



LATITUDE TREE HOLDINGS BERHAD

(REGISTRATION NO.: 199401017151 (302829-W))



ANNUAL REPORT
2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Dr Norraesah Binti Haji Mohamad
Chairman/Independent Non-Executive Director

Mdm Lin Chen, Jui-Fen
Deputy Executive Chairman/
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

Ms Tai Yit Chan (MAICSA 7009143)
(SSM PC No. 202008001023)

Ms Wong Siew Yeen (MAICSA 7018749)
(SSM PC No. 202008001471)

Mr Yeoh Joe Son (MIA 9238)
(SSM PC No. 202008004222)

AUDIT COMMITTEE

Mr Toh Seng Thong
(Chairman)
Independent Non-Executive Director

Dato' Dr Norraesah Binti Haji Mohamad
Independent Non-Executive Director

Mr Yek Siew Liong
Non-Independent Non-Executive Director

NOMINATION COMMITTEE

Dato' Dr Norraesah Binti Haji Mohamad
(Chairman)
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)
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.
197701005827 (36869 T)
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 PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights, 50490 Kuala Lumpur
Wilayah Persekutuan

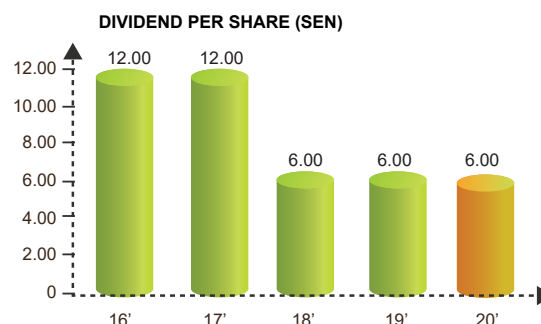
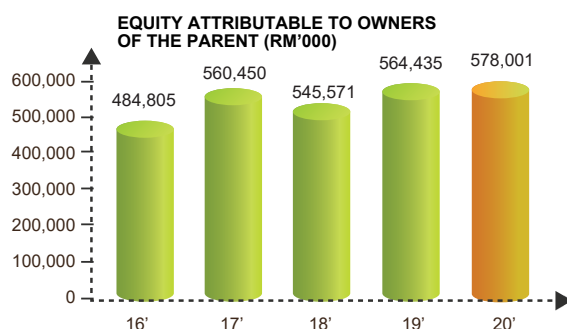
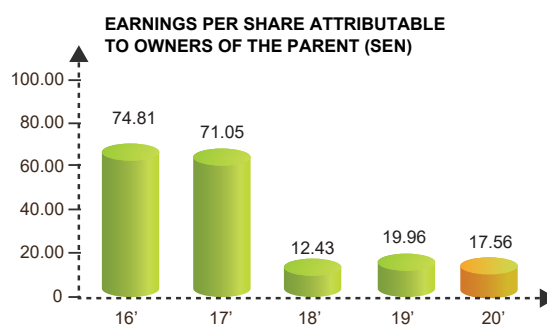
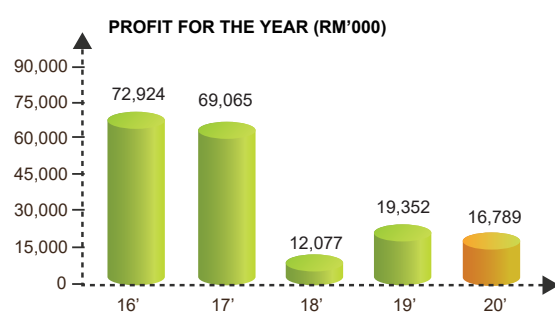
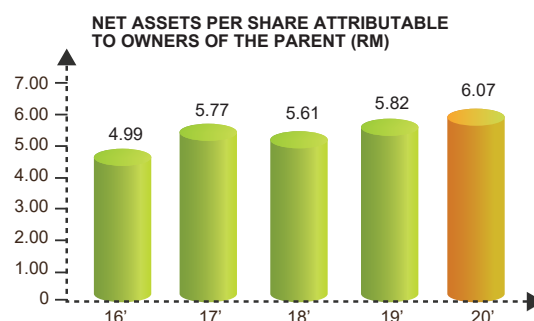
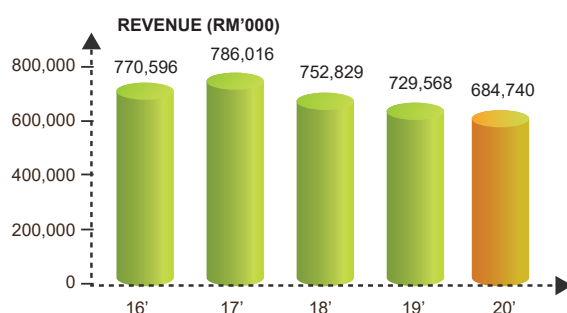
PRINCIPAL BANKERS

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

FINANCIAL HIGHLIGHTS

Five Years Financial Highlights	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'0000
REVENUE	684,740	729,568	752,829	786,016	770,596
PROFIT FOR THE YEAR	16,789	19,352	12,077	69,065	72,924
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	16,789	19,352	12,077	69,065	72,725
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	578,001	564,435	545,571	560,450	484,805
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (RM)	6.07	5.82	5.61	5.77	4.99
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (SEN)	17.56	19.96	12.43	71.05	74.81
DIVIDEND PER SHARE (SEN)	6.00	6.00	6.00	12.00	12.00
DIVIDEND AMOUNT (RM'000)	5,715*	5,768	5,816	11,665	11,665

* The Company had on 15 May 2020 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.





MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis compares the Group's financial condition and results of operations for the financial year 2020 ("FY2020") with financial year 2019 ("FY2019").

1) Overview of the Group's Business and Operations

Latitude Tree Holdings Berhad ("the Group" or "the Company" or "LTHB") is an integrated household furniture manufacturer specialising in the manufacturing and sale of wooden household furniture and components particularly rubber-wood furniture for export markets. About 50% of raw 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 2020
Latitude Tree Furniture Sdn. Bhd.	Malaysia	Manufacture and sale of wooden furniture and components	507,751	679
Rhong Khen Timbers Sdn. Bhd.	Malaysia	Manufacture and sale of wooden furniture parts and components	1,545,324	348
Rhong Khen Industries Sdn. Bhd.	Malaysia	Manufacture and sale of decorative wood panels and papers	332,939	107
Latitude Tree Vietnam Joint Stock Company	Vietnam	Manufacture and sale of wooden furniture and components	889,120	1,670
RK Resources Co., Ltd.	Vietnam	Manufacture and sale of wooden furniture and components	3,943,757	2,827
Grob Holz Company Limited	Thailand	Manufacture and sale of wooden furniture parts and components	869,024	293
Total			8,087,915	5,924

The past year was another tough year for the Group due to the outbreak of Covid-19 global pandemic. The outbreak of the Covid-19 continues to wreak havoc in many countries and the rising number of infections has threatened global economic recovery. The Group's FY2020 results have been disrupted by the sudden imposition of movement control order in March 2020 and the subsequent enhanced movement control order to our operating plants in Malaysia. Sales orders have also been disrupted due to movement restrictions of goods in our international markets in US and Europe. This has resulted in muted results for FY2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

2) Financial Performance Review

	2020 (RM'000)	2019 (RM'000)	Variance (RM'000)	Variance (%)
Items of Statements of Comprehensive Income:				
Revenue	684,740	729,568	(44,828)	(6.1)
Gross profit	73,276	83,117	(9,841)	(11.8)
Other income	6,143	4,284	1,859	43.4
Operating costs	(55,498)	(54,255)	1,243	2.3
Finance costs	(3,978)	(3,905)	73	1.9
Profit before tax	22,975	32,113	(9,138)	(28.5)
Profit net of tax	16,789	19,352	(2,563)	(13.2)
Items of Statements of Financial Position:				
Non-current assets	361,525	290,113	71,412	24.6
Current assets	438,631	501,297	(62,666)	(12.5)
Total liabilities	222,155	226,975	(4,820)	(2.1)
Items of Statements of Cash Flows:				
Net cash flows generated from operating activities	49,572	13,168	36,404	>100.0
Net cash flows used in investing activities	(67,999)	(28,070)	39,929	>100.0
Net cash flows (used in)/generated from financing activities	(24,865)	11,317	(36,182)	(>100.0)
Cash and cash equivalents as at 30 June	101,426	137,354	(35,928)	(26.2)

2.1) Review of Items of Statements of Comprehensive Income

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

	2020 (RM'000)	2019 (RM'000)	Variance (RM'000)	Variance (%)
Malaysia	126,823	141,950	(15,127)	(10.7)
Vietnam	540,999	564,926	(23,927)	(4.2)
Thailand	16,918	22,692	(5,774)	(25.4)
Total	684,740	729,568	(44,828)	(6.1)

The Group recorded revenue of RM684.7 million for FY2020, representing a decrease of 6.1% as compared to FY2019. The decrease in the Group's revenue was mainly attributable to lower sales recorded by all divisions of the Group due to overall slowing down in demand impacted by the Covid-19 pandemic. However, this was cushioned off with the strengthening of the United States Dollar ("USD") against the Ringgit Malaysia ("RM") by 2.0%.

The Group's gross profit decreased by 11.8% from RM83.1 million in FY2019 to RM73.3 million in FY2020. The decrease in gross profit was in line with the decrease in revenue, higher production costs due to lower production output across all divisions, higher labour costs in Vietnam and Malaysia plants due to increase in minimum wages and inventories written down amounting to RM2.5 million.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

2) Financial Performance Review (cont'd)

2.1) Review of Items of Statements of Comprehensive Income (cont'd)

Other income increased by 43.4% from RM4.3 million in FY2019 to RM6.1 million in FY2020 mainly due to interim insurance compensation of RM2.7 million received by our subsidiary in Vietnam during the financial year for a fire incident which occurred in FY2018 offset by lower unrealised foreign exchange gain of RM1.5 million in FY2020 compared to FY2019.

The Group's operating costs comprised selling and distribution expenses, administrative expenses and other expenses. The Group's total operating costs amounted to RM55.5 million in FY2020 and were 2.3% higher than FY2019 due to higher fair value loss on derivatives of RM1.2 million in FY2020 compared to FY2019 and higher allowance for expected credit losses on trade receivables of RM2.8 million in FY2020 compared to FY2019.

Finance costs increased by 1.9% from RM3.9 million in FY2019 to RM4.0 million in FY2020. The increase was mainly due to the recognition of interest expense on lease liabilities as a result of adoption of MFRS 16: Leases offset by reduction in interest rates by global banks as a measure to assist businesses affected by the Covid-19 pandemic.

Profit before income tax of the Group amounted to RM23.0 million in FY2020, representing a decrease of 28.5% from RM32.1 million in FY2019. The decrease was in line with the decrease in gross profit.

Profit net of tax of the Group amounted to RM16.8 million in FY2020, representing a decrease of 13.2% from RM19.4 million in FY2019 which was in line with the decrease in profit before tax.

2.2) Review of Items of Statements of Financial Position

Non-current assets increased by 24.6% to RM361.5 million as at 30 June 2020 from RM290.1 million as at 30 June 2019. The increase was mainly due to additions of property, plant and equipment ("PPE"), investment properties and right-of-use assets during the financial year.

Current assets decreased by 12.5% to RM438.6 million as at 30 June 2020 as compared to RM501.3 million as at 30 June 2019. The decrease was mainly attributable to the decrease in inventories, trade and other receivables and cash and bank balances. Inventories stood at RM194.9 million as at 30 June 2020 as compared to RM210.2 million as at 30 June 2019, representing a decrease of 7.3%. The decrease was mainly due to the lower raw materials balance which decreased by RM21.2 million from RM106.9 million as at 30 June 2019 to RM85.7 million as at 30 June 2020. Trade and other receivables decreased by RM4.7 million mainly due to lower sundry receivables. Lower cash and bank balance was mainly due to cash used to fund purchase of PPE and investment properties during the financial year under review.

As at 30 June 2020, total liabilities decreased by 2.1% to RM222.2 million as at 30 June 2020 from RM227.0 million as at 30 June 2019. The decrease was mainly attributable to the decrease in loans and borrowings and trade and other payables offset with increase in tax payable and lease liabilities. Loans and borrowings decreased by RM8.7 million due to net repayment of loans and borrowings of RM11.7 million and foreign exchange differences arising from translation of foreign currency loans and borrowings of RM3.0 million. Trade and other payables decreased by RM13.3 million mainly due lower trade payables of RM9.1 million and other payables of RM4.2 million respectively. Tax payable increased by RM9.1 million from RM18.2 million in FY2019 to RM27.3 million in FY2020 due to current year tax provision. As a result of adoption of MFRS16, lease liabilities increased by RM6.9 million in FY2020 as compared to FY2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

2) Financial Performance Review (cont'd)

2.3) Review of Items of Statements of Cash Flows

The Group registered net cash flows generated from operating activities of RM49.6 million for FY2020 as compared to RM13.2 million for FY2019.

