LATITUDE TREE HOLDINGS BERHAD

(302829-W)

ANNUAL REPORT

2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Dr Norraesah Binti Haji Mohamad
(Appointed on 1 November 2018)
Chairman/Independent Non-Executive Director

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

Mr Lin, Chin-Hung
Managing Director

Mr Toh Seng Thong
Independent Non-Executive Director

Mr Yek Siew Liong
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 Non-Executive Director

Dato' Dr Norraesah Binti Haji Mohamad
(Appointed on 1 November 2018)
Independent Non-Executive Director

Mr Yek Siew Liong
Non-Independent Non-Executive Director

NOMINATION COMMITTEE

Dato' Dr Norraesah Binti Haji Mohamad
(Chairman)
(Appointed on 1 November 2018)
Independent Non-Executive Director

Mr Toh Seng Thong
Independent Non-Executive Director

Mr Yek Siew Liong
Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Dato' Dr Norraesah Binti Haji Mohamad
(Chairman)
(Appointed on 1 November 2018)
Independent Non-Executive Director

Mr Toh Seng Thong
Independent Non-Executive 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

12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Telephone : 603-7890 4800
Facsimile : 603-7890 4650
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

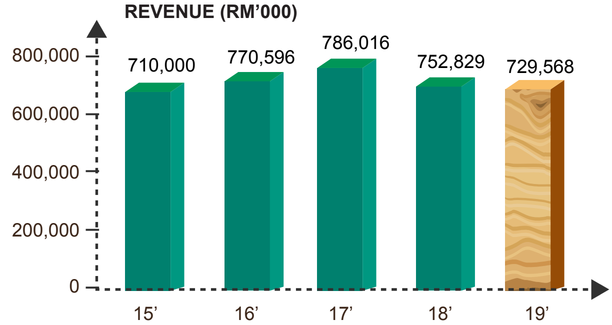
HSBC Bank Malaysia Berhad
Alliance Bank Malaysia Berhad
Citibank Berhad
CTBC Bank Co. Ltd.
Indovina Bank Ltd.
Bank Sinopac

FINANCIAL HIGHLIGHTS

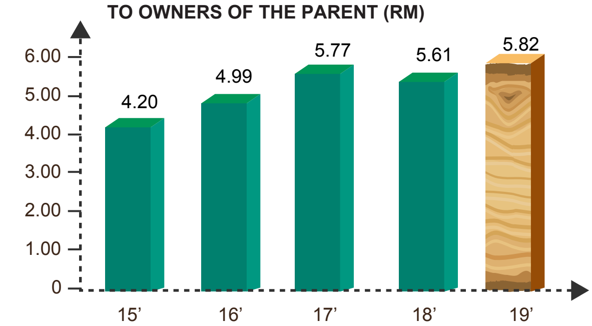
Five Years Financial Highlights	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
REVENUE	729,568	752,829	786,016	770,596	710,000
PROFIT FOR THE YEAR	19,352	12,077	69,065	72,924	78,253
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	19,352	12,077	69,065	72,725	77,812
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	564,435	545,571	560,450	484,805	408,571
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (RM)	5.82	5.61	5.77	4.99	4.20
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (SEN)	19.96	12.43	71.05	74.81	80.05
DIVIDEND PER SHARE (SEN)	6.00	6.00	12.00	12.00	12.00
DIVIDEND AMOUNT (RM'000)	5,768*	5,816	11,665	11,665	11,665

* The Company had on 15 May 2019 paid the first interim single tier dividend of 3.0 sen per ordinary share. The final single tier dividend of 3.0 sen per ordinary share was recommended by the Board of Directors and is subject to shareholders' approval at the forthcoming Annual General Meeting.

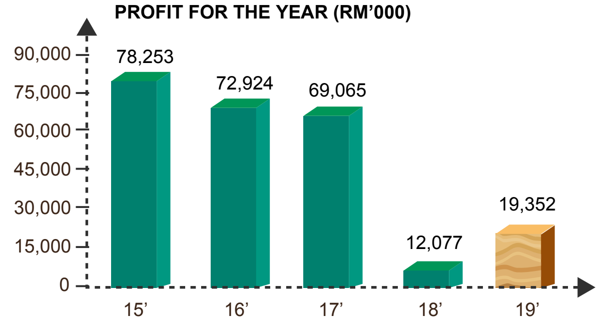
REVENUE (RM'000)



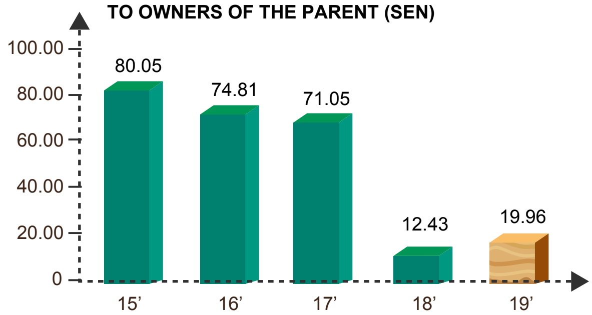
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (RM)



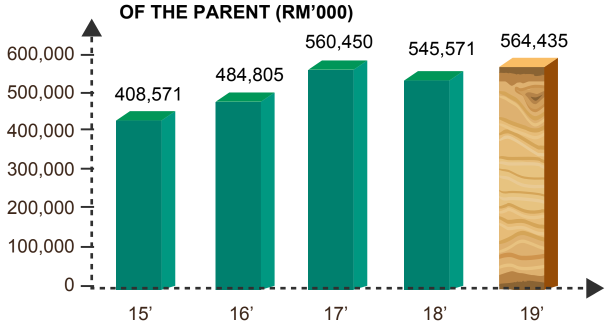
PROFIT FOR THE YEAR (RM'000)



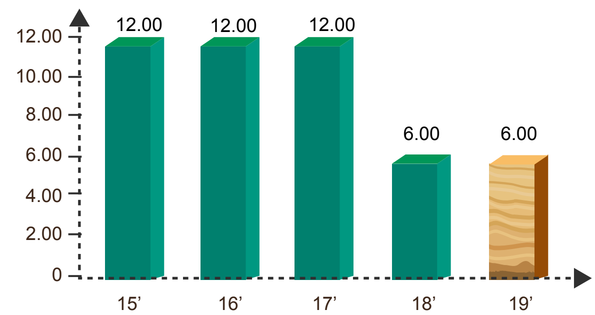
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (SEN)



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 2019 ("FY2019") with financial year 2018 ("FY2018").

1) Overview of the Group's Business and Operations

Latitude Tree Holdings Berhad ("the Group" or "the Company") 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 50% of wood materials of the Group are rubber-wood-based with the remaining being poplar, 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.

Name of subsidiaries	Country of incorporation	Principal activities	Total floor area (square feet)	Total workers as at 30 June 2019
Latitude Tree Furniture Sdn. Bhd.	Malaysia	Manufacture and sale of wooden furniture and components	507,751	739
Rhong Khen Timbers Sdn. Bhd.	Malaysia	Manufacture and sale of wooden furniture parts and components	1,545,324	398
Rhong Khen Industries Sdn. Bhd.	Malaysia	Manufacture and sale of decorative wood panels and papers	332,939	89
Latitude Tree Vietnam Joint Stock Company	Vietnam	Manufacture and sale of wooden furniture and components	889,120	1,523
RK Resources Co., Ltd.	Vietnam	Manufacture and sale of wooden furniture and components	3,943,757	2,984
Grob Holz Company Limited	Thailand	Manufacture and sale of wooden furniture parts and components	869,024	341
Total			8,087,915	6,074

The past year was another challenging year for the Group. The Group encountered intense competition for orders and workers, especially from China's manufacturers operating in Vietnam and resulted lower revenue and production output for FY2019. However, our operations in Malaysia continued to improve as the operations benefited from the ongoing US-China trade war and strengthening of US Dollar ("USD") against Ringgit Malaysia ("RM") during the financial year under review. As for our Thailand operation, despite revenue declined by approximately RM9.3 million, profit after tax increased by RM0.3 million mainly due lower average prices of rubber logs in FY2019 and foreign exchange gain of RM0.9 million in FY2019 as compared to foreign exchange loss of RM0.1 million in FY2018 as a result of strengthening of Thai Baht ("THB") against RM. Despite all the above challenges, the Group manages to deliver an improved and profitable result for FY2019.

In order to continue to growth and to deliver consistent profitable results, the Group undertook the following measures to counter the above challenges:

- 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

2) Financial Performance Review

	2019 (RM'000)	2018 (RM'000)	Variance (RM'000)	Variance (%)
Items of Statements of Profit or Loss and Other Comprehensive Income:				
Revenue	729,568	752,829	(23,261)	(3.1)
Gross profit	83,117	84,755	(1,638)	(1.9)
Other income	4,284	2,655	1,629	61.4
Operating costs	(54,255)	(65,386)	(11,131)	(17.0)
Finance costs	(3,905)	(3,164)	741	23.4
Profit before tax	32,113	20,777	11,336	54.6
Profit net of tax	19,352	12,077	7,275	60.2
Items of Statements of Financial Position:				
Non-current assets	290,113	269,883	20,230	7.5
Current assets	501,297	481,150	20,147	4.2
Total liabilities	226,975	205,462	21,513	10.5
Items of Statements of Cash Flows:				
Net cash flows generated from operating activities	13,168	12,980	188	1.4
Net cash flows used in investing activities	(28,070)	(41,328)	(13,258)	(32.1)
Net cash flows generated from/(used in) financing activities	11,317	(18,504)	29,821	>100.0
Cash and cash equivalents as at 30 June	137,354	146,753	(9,399)	(6.4)

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

The Group recorded revenue of RM729.6 million for FY2019, representing a decrease of 3.1% as compared to FY2018.

The overall decrease in the Group's revenue was mainly attributable to lower orders received by furniture plants and sawmill plants amounting to RM19.5 million and RM11.8 million respectively. However, this was cushioned off with the strengthening of the USD against the RM by 1.2%.

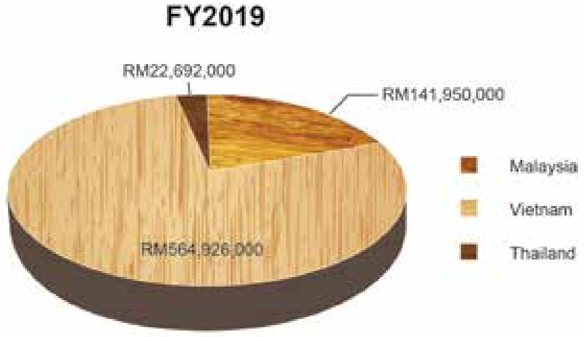
Revenue information based on the geographical location of the operations of the Group is as follows:

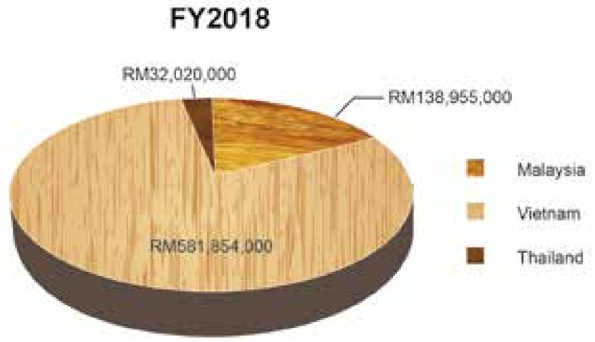
	2019 (RM'000)	2018 (RM'000)	Variance (RM'000)	Variance (%)
Malaysia	141,950	138,955	2,995	2.2
Vietnam	564,926	581,854	(16,928)	(2.9)
Thailand	22,692	32,020	(9,328)	(29.1)
Total	729,568	752,829	(23,261)	(3.1)

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

2) Financial Performance Review (cont'd)

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





Revenue from Malaysia operation reported a growth of 2.2% in FY2019 was mainly contributed by higher revenue achieved by furniture and panel board lamination plants. In contrary, revenue from Vietnam operation decreased by 2.9% mainly due to lower orders received and lower production output resulted by shortage of workers. For Thailand operation, revenue also declined substantially by 29.1% in FY2019 mainly due to lower orders received from local market.

The Group's gross profit decreased marginally by 1.9% from RM84.8 million in FY2018 to RM83.1 million in FY2019. The decrease in gross profit was in line with the decrease in revenue, higher production costs due to shortage of workers in Vietnam and higher labour costs in Vietnam and Malaysia plants due to increase in minimum wages. Despite the marginal decrease in gross profit, the Group's gross profit margin improved by 13 basis points from 11.26% in FY2018 to 11.39% in FY2019 was mainly due to decrease in the prices of certain raw materials.

Other income increased substantially by 61.4% from RM2.7 million in FY2018 to RM4.3 million in FY2019 mainly due to foreign exchange gain registered in FY2019 compared to foreign exchange loss in FY2018.

The Group's operating costs comprised selling and distribution expenses, administrative expenses and other expenses. The Group's total operating costs amounted to RM54.3 million in FY2019 and were 17.0% lower than FY2018. The decrease was primarily attributable to the one-off event in FY2018 where about RM13.9 million of inventories and property, plant and equipment ('PPE") were written off. Inventories and PPE written off in FY2018 were related to a fire incident occurred at one factory building of a furniture plant at Vietnam.

Finance costs increased by 23.4% from RM3.2 million in FY2018 to RM3.9 million in FY2019. The increase was mainly due to increase in interest rates and higher utilisation of short-term bank borrowings during FY2019.

Profit before tax of the Group amounted to RM32.1 million in FY2019, representing a substantial increase of 54.6% from RM20.8 million in FY2018. The increase was in line with the increase in other income and decrease in operating costs.

Profit net of tax of the Group amounted to RM19.4 million in FY2019, representing a significant increase of 60.2% from RM12.1 million in FY2018 was in line with increase in profit before tax.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

2) Financial Performance Review (cont'd)

2.2) Review of Items of Statements of Financial Position

Non-current assets increased by 7.5% to RM290.1 million as at 30 June 2019 from RM269.9 million as at 30 June 2018. The increase was mainly due to addition of PPE during the financial year under review.

Current assets increased by 4.2% to RM501.3 million as at 30 June 2019 as compared to RM481.2 million as at 30 June 2018. The increase was mainly attributable to the increase in inventories offset with decrease in trade and other receivables and cash and bank balances. Inventories stood at the peak of RM210.2 million as at 30 June 2019 as compared to RM172.1 million as at 30 June 2018. Raw material inventories increased by RM18.6 million from RM88.3 million as at 30 June 2018 to RM106.9 million as at 30 June 2019 mainly due to anticipation of increase in prices of wood materials in coming financial year. Finished goods inventories increased by RM19.5 million from RM43.1 million as at 30 June 2018 to RM62.6 million. The increase was in line with decrease in furniture shipment in Quarter 4 FY2019 as compared to Quarter 4 FY2018. Trade and other receivables decreased by RM5.5 million due to lower trade receivables of RM1.9 million and other receivables of RM3.6 million. Lower other receivables were mainly contributed by lower import duty and other direct taxes receivable of RM2.9 million and lower Goods and Services Tax receivable of RM1.2 million. Lower cash and bank balance was mainly due to cash used to fund purchase of PPE during the financial year under review.

As at 30 June 2019, total liabilities increased by 10.5% to RM227.0 million as at 30 June 2019 from RM205.5 million as at 30 June 2018. The increase was mainly attributable to the increase in loans and borrowings. Loans and borrowings increased by RM22.3 million due to net drawdown of loans and borrowings of RM20.4 million and foreign exchange differences arising from translation of foreign currency loans and borrowings of RM1.9 million.

