)	-
Net fair value loss/(gain) on derivatives	5, 7	5	(418)
Loss/(gain) on disposal of property, plant and equipment	5, 7	89	(108)
Effects on liquidation of a subsidiary	5	(49)	-
Impairment loss on trade receivables	7	5	-
Impairment loss on other receivables	7	-	9
Property, plant and equipment written off	7	3,129	18
Provision for severance allowance	7	130	85
Inventories written off	7	10,818	-
Inventories written down	7	525	54
Retirement benefit expense	8	16	16
		17,440	(1,391)

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

	2018 RM'000	2017 RM'000
Revenue from inter-segment	(104,191)	(103,402)
Cost of sales from inter-segment	31,079	29,025
Other income from inter-segment	(35,425)	(51,585)
Other expenses from inter-segment	52,487	9,130
	(56,050)	(116,832)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

35. Segment information (cont'd)

Notes: Nature of consolidation adjustments to arrive at amounts reported in the consolidated financial statements.

D Additions to non-current assets consist of:

	2018 RM'000	2017 RM'000
Property, plant and equipment	20,575	34,019

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

	2018 RM'000	2017 RM'000
Inter-segment assets	278,369	262,304

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

	2018 RM'000	2017 RM'000
Inter-segment liabilities	250,191	183,135

<u>Geographical information</u>

Revenue and non-current assets information based on the geographical location of the operations of the Group are as follows:

	Revenue		Non-current assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	134,776	126,340	109,858	104,244
Vietnam	586,033	632,418	139,891	154,013
Thailand	32,020	27,258	18,323	18,198
	752,829	786,016	268,072	276,455

35. Segment information (cont'd)

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	2018 RM'000	2017 RM'000
Property, plant and equipment	229,707	258,733
Investment properties	21,239	-
Other investments	81	81
Land use rights	16,015	17,623
Derivatives	30	18
Investment securities	1,000	-
	268,072	276,455

Information about major customers

Revenue from major customers amounting to RM748,450,000 (2017: RM780,883,000), arising from sales by the manufacturing segment derived from Vietnam, Malaysia and Thailand which accounted for 99% (2017: 99%) of the total revenue of the Group.

36. Significant events

(a) Struck off of Linkage Creation International Co. Ltd.

On 21 December 2017, Linkage Creation International Co. Ltd. ("Linkage Creation"), a wholly-owned subsidiary of the Company has been struck off from Registrar of Companies pursuant to the requirement of the International Business Companies Order 2000 in Brunei Darussalam. On even date, Linkage Creation has ceased to be a wholly-owned subsidiary of the Company. The striking off of Linkage Creation has no material financial and operational impact on the Company and its subsidiaries.

(b) Fire incident at RK Resources Co. Ltd.

On 5 April 2018, a fire incident had occurred at one factory building belonging to RK Resources Co. Ltd. ("RK Resources"), an indirect wholly-owned subsidiary of the Company. The affected building is located within RK Resources' manufacturing facilities in the Province of Binh Duong, Vietnam.

The total loss due to this fire incident is RM13.9 million of which RM10.8 million relates to loss on inventories and RM3.1 million relates to property, plant and equipment.

A Notice of Loss was submitted to the insurance company, Military Insurance Corporation ("MIC") on 5 April 2018. At this juncture, the insurance claim is still being assessed by MIC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)

37. Events occurring after the reporting date

(a) Purchase of treasury shares

On 29 August 2018, the Company repurchased 5,700 of its issued ordinary shares from the open market at an average price of RM3.29 per share. The total consideration paid for the repurchase was RM18,781. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

(b) Leasing of a parcel of land

On 14 September 2018, L-Tree Resources Sdn. Bhd., a wholly-owned subsidiary of the Company ("LTRSB") entered into an In-Principle Agreement (the "Agreement") with Investment and Industrial Development Joint Stock Corporation ("IIDJSC") for the purpose of leasing a parcel of land situated at Lot A-15B-CN in Bau Bang Industrial Park, Ben Cat District, Binh Duong Province, Vietnam measuring approximately 44,193 square metres (the "Land Lot") with the lease term commencing from 14 September 2018 until 30 June 2057 at a total land rental of VND67,084,974,000 only (equivalent to USD2,916,738 or RM12,087,254) (VND: Vietnam Dong), subject to terms and conditions as stipulated in the Agreement.

38. Authorisation of financial statements for issue

The financial statements for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 17 October 2018.

PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES

AS AT 30 JUNE 2018

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	25	167,433	8,588	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	18	168,800	9,303	27 January 2010 (A)
Lot 3360, Batu 7 3/4, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Industrial land with 1 block of factory building	Freehold	N/A	20	171,518	7,918	19 March 2003 (A)
Lot 6147, Kawasan Perindustrian Ajil, Fasa 2, Batu 21, Jalan Ajil, Kuala Berang, 21800 Ulu Terengganu Terengganu Darul Iman	Industrial land with 9 blocks of factory building and 1 single-storey office building	Leasehold	2059	20	674,879	8,631	3 August 1999 (A)
Lot 5803, Kawasan Perindustrian Ajil, Fasa 2, Batu 21, Jalan Ajil, Kuala Berang, 21800 Ulu Terengganu, Terengganu Darul Iman	Industrial land with 4 blocks of factory building	Leasehold	2058	18	671,345	7,548	30 May 2000 (A)
Lot 6686, Kawasan Perindustrian Ajil, Mukim Tanggul, 21800 Hulu Terengganu, Terengganu Darul Iman	Vacant industrial land	Leasehold	2064	N/A	143,784	152	15 October 2003 (A)
PT 64526, Batu 8 , Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Industrial land with 3 blocks of factory building and 1 two-storey office building	Freehold	N/A	15/26	332,939	20,579	2 May 2001 (R)
H.S 270, PT No.5920, Batu 8 1/2, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Agricultural land with 1 block of warehouse building	Leasehold	2071	24	103,727	412	14 April 2003 (A)
H.S.(M) 35437, PT 56964, Batu 8, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Workers' quarters	Freehold	N/A	11	59,890	1,632	18 December 2006 (A)

PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES
AS AT 30 JUNE 2018 (CONT'D)

Location	Description	Tenure	Year Lease Expiring	Age of Building (years)	Site Area (sq.ft.)	Net Book Value (RM'000)	Date of Revaluation (R)/ Acquisition (A)
Title Deed No. 18571,18572,19359, 19942 and 19943, Moo 1, Tung Mo Subdistrict, Sadao District, Songkhla Province, Thailand	Industrial land with 3 blocks of factory buildings and 4 blocks of workers' quarters	Freehold	N/A	12	869,024	11,586	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	497	21 January 2005 (A)
Title Deed No. 17617 and 42908, Moo1, Tung Mo Subdistrict, Sadao District, Songkhla Province, Thailand	Vacant Land	Freehold	N/A	N/A	322,401	682	16 February 2017 (A)
No. 29, Road DT 743 Song Than Industrial Zone II, Di An District, Binh Duong Province, Vietnam	Industrial land with 5 blocks of factory building, 1 office building and 2 blocks of workers' quarters	Leasehold	2045	17	637,869	16,001	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	18	140,243	4,184	March 2006 (A)
Lot N, Road 26, Song Than Industrial Zone II, Di An District, Binh Duong Province, Vietnam	Industrial land with 3 blocks of factory building	Leasehold	2030	17	111,008	6,720	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	13	780,082	12,354	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	11	1,011,043	14,238	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	10	1,035,962	21,100	May 2002 (A)
Lot 299, Lai Uyen Commune, Ben Cat District, Binh Duong Province, Vietnam	Industrial land with 2 blocks of factory building and 2 blocks of staff quarters	Leasehold	2052	11	1,116,670	10,714	November 2006 (A)

PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES
AS AT 30 JUNE 2018 (CONT'D)

Location	Description	Tenure	Year Lease Expiring	Age of Building (years)	Site Area (sq.ft.)	Net Book Value (RM'000)	Date of Revaluation (R)/ Acquisition (A)
Lot 765, Jalan Haji Sirat off Jalan Meru, 42100 Klang, Selangor Darul Ehsan	Industrial land with a 3 storey office building and 1 block of factory building	Freehold	N/A	24	190,757	21,239	8 October 2014 (A)
PT 10549, Kawasan Perindustrian Ajil, Mukim Tanggul, 21800 Hulu Terengganu, Terengganu Darul Iman	Vacant industrial land	Leasehold	2074	N/A	175,226	231	13 July 2014 (A)
PT 10550, Kawasan Perindustrian Ajil, Mukim Tanggul, 21800 Hulu Terengganu, Terengganu Darul Iman	Industrial land with 1 block of factory building	Leasehold	2074	1	199,100	5,083	13 July 2014 (A)
PT 10551, Kawasan Perindustrian Ajil, Mukim Tanggul, 21800 Hulu Terengganu, Terengganu Darul Iman	Vacant industrial land	Leasehold	2074	N/A	137,014	181	13 July 2014 (A)