Net cash flows used in investing activities was RM68.0 million for FY2020, mainly resulting from the purchase of PPE of RM29.0 million, purchase of investment properties of RM30.6 million, purchase of right-of-use assets of RM11.2 million and increase in deposits with licensed banks of RM1.0 million, offset by investment income from investment securities of RM0.9 million and net proceeds from investment securities of RM2.8 million.

Net cash flows used in financing activities of RM24.9 million for FY2020 was mainly due to net repayment of loans and borrowings of RM11.7 million, payment of dividends amounting to RM5.7 million, purchase of treasury shares of RM4.9 million and additional deposits placed as securities for bank borrowings and guarantees of RM1.6 million.

Overall, cash and cash equivalents decreased by RM35.9 million to RM101.4 million as at 30 June 2020, mainly attributable to net cash flows generated from operating activities which were offset by net cash flows used in investing and financing activities.

2.4) Capital Expenditure

In FY2020, total purchases of PPE, investment properties and right-of-use assets by the Group were RM70.8 million. The breakdown of the additions during the financial year is as follows:

Category of purchases	RM'000
PPE	29,027
Investment properties	30,585
Right-of-use assets	11,189
Total	70,801

During the financial year, out of total RM29.0 million spent on purchase of PPE, RM11.5 million was incurred to erect a new factory building at one of our Vietnam plant to house our new upholstery production facility and RM11.7 million was spent to upgrade our existing production lines with advanced and automated machinery to improve production efficiency and to reduce workers. Addition of investment properties amounting to RM30.6 million was incurred to acquire a piece of freehold industrial land situated at Mukim Kapar, Selangor for warehousing or future expansion. Addition of right-of-use assets amounting to RM11.2 million was incurred by one of our Vietnam subsidiary to lease a parcel of land in Bau Bang Industrial Park, Bau Bang District, Binh Duong Province, Vietnam.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

3) Risks relating to Our Business

3.1) Exposure to Credit Risk

The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group and the Company minimises credit risk by dealing exclusively with established 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 resulted the Group's exposure to bad debts is not significant.

3.2) Exposure to Foreign Currency Risk

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

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

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 certain 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, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

4) Dividend

The Company had on 15 May 2020 paid the first interim single tier dividend of 3.0 sen per ordinary share amounting to RM2.858 million for FY2020.

The Board also proposed a final single tier dividend of 3.0 sen per ordinary share amounting to RM2.858 million for FY2020. The proposed final single tier dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

5) Future Prospect and Outlook of the Group

FY2020 was a very challenging year. The effects of the Covid-19 global pandemic had disrupted the Group's operations and we are unable to ascertain its full impact. In spite of the "Covid-19 storms", home lifestyle furniture segment remains the Group's core business. With the Group's cost reduction strategies in place, enhancing production efficiency by upgrading or increase automation of our existing production lines with advanced automation machinery, re-engineering higher margin products including research and development of new products and continuous engagement with our international customers, the Group will continue to grow and deliver consistent profitable results in coming years. The Group will also expand its upstream operations to ensure sufficient supply of the group requirement for wooden materials.

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



CORPORATE PROFILE

Mission

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

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

History

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

The Group has carved out a strong niche in the household furniture segment, specifically dining room and bedroom sets. From its humble beginnings as a manufacturer of chairs for dining room sets in 1988, the Group has grown into a complete high-and-medium-end dining room, living room and bedroom sets manufacturer. About 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.

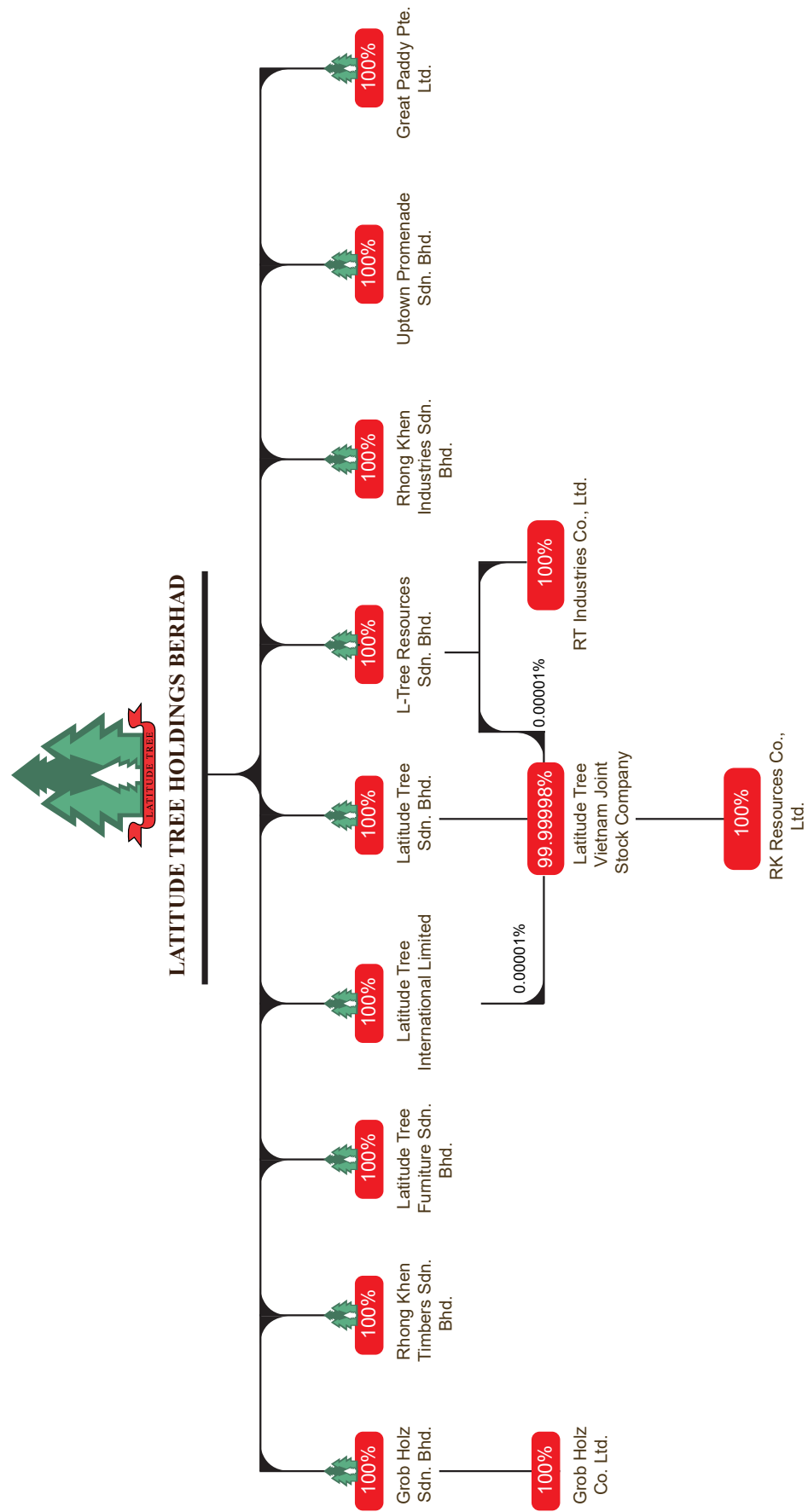
The followings are the main products of the Group:

- 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 72, 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. She is also the Chairman of Remuneration Committee and Nomination Committee and a member of the Audit Committee. Her last re-appointment as a director was on 27 November 2018.

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 47 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 66, Taiwanese, Female

Deputy Executive Chairman/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 Chairman and a substantial shareholder of the Company. Her last re-election as a director was on 25 November 2019.

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

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

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

Mdm Lin is the mother 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 41, 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 25 November 2019.

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

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

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

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

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

TOH SENG THONG, JP

***Aged 62, 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 32 years experience in auditing, taxation and corporate and financial advisory. He is also a practicing Chartered Accountant of Malaysia.

Mr Toh is currently an Independent Non-Executive Director and Chairman of the Audit Committee and member of the Nomination and Remuneration Committee of Adventa 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 61, 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

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

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 52, 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 38, 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 61, 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 rejoined 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 LTHB and its subsidiaries (the “Group” or “LTHB Group”).

The Board is guided by the principles and recommendations as promulgated in the latest Malaysian Code on Corporate Governance (the “MCCG”) issued by Securities Commission 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”) and other Statements in the Annual Report, which is available on the Company’s website at www.lattree.com and announcement on Bursa Securities’s website at www.bursamalaysia.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 Committees 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 Senior Management to achieve corporate objectives of the Group. The Board reviews the strategic business plan presented by the Managing Director and Senior 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") which 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 require.
- 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 provides 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 as the corporate and governance structure of the Group.
- 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 32 of this Annual Report.
- g) Determining the remuneration and benefit payable for 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 and benefit payable to Non-Executive Directors on a yearly basis to the shareholders for approval at the 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 and policies 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 on 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) Senior 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 Senior Management ensures that the 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 are as follows:

Name	Attendance
Dato' Dr Norraesah Binti Haji Mohamad #	5/5
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 was updated to align with the latest Anti-Bribery and Anti-Corruption Policy adopted by the Board and 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 Directors, one (1) Non-Independent Non-Executive Director 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 out 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 a balanced mix of operational skills of the Executive Directors in the wooden furniture manufacturing industry with the professional expertise of the Non-Executive Directors in the fields of manufacturing, auditing and accounting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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. These committees were formed in order to ensure an optimum structure for efficient and effective decision-making in the organisation. The Chairman of the respective committees will report to the Board the proceedings, deliberations and outcomes of these meetings and such reports are incorporated into the Board papers.

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

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 procedure 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 full responsibility of the 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.



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 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 Toh Seng Thong and Mr Yek Siew Liong will retire by rotation at the Twenty-Sixth ("26th") 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 26th 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. 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 remains 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 remain objective and independent in expressing their views.

Based on the recommendation of the NC, the Board will be seeking the shareholders' approval in the 26th 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.

iv) Work of NC

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

- Reviewed and evaluated the required mix of expertise and experience including core competencies of the Board as a whole, the Committees of the Board and role of each individual Director towards the accomplishment of the Board's duties/responsibilities;
- Assessed the independence of the Independent Directors, based on the criteria of independence as set out in MMLR of Bursa Securities;
- Reviewed the term of office and performance of Audit Committee and each of its members;
- Reviewed the succession plan for Key Senior Management positions of the Company to ensure continuity;
- 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 26th AGM.

v) Training

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 training or seminars attended by the Directors during the financial year include:

Director	Trainings/Seminars Attended
Dato' Dr Norraesah Binti Haji Mohamad	Speaker of WIEF-WBN ISTIC/UNESCO – Connecting Women Through The Use of Technology for Social And Economic Development
Lin Chen, Jui-Fen	Tax Impact of Covid-19 Tax Insights on Covid-19 Measures in Asean
Lin, Chin-Hung	Tax Impact of Covid-19 Tax Insights on Covid-19 Measures in Asean



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

1.2 BOARD COMPOSITION (cont'd)

v) Training (cont'd)

Director	Trainings/Seminars Attended
Toh Seng Thong	National Tax Conference 2019 Audit Oversight Board, Conversation with Audit Committees Applying ISAs in a Pandemic Environment including Implications of Going Concern
Yek Siew Liong	National Tax Conference 2019 Company Secretaries Training Programme 1.0

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

	No. of NC Meeting Held	Attended
Dato' Dr Norraesah Binti Haji Mohamad	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

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 and benefit payable to the Non-Executive Directors are determined by the Board based on recommendation of the RC. 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 that 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 are as follows:

	No. of RC Meeting Held	Attended
Dato' Dr Norraesah Binti Haji Mohamad	1	1
Toh Seng Thong	1	1
Yek Siew Liong	1	1

The details of aggregate remuneration package 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	-	240	240
Total	12	269	281



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	1,786	-	1,786
Benefits payables	-	29	29
Fees	-	240	240
Total	1,786	269	2,055

The number of directors of the Company whose total remuneration package 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	-	2
RM100,001 – RM150,000	-	1
Total	2	3

Group

Range of remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM50,001 – RM100,000	-	2
RM100,001 – RM150,000	-	1
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 hence, the Group may lose high calibre personnel who have been contributing to the Group's performance. Alternatively, the Group and the Company have disclosed the aggregate total remuneration of all the key management personnel for the financial year ended 30 June 2020, under Note 32(b) to the Financial Statements on page 122 of the Company's Annual Report 2020. 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 Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants.