2.3) Review of Items of Statements of Cash Flows

The Group registered net cash flows generated from operating activities of RM13.2 million for FY2019 as compared to RM13.0 million for FY2018. The increase was in tandem with increase in profit before tax.

Net cash flows used in investing activities was RM28.1 million for FY2019, mainly resulted from the purchase of PPE of RM30.6 million, offset with decrease in deposits with licensed banks of RM1.3 million, investment income from investment securities of RM1.0 million and net proceed from investment securities of RM0.2 million.

Net cash flows generated from financing activities of RM11.3 million for FY2019 was mainly due to net drawdown of loans and borrowings of RM20.4 million and the payment of final dividend for FY2018 and interim dividend for FY2019, which amounted to RM8.7 million.

Overall, cash and cash equivalents decreased by RM9.4 million to RM137.4 million as at 30 June 2019, mainly attributable to net cash flows generated from operating activities and financing activities which were offset with net cash flows used in investing activities.

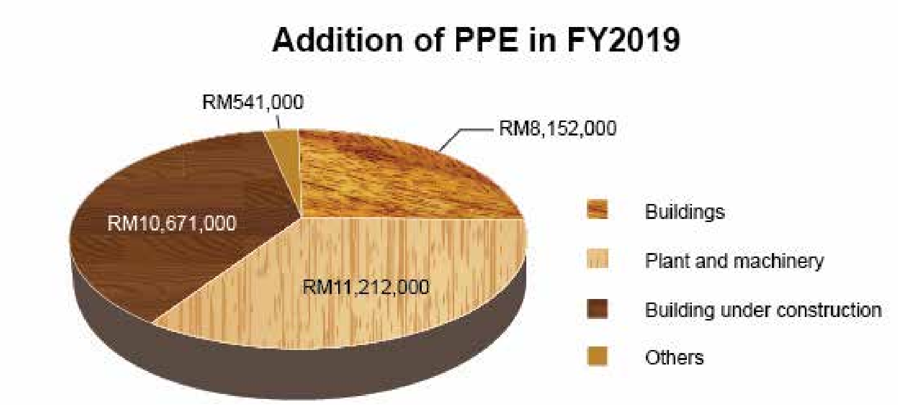
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

2) Financial Performance Review (cont'd)

2.4) Capital Expenditure

In FY2019, total purchase of PPE by the Group was RM30.6 million. The breakdown of the addition during the financial year is as follows:

Category of PPE	RM'000
Buildings	8,152
Plant and machinery	11,212
Buildings under construction	10,671
Others	541
Total	30,576



Addition of RM8.2 million on buildings was incurred mainly to erect a new warehouse building at one of our Vietnam plant to replace a factory building destroyed in a fire incident in FY2018. RM11.2 million were spent to upgrade our existing production lines with advanced and automated machinery to improve production efficiency and to reduce workers. Buildings under construction were mainly related to construction of a new factory building at one of our Vietnam plant to house a new upholstery production line and also construction of a wood pellet silo at our Thailand plant.

3) Risks relating to Our Business

3.1) Exposure to Credit Risk

The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group minimises 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

3.2) Exposure to Foreign Currency Risk (cont'd)

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. RM. The foreign currencies in which these transactions are denominated are mainly Vietnam Dong ("VND"), USD, THB and Singapore Dollar ("SGD").

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.

3.4) Exposure to Over-Dependent on our Sub-Contractors

Generally, the Group sub-contracts the manufacture of certain furniture components, semi-finished products and other parts and accessories required for our products, such as chair legs, chair seats, lathe and bentwood to our sub-contractors.

The Group is dependent on the availability of sub-contractors who have the relevant skills to fulfill our production requirements. In the event that we face a shortage of sub-contractors with relevant skills or should our sub-contractors default on their delivery obligations or work specifications or provide products or services which do not meet our quality standards or requirements, we may not be able to deliver our products on a timely basis or may have to incur higher costs. If any of such events occurs, our revenue may be adversely affected and if we are unable to pass on our cost increases to our customers, our Group's profitability may be adversely affected.

4) Dividend

The Company had on 15 May 2019 paid the first interim single tier dividend of 3.0 sen per ordinary share amounting to RM2.908 million for FY2019.

The Board also proposed a final single tier dividend of 3.0 sen per ordinary share amounting to RM2.860 million for FY2019. The proposed final single tier dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting to be convened on 25 November 2019.

5) Future Prospect and Outlook of the Group

Financial year 2020 is going to be another challenging year and the Group will continue with its strategies to diversify product range to include more upholstery products and innovative products as it will enable the Group to enjoy better-pricing and higher margins. 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.

Barring unforeseen circumstances, the Group is of the opinion that its financial performance will improve for the financial year ending 30 June 2020.

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 50% 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 8.1 million square feet. The total current workforce is approximately 6,000 workers.

Products

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

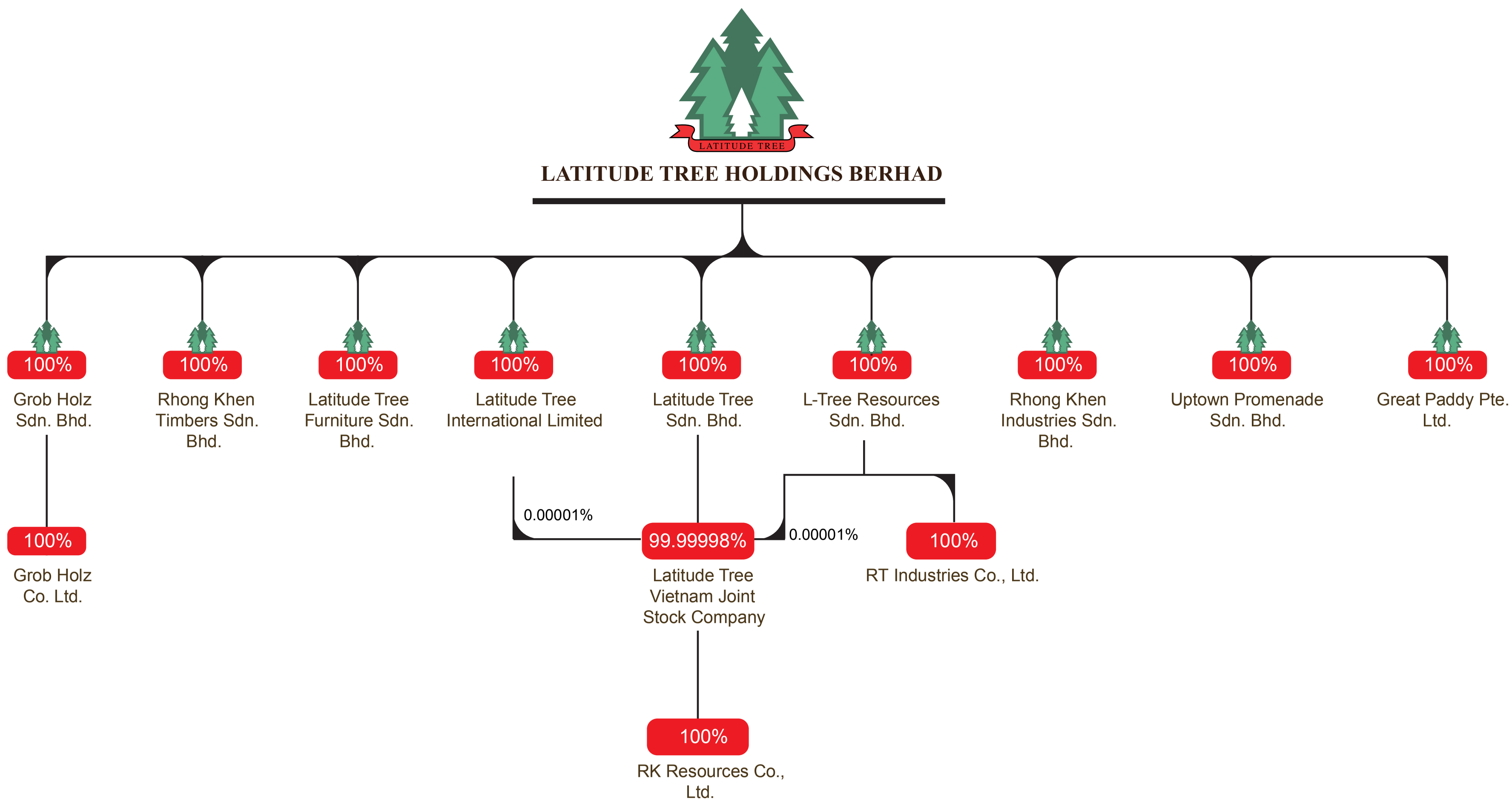
The followings are the main products of the Group:

- 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

DATO' DR NORRAESAH BINTI HAJI MOHAMAD

Aged 71, Malaysian, Female
Chairman/Independent Non-Executive Director

Dato' Dr Norraesah Binti Haji Mohamad was appointed to the Board of Latitude Tree Holdings Berhad ("LTHB") on 1 November 2018. Her last re-appointment as a director was on 27 November 2018. She is the Chairman of Remuneration Committee and Nomination Committee and a member of the Audit Committee.

She graduated with a Bachelor of Arts (Hons) Economic from University of Malaya, a Masters in International Economics Relations from International Institute of Public Administration, France, a Masters in International Economics and Finance from University of Paris I, Pantheon-Sorbonne, France and a PhD (Economics Science) International Economics and International Finance from University of Paris I, Pantheon-Sorbonne, France.

Dato' Dr Norraesah has over 46 years of experience in banking, consultancy, telecommunication, international trade and commerce. She served the Government of Malaysia from 1972 to 1988 for a total of 16 years before leaving the public sector to join the private sector. In the private sector, she assumed diverse roles between 1989 to 2003. She was a Managing Director with a consultancy firm which provides financial and consultancy services, appointed as Chief Representative of Credit Lyonnais Bank in Malaysia and later was appointed as the Chairman of Bank Kerjasama Rakyat Malaysia. Dato' Dr Norraesah was appointed as a Senator from October 2005 to February 2008.She is a recipient of several state awards and was conferred the Chevalier de La Region d'Honneur from the French Government in 2004. She is currently the Chairman of the World Islamic Businesswomen Network of the World Islamic Economic Forum and sits on its Board of Trustees and is a member of the International Advisory Panel.

Particulars of her other directorships in public listed companies:
- MY E.G. Services Berhad
- Excel Force MSC Berhad
- Adventa Berhad

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

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

LIN CHEN, JUI-FEN

Aged 65, Taiwanese, Female
Deputy Executive Chairperson/Executive Director

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

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

PROFILE OF BOARD OF DIRECTORS (CONT'D)

LIN, CHIN-HUNG

Aged 40, Taiwanese, Male
Managing Director

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

TOH SENG THONG, JP, PJK

Aged 61, Malaysian, Male
Independent Non-Executive 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 27 November 2018. 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 31 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 substantial shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

PROFILE OF BOARD OF DIRECTORS (CONT'D)

YEK SIEW LIONG

Aged 60, 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 27 November 2018. 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

He is also a director in several other private limited companies and a director of Malaysia China Business Council.

Mr Yek does not have any family relationship with any other Directors and/or substantial shareholders 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.

PROFILE OF KEY SENIOR MANAGEMENT

YEOH JOE SON

Aged 51, 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 of any public company.

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

FONG TOH WAI

Aged 37, Malaysian, Male
Group Financial Controller

Mr Fong graduated with a Bachelor of Accountancy with Distinction from the University of Wollongong, Australia in 2003. He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and 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 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 audits and FRS 139 implementation audits. Mr Fong was appointed as Group Financial Controller of LTHB on 1 June 2012.

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

Mr Fong does not have any family relationship with any other Directors and/or substantial shareholders 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 60, 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 operation 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 of any public company.

Mr Lu does not have any family relationship with any other Directors and/or substantial shareholders 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 Heads 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 31 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 31 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/her 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").

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

1.1. BOARD RESPONSIBILITIES (cont'd)

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.

i) Ensuring the Company has appropriate corporate governance structure in place
   - The Group has established and adopted a Code of 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

1.1. BOARD RESPONSIBILITIES (cont'd)

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

Name	Attendance
Dato' Dr Norraesah Binti Haji Mohamad # (Appointed on 1 November 2018)	3/3
Lin Chen, Jui-Fen	5/5
Lin, Chin-Hung	5/5
Toh Seng Thong #	5/5
Yek Siew Liong # #	5/5

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

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 two (2) Independent Non-Executive 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.

The qualification and experience of the Directors are set in the Profile of Board of Directors on pages 12 to 14 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.

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

1.2. BOARD COMPOSITION (cont'd)

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.

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' Dr Norraesah Binti Haji Mohamad
(Appointed on 1 November 2018)
Independent Non-Executive Director

Members:
Toh Seng Thong
Independent Non-Executive Director

Yek Siew Liong
Non-Independent Non-Executive Director

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.

During the financial year under review, the NC had reviewed and recommended the appointment of Dato' Dr Norraesah Binti Haji Mohamad as Independent Non-Executive Director and Chairman of the Board, replacing the late Dato' Haji Shaharuddin Bin Haji Haron to the Board for approval. The approval for appointment of Dato' Dr Norraesah Binti Haji Mohamad took effect on 1 November 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

1.2. BOARD COMPOSITION (cont'd)

i) ***Appointment Process (cont'd)***

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 two (2) female directors. The appointment of any Director(s) should be based on their merit, qualification and working experience and the Board is supportive of gender equality.

ii) ***Re-election/Re-appointment of Directors***

In accordance with the Company's Constitution, 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 (1/3) 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 Constitution of the Company, Mr Lin, Chin-Hung and Mdm Lin Chen, Jui-Fen will retire by rotation at the Twenty-Fifth ("25th") AGM of the Company and be eligible and had offered themselves for re-election.

The NC and the Board are satisfied that the Directors, who are required to stand for re-election at the 25th 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.

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)

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 Non-Executive 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' Dr Norraesah Binti Haji Mohamad 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 25th AGM for Mr Toh Seng Thong to continue as Independent Non-Executive Director of the Company by way of ordinary resolution. The justifications for his continuation as Independent Non-Executive Director is disclosed in the Notice of the AGM.

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

- Reviewed and recommended the appointment of Dato' Dr Norraesah Binti Haji Mohamad as Independent Non-Executive Director and Chairman of the Company to the Board for approval;
- 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 25th AGM.

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

Director	Trainings/Seminars Attended
Dato' Dr Norraesah Binti Haji Mohamad	- Women Business Network (World Islamic Economic Forum) Social Media Workshop for Women Entrepreneurs - Ahli Panel Slot Bicara Wanita Jaya Semperna Program Bicara Peladang Nita Lembaga Pertubuhan Peladang (LPP) - Women Business Network (World Islamic Economic Forum) Women Workshop Program

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	Trainings/Seminars Attended
Lin Chen, Jui-Fen	Breakfast Series: Companies of the Future – the Role for Boards
Lin, Chin-Hung	Breakfast Series: Companies of the Future – the Role for Boards
Toh Seng Thong	National GST Conference 2018
	Case Study Workshop for Independent Directors
	Risk Management Conference 2018
Yek Siew Liong	National Tax Conference 2018

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	Attended
Dato' Dr Norraesah Binti Haji Mohamad (Appointed on 1 November 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' Dr Norraesah Binti Haji Mohamad
(Appointed on 1 November 2018)
Independent Non-Executive Director

Members:
Toh Seng Thong
Independent Non-Executive 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-terms 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' Dr Norraesah Binti Haji Mohamad (Appointed on 1 November 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	-	29	29
Fees	-	244	244
Total	12	273	285

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	1,778	-	1,778
Benefits payables	-	29	29
Fees	-	244	244
Total	1,778	273	2,051

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	-	3
Total	2	3

Group

Range of remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM50,001 – RM100,000	-	3
RM500,001- RM600,000	1	-
RM1,100,001- RM1,200,000	1	-
Total	2	3

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 2019, under Note 30(b) to the Financial Statements on page 121 of the Company's Annual Report 2019. 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 and oversight role on external and internal auditors during the financial year is set out in the AC Report on pages 34 to 37 of this Annual Report.