ANALYSIS OF SHAREHOLDINGS
AS AT 4 OCTOBER 2018

Total Number of Issued Shares	:	97,207,500 (including shares held as Treasury Shares)
Treasury Shares	:	268,700 Ordinary Shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per Ordinary Share

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
1 - 99	163	8.26	7,751	0.01
100 - 1,000	427	21.64	306,896	0.32
1,001 - 10,000	1,097	55.60	4,143,253	4.27
10,001 - 100,000	243	12.32	7,097,925	7.32
100,001 - 4,846,939	37	1.88	32,798,847	33.84
4,846,940 (5% of Issued Shares) and above	6	0.30	52,584,128	54.24
TOTAL	**1,973**	**100.00**	**96,938,800**	**100.00**

THIRTY LARGEST SHAREHOLDERS/DEPOSITORS AS AT 4 OCTOBER 2018

	Name of Shareholders/Depositors	No. of Shares	% of Issued Capital
1.	LIN CHEN, JUI-FEN	15,172,902	15.65
2.	RHB NOMINEES (TEMPATAN) SDN. BHD. MAYBANK KIM ENG SECURITIES PTE. LTD. FOR KONSORTIUM KONTREK SDN. BHD.	10,110,000	10.43
3.	LIN CHEN, JUI-FEN	9,041,826	9.33
4.	HSBC NOMINEES (ASING) SDN. BHD. KBL EURO PB FOR SAMARANG UCITS – SAMARANG ASIAN PROSPERITY	7,559,400	7.80
5.	LIN, CHIN-HUNG	5,700,000	5.88
6.	LIN, CHENG-HUNG	5,000,000	5.16
7.	KONSORTIUM KONTREK SDN. BHD.	4,500,000	4.64
8.	CHEN, CHIU-CHIN	3,792,700	3.91
9.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR EONPLUS INDUSTRY SDN. BHD. (EON0003C)	3,692,150	3.81
10.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LI, YI-PING (LIY0003C)	3,650,700	3.77
11.	AMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR LIM PEI TIAM @ LIAM AHAT KIAT (SMART)	1,943,500	2.01
12.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	1,792,500	1.85
13.	LIN SHIN NI	1,611,700	1.66
14.	KENANGA NOMINEES (ASING) SDN. BHD. LIU CHIA-HSING	1,464,000	1.51
15.	KENANGA NOMINEES (ASING) SDN. BHD. LIU HSU-CHOU	1,293,000	1.33
16.	HO SUE BIA	1,157,472	1.19
17.	TAN WEE KOK	1,050,900	1.08
18.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIN, CHIN-HUNG (LIN0238C)	820,000	0.85
19.	LIU CHIA HSING	644,000	0.67
20.	LIU, HSU-CHOU	561,000	0.58

ANALYSIS OF SHAREHOLDINGS
AS AT 4 OCTOBER 2018 (CONT'D)

THIRTY LARGEST SHAREHOLDERS/DEPOSITORS AS AT 4 OCTOBER 2018 (CONT'D)

	Name of Shareholders/Depositors	No. of Shares	% of Issued Capital
21.	MAYBANK NOMINEES (ASING) SDN. BHD. NOMURA SINGAPORE LIMITED FOR YONG HENG CHOE (290556)	440,000	0.45
22.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. PHILLIP SECURITIES PTE LTD FOR TOH ONG TIAM	322,100	0.33
23.	TAN WEE KOK	310,000	0.32
24.	LIM PEI TIAM @ LIAM AHAT KIAT	303,100	0.31
25.	RHB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITES ACCOUNT FOR YONG LOY HUAT	300,000	0.31
26.	TAN LIAN SUAN	254,000	0.26
27.	DB (MALAYSIA) NOMINEE (ASING) SDN. BHD. DEUTSCHE BANK AG SINGAPORE FOR YEOMAN 3-RIGHTS VALUE ASIA FUND (PTSL)	250,000	0.26
28.	WONG CHONG HAI	235,500	0.24
29.	PUA SOON HUAT	221,200	0.23
30.	PUA SOON HUAT	206,000	0.21
	TOTAL	**83,399,650**	**86.03**

SUBSTANTIAL SHAREHOLDERS AS AT 4 OCTOBER 2018

Name of Substantial Shareholders	Direct No. of Shares Held	Direct % of Issued Capital	Indirect No. of Shares Held	Indirect % of Issued Capital
Lin Chen, Jui-Fen	24,219,978	24.99	-	-
Lin, Chin-Hung	6,520,000	6.73	-	-
Lin, Cheng-Hung	5,000,000	5.16	-	-
Konsortium Kontrek Sdn. Bhd.	14,610,000	15.07	-	-
Samarang UCITS – Samarang Asian Presperity	7,559,400	7.80	-	-
Yek Siew Liong	-	-	14,610,000[(1)]	15.07

Note:

(1) Deemed interested by virtue of Section 8(4)(c) of the Companies Act 2016, held through Konsortium Kontrek Sdn. Bhd.