A summary of the work 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 35 to 36 of this Annual Report.

A statement by the Board of its responsibilities for preparing the financial statements is set out on page 46 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 appointed 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 the 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 PLT 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, and has concluded that the provision of such services did not compromise the EAs' independence and objectivity.

The AC had on 6 October 2020 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, proposed the re-appointment of Messrs Ernst & Young PLT as the EA of the Company by shareholders 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 32 of this Annual Report.

Internal audit function

The Board has established an internal audit function within the Company, which is led by the outsourced Internal Auditor, Tricor Axcelasia Sdn. Bhd. (formerly known as 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 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 ¾, 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 also ensured 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.

Since 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.

All resolutions put forth for shareholders' approval at the Twenty-Fifth ("25th") AGM held on 25 November 2019 were voted by poll and verified by the scrutineer appointed by the Company.

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 2020 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 2020 are as follows:

	Group (RM'000)	Company (RM'000)
Audit fees	477	62
Non-audit fees	38	38
Total	515	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 2020.

4.4 VARIANCE IN RESULTS

There was no material deviation in the Group's profit before taxation between the audited and the unaudited results announced for the financial year under review.

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 6 October 2020.

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 on 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:

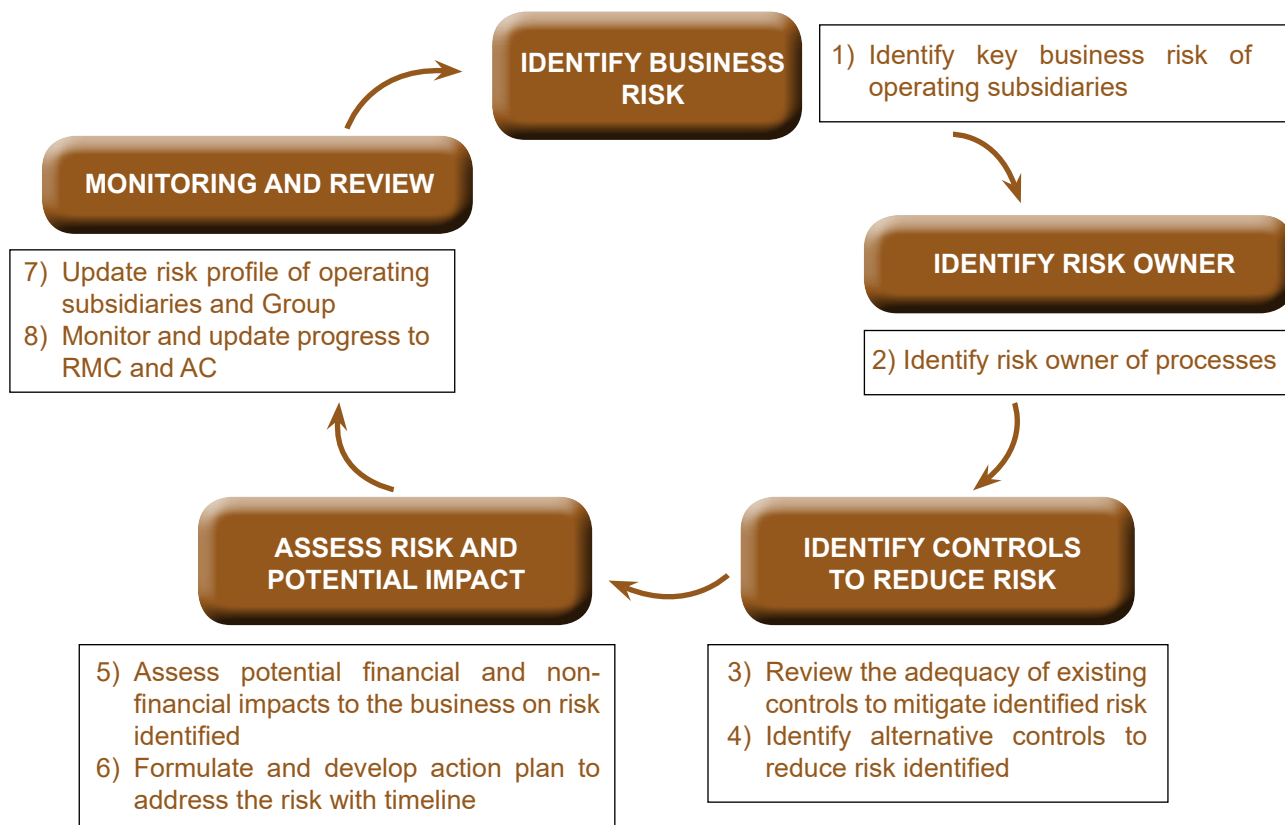
- developing Risk Management Framework;
- coordinate the updating of the risk profile;
- monitor the implementation of action plans; and
- review and assess the feasibility of action plans and the overall of the control environment in mitigating risk.



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

3. RISK MANAGEMENT FRAMEWORK (cont'd)

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



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

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

4. INTERNAL AUDIT FUNCTION

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

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

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

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

4. INTERNAL AUDIT FUNCTION (cont'd)

During the financial year, the AC with the assistance of the external professional consulting firm, Tricor Axcelasia Sdn. Bhd. (formerly known as Axcelasia Columbus Sdn. Bhd.) have reviewed the adequacy and effectiveness of the Group's internal control systems relating to Sales and Marketing, Procurement, Manufacturing, Quality Controls, Strategic Management and Inventory Management of:

- Latitude Tree Furniture Sdn. Bhd.; and
- Rhong Khen Industries Sdn. Bhd..

5. OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

- 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 2020 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 6 October 2020.



AUDIT COMMITTEE REPORT

The Board of the Company is pleased to present the Audit Committee (“AC”) Report for the financial year ended 30 June 2020 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

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	5	5
Yek Siew Liong	5	5

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

C. TERMS OF REFERENCE OF THE AC

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

AUDIT COMMITTEE REPORT (CONT'D)

D. SUMMARY OF WORK OF THE AC

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

The work 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 2020 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 2020 prepared by the External Auditors ("EA"), Messrs Ernst & Young PLT ("EY") at the meeting held on 25 August 2020.

Considered and reviewed the integrity of information in the audited financial statements and quarterly financial statements, focusing particularly on any changes in accounting policies and practices, significant accounting judgements and estimates of income taxes and inventories, financial effect on adoption of MFRS 16: Leases, impairment assessment in accordance with MFRS 136: Impairment of Assets, updates on 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 EA, their audit plan including non-audit services for the financial year ended 30 June 2020, 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 EA. The AC also had a private discussion with the EA on 27 August 2019, 27 September 2019, 25 June 2020 and 25 August 2020 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 EA for the financial year ended 30 June 2020 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 EA.

The AC having been satisfied with the independence, suitability and performance of EY, had at its meeting held on 6 October 2020 recommended to the Board to propose the re-appointment of EY as EA for the ensuing financial year of 30 June 2021 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 WORK OF THE AC (cont'd)

3) Internal audit

- i) Reviewed and approved the Internal Audit Plan prepared by Tricor Axcelasia Sdn. Bhd. (formerly known as Axcelasia Columbus Sdn. Bhd.) for the financial years ending 30 June 2021 and 2022 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, Procurement, Manufacturing, Quality Controls, Strategic Management and Inventory Management.
- 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) Met with Internal Auditors twice during the financial year at the AC meeting held on 25 February 2020 and 25 August 2020 without the presence of any executive Board members and employees of the Group.
- v) 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 2020 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, if any and the adequacy of the Group's procedures and processes in identifying, monitoring, reporting and reviewing related party transactions in a timely and orderly manner.
- v) Reviewed and recommended to the Board for approval the Statement to Shareholders in relation to the Proposed Renewal of Authority for Share Buy-Back.
- vi) Received updates from the External Auditors on the new developments and amendments in disclosure requirements arising from the new and amended Malaysian Financial Reporting Standards and IC interpretation, Companies Act 2016 and the amendments to the MMLR of Bursa Securities affecting the contents of the Annual Report, particularly on the enhancement of disclosure on non-financial information, key audit matters and going concern.

AUDIT COMMITTEE REPORT (CONT'D)

E. SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

During the financial year under review, the Group has outsourced the provision of internal audit and management system assurance to an independent professional consulting firm, Tricor Axcelasia Sdn. Bhd. (formerly known as 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, Procurement, Manufacturing, Quality Controls, Strategic Management and Inventory Management of two (2) Malaysia subsidiary companies; 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 2020 amounted to approximately RM40,000.

This report is made in accordance with the Board of Directors' approval. This Report is dated 6 October 2020.



SUSTAINABILITY STATEMENT

1. 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.

2. SCOPE OF REPORTING

The scope of reporting covers all the operating subsidiaries of the Company. This report covers period from 1 July 2019 up to the date of this report unless otherwise specified.

3. 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.

4. MATERIAL SUSTAINABILITY MATTERS

The determination of the Company’s material sustainability impact 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	<ul style="list-style-type: none"> Responsible sources of raw materials Product quality Regulatory compliance with local laws or regulation 	<ul style="list-style-type: none"> On-site visit Obtain feedbacks during Furniture Trade Exhibition Customer satisfaction survey 	<ul style="list-style-type: none"> On-going Annually On-going
Government and Regulators	<ul style="list-style-type: none"> Regulatory compliance with local laws or regulation Environmental impact 	<ul style="list-style-type: none"> On-site visit and meeting Participate events organised by regulators 	<ul style="list-style-type: none"> On-going On-going

SUSTAINABILITY STATEMENT (CONT'D)

4. MATERIAL SUSTAINABILITY MATTERS (cont'd)

Stakeholders	Topic of Discussion	Engagement Approach	Frequency
Shareholders/Investors	<ul style="list-style-type: none"> Financial performance Regulatory compliance with local laws or regulation and accounting standards 	<ul style="list-style-type: none"> Corporate website Annual General Meeting Annual Report Corporate briefings 	<ul style="list-style-type: none"> On-going Annually Annually On-going
Suppliers/Vendors	<ul style="list-style-type: none"> Supplier/vendor performance (delivery and quality) Regulatory compliance with local laws or regulation 	<ul style="list-style-type: none"> On-site visit and meeting Supplier/vendor performance evaluation 	<ul style="list-style-type: none"> On-going Annually
Employees	<ul style="list-style-type: none"> Occupational health and safety Gender equality Career growth and development Employee wellbeing Workplace culture 	<ul style="list-style-type: none"> Annual appraisal Annual dinner Training and development Recreational activities One-to-one meeting 	<ul style="list-style-type: none"> Annually Annually On-going On-going On-going
Community	<ul style="list-style-type: none"> Regulatory compliance with environmental laws Corporate Social Responsibilities ("CSR") 	<ul style="list-style-type: none"> Donation Community engagement through social activities Industry based learning program 	<ul style="list-style-type: none"> On-going On-going On-going

The material sustainability matters determined and identified are discussed below.

ENVIRONMENT IMPACT

ECONOMIC IMPACT

SOCIAL IMPACT

<ul style="list-style-type: none"> Energy and Greenhouse Gas Emissions 	<ul style="list-style-type: none"> Corporate Procurement - Responsible Sourcing 	<ul style="list-style-type: none"> Employment Practices - Occupational Health and Safety
<ul style="list-style-type: none"> Water 		<ul style="list-style-type: none"> Diversity and Equal Opportunities
<ul style="list-style-type: none"> Waste 		<ul style="list-style-type: none"> Community Development

4.1 ENVIRONMENT IMPACT

Energy and Greenhouse Gas Emissions

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



SUSTAINABILITY STATEMENT (CONT'D)

4. MATERIAL SUSTAINABILITY MATTERS (cont'd)

4.1 ENVIRONMENT IMPACT (cont'd)

Energy and Greenhouse Gas Emissions (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, wood used in production are plantation wood, 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.

We have implemented various initiatives in our offices and plants with the aim to reduce our consumption and the associated carbon footprints. The following are on-going actions taken by us 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. On 17 July 2020, Latitude Tree Furniture Sdn. Bhd. and Rhong Khen Timbers Sdn. Bhd., both wholly-owned subsidiaries of the Company entered into Memorandum of Understanding ("MOU") with Advancecon Solar Sdn. Bhd. to install rooftop solar system under the Net Energy Metering scheme on the rooftop of our premises with the aim to further reduce the energy consumption in coming years. The installation of solar system at both premises is anticipated to complete by second half of FY2021.