A statement by the Board of its responsibilities for preparing the financial statements is set out on page 47 of this Annual Report.

The AC has adopted a 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 external auditors 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 EA, has concluded that the provision of such services did not compromise the EAs' independence and objectivity.

The AC had in September 2019 assessed the performance of the EA 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 Risk Management Committee ("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 31 of this Annual Report.

<u>Internal audit function</u>

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
Telephone	:	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-Fourth ("24th") AGM held on 27 November 2018 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 2019 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 Group and the Company for the financial year ended 30 June 2019 are as follows:

	Group (RM'000)	Company (RM'000)
Audit fees	493	62
Non-audit fees	38	38
Total	**531**	**100**

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 2019.

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 27 September 2019.

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 34 to 37 of this Annual Report.

3. RISK MANAGEMENT FRAMEWORK

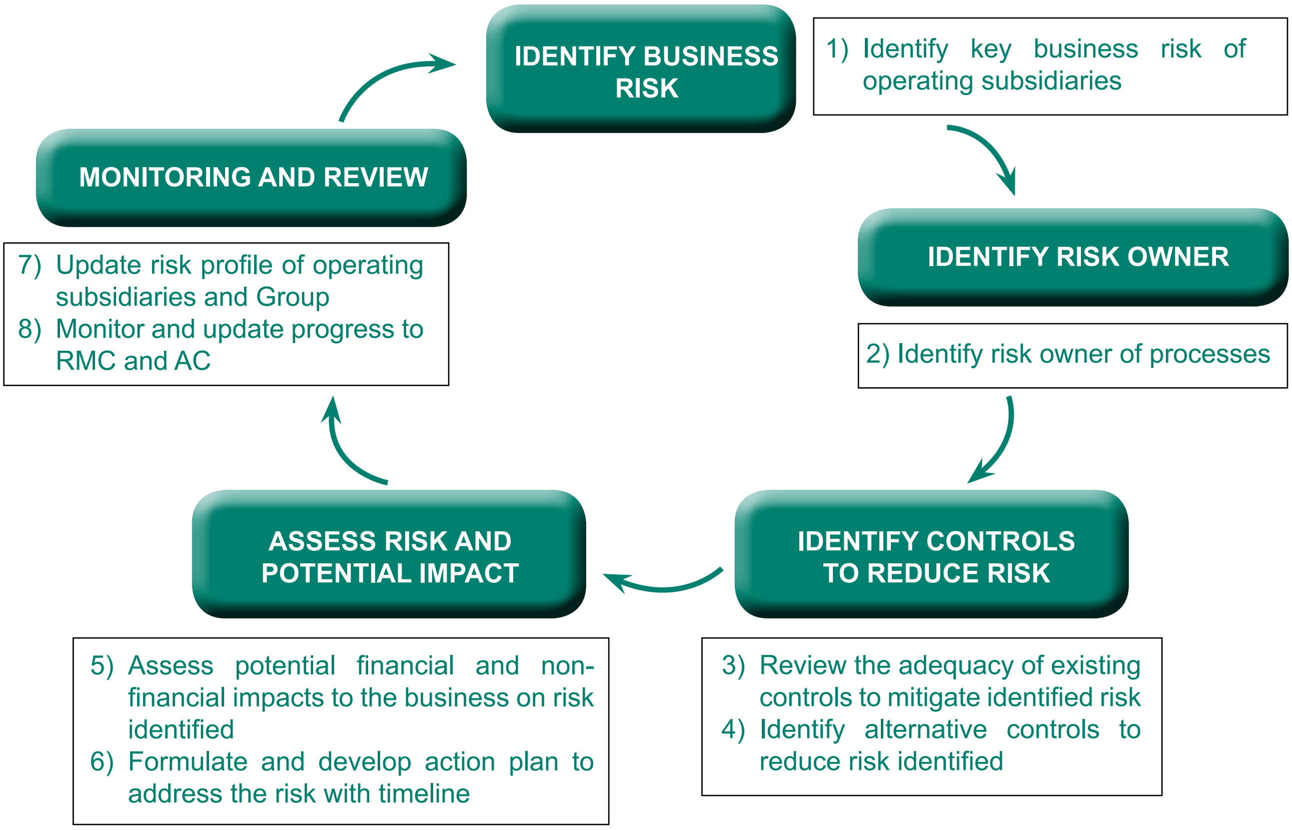
The oversight of the Group’s risk management process is the responsibility of the Managing Director who is assisted by the Heads of Department of the respective operating subsidiaries. The Company has established a Risk Management Committee (“RMC”) whom together with the AC, are entrusted to ensure more 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 Group 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.

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

4. INTERNAL AUDIT FUNCTION (cont'd)

During the financial year ended 30 June 2019, 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 Sales and Marketing, Manufacturing, Quality Controls, Information Technology, Inventory Management and Regulatory Compliance of:

- Latitude Tree Furniture Sdn. Bhd.; and
- Latitude Tree Vietnam Joint Stock Company.

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 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 2019 in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3, 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 27 September 2019.

AUDIT COMMITTEE REPORT

The Board of the Company is pleased to present the Audit Committee ("AC") Report for the financial year ended 30 June 2019 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 Non-Executive Director.

The current members of the AC comprised:

Chairman:
Toh Seng Thong
Independent Non-Executive Director

Members:
Dato' Dr Norraesah Binti Haji Mohamad
(Appointed on 1 November 2018)
Independent Non-Executive Director

Yek Siew Liong
Non-Independent Non-Executive 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.

B. MEETINGS AND ATTENDANCE

The AC held a total of five (5) meetings during the financial year. Details of attendance of the AC members are as follows:

	No. of AC Meeting	
	Held	**Attended**
Toh Seng Thong	5	5
Dato' Dr Norraesah Binti Haji Mohamad (Appointed on 1 November 2018)	5	3
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.

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 Terms 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 reports 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 2019 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 2019 prepared by the External Auditors, Messrs Ernst & Young ("EY") at the meeting held on 27 August 2019.

Considered and reviewed the integrity of information in the audited financial statements and quarterly financial statements, focus particularly on any changes in accounting audited policies and practices, significant adjustments resulting from the audit, key judgement on estimate tax payable of Vietnam entities, impairment indicator resulted from market capitalisation versus net tangible assets, update of provision of loss arose from the fire incident at RK Resources Co. Ltd.'s factory, 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 2019, 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 28 August 2018, 9 October 2018 and 28 May 2019 without the presence of Management to review on the issues relating to financial controls and operational efficiencies of the Group.

iii) Evaluated the performance of the External Auditors for the financial year ended 30 June 2019 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 27 September 2019 recommended to the Board to proposed the re-appointment of EY as External Auditors for the ensuing financial year of 30 June 2020 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 years ending 30 June 2020 and 2021 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 Sales and Marketing, Manufacturing, Quality Controls, Information Technology, Inventory Management and Regulatory Compliance.

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 under review.

v) Met with Internal Auditors twice during the financial year at the AC meeting held on 27 February 2019 and 28 May 2019 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 2019 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.

vii) Received updates from the Internal Auditors on the Corporate Liability Provision (MACC Amendments Act 2018).

AUDIT COMMITTEE REPORT (CONT'D)

E. SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

During the financial year under review, the Group has out-sourced the provision of internal audit and management system assurance to an independent professional consulting firm, 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 Sales and Marketing, Manufacturing, Quality Controls, Information Technology, Inventory Management and Regulatory Compliance of a Malaysia subsidiary company and a Vietnam subsidiary company; and
- 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 2019 amounted to approximately RM38,000.

This report is made in accordance with the Board of Directors' approval. This Report is dated 27 September 2019.

SUSTAINABILITY STATEMENT

INTRODUCTION

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. The preparation of this Statement was guided by Sustainability Reporting Guide and Toolkits issued by Bursa Malaysia Securities Berhad.

SCOPE OF REPORTING

The scope of reporting covers all the operating subsidiaries of the Company. This report covers period from 1 July 2018 up to the date of this report unless otherwise specified.

SUSTAINABILITY GOVERNANCE STRUCTURE

The Company has a well-defined governance structure in place to drive sustainability practices across the Group. The established Sustainable Committee ("SC") assists the Board to meet its oversight responsibilities in relation to the approval of policies on sustainability. The Board is responsible and accountable in evaluating the Group's sustainability performance on a periodical basis.

The Managing Director who is the Chair of the SC is responsible for managing sustainability and decision-making on Environmental, Social and Governance ("ESG") matters within the Group. The SC consists of the Group Finance Director, Group Financial Controller, General Manager and Deputy General Managers of operating subsidiaries. We monitor the progress of our ESG performance through a Corporate Social Responsibility ("CSR") Scorecard for each plant. The outcome of the sustainability performance is collated by the SC for onward reporting to the Board.

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. The Company engages with key stakeholders through various platforms or channels at certain intervals throughout the financial year. The table below summarises the engagement process and the topics of discussion with the various key stakeholder groups:

Stakeholders	Topic of Discussion	Engagement Approach	Frequency
Customers	• Responsible sources of raw materials • Product quality • Regulatory compliance with local laws or regulation	• On-site visit • Obtain feedbacks during Furniture Trade Exhibition • Customer satisfaction survey	• On-going • Annually • On-going
Government and Regulators	• Regulatory compliance with local laws or regulation • Environmental impact	• On-site visit and meeting • Participate events organised by regulators	• On-going • On-going

SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY MATTERS (cont'd)

Stakeholders	Topic of Discussion	Engagement Approach	Frequency
Shareholders/Investors	• Financial performance • Regulatory compliance with local laws or regulation and accounting standards	• Corporate website • Annual General Meeting • Annual Report • Corporate briefings	• On-going • Annually • Annually • On-going
Suppliers/Vendors	• Supplier/vendor performance (delivery and quality) • Regulatory compliance with local laws or regulation	• On-site visit and meeting • Supplier/vendor performance evaluation	• On-going • Annually
Employees	• Occupational health and safety • Gender equality • Career growth and development • Employee wellbeing • Workplace culture	• Annual appraisal • Annual dinner • Training and development • Recreational activities • One-to-one meeting	• Annually • Annually • On-going • On-going • On-going
Community	• Regulatory compliance with environmental laws • Corporate Social Responsibilities ("CSR")	• Donation • Community engagement through social activities • Industry based learning program	• On-going • On-going • On-going

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

As a furniture manufacturer, we recognise the impacts of the Group's day-to-day operations have on the environment. We are fully committed to minimising our operational impact on the environment whenever and wherever possible.

SUSTAINABILITY STATEMENT (CONT'D)

(I) ENVIRONMENT IMPACT (cont'd)

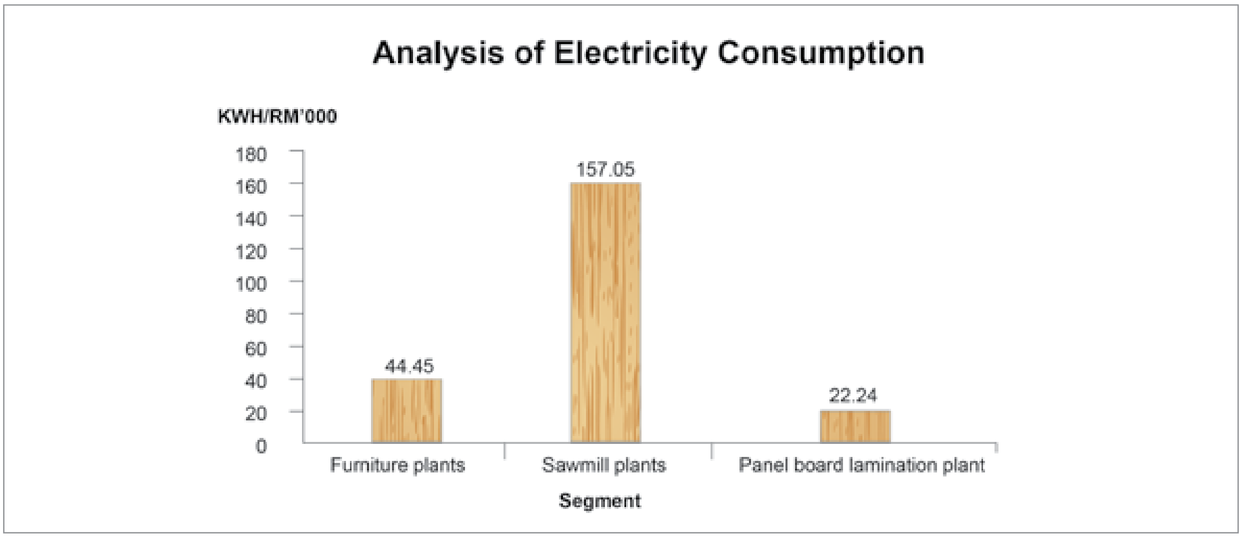
Wood is the key raw material used in our products. Due to increasing concerns about the environmental damage caused by deforestation and more stringent standards and requirements dealing with the use and treatment of wood, our furniture plants obtained Chain of Custody from the Forest Stewardship Council ("FSC") or Programme for the Endorsement of Forest Certification ("PEFC"). Hence, woods used in production are plantation woods, FSC and PEFC certified. This provides assurance that our products are handled and manufactured under strict regulations that support responsible forest regeneration, biodiversity and the protection of native fauna. We also uses Medium Density Fibreboard that is California Air Resources Board ("CARB2") certified to reduce formaldehyde emission.

With the aim to reduce our consumption and the associated carbon footprints, we have implemented various initiatives in our offices and plants:
- replace traditional bulbs with energy-efficient LED bulbs;
- maximise natural lighting at production floors by replacing roof sheet with clear roof sheet;
- turn off unnecessary electrical appliances including machinery during non-operation hours;
- switch electrical appliances including machinery to low-energy-consumption sleep mode when not in use;
- adjust temperature of air-conditioners according to weather;
- reduce our paper consumption at offices;
- replace old and high-energy consumption machinery to advanced and energy-efficient machinery; and
- develop and promote more new products with water-based coating materials instead of solvent-based coatings.

Over the years, we have been investing on energy saving machinery to reduce carbon print and ultimately reduce production cost. With this, we hope to reduce our energy consumption by 10% over the five (5) years.