DIRECTORS' SHAREHOLDINGS AS AT 4 OCTOBER 2018

Name of Directors	Direct No. of Shares Held	Direct % of Issued Capital	Indirect No. of Shares Held	Indirect % of Issued Capital
Lin Chen, Jui-Fen	24,219,978	24.99	-	-
Lin, Chin-Hung	6,520,000	6.73	-	-
Yek Siew Liong	-	-	14,610,000[(1)]	15.07
Dato' Haji Shaharuddin bin Haji Haron (Demised on 16 October 2018)	-	-	-	-
Toh Seng Thong	-	-	-	-

Note:

(1) Deemed interested by virtue of Section 8(4)(c) of the Companies Act 2016, held through Konsortium Kontrek Sdn. Bhd.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Fourth Annual General Meeting of the shareholders of LATITUDE TREE HOLDINGS BERHAD will be held at Putra Room, Kelab Golf Sultan Abdul Aziz Shah, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor Darul Ehsan on Tuesday, 27 November 2018 at 2.00 p.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with Reports of the Directors' and the Auditors' thereon. **Please refer to Note 7**

2. To approve a final tax exempt dividend of 6.0 sen per ordinary share for the financial year ended 30 June 2018. **Ordinary Resolution 1**

3. To approve the payment of Directors' Fees and Benefits Payable to the Directors up to an aggregate amount of RM346,500.00 for the financial period from 28 November 2018 until next Annual General Meeting ("AGM") of the Company to be paid quarterly in arrears. **Ordinary Resolution 2**

4. To re-elect the following Directors retiring under Articles 85 and 113 of the Articles of Association of the Company:-

   (i) Mr Toh Seng Thong **Ordinary Resolution 3**
   (ii) Mr Yek Siew Liong **Ordinary Resolution 4**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

As Special Business

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

6. **PROPOSED RENEWAL OF AUTHORITY UNDER SECTION 76 OF THE COMPANIES ACT 2016 ("THE ACT") FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES**

   "THAT, pursuant to Section 76 of the Act, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury share, if any) of the Company for the time being, subject always to the approval of all relevant Regulatory Authorities being obtained for such allotment and issuance." **Ordinary Resolution 6**

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

"THAT subject to the Act, the Memorandum and Articles of Association of the Company, the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise the maximum amount of funds available in the Company which shall not exceed the Company's aggregate retained earnings to purchase such amount of ordinary shares in the Company ("Proposed Renewal of Share Buy-Back Authority") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company;

THAT an amount not exceeding the Company's retained earnings account be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority;

THAT authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either cancel and/or retain the shares so purchased as treasury shares (in accordance with Section 127 of the Act).

THAT the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at:-

(i) the conclusion of the next AGM of the Company following the Twenty-Fourth 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 7**

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

8. **RETENTION OF MR TOH SENG THONG AS INDEPENDENT DIRECTOR**

"THAT approval be and is hereby given to Mr Toh Seng Thong who has served as an Independent Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Director of the Company until the conclusion of the next AGM." **Ordinary Resolution 8**

9. **PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY**

"THAT the existing Memorandum of Association and Articles of Association of the Company be and are hereby deleted in its entirely and that the new Constitution of the Company as set in Part B of the Statement/Circular to Shareholders dated 29 October 2018 be and is hereby adopted as the new Constitution of the Company AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing." **Special Resolution**

NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the final tax exempt dividend of 6.0 sen per ordinary share for the financial year ended 30 June 2018, if approved, will be paid on 21 December 2018 to shareholders whose names appear on the Record of Depositors as at 30 November 2018.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 30 November 2018 in respect of transfers; and

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

BY ORDER OF THE BOARD
YEOH JOE SON (MIA 9238)
TAI YIT CHAN (MAICSA 7009143)
WONG SIEW YEEN (MAICSA 7018749)
Company Secretaries

Selangor Darul Ehsan
Date: 29 October 2018

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.

2. Where a member appoints two (2) proxies to attend at the same meeting, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

3. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney so authorised.

5. The original instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the registered office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting.

6. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available a Record of Depositors as at 16 November 2018 and only Members whose names appear on such Record of Depositors shall be entitled to attend, speak and vote at this meeting and entitled to appoint proxy or proxies.

7. Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval from shareholders of the Company and hence, Agenda 1 is not put forward for voting.

8. Pursuant to Paragraph 8.29A(1) of the MMLR of Bursa Securities, all the resolutions set out in the Notice of the AGM will be put to vote by way of poll.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Ordinary Resolution 6
- Proposed Renewal of Authority under Section 76 of the Act for the Directors to allot and issue shares

The Company had, during its Twenty-Third AGM held on 28 November 2017, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to 76 of the Act. As at the date of the notice, the Company did not issue any shares pursuant to this mandate obtained.

The Ordinary Resolution 6 proposed under item 6 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 76 of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares (excluding treasury shares, if any) of the Company for such purpose as the Directors consider would be in the interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding investment project(s) and/or working capital.

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

Ordinary Resolution 7
- Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

Ordinary Resolution 7, if passed, will give the Directors of the Company authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or to effect the purchase(s) of ordinary shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. The authority will, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company following the Twenty-Fourth AGM is required by law to be held.

For further information, please refer to the Statement to Shareholders dated 29 October 2018 accompanying the Annual Report of the Company for the financial year ended 30 June 2018.

Ordinary Resolution 8
- Retention of Mr Toh Seng Thong as Independent Director

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Mr Toh Seng Thong who has served as Independent Director of the Company for a cumulative term of more than twelve (12) years and recommend him to continue to act as Independent Director of the Company based on the following justifications:-

a. He has fulfilled the criteria under the definition on Independent Directors as stated in the MMLR of Bursa Securities, and therefore is able to bring independent and objective judgement to the Board;
b. His experience in the audit and accounting industries enables him to provide the Board with a diverse set of experience, expertise, skills and competence;
c. He has been with the Company for more than twelve (12) 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.

Special Resolution
- Proposed Adoption of New Constitution of the Company

The Special Resolution, if passed, will align the Constitution of the Company with the Act which came into force on 31 January 2017, the MMLR of Bursa Securities and prevailing statutory and regulatory requirements as well as to render clarity and consistency throughout. Details of which as set out in Part B of the Statement/Circular to Shareholders dated 29 October 2018.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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 Twenty-Fourth Annual General Meeting (“AGM”) of the Company to be held at Putra Room, Kelab Golf Sultan Abdul Aziz Shah, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor Darul Ehsan on Tuesday, 27 November 2018 at 2.00 p.m. and at any adjournment thereof.

** Please delete the words “the Chairman of the Meeting” if you wish to appoint some other person to be your proxy.*

My/our proxy is to vote as indicated below :

No.	Resolution	For	Against
	Ordinary Business		
Ordinary Resolution 1	To approve a final tax exempt dividend of 6.0 sen per ordinary share for the financial year ended 30 June 2018.		
Ordinary Resolution 2	To approve the payment of Directors’ Fees and Benefits Payable to the Directors up to an aggregate amount of RM346,500.00 for the financial period from 28 November 2018 until next AGM of the Company to be paid quarterly in arrears.		
Ordinary Resolution 3	To re-elect Mr Toh Seng Thong who is retiring pursuant to Articles 85 and 113 of the Articles of Association of the Company.		
Ordinary Resolution 4	To re-elect Mr Yek Siew Liong who is retiring pursuant to Articles 85 and 113 of the Articles of Association of the Company.		
Ordinary Resolution 5	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.		
	Special Business		
Ordinary Resolution 6	Proposed Renewal of Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares.		
Ordinary Resolution 7	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares.		
Ordinary Resolution 8	Retention of Mr Toh Seng Thong as Independent Director.		
Special Resolution	Proposed Adoption to New Constitution of the Company.		

Please indicate with an "X" in the spaces provided, how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.

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

	Percentage
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.
2. Where a member appoints two (2) proxies to attend at the same meeting, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account (“omnibus account”) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney so authorised.
5. The original instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the registered office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting.
6. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available a Record of Depositors as at 16 November 2018 and only Members whose names appear on such Record of Depositors shall be entitled to attend, speak and vote at this meeting and entitled to appoint proxy or proxies.
7. Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval from shareholders of the Company and hence, Agenda 1 is not put forward for voting.
8. Pursuant to Paragraph 8.29A(1) of the MMLR of Bursa Securities, all the resolutions set out in the Notice of the AGM will be put to vote by way of poll.

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 29 October 2018.

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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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