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

Segment	Kilowatt-hour (KWH)/ Production output (RM'000) –FY2020	Kilowatt-hour (KWH)/ Production output (RM'000) –FY2019	Savings (%)
Furniture plants	41.97	44.45	5.58
Sawmill plants	176.61	157.05	(12.45)
Panel board lamination plant	27.05	22.24	(21.63)

During the financial year, we have achieved savings of 5.58% for our furniture plants mainly due to effective implementation of various initiatives and actions as mentioned above. However, our sawmill and panel board lamination plants recorded higher electricity cost during the financial year mainly due to lower production output resulted from slowing down in demand impacted by the Covid-19 pandemic.

SUSTAINABILITY STATEMENT (CONT'D)

4. MATERIAL SUSTAINABILITY MATTERS (cont'd)

4.1 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 weather.

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)- FY2020	Cubic metre (m3)/Production output (RM'000)- FY2019
Furniture plants	0.17	0.15
Sawmill plants	1.92	1.97
Panel board lamination plant	1.17	0.71

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 is 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.

4.2 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.



SUSTAINABILITY STATEMENT (CONT'D)

4. MATERIAL SUSTAINABILITY MATTERS (cont'd)

4.2 ECONOMIC IMPACT (cont'd)

Below is the analysis of number of vendors registered with us as at 30 June 2020 and 30 June 2019:

Country	Number of local vendors as at 30 June 2020	Number of overseas vendors as at 30 June 2020	Total vendors as at 30 June 2020
Malaysia	190	15	205
Vietnam	409	57	466
Thailand	18	3	21
Total	617	75	692
Percentage of local/ overseas vendors over total vendors (%)	89.2	10.8	100.0

Country	Number of local vendors as at 30 June 2019	Number of overseas vendors as at 30 June 2019	Total vendors as at 30 June 2019
Malaysia	186	19	205
Vietnam	428	84	512
Thailand	31	4	35
Total	645	107	752
Percentage of local/ overseas vendors over total vendors (%)	85.8	14.2	100.0

4.3 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 ("DOSH"). 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.

SUSTAINABILITY STATEMENT (CONT'D)

4. MATERIAL SUSTAINABILITY MATTERS (cont'd)

4.3 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	<ul style="list-style-type: none"> - Emergency Response Planning Workshop - Basic Occupational First Aid And CPR Training - Fire Risk Management Workshop
Vietnam	<ul style="list-style-type: none"> - Work Safety Training - Fire Safety Training
Thailand	<ul style="list-style-type: none"> - 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 2020, we have a total workforce of 5,924 employees (30 June 2019: 6,074 employees). The demographic analysis of our workforce is as follows:

i) By Gender As at 30 June 2020

Gender	Number of employees	% of total employees
Male	3,045	51.4
Female	2,879	48.6
Total	5,924	100.0

As at 30 June 2019

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



SUSTAINABILITY STATEMENT (CONT'D)

4. MATERIAL SUSTAINABILITY MATTERS (cont'd)

4.3 SOCIAL IMPACT (cont'd)

Diversity and Equal Opportunities (cont'd)

ii) By Age

As at 30 June 2020

Age group	Number of employees	% of total employees
<30 years old	2,226	37.6
30 to 50 years old	3,414	57.6
>50 years old	284	4.8
Total	5,924	100.0

As at 30 June 2019

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

iii) By Ethnicity

As at 30 June 2020

Ethnicity	Number of employees	% of total employees
Bumiputera	255	4.3
Chinese	110	1.9
Indian	82	1.4
Others	5,477	92.4
Total	5,924	100.0

As at 30 June 2019

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

SUSTAINABILITY STATEMENT (CONT'D)

4. MATERIAL SUSTAINABILITY MATTERS (cont'd)

4.3 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.

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 support 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 2 students.

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 is as follows:

Date	CSR activities
15 September 2019	Organised a blood donation campaign at one of our Vietnam plant located at Ben Cat District for Ho Chi Minh City Blood Center
11 November 2019	Donated 20 benches to Kuala Terengganu General Hospital
14 November 2019	Donated 100 school chairs to Sekolah Kebangsaan Sungai Berua, Kuala Berang, Terengganu (Native School)
15 November 2019	Organised a blood donation campaign at one of our Malaysia plant located at Kapar, Selangor for Malaysia National Blood Centre
14 December 2019	Co-organised an environmental protection campaign to fight against plastic waste for a greener Vietnam with Department of Natural Resources and Environment of Binh Duong Province, Vietnam
13 January 2020	Donated daily essential items and cash to poor families staying at Bau Bang District, Vietnam
1 April 2020	Donated 50,000 pieces medical examination glove to Hospital Tengku Ampuan Rahimah, Klang, Selangor
18 May 2020	Distributed 120 food hampers to poor families from nearby village at one of our Malaysia plant located at Kapar, Selangor and our workers during Enhanced Movement Control Order in Malaysia

The Board is committed to improve greater disclosures of sustainability matters in coming financial years.

This Statement is made in accordance with the Board of Directors' approval. This Statement is dated 6 October 2020.



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 2020 as set out on pages 47 to 141 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 6 October 2020.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

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	16,789	28,374

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

Dividends

The amount of dividend paid by the Company since 30 June 2019 was as follows:

	RM'000
In respect of the financial year ended 30 June 2019 as reported in the directors' report of that year:	
Final single tier dividend of 3.0 sen, on 95,337,300 ordinary shares, declared on 27 September 2019 and paid on 20 December 2019	2,860
In respect of the financial year ended 30 June 2020:	
First interim single tier dividend of 3.0 sen, on 95,250,000 ordinary shares, declared on 25 February 2020 and paid on 15 May 2020	2,858
	5,718

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 30 June 2020, of 3.0 sen on 95,250,000 ordinary shares amounting to a dividend payable of RM2,857,500 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 2021.

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*

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:

Latitude Tree Vietnam Joint Stock Company

Yeoh Joe Son

Lin, Shin-Ni

RK Resources Co. Ltd.

Lu, Chin-Chia

Grob Holz Company Limited

Lin, Shin-Ni

Tee Ah Ann

Chen, Cheng-Lung

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company or its related corporations as shown below) 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.

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Salaries and other emoluments	1,023	12
Fees	240	240
Bonus	675	-
Defined contribution plan	88	-
Benefits payables	29	29
	<hr/> 2,055	<hr/> 281



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 1.7.2019	Acquired	Sold	At 30.6.2020
Direct interest:				
Ordinary shares of the Company				
Lin Chen, Jui-Fen	24,219,978	132,000	-	24,351,978
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 1,688,800 of its issued ordinary shares from the open market at an average price of RM2.92 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 RM4,928,781.

As at 30 June 2020, the Company held as treasury shares a total of 1,957,500 of its 97,207,500 issued ordinary shares. Such treasury shares are held at a carrying amount of RM5,797,842 and further relevant details are disclosed in Note 27 to the financial statements.

Indemnities to directors or officers

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

DIRECTORS' REPORT (CONT'D)

Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had 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 40 to the financial statements.



DIRECTORS' REPORT (CONT'D)

Subsequent event

Details of subsequent event are disclosed in Note 41 to the financial statements.

Auditors

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

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young	495	100
Other auditor	20	-
	<hr/> 515	<hr/> 100

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young PLT for the financial year ended 30 June 2020.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 October 2020.

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 58 to 141 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 2020 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 13 October 2020.

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 58 to 141 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
Shah Alam in Selangor Darul Ehsan on
13 October 2020

Fong Toh Wai
(MIA 28465)

Before me
Sirendar Singh (B458)
Commissioner for Oaths

Shah Alam



INDEPENDENT AUDITORS' REPORT

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

Report on the audit of 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 2020 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 141.

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 2020, 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 as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Income taxes

We draw your attention to the summary of significant accounting policies in Note 2.25(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 2020, the Group recognised local and foreign income tax expense of RM2.2 million and RM3.9 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.

INDEPENDENT AUDITORS' REPORT

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

Key audit matters (cont'd)

Income taxes (cont'd)

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 involved the component auditor in the review of 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 2020, the Group's inventories amounted to RM194.9 million, representing 24% of the Group's total assets.

Inventories are carried at the lower of cost and net realisable value. 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 inventories, we have identified the valuation of inventories to be an area of audit focus.

Our audit procedures include the following:

- (a) We obtained an understanding of the Group's inventories valuation policy and inventory costing processes (including the monitoring and the frequency of updating the absorption rates used in production);
- (b) We assessed whether the inventories costing method used in deriving the cost of work-in-progress and finished goods is consistent with the Group's policy;
- (c) We tested the key inputs used in deriving the cost of work-in-progress and finished goods, in particular, the key raw materials used in the production; and
- (d) We reviewed management's workings on apportionment of production overhead to assess whether the apportionment basis is applied consistently across the Group.

Information other than the financial statements and auditors' report thereon

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

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

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

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



INDEPENDENT AUDITORS' REPORT

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

(INCORPORATED IN MALAYSIA)

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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 PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Chuan Yee Yang
No. 03489/03/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
13 October 2020



STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	4	684,740	729,568	15,327	25,055
Cost of sales		(611,464)	(646,451)	-	-
Gross profit		73,276	83,117	15,327	25,055
Other items of income					
Interest income		3,032	2,872	264	107
Other income	5	6,143	4,284	13,414	42,710
Other items of expense					
Selling and distribution expenses		(20,704)	(22,725)	-	-
Administrative expenses		(23,409)	(24,910)	(610)	(531)
Other expenses		(11,385)	(6,620)	(16)	(2,717)
Finance costs	6	(3,978)	(3,905)	-	-
Profit before tax	7	22,975	32,113	28,379	64,624
Income tax expense	10	(6,186)	(12,761)	(5)	(121)
Profit net of tax		16,789	19,352	28,374	64,503
Other comprehensive income:					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Foreign currency translation		8,375	8,255	-	-
Other comprehensive income for the year, net of tax		8,375	8,255	-	-
Total comprehensive income for the year		25,164	27,607	28,374	64,503
Earnings per share attributable to owners of the parent (sen per share)					
- Basic/diluted	11	18	20		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assets					
Non-current assets					
Property, plant and equipment	13	246,891	247,603	-	-
Right-of-use assets	30	37,661	-	-	-
Investment properties	14	65,508	21,491	-	-
Investment in subsidiaries	15	-	-	53,880	41,041
Other investments	16	81	81	-	-
Land use rights	17	-	17,376	-	-
Trade and other receivables	20	-	-	168,029	164,769
Investment securities	21	10,052	2,213	-	2,097
Deferred tax assets	18	1,332	1,349	-	-
		361,525	290,113	221,909	207,907
Current assets					
Inventories	19	194,867	210,249	-	-
Trade and other receivables	20	71,593	76,261	-	-
Prepayments		1,199	870	-	-
Tax recoverable		1,792	1,663	7	1
Investment securities	21	42,974	52,522	7,402	5,455
Derivatives	22	-	165	-	-
Cash and bank balances	23	126,206	159,567	14,658	12,878
		438,631	501,297	22,067	18,334
Total assets		800,156	791,410	243,976	226,241
Equity and liabilities					
Current liabilities					
Tax payable		27,322	18,196	-	-
Lease liabilities	30	956	-	-	-
Loans and borrowings	24	95,595	104,248	-	-
Trade and other payables	25	78,398	91,704	97	90
Derivatives	22	390	-	-	-
		202,661	214,148	97	90
Net current assets		235,970	287,149	21,970	18,244



STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020 (CONT'D)

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current liabilities					
Lease liabilities	30	5,896	-	-	-
Loans and borrowings	24	9,293	9,344	-	-
Provision for severance allowance	26	36	32	-	-
Retirement benefit obligation	31	202	194	-	-
Derivatives	22	762	-	-	-
Deferred tax liabilities	18	3,305	3,257	-	-
		19,494	12,827	-	-
Total liabilities		222,155	226,975	97	90
Net assets		578,001	564,435	243,879	226,151
Equity attributable to owners of the parent					
Share capital	27	98,433	98,433	98,433	98,433
Treasury shares	27	(5,798)	(870)	(5,798)	(870)
Retained earnings	28	407,967	397,848	151,244	128,588
Other reserves	29	77,399	69,024	-	-
Total equity		578,001	564,435	243,879	226,151
Total equity and liabilities		800,156	791,410	243,976	226,241