Analysis of electricity consumption during the financial year is as follows:

Segment	Kilowatt-hour (KWH)/Production output (RM'000)
Furniture plants	44.45
Sawmill plants	157.05
Panel board lamination plant	22.24



(I) ENVIRONMENT IMPACT (cont'd)

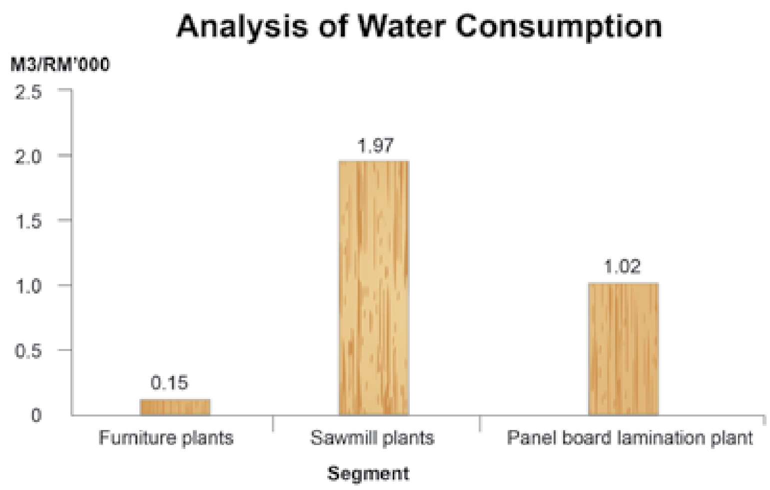
Water

Water is important to 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. The collected rain water is mainly used for watering plants and general washing purposes. This is also useful especially during period of prolonged dry weathers.

Water pipes are regularly inspected to prevent water leakage. In case of leakage, maintenance will be conducted timely. We also encourage water-saving culture among our employees by putting up reminders near water taps.

Analysis of water consumption during the financial year is as follows:

Segment	Cubic metre (m3)/Production output (RM'000)
Furniture plants	0.15
Sawmill plants	1.97
Panel board lamination plant	1.02



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 and licensed disposal companies.

In term of industrial waste water discharges, our factories have proper waste water treatment facilities to treat waste water. Treated waste water was properly collected and disposed by approved waste management company.

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

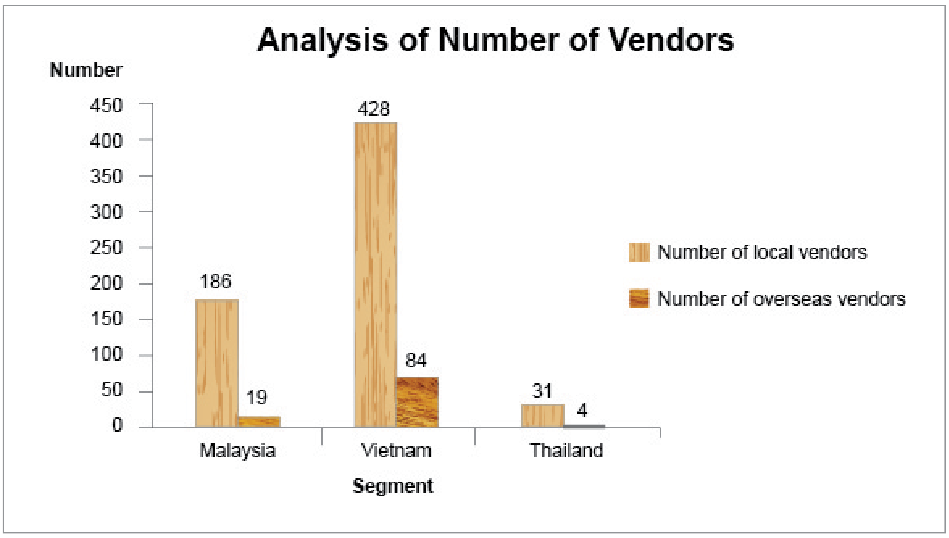
SUSTAINABILITY STATEMENT (CONT'D)

(II) ECONOMIC IMPACT

We recognise that sourcing and procurement and the practices of our vendors 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 vendors of ours. This approach has assisted us to understand our vendors better and work hand-in-hand to reduce production cost and wastages. We believe that engagement of local vendors 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.

Below is the analysis of number of vendors registered with us as at 30 June 2019:

Country	Number of local vendors	Number of overseas vendors
Malaysia	186	19
Vietnam	428	84
Thailand	31	4
Total	645	107



(III) SOCIAL IMPACT

Occupational Health and Safety

The safety of our people is our utmost priority. For our Malaysia operation, a Safety Officer is appointed for each plant to oversee compliance with the rules and regulation of Department of Occupational Safety and Health ("JKKP"). We have implemented a series of safety measures to ensure our employees can carry out their roles safely including compulsory daily housekeeping of workplace, training for office and production employees at all manufacturing plants, provide personal protective equipment for all production employees including safety glasses, hearing protection and high visibility clothing, introduction of automatic timber cutting machines to reduce accident rate and manual handling issues and revised layout of all plants to improve safety, reduce manual handling of products and increase space to operate in.

(III) SOCIAL IMPACT (cont'd)

Occupational Health and Safety (cont'd)

List of health and safety trainings held during the financial year is as follows:

Country	Trainings held
Malaysia	- Ergonomics and Manual Handling at Workplace - ERP Drill Workshop - Emergency Response Planning - Hazard Identification, Risk Assessment and Risk Control - Ergonomics Risk Assessment - Understanding of Scheduled Waste Management in Malaysia
Vietnam	- Road Safety Briefing by Binh Duong Traffic Department - First Aid Training - Fire Safety Training
Thailand	- Fire Safety Training

Diversity and Equal Opportunities

We also recognise the importance of creating a workplace that is conducive to our employees to work to their full potential. The minimum wage offered to our employees is in line with the Minimum Wage Order in the countries of our operation. We provide competitive and fair remuneration packages to our employees 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 employees 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. As at 30 June 2019, we have a total workforce of 6,074 employees. The demographic analysis of our workforce is as follows:

i) By Gender

Gender	Number of employees	% of total employees
Male	3,646	60.0
Female	2,428	40.0
Total	6,074	100.0

ii) By Age

Age group	Number of employees	% of total employees
<30 years old	3,175	52.3
30 to 50 years old	2,627	43.2
>50 years old	272	4.5
Total	6,074	100.0

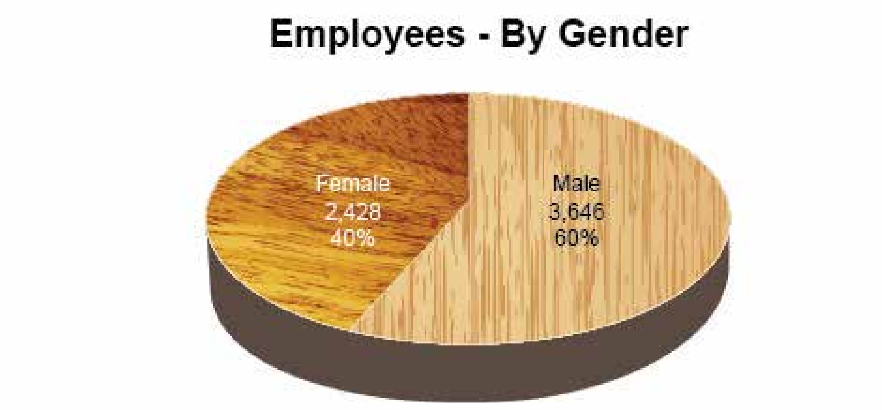
SUSTAINABILITY STATEMENT (CONT'D)

(III) SOCIAL IMPACT (cont'd)

Diversity and Equal Opportunities (cont'd)

iii) **By Ethnicity**

Ethnicity	Number of employees	% of total employees
Bumiputera	264	4.3
Chinese	101	1.7
Indian	76	1.3
Others	5,633	92.7
Total	6,074	100.0



(III) SOCIAL IMPACT (cont'd)

Diversity and Equal Opportunities (cont'd)

We also ensure our employees have equal access to continuous training and development opportunities to remain relevant in the industry or business. Various training programmes were organised throughout the year to upgrade the core competencies of our employees. The various programmes include the followings:

Country	Trainings held
Malaysia	- Understanding the Implementation of Sales & Services Tax - Understanding and Handling Full Sets of Account - Understanding of Domestic Inquiry Process and Procedures
Vietnam	- Introduction to Microsoft Office
Thailand	- Updates on Social Security, Compensation and Disability Employment Laws - Preparing Statement of Cash Flows and E-Tax invoice

Work-life balance is also crucial to keep our employees physically and psychologically healthy. During the year, recreational and team-bonding activities such as annual dinner, annual trip, Chinese New Year celebration, Mid-Autumn Celebration, marathon and football competition are held to strengthen their sense of belonging towards the Group.

Community Development

We also supports industry based learning program with public and private colleges/universities by providing internship to students. Selected interns are placed under the supervision of Production Manager to guide them through assigned projects or tasks. During the financial year, we have trained 11 students.

Country	Colleges/Universities	Number of students
Malaysia	- Politeknik Sultan Salahuddin Abdul Aziz Shah - Universiti Malaysia Kelantan	3 1
Vietnam	- National University of Kaohsiung - National Pingtung University of Science and Technology	2 5
Total		11

SUSTAINABILITY STATEMENT (CONT'D)

(III) SOCIAL IMPACT (cont'd)

Community Development (cont'd)

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. During the year, the Company contributed USD10,000 to the Scholarship Program for the Forestry Industry Education of National Pingtung University of Science and Technology with the mission to cultivate high-quality, diversified and creative backbone talents in furniture industry. List of Corporate Social Responsibility ("CSR") activities carried out during the financial year are as follows:

Date	CSR activities
6 July 2018	Donated one (1) unit of fire engine to Binh Duong Province, Fire Station No. 6 (Bau Bang District), Vietnam
9 September 2018	Organised a blood donation campaign at one of our Vietnam plant located at Ben Cat District for Ho Chi Minh City Blood Center
10 January 2019	Donated daily essential items and cash to flood prevention fund of Binh Duong Province, Vietnam
23 January 2019	Donated daily essential items and cash to poor families staying at 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 27 September 2019.

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 2019 as set out on pages 48 to 136 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 confirmed 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 of 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 27 September 2019.

FINANCIAL STATEMENTS

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

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	19,352	64,503

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 2018 was as follows:

	RM'000
In respect of the financial year ended 30 June 2018 as reported in the directors' report of that year:	
Final tax exempt dividend of 6.0 sen, on 96,938,800 ordinary shares, declared on 9 October 2018 and paid on 21 December 2018	5,816
In respect of the financial year ended 30 June 2019:	
First interim single tier dividend of 3.0 sen, on 96,938,800 ordinary shares, declared on 27 February 2019 and paid on 15 May 2019	2,908
	8,724

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 30 June 2019, of 3.0 sen on 95,337,300 ordinary shares amounting to a dividend payable of RM2,860,000 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 2020.

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' Dr Norraesah Binti Haji Mohamad*	(Appointed on 1 November 2018)
Lin Chen, Jui-Fen #	
Lin, Chin-Hung #	
Toh Seng Thong*	
Yek Siew Liong*	

* 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	
Lin, Shin-Ni	(Appointed on 1 January 2019)
Liu, Kun-Chin	(Resigned on 1 January 2019)

<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	(Resigned on 19 November 2018)

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 1.7.2018	Acquired	Sold	At 30.6.2019
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
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 5,700 of its issued ordinary shares from the open market at an average price of RM3.29 per share. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. The total consideration paid for the treasury shares including transaction costs was RM18,812.

As at 30 June 2019, the Company held as treasury shares a total of 268,700 of its 97,207,500 issued ordinary shares. Such treasury shares are held at a carrying amount of RM869,470 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 profit and loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; 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 event

Details of subsequent event 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 18 October 2019.

Dato' Dr Norraesah Binti Haji Mohamad　　　　　Lin, Chin-Hung

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

We, Dato' Dr Norraesah Binti Haji Mohamad 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 59 to 136 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 2019 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 18 October 2019.

Dato' Dr Norraesah Binti Haji Mohamad

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 59 to 136 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
18 October 2019

Fong Toh Wai
(MIA 28465)

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 2019 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 59 to 136.

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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("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.

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

Key audit matters (cont'd)

Income taxes

We draw your attention to the summary of significant accounting policies in Note 2.24(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 2019, the Group recognised local and foreign income tax expense of RM2.0 million and RM10.2 million respectively.

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 evaluation 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 2.16, 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 2019, the Group's inventories amounted to RM210.2 million, representing 26.6% 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.

Information other than the financial statements and auditors' report thereon (cont'd)

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.

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.

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)

- 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.

- 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 auditors' 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 matters

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

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

Kuala Lumpur, Malaysia
18 October 2019

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	4	729,568	752,829	25,055	24,900
Cost of sales		(646,451)	(668,074)	-	-
Gross profit		83,117	84,755	25,055	24,900
Other items of income					
Interest income		2,872	1,917	107	6
Other income	5	4,284	2,655	42,710	463
Other items of expense					
Selling and distribution expenses		(22,725)	(20,665)	-	-
Administrative expenses		(24,910)	(21,994)	(531)	(637)
Other expenses		(6,620)	(22,727)	(2,717)	(4,533)
Finance costs	6	(3,905)	(3,164)	-	-
Profit before tax	7	32,113	20,777	64,624	20,199
Income tax expense	10	(12,761)	(8,700)	(121)	-
Profit net of tax		19,352	12,077	64,503	20,199
Other comprehensive income/(loss):					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Available-for-sale financial assets - loss on fair value changes		-	(77)	-	-
Foreign currency translation		8,255	(14,363)	-	-
Other comprehensive income/(loss) for the year, net of tax		8,255	(14,440)	-	-
Total comprehensive income/(loss) for the year		27,607	(2,363)	64,503	20,199
Earnings per share attributable to owners of the parent (sen per share)					
- Basic/diluted	11	20	12		

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

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Assets					
Non-current assets					
Property, plant and equipment	13	247,603	229,707	-	-
Investment properties	14	21,491	21,239	-	-
Investment in subsidiaries	15	-	-	41,041	43,721
Other investments	16	81	81	-	-
Land use rights	17	17,376	16,015	-	-
Trade and other receivables	20	-	-	164,769	-
Investment securities	21	2,213	1,000	2,097	-
Derivatives	22	-	30	-	-
Deferred tax assets	18	1,349	1,811	-	-
		290,113	269,883	207,907	43,721
Current assets					
Inventories	19	210,249	172,136	-	-
Trade and other receivables	20	76,261	81,767	-	111,765
Prepayments		870	1,448	-	-
Tax recoverable		1,663	2,415	1	1
Investment securities	21	52,522	53,297	5,455	9,867
Derivatives	22	165	205	-	-
Cash and bank balances	23	159,567	169,882	12,878	5,154
		501,297	481,150	18,334	126,787
Total assets		791,410	751,033	226,241	170,508
Equity and liabilities					
Current liabilities					
Tax payable		18,196	20,048	-	-
Loans and borrowings	24	104,248	78,006	-	-
Trade and other payables	25	91,704	90,768	90	117
		214,148	188,822	90	117
Net current assets		287,149	292,328	18,244	126,670

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019 (CONT'D)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current liabilities					
Loans and borrowings	24	9,344	13,268	-	-
Provision for severance allowance	26	32	26	-	-
Retirement benefit obligation		194	148	-	-
Deferred tax liabilities	18	3,257	3,198	-	-
		12,827	16,640	-	-
Total liabilities		226,975	205,462	90	117
Net assets		564,435	545,571	226,151	170,391
Equity attributable to owners of the parent					
Share capital	27	98,433	98,433	98,433	98,433
Treasury shares	27	(870)	(851)	(870)	(851)
Retained earnings	28	397,848	387,188	128,588	72,809
Other reserves	29	69,024	60,801	-	-
Total equity		564,435	545,571	226,151	170,391
Total equity and liabilities		791,410	751,033	226,241	170,508

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	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
2019								
Group								
As at 1 July 2018 (as previously stated)		98,433	(851)	387,188	32	60,769	60,801	545,571
Effect of adoption of MFRS 9		-	-	32	(32)	-	(32)	-
Opening balance at 1 July 2018 (restated)		98,433	(851)	387,220	-	60,769	60,769	545,571
Profit for the year		-	-	19,352	-	-	-	19,352
Other comprehensive income		-	-	-	-	8,255	8,255	8,255
Total comprehensive income		-	-	19,352	-	8,255	8,255	27,607
Transactions with owners								
Dividends on ordinary shares	12	-	-	(8,724)	-	-	-	(8,724)
Purchase of treasury shares	27	-	(19)	-	-	-	-	(19)
Total transactions with owners		-	(19)	(8,724)	-	-	-	(8,743)
As at 30 June 2019		98,433	(870)	397,848	-	69,024	69,024	564,435

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

	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								
As 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)
Transaction 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)
As at 30 June 2018		98,433	(851)	387,188	32	60,769	60,801	545,571

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

	Note	Non-distributable Share capital (Note 27) RM'000	Non-distributable Treasury shares (Note 27) RM'000	Non-distributable Retained earnings (Note 28) RM'000	Distributable Total equity RM'000
2019					
Company					
As at 1 July 2018		98,433	(851)	72,809	170,391
Total comprehensive income		-	-	64,503	64,503
Transactions with owners					
Dividends on ordinary shares	12	-	-	(8,724)	(8,724)
Purchase of treasury shares	27	-	(19)	-	(19)
Total transactions with owners		-	(19)	(8,724)	(8,743)
As at 30 June 2019		98,433	(870)	128,588	226,151
2018					
Company					
As at 1 July 2018		98,433	-	64,275	162,708
Total comprehensive income		-	-	20,199	20,199
Transaction 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)
As at 30 June 2019		98,433	(851)	72,809	170,391

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Operating activities					
Profit before tax		32,113	20,777	64,624	20,199
Adjustments for:					
Reversal of impairment loss of other receivables	5	-	-	(42,250)	-
Investment income from investment securities	5	(994)	(1,076)	(233)	(463)
Net fair value gain on investment securities	5	(360)	(801)	-	-
Net fair value loss on derivatives	7	70	5	-	-
Effects on liquidation of a subsidiary	5	-	(49)	-	-
(Gain)/loss on disposal of property, plant and equipment	5, 7	(14)	89	-	-
Net unrealised foreign exchange (gain)/loss	5, 7	(2,059)	3,573	(227)	807
Finance costs	6	3,905	3,164	-	-
Amortisation of land use rights	7	567	564	-	-
Depreciation of property, plant and equipment	7	16,792	17,384	-	-
Depreciation of investment properties	7	297	-	-	-
Impairment loss on trade and other receivables	7	1,258	5	-	3,658
Impairment loss on investment in subsidiaries	7	-	-	2,680	-
Property, plant and equipment written off	7	218	3,129	-	-
Provision for severance allowance	7	7	130	-	-
Inventories written off	7	-	10,818	-	-
Inventories written down	7	411	525	-	-
Reversal of inventories written down	7	(84)	-	-	-
Interest income on deposits		(2,872)	(1,917)	(107)	(6)
Total adjustments		17,142	35,543	(40,137)	3,996
Operating cash flows before changes in working capital		49,255	56,320	24,487	24,195
Changes in working capital					
Increase in inventories		(34,711)	(27,410)	-	-
Decrease/(increase) in trade and other receivables		6,623	(7,092)	(10,737)	(24,685)
Decrease in prepayments		578	1,091	-	-
(Decrease)/increase in trade and other payables		(406)	(754)	(27)	33
Decrease in provision for severance allowance	26	-	(139)	-	-
Increase in retirement benefit obligation		29	16	-	-
Total changes in working capital		(27,887)	(34,288)	(10,764)	(24,652)
Cash flows generated from/(used in) operations		21,368	22,032	13,723	(457)
Interest paid		(3,871)	(3,118)	-	-
Interest received		2,542	1,675	107	6
Taxes refunded		255	300	1	3
Taxes paid		(7,126)	(7,909)	(121)	(1)
Net cash flows generated from/(used in) operating activities		13,168	12,980	13,710	(449)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Investing activities					
Investment income from investment securities	5	994	1,076	233	463
Purchase of property, plant and equipment	13	(30,576)	(20,575)	-	-
Proceeds from disposal of property, plant and equipment		77	168	-	-
Proceeds from investment securities		62,727	37,360	29,239	13,537
Purchase of investment securities		(62,572)	(53,625)	(26,872)	(6,183)
Decrease/(increase) in deposits with licensed banks		1,280	(5,732)	-	-
Net cash flows (used in)/generated from investing activities		(28,070)	(41,328)	2,600	7,817
Financing activities					
Repayments of loans and borrowings		(199,544)	(206,636)	-	-
Drawdown of loans and borrowings		219,968	205,691	-	-
Movement of deposits placed as securities for bank borrowings and guarantees		(364)	(5,043)	-	-
Treasury shares acquired	27	(19)	(851)	(19)	(851)
Dividends paid on ordinary shares	12	(8,724)	(11,665)	(8,724)	(11,665)
Net cash flows generated from/(used in) financing activities		11,317	(18,504)	(8,743)	(12,516)
Net (decrease)/increase in cash and cash equivalents		(3,585)	(46,852)	7,567	(5,148)
Effects of exchange rate changes		(5,814)	(2,136)	157	(510)
Cash and cash equivalents at 1 July		146,753	195,741	5,154	10,812
Cash and cash equivalents at 30 June	23	137,354	146,753	12,878	5,154

Reconciliation of liabilities arising from financing activities

	Carrying amount as at 1 July 2018 RM'000	Cash flows RM'000	Effects of foreign exchange RM'000	Carrying amount as at 30 June 2019 RM'000
<u>Group</u>				
Loans and borrowings	91,274	20,424	1,894	113,592

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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 2018, 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 2018.

Descriptions	Effective for annual periods beginning on or after
MFRS 9: Financial Instruments	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15 Revenue from contracts with customers	1 January 2018
Amendments to MFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140 Investment property: Transfers of Investment Property	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	
(i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
(ii) Amendments to MFRS 128: Long-Term Interest in Associates and Joint Ventures	1 January 2018

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:

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

2.2 Changes in accounting policies (cont'd)

MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the cash flow characteristics and business model in which the financial assets are managed. The new standard contains three classifications for financial assets measured at amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI") and eliminates the existing MFRS 139 categories of loans and receivables, held to maturity, and available-for-sale.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances are measured on either 12-month ECLs or lifetime ECLs.

As permitted by the transitional provisions of MFRS 9, the Group and the Company elected not to restate comparative information for prior periods with respect to classification and measurement and impairment requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 July 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139.

The effects of adopting MFRS 9 are as follows:

(i) Classification and measurement

Under MFRS 9, the Group's and the Company's debt financial instruments are measured at amortised cost. The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The assessment of the Group's and the Company's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets comprised solely payments of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Trade and other receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

The Group continued measuring at fair value, all financial assets previously held at fair value under MFRS 139.

There are no changes in classification and measurement for the Group's financial liabilities.

The classification and measurement requirements of MFRS 9 had no impact to the Group's and the Company's statements of financial position and statements of other comprehensive income.

In summary, upon the adoption of MFRS 9, the Group and the Company made the following reclassifications as at 1 July 2018.

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

2.2 Changes in accounting policies (cont'd)

MFRS 9 Financial Instruments (cont'd)

(i) Classification and measurement (cont'd)

		MFRS 9 measurement category	
Group **MFRS 139 measurement category**	**RM'000**	**Amortised cost** **RM'000**	**Fair value through profit and loss** **RM'000**
Loans and receivables			
Trade and other receivables	81,767	81,767	-
Available-for-sale financial assets			
Investment securities	44,797	-	44,797
	126,564	81,767	44,797

(ii) Impairment

The adoption of MFRS 9 has changed the Group's and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

MFRS 9 requires the Group and the Company to record an allowance for ECLs for all financial assets not held at fair value through profit or loss and contract assets.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive.

For trade and other receivables, the Group and the Company applied the standard's simplified approach and have calculated ECLs based on lifetime expected credit losses. The Group and the Company have established a provision matrix that is based on the Group's and the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group consider a financial asset to be in default when contractual payment are 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external factor indicates that the Group and the Company are unlikely to receive outstanding contractual amounts in full amount before taking into account any credit enhancements held by the Group and the Company.

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

2.2 Changes in accounting policies (cont'd)

MFRS 9 Financial Instruments (cont'd)

(iii) Hedge accounting

The Group and the Company do not apply hedge accounting and as such the hedging requirements of MFRS 9 did not have an impact on the Group's and the Company's financial statements.

The adoption of MFRS 9 did not have any material impact to the financial statements of the Group and the Company. However, it has resulted in additional comprehensive disclosure requirements.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the requirements of MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfer of Assets from Customers and IC Interpretation 131 Revenue - Barter Transactions Involving Advertising Services.

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

As permitted by the transitional provision of MFRS 15, the Group and the Company elected not to restate comparative information for prior periods. Any significant adjustments relating to prior years resulting from the adoption of MFRS 15 are recognised in retained earnings and reserves as at 1 July 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of MFRS 15, but rather those of MFRS 111, MFRS 118 and the related interpretations.

The effect of adopting MFRS 15 is as follows:

Sale of goods

The Group contracts with its customers for sales of wooden furniture and its components. The Group has concluded that revenue for sales of wooden furniture and its components should be recognised at the point in time when the control of the asset is transferred to the customer, generally when the control of goods is transferred. Therefore, the adoption of MFRS 15 did not have any significant impact on the timing of revenue recognition for the sales of goods.

The adoption of MFRS 15 did not have any material impact to the financial statements of the Group and the Company other than disclosure requirements.

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

2.2 Changes in accounting policies (cont'd)

MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

Since the Group's and the Company's current practice is in line with the clarifications issued, the Amendments to MFRS 140 does not have any effect on its financial statements.

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.

Descriptions	**Effective for annual periods beginning on or after**
MFRS 9: Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16: Leases	1 January 2019
MFRS 128: Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycle	
(i) Amendments to MFRS 3: Business Combinations	1 January 2019
(ii) Amendments to MFRS 11: Joint Arrangements	1 January 2019
(iii) Amendments to MFRS 112: Income Taxes	1 January 2019
(iv) Amendments to MFRS 123: Borrowing Costs	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 101: Presentation of Financial Statements	1 January 2020
Amendments to MFRS 3: Business Combinations	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 or Joint Venture	Deferred

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.

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

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

MFRS 16: Leases

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. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

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 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

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: Revenue from Contracts with Customers ("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 plans 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. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments ("MFRS 9"), is measured at fair value with changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit and loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (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 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current or non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

2.8 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

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

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

(c) Foreign operations

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

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

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

2.9 Property, plant and equipment and depreciation

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

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

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

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

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

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

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

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

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

2.10 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.

2.11 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.

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

2.13 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15 (refer to the accounting policies in Note 2.23 Revenue).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refer to how it manage its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group and the Company do not have any financial assets designated at fair value through OCI.

- **Financial assets at amortised cost (debt instruments)**

  This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2.13 Financial assets (cont'd)

Subsequent measurement (cont'd)

- **Financial assets at amortised cost (debt instruments) (cont'd)**

  Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

  The Group's and the Company's financial assets at amortised cost comprises solely trade and other receivables.

- **Financial assets at fair value through profit or loss**

  Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of profit or loss.

  This category comprises of the derivative instruments and fund placements with licensed financial institutions. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

  Dividends are recognised as other income in the statements of comprehensive income when the right of payment has been established. Interests are recognised as finance income in the statement of comprehensive income when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

- The rights to receive cash flows from the asset has expired or;
- The Group and the Company have transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either :

  (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or

  (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the assets, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

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

2.14 Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-months ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 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.

2.16 Inventories

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

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

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

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

2.17 Provisions

Provisions are recognised when the Group 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.

2.18 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities comprise of trade and other payables, loans and borrowings including bank overdraft, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- **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 are classified as held for trading if they are incurred for the purpose of repurchasing in near term.

  Gains or losses on liabilities held for trading are recognised in the statements of comprehensive income.

  Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date or recognition, and only if the criteria in MFRS 9 are satisfied.

- **Loans and borrowings**

  After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

  Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of other comprehensive income.

  This category generally applies to the Group's and the Company's trade and other payables.

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

2.18 Financial liabilities (cont'd)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

2.19 Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the 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.

2.20 Borrowing costs

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

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

2.21 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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

2.21 Employee benefits (cont'd)

(b) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current financial year. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(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.

2.22 Leases

(a) As lessee

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

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

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(f).

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

2.23 Revenue

The Group and the Company recognise revenue from contracts with customers based on the five-step model as set out below:

(i) Identify contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good and service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation.

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

(i) Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

The Group and the Company have generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue are recognised at the point in time upon control of the goods are transferred to the customers, generally on delivery 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.

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

2.23 Revenue (cont'd)

(b) Delivery service

The Group provides delivery services that are bundled together with the sale of goods to a customer. The delivery services can be obtained from other providers and do not significantly customise or modify the goods sold.

Contracts for bundled sales of goods and delivery services are comprised of two performance obligations because the promises to transfer goods and provide delivery services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the goods and delivery services.

The Group recognises revenue from delivery services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Payment is generally within 30 to 90 days from delivery.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Management fees

Management fees are recognised when services are rendered.

(e) Dividend income

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

(f) 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.

2.24 Income taxes

(a) Current tax

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

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

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

2.24 Income taxes (cont'd)

(b) Deferred tax

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

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

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

2.25 Goods and Services Tax ("GST")/Sales and Service tax ("SST")

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.

Legislation to implement Malaysia's new sales and service tax ("SST") and repeal the GST has received Royal Assent and was published in the official gazette on 28 August 2018 (the Sales Tax Act, the Service Tax Act and the GST Repeal Act). The GST has ended on 31 August 2018 and the SST applies from 1 September 2018.

2.26 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.

2.27 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.

2.28 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.

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

2.28 Fair value measurement (cont'd)

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.

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.

2.29 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.

2.30 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.

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

2.31 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.

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:

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

3.2 Key sources of estimation uncertainty (cont'd)

(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 2019 was RM1,663,000 (2018: RM2,415,000) and RM18,196,000 (2018: RM20,048,000) respectively.

Based on the Group's recent experience of revisions to previous tax estimates for its Vietnamese subsidiaries, due to tax interpretation differences between the Group and tax regulators, the outcome from recent tax inspection was an increase of RM8.8 million in the current year tax provision to a reduction of RM5.3 million in prior years tax provision. The Group has duly included these amounts in Note 10.

(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 2019 was RM1,349,000 (2018: RM1,811,000).

The total carrying value of unused capital allowances, reinvestment allowances and tax losses of the Group was RM38,403,000 (2018: RM38,314,000). These allowances and losses relate to subsidiaries that have history of losses, do not expire (except for unused tax losses for the year of assessment 2019 onwards shall be deductible for a maximum period of 7 consecutive years of assessment immediately following that year of assessment. Any amount which is not deducted at the end of the period of 7 years of assessment shall be disregarded), and may not be used to offset taxable income elsewhere in the Group. If the Group is able to recognise all unrecognised deferred tax assets, profit and equity would have increased by RM9,217,000. 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. A 1% (2018: 1%) difference in the allocation of labour and overhead expenses from management's estimates would result in RM245,000 (2018: RM211,000) variance in the Group's profit for the year. The carrying amount of inventories of the Group are disclosed in Note 19.