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 2020 (CONT'D)

	Note	Distributable		Non-distributable			Total equity
		Share capital (Note 27) RM'000	Treasury shares (Note 27) RM'000	Retained earnings (Note 28) RM'000	Foreign currency translation reserve (Note 29) RM'000	Total other reserves (Note 29) RM'000	
2019 Group							
As at 1 July 2018		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

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 2020 (CONT'D)

			← Distributable →		
	Note	Share capital (Note 27) RM'000	Treasury shares (Note 27) RM'000	Retained earnings (Note 28) RM'000	Total equity RM'000
2020					
Company					
As at 1 July 2019		98,433	(870)	128,588	226,151
Total comprehensive income		-	-	28,374	28,374
Transactions with owners					
Dividends on ordinary shares	12	-	-	(5,718)	(5,718)
Purchase of treasury shares	27	-	(4,928)	-	(4,928)
Total transactions with owners		-	(4,928)	(5,718)	(10,646)
As at 30 June 2020		98,433	(5,798)	151,244	243,879
2019					
Company					
As at 1 July 2018		98,433	(851)	72,809	170,391
Total comprehensive income		-	-	64,503	64,503
Transaction 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

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 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Operating activities					
Profit before tax		22,975	32,113	28,379	64,624
<u>Adjustments for:</u>					
Write-back of allowance for expected credit losses of trade receivables	5	(2)	-	-	-
Write-back of allowance for expected credit losses of other receivables	5	-	-	-	(42,250)
Investment income from investment securities	5	(920)	(994)	(249)	(233)
Net fair value gain on investment securities	5	(690)	(360)	(3)	-
Net fair value loss on derivatives	7	1,317	70	-	-
Gain on disposal of property, plant and equipment	5	(8)	(14)	-	-
Net unrealised foreign exchange gain	5	(586)	(2,059)	(321)	(227)
Reversal of impairment loss on investment in subsidiaries	5	-	-	(12,839)	-
Finance costs	6	3,799	3,905	-	-
Interest expense on leases	6	179	-	-	-
Amortisation of land use rights	7	-	567	-	-
Depreciation of right-of-use assets	7	1,784	-	-	-
Retirement benefit expense	8	2	29	-	-
Depreciation of property, plant and equipment	7	17,325	16,792	-	-
Amortisation of investment properties	7	456	297	-	-
Allowance for expected credit losses on trade receivables	7	4,009	1,258	-	-
Impairment loss on investment in subsidiaries	7	-	-	-	2,680
Property, plant and equipment written off	7	-	218	-	-
Provision for severance allowance	7	3	7	-	-
Inventories written down	7	2,451	411	-	-
Reversal of inventories written down	7	-	(84)	-	-
Interest income on deposits		(3,032)	(2,872)	(264)	(107)
Total adjustments		26,087	17,171	(13,676)	(40,137)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Operating activities (cont'd)					
Operating cash flows before changes in working capital		49,062	49,284	14,703	24,487
Changes in working capital					
Decrease/(increase) in inventories		17,639	(34,711)	-	-
Decrease/(increase) in trade and other receivables		2,858	6,623	(3,260)	(10,737)
(Increase)/decrease in prepayments		(329)	578	-	-
(Decrease)/increase in trade and other payables		(14,722)	(406)	7	(27)
Decrease in provision for severance allowance	26	(1)	-	-	-
Total changes in working capital		5,445	(27,916)	(3,253)	(10,764)
Cash flows generated from operations		54,507	21,368	11,450	13,723
Interest paid		(3,771)	(3,871)	-	-
Interest paid on leases		(179)	-	-	-
Interest received		2,886	2,542	264	107
Taxes refunded		25	255	-	1
Taxes paid		(3,896)	(7,126)	(11)	(121)
Net cash flows generated from operating activities		49,572	13,168	11,703	13,710
Investing activities					
Investment income from investment securities	5	920	994	249	233
Purchase of property, plant and equipment	13	(29,027)	(30,576)	-	-
Purchase of investment properties	14	(30,585)	-	-	-
Proceeds from disposal of property, plant and equipment		51	77	-	-
Purchase of right-of-use assets	30	(11,189)	-	-	-
Proceeds from investment securities		73,045	62,727	31,315	29,239
Purchase of investment securities		(70,258)	(62,572)	(30,908)	(26,872)
(Increase)/decrease in deposits with licensed banks		(956)	1,280	-	-
Net cash flows (used in)/generated from investing activities		(67,999)	(28,070)	656	2,600



STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financing activities					
Repayments of loans and borrowings		(272,772)	(199,544)	-	-
Drawdown of loans and borrowings		261,063	219,968	-	-
Repayments for principal portion of lease liabilities		(899)	-	-	-
Movement of deposits placed as securities for bank borrowings and guarantees		(1,611)	(364)	-	-
Treasury shares acquired	27	(4,928)	(19)	(4,928)	(19)
Dividends paid on ordinary shares	12	(5,718)	(8,724)	(5,718)	(8,724)
Net cash flows (used in)/generated from financing activities		(24,865)	11,317	(10,646)	(8,743)
Net (decrease)/increase in cash and cash equivalents		(43,292)	(3,585)	1,713	7,567
Effects of exchange rate changes		7,364	(5,814)	67	157
Cash and cash equivalents at 1 July		137,354	146,753	12,878	5,154
Cash and cash equivalents at 30 June	23	101,426	137,354	14,658	12,878

Reconciliation of liabilities arising from financing activities

	Loans and borrowings RM'000	Lease liabilities RM'000	Total RM'000
Group			
Carrying amount as at 1 July 2018	91,274	-	91,274
Cash flows	20,424	-	20,424
Effect of foreign exchange	1,894	-	1,894
Carrying amount as at 30 June 2019	113,592	-	113,592
Carrying amount as at 1 July 2019	113,592	-	113,592
Effect of adoption of MFRS 16	-	7,516	7,516
Carrying amount as at 1 July 2019 (restated)	113,592	7,516	121,108
Cash flows	(11,709)	(899)	(12,608)
Effect of foreign exchange	3,005	235	3,240
Carrying amount as at 30 June 2020	104,888	6,852	111,740

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 2020

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 2019, 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 2019:

Effective for financial periods beginning on or after 1 July 2019

- MFRS 16: Leases
- Amendments to MFRS 9: Prepayment Features with Negative Compensation
- Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 128: Long-term Interests in Associates and Joint Venture
- Annual Improvements to MFRSs 2015 – 2017 Cycle
- IC Interpretation 23: Uncertainty over Income Tax Treatments

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:

MFRS 16 Leases

MFRS 16 replaces MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It 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 except for short term leases and leases of low value assets.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

2.2 Changes in accounting policies (cont'd)

MFRS 16 Leases (cont'd)

At the commencement date of a lease, a lessee recognises a lease liability to make lease payments and a right-of-use asset representing the right to use the underlying asset. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 *Property, Plant and Equipment* whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made. Lessees are also required to re-measure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognises the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lease that were classified as finance leases under MFRS 117, the carrying amount of the ROU asset and lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before the date of initial application.

Lessor accounting under MFRS 16 is substantially unchanged from the current accounting under MFRS 117. Lessors 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.

Transition to MFRS 16

The Group adopted MFRS 16 on 1 July 2019, using the modified retrospective method and did not restate comparative information. Instead, the Group recognised the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings at the date of initial application. The Group also elected to apply the standard to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4. Therefore, the Group did not apply the standard to contracts that were not previously identified as containing a lease applying MFRS 117 and IFRIC 4.

The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within twelve months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Below is the impact of adopting MFRS 16 to opening balances to the Group:

**Impact of adoption of MFRS 16
to opening balance as
at 1 July 2019
Increase/(decrease)
RM'000**

Consolidated Statement of Financial Position

Non-current assets

Right-of-use assets	27,295
Property, plant and equipment	(3,363)
Deferred tax assets	8
Land use rights	(17,376)

Equity

Retained earnings	(952)
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Current liabilities

Lease liabilities	885
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Non-current liabilities

Lease liabilities	6,631
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

2.2 Changes in accounting policies (cont'd)

MFRS 16 Leases (cont'd)

Transition to MFRS 16 (cont'd)

Upon adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had been previously been recognised as “operating leases” under the previous principles of MFRS 117.

Reconciliation for the differences between operating lease commitments disclosed as at 30 June 2019 and lease liabilities as at the date of initial application of 1 July 2019 are as follows:

	Group RM'000
Operating lease commitments as at 30 June 2019	7,395
Add: Payments in optional extension periods not recognised	1,563
	<hr/> 8,958
Operating lease commitments as at 1 July 2019 (gross)	
Effects from discounting at the incremental borrowing rate at 2.75%	7,516
	<hr/> 7,516
Lease liabilities recognised as at 1 July 2019	

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.

Effective for financial periods beginning on or after 1 July 2020

- Amendments to MFRS 2: Share-Based Payment
- Amendments to MFRS 3: Business Combinations
- Amendments to MFRS 6: Exploration for and Evaluation of Mineral Resources
- Amendments to MFRS 14: Regulatory Deferral Accounts
- Amendments to MFRS 101: Presentation of Financial Statements
- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 134: Interim Financial Reporting
- Amendments to MFRS 137: Provision, Contingent Liabilities, and Contingent Assets
- Amendments to MFRS 138: Intangible Assets
- Amendments to IC Interpretation 12: Service Concession Arrangements



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

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

Effective for financial periods beginning on or after 1 July 2020 (cont'd)

- Amendments to IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine
- Amendments to IC Interpretation 22: Foreign Currency Transaction and Advance Consideration
- Amendments to IC Interpretation 132: Intangible Assets - Web Site Costs
- Amendments to MFRS 16 Leases - Covid-19-Related Rent Concessions
- MFRS 17: Insurance Contracts
- Amendments to MFRS 101: Presentation of Financial Statements - Classification of Liabilities as Current or Non-current
- Annual Improvements to MFRSs 2018 - 2020 Cycle

Effective beginning on or after a date yet to be confirmed

- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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.

2.4 Basis of consolidation

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

2.4 Basis of consolidation (cont'd)

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.

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

2.6 Subsidiaries

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

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

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

2.7 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.

2.8 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

2.8 Foreign currency (cont'd)

(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.

2.9 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

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

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

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.

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

The accounting policies applied from 1 July 2019 are further disclosed in Note 2.22.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

2.12 Impairment of non-financial assets

The Group and the Company assess 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 and the Company estimates 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.

2.13 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 measure 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, 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

2.13 Financial assets (cont'd)

Initial recognition and measurement (cont'd)

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.

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 include trade and other receivables (excluding import duty, GST receivables and advance to suppliers included in other receivables) and cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

2.13 Financial assets (cont'd)

Subsequent measurement (cont'd)

- 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 comprehensive income.

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 interest income in the statements 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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 (excluding import and export duties and SST payable), lease liabilities, loans and borrowings including bank overdraft and derivative financial instruments.

Subsequent measurement

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

- Trade and other payables

These are subsequently measured at amortised cost using EIR method.

- 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 of recognition, and only if the criteria in MFRS 9 are satisfied.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

2.18 Financial liabilities (cont'd)

Subsequent measurement (cont'd)

- 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 comprehensive income.

This category generally applies to the Group's and the Company's interest-bearing loans and borrowings. For more information, refer to Note 24.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

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.

(b) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay 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 and preceding 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

Accounting policies applied from 1 July 2019

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

2.22 Leases (cont'd)

(a) As lessee (cont'd)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of useful lives of the right-of-use assets or end of the lease term. The estimated useful lives of the right-of-use assets and land use rights are determined on the same basis as those of property, plant and equipment as follows:

Building	3 years
Land use rights	20 to 50 years
Leasehold lands	20 to 68 years

Where an indication of impairment exists, the carrying amount of the right-of-use assets is assessed and written down immediately to its recoverable amount. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss over the lease term. Short term leases are leases with a lease term of twelve months or less. Low value assets are valued at less than RM20,000 each when purchased new.

Accounting policies applied until 30 June 2019

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Lease rental payments on operating leases are charged to profit or loss in the financial period they become payable, on a straight line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(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(c).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

If a performance obligation is not satisfied over time in accordance with the criteria above, the Group and the Company satisfies the performance obligation at a point in time when control is transferred.

The Group and the Company recognise(s) revenue over time using the input method, which is based on the costs incurred, relative to the total expected costs for the satisfaction of the performance obligation. The Group and the Company determined that the input method is the best method in measuring progress because there is a direct relationship between the costs incurred and the transfer of service to the customer.

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

2.23 Revenue (cont'd)

(a) Sale of goods

Revenue is 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.

(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) 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 Other income recognition

Other income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the other income can be reliably measured. Other income is measured at the fair value of consideration received or receivables, excluding taxes. Other than other income recognition policies mentioned elsewhere in the summary of significant accounting policies, set out below are other significant revenue/income recognition policies used by the Group and the Company:

(a) Interest income

Interest income is recognised using the effective interest method.

(b) Management fees

Management fees are recognised when services are rendered.

(c) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

2.25 Income taxes

Income tax on the profit or loss for the financial period comprises current and deferred tax.

(a) Current tax

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

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

(b) Deferred tax

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

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill, an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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.

2.26 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

2.26 Goods and Services Tax ("GST")/Sales and Service Tax ("SST") (cont'd)

Revenues, expenses and assets are recognised net of the amount of SST except:

- where the SST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the SST is recognised as part of the cost of acquisition of the asset or as part of the expenses item as applicable; and
- receivables and payables that are stated with the amount of SST included.

The net amount of SST recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in statements of financial position.

2.27 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 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 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.

2.29 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

2.29 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.

2.30 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.

2.31 Offsetting of financial instruments

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

2.32 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 require 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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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 2020 was RM1,792,000 (2019: RM1,663,000) and RM27,322,000 (2019: RM18,196,000) respectively.

(b) Deferred tax assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax assets has been recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of the Group's deferred tax assets as at 30 June 2020 was RM1,332,000 (2019: RM1,349,000).

The total carrying value of unutilised capital allowances, reinvestment allowances and unabsorbed tax losses of the Group was RM39,616,000 (2019: RM38,403,000). These allowances and losses relate to subsidiaries that have history of losses, do not expire (except for unutilised reinvestment allowances and unabsorbed 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 RM9,508,000. Further details of unutilised capital allowances, reinvestment allowances and unabsorbed 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% (2019: 1%) difference in the work-in-progress and finished goods balance as at 30 June 2020 would result in RM1,034,000 (2019: RM1,026,000) variance in the Group's profit for the year. The carrying amount of inventories of the Group are disclosed in Note 19.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

4. Revenue

Disaggregation of revenue from contracts with customers:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from contracts with customer:				
Sale of goods	683,442	727,985	-	-
Delivery service	98	383	-	-
Rental income	1,200	1,200	-	-
	684,740	729,568	-	-
Other revenue:				
Dividend income from subsidiaries (Note 32(a))	-	-	15,327	25,055
Total revenue	684,740	729,568	15,327	25,055
Geographical market:				
United States	625,145	636,784	-	-
Southeast Asia	38,278	42,966	12,000	25,055
China	3,526	21,653	-	-
Australia	6,212	10,800	-	-
Canada	5,215	5,543	-	-
Others	6,364	11,822	3,327	-
	684,740	729,568	15,327	25,055
Timing of revenue recognition:				
Transferred at a point in time	683,442	727,985	15,327	25,055
Transferred over time	1,298	1,583	-	-
	684,740	729,568	15,327	25,055

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

5. Other income

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of property, plant and equipment	8	14	-	-
Net realised foreign exchange gain	-	-	2	-
Net unrealised foreign exchange gain	586	2,059	321	227
Net fair value gain on investment securities	690	360	3	-
Rental income	263	190	-	-
Write-back of allowance for expected credit losses on:				
- trade receivables (Note 20)	2	-	-	-
- other receivables (Note 20)	-	-	-	42,250
Investment income from investment securities	920	994	249	233
Reversal of impairment loss on investment in subsidiaries (Note 15)	-	-	12,839	-
Scrap sales	100	110	-	-
Insurance compensation	2,710	287	-	-
Miscellaneous	864	270	-	-
	6,143	4,284	13,414	42,710

The insurance compensation received in the current year relates to the interim payment arising from an insurance claim for a fire incident at the premises of a subsidiary in the prior year. As at the current year end, the remaining amounts claimed have not yet been recognised as an income, as the assessment by the insurance company is still ongoing.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

6. Finance costs

	Group	
	2020 RM'000	2019 RM'000
Interest expense on:		
Bank overdrafts	56	23
Bankers' acceptances	53	267
Revolving credit	143	135
Term loans	481	651
Trust receipts	3,066	2,829
Leases (Note 30)	179	-
	<hr/> 3,978	<hr/> 3,905

7. Profit before tax

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Auditors' remuneration:				
Ernst & Young				
- Current year	457	472	62	62
- Underprovision in prior year	7	-	7	-
Other services	38	38	38	38
Other auditor				
- Current year	20	21	-	-
- Underprovision in prior year	3	3	-	-
Amortisation of land use rights (Note 17)	-	567	-	-
Depreciation of right-of-use assets (Note 30)	1,784	-	-	-
Depreciation of property, plant and equipment (Note 13)	17,325	16,792	-	-
Amortisation of investment properties (Note 14)	456	297	-	-
Employee benefits expense (Note 8)	153,481	155,827	12	12
Impairment loss on investment in a subsidiary (Note 15)	-	-	-	2,680
Rental expense	239	619	-	-
Sewage treatment expenses	371	371	-	-
Allowance for expected credit loss on trade receivables (Note 20)	4,009	1,258	-	-
Net realised foreign exchange loss	1,052	1,623	-	23
Net fair value loss on derivatives	1,317	70	-	-
Non-executive directors' remuneration (Note 9)	269	273	269	273
Property, plant and equipment written off (Note 13)	-	218	-	-
Inventories written down	2,451	411	-	-
Reversal of inventories written down	-	(84)	-	-
Provision for severance allowance (Note 26)	3	7	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

8. Employee benefits expense

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Wages and salaries	132,354	133,973	-	-
Social security contributions	12,262	12,314	-	-
Contributions to defined contribution plan	1,448	1,465	-	-
Retirement benefit expense (Note 31)	2	29	-	-
Other benefits	7,415	8,046	12	12
	153,481	155,827	12	12

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,786,000 (2019: RM1,778,000) and RM12,000 (2019: RM12,000) respectively as further disclosed in Note 9.

9. Directors' remuneration

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Executive:				
Salaries and other emoluments	1,023	1,045	12	12
Bonus	675	642	-	-
Defined contribution plan	88	91	-	-
Total executive directors' remuneration	1,786	1,778	12	12
Non-executive:				
Benefits payables	29	29	29	29
Fees	240	244	240	244
Total non-executive directors' remuneration	269	273	269	273
Total directors' remuneration (Note 32(b))	2,055	2,051	281	285



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

10. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 30 June 2020 and 2019 are:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	2,108	1,974	-	-
- Underprovision in respect of local tax in previous years	148	36	5	121
- Foreign tax	3,873	15,866	-	-
- Under/(over) provision in respect of foreign tax in previous years	5	(5,688)	-	-
	6,134	12,188	5	121
Deferred tax (Note 18):				
- Origination and reversal of temporary differences	131	607	-	-
- Overprovision in respect of previous years	(79)	(34)	-	-
	52	573	-	-
Income tax expense recognised in profit or loss	6,186	12,761	5	121

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

10. Income tax expense (cont'd)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 June 2020 and 2019 are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax	22,975	32,113	28,379	64,624
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	5,514	7,707	6,811	15,510
Different tax rates in other countries	(2,507)	(4,046)	-	-
Adjustments:				
Income not subject to taxation	-	-	(6,956)	(16,282)
Non-deductible expenses	2,814	14,765	145	772
Under/(over) provision of income tax in respect of previous years	153	(5,652)	5	121
Overprovision of deferred tax in respect of previous years	(79)	(34)	-	-
Deferred tax assets not recognised in respect of unutilised capital allowances, unutilised reinvestment allowances and unabsorbed tax losses	291	21	-	-
Income tax expense recognised in profit or loss	6,186	12,761	5	121

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 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 2020 (CONT'D)

10. Income tax expense (cont'd)

Below are the unutilised reinvestment allowances, unabsorbed tax losses and unutilised capital allowances of the Group and the Company which have not been recognised in the financial statements as they are not probable to be used to offset against the taxable profits of other subsidiary companies of the Group and the Company:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unutilised reinvestment allowances	9,564	9,564	-	-
Unabsorbed tax losses	14,762	14,154	772	772
Unutilised capital allowances	15,290	14,685	-	-
	39,616	38,403	772	772

The ability to carry forward unutilised reinvestment allowances and unabsorbed tax losses are restricted to a maximum period of seven consecutive Year of Assessment ("YA"), effective YA 2019.

The unutilised reinvestment allowances, unabsorbed tax losses and unutilised capital allowances of the Group and the Company are available for offsetting against future taxable profits of the respective entities within the Group and the Company, subject to no substantial change in shareholding of those entities under Income Tax Act, 1967 and guidelines issued by the tax authority, as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Utilisation period				
Indefinite	15,290	14,685	-	-
Within 6 years from recognition	23,718	-	772	-
Within 7 years from recognition	608	23,718	-	772
	39,616	38,403	772	772

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 Group for the current financial year as there is no convertible instrument issued. Accordingly, the diluted earnings per share for the current year is equal to basic earnings 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

11. Earnings per share (cont'd)

	Group	
	2020	2019
	RM'000	RM'000
Profit net of tax attributable to owners of the parent used in the computation of basic/diluted earnings per share	16,789	19,352
	<hr/>	
	Group	
	2020	2019
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for basic/diluted earnings per share computation	95,618	96,940
	<hr/>	
	Group	
	Sen	Sen
Basic/diluted earnings per share	18	20
	<hr/>	

12. Dividends

	Group and Company	
	2020	2019
	RM'000	RM'000
Recognised during the financial year:		
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
Final single tier dividend paid for 2019: 3.0 sen per share on 95,337,300 ordinary shares	2,860	-
First single tier dividend paid for 2020: 3.0 sen per share on 95,250,000 ordinary shares	2,858	-
	<hr/>	<hr/>
	5,718	8,724
	<hr/>	

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 30 June 2020, of 3.0 sen on 95,250,000 ordinary shares amounting to a dividend payable of RM2,857,500 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 2021.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

13. Property, plant and equipment

Group	Freehold land RM'000	Leasehold land* RM'000	Buildings RM'000	Plant and machinery RM'000	Electrical installation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Buildings under construction RM'000	Total RM'000
Cost											
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 off	-	-	(208)	(5,273)	(100)	(10)	-	(303)	-	-	(5,894)
Transfer to investment properties (Note 14)	(549)	-	-	-	-	-	-	-	-	-	(549)
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
At 1 July 2019	22,712	4,703	191,550	251,855	3,965	547	5,400	3,655	2,297	18,771	505,455
Effect of adoption of MFRS 16	-	(4,703)	-	-	-	-	-	-	-	-	(4,703)
At 1 July 2019 (restated)	22,712	-	191,550	251,855	3,965	547	5,400	3,655	2,297	18,771	500,752
Additions	-	-	6,788	6,278	-	7	384	38	-	15,532	29,027
Disposals	-	-	-	-	-	-	(144)	-	-	-	(144)
Write off	-	-	-	(407)	(44)	-	-	(168)	-	-	(619)
Transfer to investment properties (Note 14)	-	-	(8,012)	-	-	-	-	-	-	(8,011)	(16,023)
Reclassification	-	-	11,777	5,403	-	-	-	-	-	(17,180)	-
Exchange differences	73	-	4,458	5,748	98	17	94	103	61	318	10,970
At 30 June 2020	22,785	-	206,561	268,877	4,019	571	5,734	3,628	2,358	9,430	523,963

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

Group	Freehold land RM'000	Leasehold land* RM'000	Buildings RM'000	Plant and machinery RM'000	Electrical installation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Buildings under construction RM'000	Total RM'000
At 1 July 2018	-	1,323	50,231	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 off	-	-	(48)	(5,216)	(100)	(10)	-	(302)	-	-	(5,676)
Exchange differences	-	-	1,168	4,394	316	34	53	68	165	-	6,198
At 30 June 2019	-	1,340	56,308	187,575	3,463	496	3,481	3,206	1,983	-	257,852
At 1 July 2019	-	1,340	56,308	187,575	3,463	496	3,481	3,206	1,983	-	257,852
Effect of adoption of MFRS 16	-	(1,340)	-	-	-	-	-	-	-	-	(1,340)
At 1 July 2019 (restated)	-	-	56,308	187,575	3,463	496	3,481	3,206	1,983	-	256,512
Depreciation charge for the year (Note 7)	-	-	4,913	11,466	65	15	626	201	39	-	17,325
Disposals	-	-	-	-	-	-	(101)	-	-	-	(101)
Write off	-	-	-	(407)	(44)	-	-	(168)	-	-	(619)
Transfer to investment properties (Note 14)	-	-	(2,151)	-	-	-	-	-	-	-	(2,151)
Exchange differences	-	-	1,321	4,467	98	16	56	95	53	-	6,106
At 30 June 2020	-	-	60,391	203,101	3,582	527	4,062	3,334	2,075	-	277,072



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

Group	Freehold land RM'000	Leasehold land* RM'000	Buildings RM'000	Plant and machinery RM'000	Electrical installation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Buildings under construction RM'000	Total RM'000
At 30 June 2019	22,712	3,363	135,242	64,280	502	51	1,919	449	314	18,771	247,603
At 30 June 2020	22,785	-	146,170	65,776	437	44	1,672	294	283	9,430	246,891

The Group's office equipment included computer software with carrying amount of RM85,506 (2019: RM148,390).