(d) Impairment of investment in subsidiaries

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

The Company had recognised an impairment loss in respect of investments in subsidiaries. The Company carried out the impairment test based on the estimation of the value-in-use 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 2019 (CONT'D)

4. Revenue

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sale of goods	727,985	752,508	-	-
Delivery service	383	121	-	-
Dividend income from subsidiaries	-	-	25,055	24,900
Rental income	1,200	200	-	-
	729,568	752,829	25,055	24,900
Disaggregation of revenue from contracts with customers:				
Geographical market:				
United States	636,784	652,895	-	-
Southeast Asia	42,966	60,030	25,055	24,900
China	21,653	21,746	-	-
Australia	10,800	4,168	-	-
Canada	5,543	3,833	-	-
Others	11,822	10,157	-	-
	729,568	752,829	25,055	24,900
Timing of revenue recognition:				
Goods or services				
Transferred at a point in time	727,985	752,508	25,055	24,900
Transferred over time	1,583	321	-	-
	729,568	752,829	25,055	24,900

5. Other income

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gain on disposal of property, plant and equipment	14	-	-	-
Net unrealised foreign exchange gain	2,059	-	227	-
Net fair value gain on investment securities	360	801	-	-
Rental income	190	380	-	-
Reversal of impairment loss of other receivables (Note 20)	-	-	42,250	-
Investment income from investment securities	994	1,076	233	463
Effects on liquidation of a subsidiary	-	49	-	-
Scrap sales	110	103	-	-
Insurance compensation	287	84	-	-
Miscellaneous	270	162	-	-
	4,284	2,655	42,710	463

6. Finance costs

	Group	
	2019	2018
	RM'000	RM'000
Interest expense on:		
Bank overdrafts	23	1
Bankers' acceptances	267	192
Revolving credit	135	108
Term loans	651	896
Trust receipts	2,829	1,967
	3,905	3,164

7. Profit before tax

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
Statutory audit				
- Current year	493	455	62	55
- Underprovision in prior year	3	30	-	17
Other services	38	38	38	38
Amortisation of land use rights (Note 17)	567	564	-	-
Depreciation of property, plant and equipment (Note 13)	16,792	17,384	-	-
Depreciation of investment properties (Note 14)	297	-	-	-
Employee benefits expense (Note 8)	155,827	163,492	12	12
Impairment loss on investment in a subsidiary (Note 15)	-	-	2,680	-
Impairment loss on:				
- Trade receivables (Note 20)	1,258	5	-	-
- Other receivables (Note 20)	-	-	-	3,658
Loss on disposal of property, plant and equipment	-	89	-	-
Net realised foreign exchange loss	1,623	1,493	23	6
Net unrealised foreign exchange loss	-	3,573	-	807
Net fair value loss on derivatives	70	5	-	-
Non-executive directors' remuneration (Note 9)	273	347	273	347
Property, plant and equipment written off (Note 13)	218	3,129	-	-
Inventories written off	-	10,818	-	-
Inventories written down	411	525	-	-
Reversal of inventories written down	(84)	-	-	-
Provision for severance allowance (Note 26)	7	130	-	-

8. Employee benefits expense

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Wages and salaries	133,973	142,150	-	-
Social security contributions	12,314	12,294	-	-
Contributions to defined contribution plan	1,465	1,632	-	-
Retirement benefit expense	29	16	-	-
Other benefits	8,046	7,400	12	12
	155,827	163,492	12	12

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,778,000 (2018: RM1,843,000) and RM12,000 (2018: RM12,000) respectively as further disclosed in Note 9.

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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Executive:				
Salaries and other emoluments	1,045	1,073	12	12
Bonus	642	679	-	-
Defined contribution plan	91	91	-	-
Total executive directors' remuneration	1,778	1,843	12	12
Non-executive:				
Benefits payables	29	59	29	59
Fees	244	288	244	288
Total non-executive directors' remuneration	273	347	273	347
Total directors' remuneration (Note 30(b))	2,051	2,190	285	359

10. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 30 June 2019 and 2018 are:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Statements of profit or loss and other comprehensive income:				
Current income tax:				
- Malaysian income tax	1,974	1,347	-	-
- Under/(over) provision in respect of local tax in previous years	36	(167)	-	-
- Foreign tax	15,866	6,388	-	-
- (Over)/under provision in respect of foreign tax in previous years	(5,688)	-	121	-
	12,188	7,568	121	-
Deferred tax (Note 18):				
- Origination and reversal of temporary differences	607	571	-	-
- Benefits from previously unrecognised tax losses	-	(2)	-	-
- (Over)/under provision in respect of previous years	(34)	563	-	-
	573	1,132	-	-
Income tax expense recognised in profit or loss	12,761	8,700	121	-

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 2019 and 2018 are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax	32,113	20,777	64,624	20,199
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	7,707	4,986	15,510	4,848
Different tax rates in other countries	(4,046)	(893)	-	-
Adjustments:				
Income not subject to taxation	-	-	(16,282)	(6,074)
Non-deductible expenses	14,765	3,796	772	1,122
(Over)/under provision of income tax in respect of previous years	(5,652)	(167)	121	-
(Over)/under provision of deferred tax in respect of previous years	(34)	563	-	-
Benefits from previously unrecognised tax losses	-	(2)	-	-
Deferred tax assets not recognised in respect of unused capital allowances, unused reinvestment allowances and unused tax losses	21	417	-	104
Income tax expense recognised in profit or loss	12,761	8,700	121	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

The normal corporate income tax ("CIT") rate in Vietnam is currently at 20%. The foreign subsidiaries in Vietnam enjoy various tax incentives with preferential tax rate ranging from 10% to 17%.

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 2019 (CONT'D)

10. Income tax expense (cont'd)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unused reinvestment allowances	9,564	9,564	-	-
Unused tax losses	14,154	14,154	772	772
Unused capital allowances	14,685	14,596	-	-
	38,403	38,314	772	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	
	2019 RM'000	2018 RM'000
Profit net of tax attributable to owners of the parent used in the computation of basic/diluted earnings per share	19,352	12,077

11. Earnings per share (cont'd)

Basic/diluted (cont'd)

	Group 2019 Number of shares '000	Group 2018 Number of shares '000
Weighted average number of ordinary shares for basic/diluted earnings per share computation	96,940	97,180

	Group Sen	Group Sen
Basic/diluted earnings per share	20	12

12. Dividends

	Group and Company 2019 RM'000	Group and Company 2018 RM'000
Recognised during the financial year:		
Final tax exempt dividend paid for 2017: 12.0 sen per share on 97,207,500 ordinary shares	-	11,665
Final tax exempt dividend paid for 2018: 6.0 sen per share on 96,938,800 ordinary shares	5,816	-
First single tier dividend paid for 2019: 3.0 sen per share on 96,938,800 ordinary shares	2,908	-
	8,724	11,665

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 30 June 2019, of 3.0 sen on 95,337,300 ordinary shares amounting to a dividend payable of RM2,860,000 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 2020.

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 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
At 1 July 2018	22,974	4,703	179,414	241,423	3,510	511	5,279	3,759	2,100	7,858	471,531
Additions	-	-	8,152	11,212	239	8	171	123	-	10,671	30,576
Disposals	-	-	-	(1,204)	-	-	(145)	-	-	-	(1,349)
Write offs	-	-	(208)	(5,273)	(100)	(10)	-	(303)	-	-	(5,894)
Transfer to investment properties (Note 14)	(549)	-	-	-	-	-	-	-	-	-	(549)
Reclassification	-	-	-	-	-	-	-	-	-	-	-
Exchange differences	287	-	4,192	5,697	316	38	95	76	197	242	11,140
At 30 June 2019	22,712	4,703	191,550	251,855	3,965	547	5,400	3,655	2,297	18,771	505,455

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 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
At 1 July 2018	-	1,140	50,414	178,532	3,183	456	3,099	3,219	1,781	-	241,824
Depreciation charge for the year (Note 7)	-	17	4,957	11,007	64	16	473	221	37	-	16,792
Disposals	-	-	-	(1,142)	-	-	(144)	-	-	-	(1,286)
Write offs	-	-	(48)	(5,216)	(100)	(10)	-	(302)	-	-	(5,676)
Transfer to investment properties (Note 14)	-	-	-	-	-	-	-	-	-	-	-
Exchange differences	-	-	1,168	4,394	316	34	53	68	165	-	6,198
At 30 June 2019	-	1,157	56,491	187,575	3,463	496	3,481	3,206	1,983	-	257,852

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (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 2018	22,974	3,563	129,000	62,891	327	55	2,180	540	319	7,858	229,707
At 30 June 2019	22,712	3,546	135,059	64,280	502	51	1,919	449	314	18,771	247,603

The Group's office equipment included computer software with carrying amount of RM148,390 (2018: RM175,100).

* The remaining lease term of leasehold land is 39 to 52 years (2018: 40 to 53 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 2019 RM'000	Group 2018 RM'000
Freehold land	-	7,243
Freehold buildings	-	9,928
	-	17,171

14. Investment properties

	Group 2019 RM'000	Group 2018 RM'000
Freehold land and buildings		
Cost		
At 1 July	22,231	-
Transferred from property, plant and equipment (Note 13)	549	22,231
At 30 June	22,780	22,231
Accumulated depreciation		
At 1 July	992	-
Depreciation charge for the year (Note 7)	297	-
Transferred from property, plant and equipment (Note 13)	-	992
At 30 June	1,289	992
Net carrying amount	21,491	21,239

Assets pledged as security

The investment properties with net carrying amount of RM20,942,000 (2018: RM21,239,000) are pledged as securities for loans and borrowings (Note 24).

14. Investment properties (cont'd)

Fair value information

The directors have estimated the fair value of investment properties of the Group as at 30 June 2019 to be RM56,852,000 (2018: RM31,683,000). The fair value have been determined by reference to market evidence of transaction prices for similar properties.

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Rental income	1,200	200
Depreciation expense	297	297
Quit rent and assessment	68	68

15. Investment in subsidiaries

	Company	
	2019	**2018**
	RM'000	**RM'000**
Unquoted shares, at cost		
At 1 July/30 June	53,929	53,929
Accumulated impairment losses		
At 1 July	(10,208)	(10,208)
Impairment loss of investment in a subsidiary (Note 7)	(2,680)	-
At 30 June	(12,888)	(10,208)
Net carrying amount	41,041	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 2019 %	2018 %
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
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
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

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 2019 %	2018 %
Held through Latitude Tree Vietnam Joint Stock Company:				
RK Resources Co., Ltd. **	Vietnam	Manufacture and sale of wooden furniture and components	100	100
Held through L-Tree Resources Sdn. Bhd.:				
RT Industries Co., Ltd. **	Vietnam	Manufacture and sale of upholstery furniture	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

Incorporation of a subsidiary - RT Industries Co., Ltd.

On 13 March 2019, L-Tree Resources Sdn. Bhd. ("LTR") incorporated a new wholly-owned subsidiary in Vietnam, namely RT Industries Co., Ltd ("RTI"). RTI is a one-member limited liability company incorporated under the Law on Enterprise of Vietnam pursuant to the Investment License No. 3702749451 issued by The People's Committee of Binh Duong Province on 13 March 2019 with a charter capital of VND92,000,000,000 (approximately RM16,192,000). As defined by the Law on Enterprise of Vietnam, LTR is required to fully contribute the charter capital within 90 days from the issuance date of investment license. LTR had fully paid the charter capital on 31 May 2019. The intended principal activities of RTI are to manufacture and sale of upholstery furniture. The sole director of RTI is Mr Lin, Chin-Hung. The above incorporation does not have any material effect on the share capital, substantial shareholders' shareholdings, earning per share and net assets of the Group and the Company for the financial year ended 30 June 2019.

16. Other investments

	Group 2019 RM'000	Group 2018 RM'000
Transferable golf club membership, at cost	81	81

17. Land use rights

	Group	
	2019 RM'000	2018 RM'000
Cost		
At 1 July	23,298	25,572
Exchange differences	1,913	(2,274)
At 30 June	25,211	23,298
Accumulated amortisation		
At 1 July	7,283	7,949
Amortisation charged for the year (Note 7)	567	564
Exchange differences	(15)	(1,230)
At 30 June	7,835	7,283
Net carrying amount	17,376	16,015

	Group	
	2019 RM'000	2018 RM'000
Amount to be amortised:		
- Not later than one year	567	564
- Later than one year but not later than five years	2,835	2,820
- Later than five years	13,974	12,631
	17,376	16,015

The Group has land use rights over state-owned land at Di An District and Ben Cat District where the Group's Vietnam manufacturing and storage facilities reside. The land use rights are not transferable and have a remaining tenure of 11 to 33 years (2018: 12 to 34 years).

18. Deferred tax assets/(liabilities)

	As at 1 July 2017 RM'000	Recognised in profit or loss RM'000 (Note 10)	Exchange differences RM'000	As at 30 June 2018 RM'000	Recognised in profit or loss RM'000 (Note 10)	Exchange differences RM'000	As at 30 June 2019 RM'000
Group							
Deferred tax liabilities							
Property, plant and equipment	(4,059)	(856)	-	(4,915)	(324)	-	(5,239)
Deferred tax assets							
Unused tax losses, unused reinvestment allowances and unused capital allowances	1,793	(44)	-	1,749	(257)	-	1,492
Provisions	1,577	(232)	434	1,779	8	52	1,839
	3,370	(276)	434	3,528	(249)	52	3,331
	(689)	(1,132)	434	(1,387)	(573)	52	(1,908)

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Presented after appropriate offsetting as follows:		
Deferred tax assets	1,349	1,811
Deferred tax liabilities	(3,257)	(3,198)
	(1,908)	(1,387)

19. Inventories

	Group	
	2019	**2018**
	RM'000	**RM'000**
Cost		
Raw materials	106,896	88,308
Work-in-progress	40,787	40,728
Finished goods	61,785	42,542
	209,468	171,578
Net realisable value		
Finished goods	781	558
	210,249	172,136

The cost of inventories recognised as an expense in cost of sales of the Group was RM618,537,000 (2018: RM649,546,000).

20. Trade and other receivables

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current				
Trade receivables				
Third parties	51,985	52,600	-	-
Less: Allowance for impairment	(1,509)	(227)	-	-
Trade receivables, net	50,476	52,373	-	-
Other receivables				
Amounts due from subsidiaries	-	-	-	154,015
Deposits	1,394	2,514	-	-
Staff loans	119	118	-	-
Goods and services tax receivable	907	2,138	-	-
Sundry receivables	23,654	24,886	-	-
	26,074	29,656	-	154,015
Less: Allowance for impairment				
Amounts due from subsidiaries	-	-	-	(42,250)
Sundry receivables	(289)	(262)	-	-
Other receivables, net	25,785	29,394	-	111,765
Non-current				
Other receivable				
Amount due from a subsidiary	-	-	164,769	-
Total trade and other receivables	76,261	81,767	164,769	111,765
Less: Included within other receivables				
Import duty and other direct taxes receivables	(8,350)	(11,263)	-	-
Goods and services tax receivables	(907)	(2,138)	-	-
Advance to suppliers	(11,160)	(10,965)	-	-
Add: Cash and bank balances (Note 23)	159,567	169,882	12,878	5,154
Total financial assets at amortised cost	215,411	227,283	177,647	116,919

20. Trade and other receivables (cont'd)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 90 day (2018: 7 to 90 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	
	2019 RM'000	**2018 RM'000**
Neither past due nor impaired	36,621	37,939
1 to 30 days past due not impaired	12,716	12,463
31 to 60 days past due not impaired	568	1,008
61 to 90 days past due not impaired	472	406
More than 91 days past due not impaired	99	557
	13,855	14,434
Impaired	1,509	227
	51,985	52,600

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 RM13,855,000 (2018: RM14,434,000) 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.