* The remaining lease term of leasehold land in previous year is 39 to 52 years. In current year, the leasehold land have been transferred to right-of-use assets (Note 30).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

Assets pledged as security

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

	Group 2020 RM'000
Freehold land	1,751
Buildings	12,397
Machineries	4,863
	<hr/> 19,011 <hr/>

14. Investment properties

	Group 2020 RM'000	2019 RM'000
Freehold land and buildings		
Cost		
At 1 July	22,780	22,231
Additions	30,585	-
Transferred from property, plant and equipment (Note 13)	16,023	549
Exchange differences	16	-
At 30 June	<hr/> 69,404 <hr/>	<hr/> 22,780 <hr/>
Accumulated amortisation		
At 1 July	1,289	992
Amortisation charge for the year (Note 7)	456	297
Transferred from property, plant and equipment (Note 13)	2,151	-
At 30 June	<hr/> 3,896 <hr/>	<hr/> 1,289 <hr/>
Net carrying amount	<hr/> 65,508 <hr/>	<hr/> 21,491 <hr/>

Assets pledged as security

The investment properties with net carrying amount of RM20,644,000 (2019: RM20,942,000) are pledged as securities for loans and borrowings (Note 24).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

14. Investment properties (cont'd)

Fair value information

The directors have estimated the fair values of investment properties of the Group as at 30 June 2020 to be RM99,781,000 (2019: RM56,852,000). The fair values have been determined by reference to market evidence of transaction prices for similar properties.

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

	Group	
	2020	2019
	RM'000	RM'000
Rental income	1,200	1,200
Amortisation expense	456	297
Quit rent and assessment	97	68

15. Investment in subsidiaries

	Company	
	2020	2019
	RM'000	RM'000
Unquoted shares, at cost		
At 1 July/30 June	53,929	53,929
Accumulated impairment losses		
At 1 July	12,888	10,208
Impairment loss of investment in a subsidiary (Note 7)	-	2,680
Reversal of impairment loss of investment in subsidiaries (Note 5)	(12,839)	-
At 30 June	49	12,888
Net carrying amount	53,880	41,041

The reversal of impairment loss of investment in subsidiaries was made as it was determined that the recoverable amounts (based on the higher of the value in use and the fair value less cost to sell, including the fair values of the underlying net assets held by these subsidiaries) were higher than the cost of the investments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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	
			2020 %	2019 %
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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

15. Investment in subsidiaries (cont'd)

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

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2020 %	2019 %
<i>Held through Latitude Tree Vietnam Joint Stock Company:</i>				
RK Resources Co., Ltd. **	Vietnam	Manufacture and sale of wooden furniture and components	100	100
<i>Held through L-Tree Resources Sdn. Bhd.:</i>				
RT Industries Co., Ltd. **	Vietnam	Manufacture and sale of upholstery furniture	100	100

* Audited by Ernst & Young PLT, Malaysia

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

Audited by a firm of auditors other than Ernst & Young

16. Other investments

	Group	
	2020 RM'000	2019 RM'000
Transferable golf club membership, at cost	81	81

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

17. Land use rights

	Group	
	2020	2019
	RM'000	RM'000
Cost		
At 1 July	25,211	23,298
Effect of adoption of MFRS 16	(25,211)	-
At 1 July (restated)	-	23,298
Exchange differences	-	1,913
At 30 June	-	25,211
Accumulated amortisation		
At 1 July	7,835	7,283
Effect of adoption of MFRS 16	(7,835)	-
At 1 July (restated)	-	7,283
Amortisation charge for the year (Note 7)	-	567
Exchange differences	-	(15)
At 30 June	-	7,835
Net carrying amount	-	17,376
		2019
		RM'000
Amount to be amortised:		
- Not later than one year		567
- Later than one year but not later than five years		2,835
- Later than five years		13,974
		17,376

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 in previous year.

Upon adoption of MFRS 16, land use rights are reclassified to right-of-use assets. Details of such land use rights are disclosed in Note 30.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

18. Deferred tax assets/(liabilities)

[illegible]

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

19. Inventories

	Group	
	2020 RM'000	2019 RM'000
Cost		
Raw materials	85,706	106,896
Work-in-progress	47,711	40,787
Finished goods	55,708	61,785
	<hr/> 189,125	<hr/> 209,468
Net realisable value		
Finished goods	5,742	781
	<hr/> 194,867	<hr/> 210,249

The cost of inventories recognised as an expense in cost of sales of the Group was RM623,334,000 (2019: RM618,537,000).

20. Trade and other receivables

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current				
Trade receivables				
Third parties	60,337	51,985	-	-
Less: Allowance for expected credit losses	(5,632)	(1,509)	-	-
Trade receivables, net	<hr/> 54,705	<hr/> 50,476	<hr/> -	<hr/> -
Other receivables				
Deposits	1,097	1,394	-	-
Staff loans	182	119	-	-
Goods and services tax receivable	513	907	-	-
Sundry receivables	15,394	23,654	-	-
	<hr/> 17,186	<hr/> 26,074	<hr/> -	<hr/> -
Less: Allowance for expected credit losses				
Sundry receivables	(298)	(289)	-	-
Other receivables, net	<hr/> 16,888	<hr/> 25,785	<hr/> -	<hr/> -



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

20. Trade and other receivables (cont'd)

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Non-current				
Other receivable				
Amount due from a subsidiary	-	-	168,029	164,769
Total trade and other receivables	71,593	76,261	168,029	164,769

(a) Trade receivables

- Trade receivables are non-interest bearing. The Group's normal trade credit terms range from 7 to 90 days (2019: 7 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- The movements of the allowance for expected credit losses of trade receivables during the financial year are as follows:

	Group	
	2020	2019
	RM'000	RM'000
At 1 July	1,509	227
Charge for the year (Note 7)	4,009	1,258
Write-back of allowance for expected credit losses on trade receivables (Note 5)	(2)	-
Exchange differences	116	24
At 30 June	5,632	1,509

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

20. Trade and other receivables (cont'd)

(a) Trade receivables (cont'd)

iii. The loss allowance and ageing analysis of the Group's trade receivables is as follows:

	Trade Receivables						Total
	Current	Days past due					
		< 30 days	31 - 60 days	61 - 90 days	91 - 120 days	> 121 days	
		RM'000	RM'000	RM'000	RM'000	RM'000	
Group							
As at 30 June 2020	0%	0%	0%	0%	0%	100%	
Expected credit loss rate							
Estimated total gross carrying amount	49,238	3,335	112	1,980	40	5,632	60,337
Expected credit loss	-	-	-	-	-	(5,632)	(5,632)
Total	49,238	3,335	112	1,980	40	-	54,705
As at 30 June 2019	0%	0%	0%	0%	0%	96%	
Expected credit loss rate							
Estimated total gross carrying amount	36,621	12,716	568	472	41	1,567	51,985
Expected credit loss	-	-	-	-	-	(1,509)	(1,509)
Total	36,621	12,716	568	472	41	58	50,476



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

20. Trade and other receivables (cont'd)

(b) Other receivables

Amount due from a subsidiary is unsecured and non-interest bearing.

Further details on related party transactions are disclosed in Note 32.

Included in sundry receivables of the Group are:

- (i) Import duty and other indirect taxes receivable in foreign subsidiaries of RM7,831,000 (2019: RM8,350,000); and
- (ii) Goods and services tax receivable in Malaysian subsidiaries of RM513,000 (2019: RM907,000).
- (iii) Advance to suppliers of RM3,819,000 (2019: RM2,312,000) that mainly relate to payments in advance for raw materials purchased.
- (iv) Advance payment of RM Nil (2019: RM8,848,000) for leasing a parcel of land which has been disclosed in Note 30.

The movements of the allowance for expected credit losses of the Group's other receivables during the financial year are as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At 1 July	289	262	-	42,250
Write-back of allowance for expected credit losses on other receivables (Note 5)	-	-	-	(42,250)
Exchange differences	9	27	-	-
At 30 June	298	289	-	-

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

Other financial information on financial risks of trade and other receivables are disclosed in Note 35(a).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

20. Trade and other receivables (cont'd)

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Ringgit Malaysia	4,997	9,207	168,029	164,769
United States Dollar	46,881	39,533	-	-
Vietnam Dong	15,124	22,244	-	-
Thai Baht	4,591	5,277	-	-
	71,593	76,261	168,029	164,769

21. Investment securities

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current				
<i>Fair value through profit or loss</i>				
- Funds placed with licensed financial institutions	42,974	52,522	7,402	5,455
Non-current				
<i>Fair value through profit or loss</i>				
- Fund placed with a licensed financial institution	10,052	2,213	-	2,097
Total investment securities	53,026	54,735	7,402	7,552

Other financial information of financial risks of other investments are disclosed in Note 35.

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Ringgit Malaysia	36,644	28,794	5,231	3,380
United States Dollar	14,211	23,844	-	2,075
China Renminbi	2,171	2,097	2,171	2,097
	53,026	54,735	7,402	7,552



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

22. Derivatives

	----- Group -----			
	2020		2019	
	Contract/ Notional amount RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Assets RM'000
Non-hedging derivatives:				
Current				
Forward currency contract	31,423	(388)	45,923	154
Interest rate swap	856	(2)	4,142	11
		(390)		165
Non-current				
Forward currency contract	16,790	(762)	-	-
Total non-hedging derivatives		(1,152)		165
Total financial (liabilities)/assets at fair value through profit or loss		(1,152)		165

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

Forward currency contracts are used to hedge the Group's bank balance denominated in United States Dollar ("USD") for which Group's commitments existed at the reporting date, extending to February 2022 and March 2022 (2019: November 2019 and February 2022) (Note 35(d)). During the financial year, the Group recognised a loss of RM1,304,000 (2019: loss of RM2,000) 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 RM856,000 (2019: RM4,142,000). 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% (2019: 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 RM13,000 loss (2019: RM68,000 loss) has been recognised in statements of comprehensive income.

The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 34.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

23. Cash and bank balances

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash at banks and in hand	71,947	93,893	8,559	12,878
Deposits with licensed banks	54,259	65,674	6,099	-
Cash and bank balances	126,206	159,567	14,658	12,878

Deposits with licensed banks are made for varying periods of between 30 days and 365 days (2019: 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 2020 for the Group were 0.28% to 7.20% (2019: 1.93% to 5.10%) per annum.

Deposits with licensed banks of the Group of RM15,816,000 (2019: RM14,205,000) 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and bank balances	126,206	159,567	14,658	12,878
Deposits pledged as securities for bank borrowings and guarantees	(15,816)	(14,205)	-	-
Deposits with licensed banks with tenure more than three months	(8,964)	(8,008)	-	-
Total cash and cash equivalents	101,426	137,354	14,658	12,878

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Ringgit Malaysia	23,548	19,254	366	1,190
United States Dollar	66,496	120,197	1,215	9,664
Singapore Dollar	7,915	2,123	7,736	2,024
Vietnam Dong	22,690	17,279	-	-
Thai Baht	213	711	-	-
China Renminbi	5,344	3	5,341	-
	126,206	159,567	14,658	12,878



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

24. Loans and borrowings

	Maturity	Group 2020 RM'000	2019 RM'000
Current			
Secured:			
Bankers' acceptances	2021	1,243	2,201
Revolving credit	2021	4,280	2,071
Term loans	2021	2,128	4,029
Trust receipts	2021	87,944	95,947
		<hr/> 95,595	<hr/> 104,248
Non-current			
Secured:			
Term loans	2022 - 2030	9,293	9,344
		<hr/> 104,888	<hr/> 113,592
Total loans and borrowings			

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

	Group 2020 RM'000	2019 RM'000
On demand or within one year	95,595	104,248
More than 1 year and less than 2 years	1,384	1,575
More than 2 years and less than 5 years	3,388	2,450
5 years or more	4,521	5,319
	<hr/> 104,888	<hr/> 113,592

Bankers' acceptances

The weighted average effective interest rate of bankers' acceptances as at the reporting date was 3.53% (2019: 4.32%) per annum. The bankers' acceptances are secured by short term deposits of RM2,278,000 (2019: RM1,000,000) with licensed banks of the subsidiaries, negative pledges over the assets of certain subsidiary and a corporate guarantee from the Company.