20. Trade and other receivables (cont'd)

(a) Trade receivables (cont'd)

Receivables that are impaired

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

	Group Individually impaired	
	2019	**2018**
	RM'000	**RM'000**
Trade receivables - nominal amounts	1,509	227
Less: Allowance for impairment	(1,509)	(227)
	-	-

Movement in allowance accounts:

	Group	
	2019	**2018**
	RM'000	**RM'000**
At 1 July	227	231
Charge for the year (Note 7)	1,258	5
Exchange differences	24	(9)
At 30 June	1,509	227

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

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

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 RM8,350,000 (2018: RM11,263,000); and

(ii) Goods and services tax receivable in Malaysian subsidiaries of RM907,000 (2018: RM2,138,000).

(iii) Advance to suppliers of RM2,312,000 (2018: RM10,965,000) that mainly relate to payments in advance for raw materials purchased.

(iv) Advance payment of RM8,848,000 (2018: RM Nil) for leasing a parcel of land. Further details are disclosed in Note 36(a).

<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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables - nominal amounts	289	262	-	74,898
Less: Allowance for impairment	(289)	(262)	-	(42,250)
	-	-	-	32,648

Movement in allowance accounts:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 July	262	271	42,250	38,592
Charge for the year (Note 7)	-	-	-	3,658
Reversal of impairment loss (Note 5)	-	-	(42,250)	-
Exchange differences	27	(9)	-	-
At 30 June	289	262	-	42,250

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.

20. Trade and other receivables (cont'd)

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

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Ringgit Malaysia	9,207	11,132	164,769	110,172
United States Dollar	39,533	40,949	-	1,593
Vietnam Dong	22,244	22,385	-	-
Thai Baht	5,277	7,301	-	-
	76,261	81,767	164,769	111,765

(c) Amount due from a subsidiary

Amount due from a subsidiary is unsecured, non-interest bearing and repayable upon demand. However, the Company does not intend to demand for any repayment within the next 12 months on the outstanding amount as at 30 June 2019.

21. Investment securities

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current				
Fair value through profit or loss				
- Funds placed with licensed financial institutions	52,522	53,297	5,455	9,867
Non-current				
Fair value through profit or loss				
- Fund placed with a licensed financial institution	2,213	1,000	2,097	-
Total investment securities	54,735	54,297	7,552	9,867

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Ringgit Malaysia	28,794	27,732	3,380	3,841
United States Dollar	23,844	22,542	2,075	2,003
China Renminbi	2,097	4,023	2,097	4,023
	54,735	54,297	7,552	9,867

22. Derivatives

	Group					
	2019			2018		
	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	45,923	154	-	42,747	156	-
Interest rate swap	4,142	11	-	7,267	49	-
		165	-		205	-
Non-current						
Interest rate swap		-	-	7,267	30	-
Total non-hedging derivatives		165	-		235	-
Total financial assets at fair value through profit or loss		165	-		235	-

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 and February 2022 (2018: November 2019)(Note 33(d)). During the financial year, the Group recognised a loss of RM2,000 (2018: loss of RM85,000) 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 RM4,142,000 (2018: 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% (2018: 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 RM68,000 loss (2018: RM80,000 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.

23. Cash and bank balances

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash at banks and in hand	92,413	82,933	12,878	5,154
Deposits with licensed banks	67,154	86,949	-	-
Cash and bank balances	159,567	169,882	12,878	5,154

Deposits with licensed banks are made for varying periods of between 1 day and 365 days (2018: 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 2019 for the Group were 1.93% to 5.10% (2018: 1.10% to 5.10%) per annum.

Deposits with licensed banks of the Group of RM14,205,000 (2018: RM9,025,000) 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	159,567	169,882	12,878	5,154
Deposits pledged as securities for bank borrowings and guarantees	(14,205)	(13,841)	-	-
Deposits with licensed banks with tenure more than three months	(8,008)	(9,288)	-	-
Total cash and cash equivalents	137,354	146,753	12,878	5,154

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Ringgit Malaysia	19,254	23,960	1,190	1,123
United States Dollar	120,197	129,534	9,664	2,074
Singapore Dollar	2,123	2,061	2,024	1,957
Vietnam Dong	17,279	13,350	-	-
Thai Baht	711	974	-	-
Others	3	3	-	-
	159,567	169,882	12,878	5,154

24. Loans and borrowings

	Maturity	Group 2019 RM'000	Group 2018 RM'000
Current			
Secured:			
Bankers' acceptances	2020	2,201	5,127
Revolving credit	2020	2,071	-
Term loans	2020	4,029	3,882
		8,301	9,009
Unsecured:			
Trust receipts	2020	95,947	68,997
		104,248	78,006
Non-current			
Secured:			
Term loans	2021 - 2030	9,344	13,268
		9,344	13,268
Total loans and borrowings		113,592	91,274

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

	Group 2019 RM'000	Group 2018 RM'000
On demand or within one year	104,248	78,006
More than 1 year and less than 2 years	1,575	3,922
More than 2 years and less than 5 years	2,450	3,087
5 years or more	5,319	6,259
	113,592	91,274

Bankers' acceptances

The weighted average effective interest rate of bankers' acceptances as at the reporting date was 4.32% (2018: 3.89%) per annum. The bankers' acceptances are secured by the freehold land of RM Nil (2018: RM7,243,000), freehold buildings of RM Nil (2018: RM9,928,000) of the Group and short term deposits of RM1,000,000 (2018: RM1,000,000) with licensed bank of the Company, negative pledges over the assets of certain subsidiary and a corporate guarantee from the Company.

24. Loans and borrowings (cont'd)

Term loans

The term loans are secured by the following:

(a) Deposits of RM8,272,000 (2018: RM8,025,000) with licensed banks of a subsidiary;

(b) Fixed charges over freehold land of RM7,361,000 (2018: RM7,361,000) and freehold buildings of RM13,581,000 (2018: RM13,878,000) of certain subsidiaries; and

(c) A corporate guarantee from the Company.

The term loans bear interest rates of 4.18% to 4.51% (2018: 3.42% to 4.77%) per annum.

Revolving credit

Revolving credit is secured by the short term deposits of RM4,933,000 (2018: RM4,816,000) with licensed bank of the Group and the Company.

The revolving credit bears interest of 3.37% (2018: 2.65%) per annum.

Trust receipts

The weighted average effective interest rate of trust receipts as at the reporting date was 3.46% (2018: 2.81%) 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	
	2019 RM'000	**2018 RM'000**
Ringgit Malaysia	11,432	15,010
United States Dollar	102,160	76,264
	113,592	91,274

25. Trade and other payables

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade payables				
Third parties	63,398	68,124	-	-
Other payables				
Accruals	8,291	7,191	88	92
Sundry payables	20,015	15,453	2	25
	28,306	22,644	90	117
Total trade and other payables	91,704	90,768	90	117
Less: Included within other payables				
Import and export duties and other direct taxes payable	(82)	(204)	-	-
Goods and services tax payable	-	(6)	-	-
Add: Loans and borrowings (Note 24)	113,592	91,274	-	-
Total financial liabilities carried at amortised cost	205,214	181,832	90	117

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 7 to 90 day (2018: 3 to 90 day) terms.

(b) Other payables

Sundry payables are non-interest bearing and are normally settled on an average term of 30 day (2018: average term of 30 day).

Included in sundry payables of the Group are:

(i) RM82,000 (2018: RM204,000) accrued for import and export duties and other direct taxes payable by the foreign subsidiaries.

(ii) Goods and services tax payable by the Malaysian subsidiaries of RM6,000 in the previous year.

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Ringgit Malaysia	2,176	7,465	90	117
United States Dollar	24,760	23,688	-	-
Vietnam Dong	54,578	51,708	-	-
Thai Baht	10,190	7,907	-	-
	91,704	90,768	90	117

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	
	2019 RM'000	2018 RM'000
At 1 July	26	37
Arose during the year (Note 7)	7	130
Utilised	-	(139)
Exchange differences	(1)	(2)
At 30 June	32	26

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 2017	97,208	-	98,433	-
Purchase of treasury shares	-	(263)	-	(851)
At 30 June 2018	97,208	(263)	98,433	(851)
Purchase of treasury shares	-	(6)	-	(19)
At 30 June 2019	97,208	(269)	98,433	(870)

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 5,700 of its issued ordinary shares from the open market at an average price of RM3.29 per share. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. The total consideration paid for the treasury shares including transaction costs was RM18,812.

28. Retained earnings

As at 30 June 2019, the Company has tax exempt profits available for distribution of approximately RM89,657,000 (2018: RM95,473,000) 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 2019 and 30 June 2018 under the single tier system.

29. Other reserves

	Group		
	Fair value adjustment reserve RM'000	**Foreign currency translation reserve RM'000**	**Total other reserves RM'000**
At 1 July 2017	109	75,132	75,241
Other comprehensive income:			
Available-for-sale financial assets - gain on fair value changes	(77)	-	(77)
Foreign currency translation	-	(14,363)	(14,363)
At 30 June 2018	32	60,769	60,801
At 1 July 2018 (as previously stated)	32	60,769	60,801
Effects of adoption of new accounting stantards - MFRS 9	(32)	-	(32)
At 1 July 2018 (restated)	-	60,769	60,769
Other comprehensive income:			
Foreign currency translation	-	8,255	8,255
At 30 June 2019	-	69,024	69,024

(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) Significant related party transaction

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	
	2019 RM'000	2018 RM'000
Dividend income received/receivable from subsidiaries	25,055	24,900

Information regarding outstanding balances arising from related party transactions as at 30 June 2019 and 2018 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term employee benefits	5,515	6,298	285	359
Defined contribution plan	175	168	-	-
	5,690	6,466	285	359

Included in the total key management personnel is:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' remuneration (Note 9)	2,051	2,190	285	359

31. Commitments

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2019 RM'000	2018 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	17,044	5,176

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	
	2019 RM'000	**2018 RM'000**
Operating lease commitments payable:		
Not later than 1 year	630	615
Later than 1 year but not later than 5 years	2,522	2,459
Later than 5 years	16,432	16,399
	19,584	19,473

Operating lease payments represent rental payable by the Group for use of land in Vietnam. These leases have tenure ranging from 30 to 41 (2018: 31 to 42) 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.

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

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) 2019 RM'000	2018 RM'000
Group			
Financial assets:			
Investment securities	21	54,735	54,297
Derivative financial assets			
- Forward currency contract	22	154	156
- Interest rate swap	22	11	79
		54,900	54,532
Company			
Financial asset:			
Investment securities	21	7,552	9,867

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

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

	Note	Significant unobservable inputs (Level 3) 2019 RM'000	2018 RM'000
Asset:			
Investment properties	14	56,852	31,683

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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and coverage by deposit receivable). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Any receivables having significant balances past due more than 90 days, which are deemed to have higher default risk, are monitored individually.

<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 RM113,592,000 (2018: RM91,274,000) 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			
	2019		2018	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	3,253	6%	6,203	12%
United States	27,688	55%	32,016	61%
Thailand	1,334	3%	10,024	19%
Others	18,201	36%	4,130	8%
	50,476	100%	52,373	100%

At the reporting date, approximately 41% (2018: 46%) of the Group's trade receivables were due from 3 major overseas customers (2018: 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.

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.

	2019 RM'000			
	On demand or within one year	**One to five years**	**Over five years**	**Total**
Group				
Financial assets:				
Trade and other receivables	55,844	-	-	55,844
Investment securities	52,522	2,213	-	54,735
Cash and bank balances	159,567	-	-	159,567
Derivatives	165	-	-	165
Total undiscounted financial assets	268,098	2,213	-	270,311
Financial liabilities:				
Trade and other payables	91,622	-	-	91,622
Loans and borrowings	107,490	5,283	6,010	118,783
Total undiscounted financial liabilities	199,112	5,283	6,010	210,405
Total net undiscounted financial assets/(liabilities)	68,986	(3,070)	(6,010)	59,906
Company				
Financial assets:				
Amount due from a subsidiary	-	164,769	-	164,769
Investment securities	5,455	2,097	-	7,552
Cash and bank balances	12,878	-	-	12,878
Total undiscounted financial assets	18,333	166,866	-	185,199
Financial liabilities:				
Trade and other payables, excluding financial guarantees*, representing total undiscounted financial liability	90	-	-	90
Total net undiscounted financial assets	18,243	166,866	-	185,109

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (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)

	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
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

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

(b) Liquidity risk (cont'd)

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

* At the reporting date, the financial guarantee contract provided by the Company is RM113,592,000 (2018: RM91,274,000). 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 9 are not included in the above maturity profile analysis.

(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 5% (2018: 8%) of the Group's borrowings are at a fixed rate of interest.

<u>Sensitivity analysis for interest rate risk</u>

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 RM324,000 (2018: RM213,000) 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% (2018: 96%) and 84% (2018: 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 RM140,313,000 (2018: RM145,922,000) and RM11,688,000 (2018: RM4,031,000) for the Group and the Company respectively.

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

(d) Foreign currency risk (cont'd)

The Group uses forward currency contracts to eliminate the currency exposures on its bank balances. At 30 June 2019, the Group entered into forward currency contracts with notional amount of RM45,923,000 (2018: RM42,747,000).

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.

<u>Sensitivity analysis for foreign currency risk</u>

	Group Profit net of tax	
	2019 RM'000	**2018 RM'000**
VND/RM - strengthened 10% (2018: 10%)	(1,817)	(1,214)
- weakened 10% (2018: 10%)	1,817	1,214
USD/RM - strengthened 10% (2018: 10%)	3,041	5,685
- weakened 10% (2018: 10%)	(3,041)	(5,685)
THB/RM - strengthened 10% (2018: 10%)	26	248
- weakened 10% (2018: 10%)	(26)	(248)
SGD/RM - strengthened 10% (2018: 10%)	161	204
- weakened 10% (2018: 10%)	(161)	(204)

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 2019 and 2018.

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, less cash and bank balances.

34. Capital management (cont'd)

	Note	Group 2019 RM'000	Group 2018 RM'000
Loans and borrowings	24	113,592	91,274
Less: Cash and bank balances	23	(159,567)	(169,882)
Net cash		(45,975)	(78,608)
Equity attributable to owners of the parent, represents total capital		564,435	545,571
Capital and net cash		518,460	466,963
Gearing ratio		-9%	-17%

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 2019						
Revenue:						
External	724,586	1,200	3,782	-		729,568
Inter segment	25,813	-	37,512	(63,325)	A	-
Total revenue	750,399	1,200	41,294	(63,325)		729,568
Results:						
Interest income from deposits	1,392	3	1,477	-		2,872
Depreciation and amortisation	17,387	297	12	(40)		17,656
Other non-cash net expenses/(income)	1,430	-	(56,038)	54,084	B	(524)
Segment profit/(loss) before tax	34,228	346	95,260	(97,721)	C	32,113
Assets:						
Additions to property, plant and equipment	30,301	-	-	275	D	30,576
Segment assets	690,934	21,217	525,869	(446,610)	E	791,410
Liabilities:						
Segment liabilities	237,906	16,718	200,046	(227,696)	F	226,974

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/(income)	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

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	2019 RM'000	2018 RM'000
Net unrealised foreign exchange (gain)/loss	5, 7	(2,059)	3,573
Net fair value gain on investment securities	5	(360)	(801)
Net fair value loss on derivatives	7	70	5
(Gain)/loss on disposal of property, plant and equipment	5, 7	(14)	89
Effects on liquidation of a subsidiary	5	-	(49)
Impairment loss on trade receivables	7	1,258	5
Property, plant and equipment written off	7	218	3,129
Provision for severance allowance	7	7	130
Inventories written off	7	-	10,818
Inventories written down	7	411	525
Reversal of inventories written down	7	(84)	-
Retirement benefit expense	8	29	16
		(524)	17,440

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:

	2019 RM'000	2018 RM'000
Revenue from inter-segment	(63,325)	(104,191)
Cost of sales from inter-segment	28,914	31,079
Other income from inter-segment	(101,427)	(35,425)
Other expenses from inter-segment	38,117	52,487
	(97,721)	(56,050)

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:

	2019 RM'000	2018 RM'000
Property, plant and equipment	30,576	20,575

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

	2019 RM'000	2018 RM'000
Inter-segment assets	446,610	278,369

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

	2019 RM'000	2018 RM'000
Inter-segment liabilities	227,696	250,191

Geographical information

Revenue and non-current assets information based on the geographical location of the operations of the Group are as follows:

	Revenue		Non-current assets	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	141,950	138,955	109,379	109,858
Vietnam	564,926	581,854	154,651	139,891
Thailand	22,692	32,020	24,734	18,323
	729,568	752,829	288,764	268,072

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.

	2019 RM'000	2018 RM'000
Property, plant and equipment	247,603	229,707
Investment properties	21,491	21,239
Other investments	81	81
Land use rights	17,376	16,015
Derivatives	-	30
Investment securities	2,213	1,000
	288,764	268,072

Information about major customers

Revenue from major customers amounting to RM311,145,000 (2018: RM344,207,000), arising from sales by the top 5 major customers (2018: top 5 major customers) which accounted for 43% (2018: 46%) of the total revenue of the Group.

36. Significant events

(a) Leasing of a parcel of land

On 14 September 2018, L-Tree Resources Sdn. Bhd. ("LTR"), a wholly-owned subsidiary of the Company 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. As at 30 June 2019, LTR has paid RM8,848,000 of the total purchase consideration while the remaining balance was settled subsequent to the financial year end.

(b) Incorporation of a subsidiary - RT Industries Co., Ltd.

On 13 March 2019, LTR incorporated a new wholly-owned subsidiary in Vietnam, namely RT Industries Co., Ltd ("RTI"). RTI is a one-member limited liability company incorporated under the Law on Enterprise of Vietnam pursuant to the Investment License No. 3702749451 issued by The People's Committee of Binh Duong Province on 13 March 2019 with a charter capital of VND92,000,000,000 (approximately RM16,192,000). As defined by the Law on Enterprise of Vietnam, LTR is required to fully contribute the charter capital within 90 days from the issuance date of investment license. LTR had fully paid the charter capital on 31 May 2019. The intended principal activities of RTI are to manufacture and sale of upholstery furniture. The sole director of RTI is Mr Lin, Chin-Hung. The above incorporation does not have any material effect on the share capital, substantial shareholders' shareholdings, earning per share and net assets of the Group and the Company for the financial year ended 30 June 2019.

37. Events occurring after the reporting date

Purchase of treasury shares

From 21 August 2019 to 11 October 2019, the Company repurchased a total of 1,601,500 of its issued ordinary shares from the open market at an average price of RM2.94 per share. The total consideration paid for the repurchase including transaction cost was RM4,710,643. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

38. Authorisation of financial statements for issue

The financial statements for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 18 October 2019.

PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES

AS AT 30 JUNE 2019

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 ¾, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Industrial land with 2 blocks of factory building and 1 two-storey office building	Freehold	N/A	26	167,433	9,359	25 September 2002 (R)
Lot 3358, Batu 7 ¾, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Industrial land with a 3 storey office building and 1 block of factory building	Freehold	N/A	19	168,800	9,173	27 January 2010 (A)
Lot 3360, Batu 7 ¾, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Industrial land with 1 block of factory building	Freehold	N/A	21	171,518	7,789	19 March 2003 (A)
Lot 6147, Kawasan Perindustrian Ajil, Fasa 2, Batu 21, Jalan Ajil, Kuala Berang, 21800 Hulu Terengganu Terengganu Darul Iman	Industrial land with 9 blocks of factory building and 1 single-storey office building	Leasehold	2059	21	674,879	9,254	3 August 1999 (A)
Lot 5803, Kawasan Perindustrian Ajil, Fasa 2, Batu 21, Jalan Ajil, Kuala Berang, 21800 Hulu Terengganu, Terengganu Darul Iman	Industrial land with 4 blocks of factory building	Leasehold	2058	19	671,345	8,178	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	149	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	16/27	332,939	20,281	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	25	103,727	400	14 April 2003 (A)
H.S.(M) 35437, PT 56964, Batu 8, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Workers' quarters	Freehold	N/A	12	59,890	1,613	18 December 2006 (A)

PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES

AS AT 30 JUNE 2019 (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	13	869,024	12,521	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	549	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	754	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	18	637,869	15,756	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	19	140,243	4,133	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	18	111,008	6,354	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	14	780,082	16,426	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	12	1,011,043	18,906	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	11	1,035,962	19,457	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 workers' quarters	Leasehold	2052	12	1,116,670	10,485	November 2006 (A)

PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES

AS AT 30 JUNE 2019 (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	25	190,757	20,941	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	227	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	2	199,100	5,007	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	177	13 July 2014 (A)

ANALYSIS OF SHAREHOLDINGS
AS AT 7 OCTOBER 2019

Total Number of Issued Shares	:	97,207,500 (including shares held as Treasury Shares)
Treasury Shares	:	1,765,900 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	167	9.24	7,672	0.01
100 - 1,000	376	20.81	265,848	0.28
1,001 - 10,000	1,010	55.89	3,788,330	3.97
10,001 - 100,000	213	11.79	6,026,975	6.31
100,001 - 4,772,079	35	1.94	32,661,147	34.22
4,772,080 (5% of Issued Shares) and above	6	0.33	52,691,628	55.21
TOTAL	**1,807**	**100.00**	**95,441,600**	**100.00**

THIRTY LARGEST SHAREHOLDERS/DEPOSITORS AS AT 7 OCTOBER 2019

	Name of Shareholders/Depositors	No. of Shares	% of Issued Capital
1.	LIN CHEN, JUI-FEN	15,172,902	15.90
2.	RHB NOMINEES (TEMPATAN) SDN. BHD. MAYBANK KIM ENG SECURITIES PTE. LTD. FOR KONSORTIUM KONTREK SDN. BHD.	10,110,000	10.59
3.	LIN CHEN, JUI-FEN	9,041,826	9.47
4.	HSBC NOMINEES (ASING) SDN. BHD. KBL EURO PB FOR SAMARANG UCITS – SAMARANG ASIAN PROSPERITY	7,666,900	8.03
5.	LIN, CHIN-HUNG	5,700,000	5.97
6.	LIN, CHENG-HUNG	5,000,000	5.24
7.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR EONPLUS INDUSTRY SDN. BHD.	4,762,150	4.99
8.	KONSORTIUM KONTREK SDN. BHD.	4,500,000	4.71
9.	CHEN, CHIU-CHIN	3,792,700	3.97
10.	KENANGA NOMINEES (ASING) SDN. BHD. LIU, HSU-CHOU	3,081,500	3.23
11.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LI, YI-PING (LIY0003C)	2,360,700	2.47
12.	AMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR LIM PEI TIAM @ LIAM AHAT KIAT (SMART)	1,963,500	2.06
13.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	1,792,500	1.88
14.	KENANGA NOMINEES (ASING) SDN. BHD. LIU, CHIA-HSING	1,484,000	1.56
15.	HO SUE BIA	1,157,472	1.21
16.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIN, CHIN-HUNG	820,000	0.86
17.	LIM AH CHOO	722,500	0.76
18.	LIU, CHIA-HSING	644,000	0.68
19.	LIU, HSU-CHOU	561,000	0.59
20.	LIM PEI TIAM @ LIAM AHAT KIAT	508,300	0.53

ANALYSIS OF SHAREHOLDINGS
AS AT 7 OCTOBER 2019 (CONT'D)

THIRTY LARGEST SHAREHOLDERS/DEPOSITORS AS AT 7 OCTOBER 2019 (CONT'D)

	Name of Shareholders/Depositors	No. of Shares	% of Issued Capital
21.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. PHILLIP SECURITIES PTE LTD FOR TOH ONG TIAM	449,500	0.47
22.	MAYBANK NOMINEES (ASING) SDN. BHD. NOMURA SINGAPORE LIMITED FOR YONG HENG CHOE	440,000	0.46
23.	DB (MALAYSIA) NOMINEE (ASING) SDN. BHD. DEUTSCHE BANK AG SINGAPORE FOR YEOMAN 3-RIGHTS VALUE ASIA FUND (PTSL)	400,000	0.42
24.	THONG THYE SIANG SDN. BHD.	312,300	0.33
25.	RHB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITES ACCOUNT FOR YONG LOY HUAT	300,000	0.31
26.	PUA SOON HUAT	237,300	0.25
27.	WONG CHONG HAI	225,600	0.24
28.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR DANA MAKMUR PHEIM	224,600	0.24
29.	PUA SOON HUAT	201,600	0.21
30.	TEE KIAM HENG	190,000	0.20
	TOTAL	**83,822,850**	**87.83**

SUBSTANTIAL SHAREHOLDERS AS AT 7 OCTOBER 2019

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	25.38	-	-
Lin, Chin-Hung	6,520,000	6.83	-	-
Lin, Cheng-Hung	5,000,000	5.24	-	-
Konsortium Kontrek Sdn. Bhd.	14,610,000	15.31	-	-
Samarang UCITS – Samarang Asian Prosperity	7,666,900	8.03	-	-
Yek Siew Liong	-	-	14,610,000(1)	15.31

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 7 OCTOBER 2019

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	25.38	-	-
Lin, Chin-Hung	6,520,000	6.83	-	-
Yek Siew Liong	-	-	14,610,000(1)	15.31
Dato' Dr Norraesah Binti Haji Mohamad	-	-	-	-
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-Fifth Annual General Meeting of the shareholders of LATITUDE TREE HOLDINGS BERHAD will be held at Putra Room, Kelab Golf Sultan Abdul Aziz Shah, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor Darul Ehsan on Monday, 25 November 2019 at 2.00 p.m. for the following purposes:-

A G E N D A

1. To receive the Audited Financial Statements for the financial year ended 30 June 2019 together with Reports of the Directors' and the Auditors' thereon. **Please refer to Note 7**

2. To approve a final single tier dividend of 3.0 sen per ordinary share for the financial year ended 30 June 2019. **Ordinary Resolution 1**

3. To approve the payment of Directors' Fees and Benefits Payable to the Directors up to an aggregate amount of RM268,500.00 for the financial period from 26 November 2019 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 who are retiring pursuant to Clause 96 of the Constitution of the Company:

   (i) Madam Lin Chen, Jui-Fen **Ordinary Resolution 3**
   (ii) Mr Lin, Chin-Hung **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 Constitution 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-Fifth 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 NON-EXECUTIVE DIRECTOR**

   "THAT approval be and is hereby given to Mr Toh Seng Thong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM." **Ordinary Resolution 8**

NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the final single tier dividend of 3.0 sen per ordinary share for the financial year ended 30 June 2019, if approved, will be paid on 20 December 2019 to shareholders whose names appear on the Record of Depositors as at 29 November 2019.

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 29 November 2019 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: 25 October 2019

NOTES :

1. A member (other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991) entitled to attend and vote at the meeting is entitled to appoint a maximum of 2 proxies to attend, participate, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.

2. Where a member appoints 2 proxies, the appointment shall be invalid unless he (she) specifies the proportions of his (her) holdings 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 Proxy Form shall be signed by the appointer or his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

NOTES (cont'd) :

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 Company's Share Registrar office at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting, otherwise the instrument of proxy should not be treated as valid.

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 15 November 2019 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 Clause 78 of the Company's Constitution, all the resolutions set out in the Notice of 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-Fourth AGM held on 27 November 2018, 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.

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-Fifth AGM is required by law to be held.

For further information, please refer to the Statement to Shareholders dated 25 October 2019 accompanying the Annual Report of the Company for the financial year ended 30 June 2019.

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

Ordinary Resolution 8
- Retention of Mr Toh Seng Thong as Independent Non-Executive 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 Non-Executive Director of the Company for a cumulative term of more than twelve (12) years and recommend him to continue to act as Independent Non-Executive 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 Non-Executive Director of the Company and carried out his professional duty in the interest of the Company and shareholders.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

LATITUDE TREE HOLDINGS BERHAD
(302829-W)

PROXY FORM

I/We, ____ NRIC No./ Passport No./Company No.
____________________ of ____
____ and telephone no./ email address
____being a member/ members of LATITUDE TREE
HOLDINGS BERHAD (the "Company"), hereby appoint ____________________________
NRIC No./ Passport No.____________________ of____________________________
____ or failing him/her,
____________________ NRIC No./ Passport No./ ____________________
of____
or failing him/her, *THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us, and on my/our behalf at the Twenty-Fifth 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 Monday, 25 November 2019 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.*

I/We indicate with an "x" in the spaces below how I/We wish my/our vote to be cast.

No.	RESOLUTION	FOR	AGAINST
	ORDINARY BUSINESS		
Ordinary Resolution 1	To approve a final single tier dividend of 3.0 sen per ordinary share for the financial year ended 30 June 2019.		
Ordinary Resolution 2	To approve the payment of Directors' Fees and Benefits Payable to the Directors up to an aggregate amount of RM268,500.00 for the financial period from 26 November 2019 until next AGM of the Company to be paid quarterly in arrears.		
Ordinary Resolution 3	To re-elect Madam Lin Chen, Jui-Fen who is retiring pursuant to Clause 96 of the Constitution of the Company.		
Ordinary Resolution 4	To re-elect Mr Lin, Chin-Hung who is retiring pursuant to Clause 96 of the Constitution 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 Non-Executive Director.		

Please indicate with an "X" in the spaces provided, how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.

The proportion of my/our shareholdings to be represented by my/ our proxies am/are as follows:-

	Percentage
First Proxy	%
Second Proxy	%
Total	100%

Signed this ________ day of ________________, 2019

If appointment of proxy is under hand ______________________________ Signed by "individual member/*officer or attorney of member/*authorised nominee of ______________________ (beneficial owner)	No. of shares held: ____________________ Securities Account No.:____________________ (CDS Account No.) (Compulsory) Date:
If appointment of proxy is under seal The Common Seal of ____________________ ____________________ was hereto affixed in accordance with its Constitution in the presence of:- ______________ ______________ Director Director / Secretary In its capacity as *member/*attorney of member/*authorised nominee of ______________ ______________________ (beneficial owner)	Seal No. of shares held: ____________________ Securities Account No.: ____________________ (CDS Account No.) (Compulsory) Date:

NOTES :

1. A member (other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991) entitled to attend and vote at the meeting is entitled to appoint a maximum of 2 proxies to attend, participate, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.
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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 Proxy Form shall be signed by the appointer or his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.
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 Company's Share Registrar office at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting, otherwise the instrument of proxy should not be treated as valid.
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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 25 October 2019.

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Affix Stamp

LATITUDE TREE HOLDINGS BERHAD
Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights, 50490 Kuala Lumpur
Wilayah Persekutuan

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LATITUDE TREE HOLDINGS BERHAD
(302829-W)

Latitude Tree Holdings Berhad
Lot 3356, Batu 7¾, Jalan Kapar
42200 Kapar, Selangor
Tel: 603-3291 5401
Fax: 603-3291 0048