Term loans

The term loans are secured by the following:

- Deposits of RM8,505,000 (2019: RM8,272,000) with licensed banks of subsidiaries;
- Fixed charges over freehold land of RM9,112,000 (2019: RM7,361,000) and freehold buildings of RM25,680,000 (2019: RM13,581,000) and machineries of RM4,863,000 (2019: RM Nil) of certain subsidiaries; and
- A corporate guarantee from the Company.

The term loans bear interest rates of 3.92% to 4.25% (2019: 4.18% to 4.51%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

24. Loans and borrowings (cont'd)

Revolving credit

Revolving credit is secured by the short term deposits of RM5,033,000 (2019: RM4,933,000) with a licensed bank of a subsidiary.

The revolving credit bears interest of 1.29% and 2.42% (2019: 3.37%) per annum.

Trust receipts

The weighted average effective interest rate of trust receipts as at the reporting date was 2.59% (2019: 3.46%) 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	
	2020	2019
	RM'000	RM'000
Ringgit Malaysia	9,832	11,432
United States Dollar	93,080	102,160
Thai Baht	1,976	-
	104,888	113,592

25. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Trade payables				
Third parties	54,288	63,398	-	-
Other payables				
Accruals	8,765	8,291	95	88
Sundry payables	15,345	20,015	2	2
	24,110	28,306	97	90
Total trade and other payables	78,398	91,704	97	90



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

25. Trade and other payables (cont'd)

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 7 to 90 days (2019: 7 to 90 days) terms.

(b) Other payables

Sundry payables are non-interest bearing and are normally settled on an average term of 30 days (2019: average term of 30 days).

Included in sundry payables of the Group are RM41,000 (2019: RM82,000) accrued for import and export duties and other direct taxes payable by the foreign subsidiaries.

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	2,890	2,176	97	90
United States Dollar	19,230	24,760	-	-
Vietnam Dong	46,873	54,578	-	-
Thai Baht	9,405	10,190	-	-
	78,398	91,704	97	90

Further details of related party transactions are disclosed in Note 32.

Other financial information on financial risks of trade and other payables are disclosed in Note 35.

26. Provision for severance allowance

	Group	
	2020	2019
	RM'000	RM'000
At 1 July	32	26
Arose during the year (Note 7)	3	7
Utilised	(1)	-
Exchange differences	2	(1)
At 30 June	36	32

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

27. Share capital and treasury shares

	Group and Company			
	2020		2019	
	No. of shares '000	Monetary value RM'000	No. of shares '000	Monetary value RM'000
Share capital				
Ordinary shares (issued and fully paid up):				
At the beginning/end of the financial year	97,208	98,433	97,208	98,433
Treasury shares				
At the beginning of the financial year	(269)	(870)	(263)	(851)
Purchase of treasury shares	(1,689)	(4,928)	(6)	(19)
At the end of the financial year	(1,958)	(5,798)	(269)	(870)
Total shares	95,250	92,635	96,939	97,563

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 1,688,800 of its issued ordinary shares from the open market at an average price of RM2.92 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 RM4,928,781.

28. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 30 June 2020 and 30 June 2019 under the single tier system.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

29. Other reserves

	Group	
	Foreign currency translation reserve RM'000	Total other reserves RM'000
At 1 July 2018	60,769	60,769
Other comprehensive income:		
Foreign currency translation	8,255	8,255
At 30 June 2019	69,024	69,024
At 1 July 2019	69,024	69,024
Other comprehensive income:		
Foreign currency translation	8,375	8,375
At 30 June 2020	77,399	77,399

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. Leases

Group as a lessee

The Group has leased land use rights, leasehold land and building with lease terms of 3 to 68 years.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statements of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group and Company's sales) are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group and the Company to sublet the asset to another party, the right-of-use asset can only be used by the Group and the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

30. Leases (cont'd)

Group as a lessee (cont'd)

(a) Lease liabilities

			Group 2020 RM'000
At 1 July 2019			-
Effect of adoption of MFRS 16			7,516
At 1 July 2019 (restated)			7,516
Accretion of interest (Note 6)			179
Payments			(1,078)
Exchange differences			235
At 30 June 2020			6,852

	Interest rate %	Maturity	2020 RM'000
Current	2.75	2021	956
Non-current	2.75	2022-2051	5,896
			6,852

The following are recognised in profit or loss in respect of leases:

	Group 2020 RM'000
Depreciation of right-of-use assets (Note 7)	1,784
Interest expense on lease liabilities (Note 6)	179

(b) Lease payments not recognised as a liability

The expenses relating to payments not included in the measurement of the lease liability during the financial year is as follows:

	Group 2020 RM'000
Expenses relating to short-term leases (included in cost of sales)	239



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

30. Leases (cont'd)

Group as a lessee (cont'd)

(b) Lease payments not recognised as a liability (cont'd)

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of twelve months or less) or for leases of low value assets. Payments made under such leases are expensed on straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

As at the reporting date, the Group was committed to short-term leases and the total commitment was RM39,958.

(c) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Group

	Building RM'000	Leasehold land RM'000	Land use rights RM'000	Total RM'000
Cost				
At 1 July 2019	-	-	-	-
Effect of adoption of MFRS 16	2,308	5,619	31,753	39,680
At 1 July 2019 (restated)	2,308	5,619	31,753	39,680
Additions	-	-	11,189	11,189
Exchange differences	77	31	1,251	1,359
At 30 June 2020	2,385	5,650	44,193	52,228
Accumulated depreciation				
At 1 July 2019	-	-	-	-
Effect of adoption of MFRS 16	64	1,654	10,667	12,385
At 1 July 2019 (restated)	64	1,654	10,667	12,385
Depreciation for the year (Note 7)	782	97	905	1,784
Exchange differences	16	11	371	398
At 30 June 2020	862	1,762	11,943	14,567
Net carrying amount				
At 30 June 2020	1,523	3,888	32,250	37,661

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

31. Retirement benefit obligation

The Group operates an unfunded defined benefit plan for eligible employees according to the labour law of Thailand. The level of benefits provided depends on members' length of the service, their current salary and the probability that employees will work until retirement ages of 55.

(a) The amount recognised in the statements of financial position are as follows:

	Group	
	2020	2019
	RM'000	RM'000
Retirement benefit obligation	202	194

(b) Movement in retirement benefit obligation are as follows:

	Group	
	2020	2019
	RM'000	RM'000
At 1 July	194	148
Current year service cost recognised in the profit or loss (Note 8)	2	29
Exchange differences	6	17
At 30 June	202	194

32. 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	
	2020	2019
	RM'000	RM'000
Dividend income received/receivable from subsidiaries (Note 4)	15,327	25,055

Information regarding outstanding balances arising from related party transactions as at 30 June 2020 and 2019 are disclosed in Note 20.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

32. Related party disclosures (cont'd)

(b) Compensation of key management personnel

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	5,784	5,515	281	285
Defined contribution plan	179	175	-	-
	5,963	5,690	281	285

Included in the total key management personnel is:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 9)	2,055	2,051	281	285

33. Commitments

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2020	2019
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	7,220	17,044

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

33. 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
Operating lease commitments payable:	
Not later than 1 year	630
Later than 1 year but not later than 5 years	2,522
Later than 5 years	4,243
	<hr/> 7,395 <hr/>

Operating lease payments represent rental payable by the Group for use of land in Vietnam. In prior year, these leases have tenure ranging from 30 to 41 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.

As explained in Note 2.2, the Group and the Company have changed its accounting policies for leases and the impact of the change and the reconciliation for the differences between operating lease commitments disclosed as at 30 June 2019 and lease liabilities recognised at the date of initial application of 1 July 2019 are disclosed accordingly. The new policies are as described in Note 2.22.

34. 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 (current & non-current)	20
Cash and bank balances	23
Loans and borrowings (current & non-current)	24
Trade and other payables	25



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

A. Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (cont'd)

The carrying amounts of these current 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 amount of non-current receivables which are based on principal amounts outstanding representing approximately the cash flow receivables discounted at their effective yield, closely approximate their fair values.

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

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 (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. |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

B. Fair value of financial instruments that are carried at fair value (cont'd)

Fair value hierarchy (cont'd)

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

Group	Note	Significant observable inputs (Level 2)	
		2020 RM'000	2019 RM'000
Financial assets:			
Investment securities	21	53,026	54,735
Derivative financial assets			
- Forward currency contract	22	-	154
- Interest rate swap	22	-	11
		<hr/> 53,026	<hr/> 54,900
Financial liabilities:			
Derivative financial liabilities			
- Forward currency contract	22	1,150	-
- Interest rate swap	22	2	-
		<hr/> 1,152	<hr/> -
Company			
Financial asset:			
Investment securities	21	7,402	7,552

Derivatives

Forward currency contracts and interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

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

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

Assets:	Note	Significant observable inputs (Level 3)	
		2020 RM'000	2019 RM'000
Investment properties	14	99,781	56,852



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

35. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

(a) Credit risk (cont'd)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.
- A nominal amount of RM104,888,000 (2019: RM113,592,000) 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.

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		Group	
	2020		2019	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	3,407	6%	3,253	6%
United States	32,076	59%	27,688	55%
Thailand	1,326	2%	1,334	3%
Others	17,896	33%	18,201	36%
	54,705	100%	50,476	100%

At the reporting date, approximately 43% (2019: 41%) of the Group's trade receivables were due from 3 major overseas customers (2019: 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

(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.

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.

	2020			
	RM'000			
	On demand or within one year	One to five years	Over five years	Total
Group				
Financial assets:				
Trade and other receivables	59,430	-	-	59,430
Investment securities	42,974	10,052	-	53,026
Cash and bank balances	126,206	-	-	126,206
Total undiscounted financial assets	228,610	10,052	-	238,662
Financial liabilities:				
Trade and other payables	78,346	-	-	78,346
Loans and borrowings	95,853	5,783	4,979	106,615
Lease liabilities	1,112	1,892	5,738	8,742
Derivatives	390	762	-	1,152
Total undiscounted financial liabilities	175,701	8,437	10,717	194,855
Total net undiscounted financial assets/(liabilities)	52,909	1,615	(10,717)	43,807

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

(b) Liquidity risk (cont'd)

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

	2020 RM'000			
	On demand or within one year	One to five years	Over five years	Total
Company				
Financial assets:				
Trade and other receivables	-	168,029	-	168,029
Investment securities	7,402	-	-	7,402
Cash and bank balances	14,658	-	-	14,658
Total undiscounted financial assets	22,060	168,029	-	190,089
Financial liabilities:				
Trade and other payables, excluding financial guarantees*, representing total undiscounted financial liability	97	-	-	97
Total net undiscounted financial assets	21,963	168,029	-	189,992
	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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

(b) Liquidity risk (cont'd)

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

	2019 RM'000			
	On demand or within one year	One to five years	Over five years	Total
Group (cont'd)				
Financial liabilities:				
Trade and other payables	91,588	-	-	91,588
Loans and borrowings	107,490	5,283	6,010	118,783
Total undiscounted financial liabilities	199,078	5,283	6,010	210,371
Total net undiscounted financial assets/(liabilities)	69,020	(3,070)	(6,010)	59,940
	2019 RM'000			
	On demand or within one year	One to five years	Over five years	Total
Company				
Financial assets:				
Trade and other receivables	-	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 2020 (CONT'D)

35. 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 RM104,888,000 (2019: RM113,592,000). 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 1% (2019: 4%) of the Group's borrowings are at a fixed rate of interest.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10% lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM217,000 (2019: RM324,000) 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"), Singapore Dollar ("SGD") and China Renminbi ("CNH").



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

(d) Foreign currency risk (cont'd)

Approximately 97% (2019: 96%) and 85% (2019: 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 RM102,658,000 (2019: RM140,313,000) and RM14,292,000 (2019: RM11,688,000) for the Group and the Company respectively.

The Group uses forward currency contracts to eliminate the currency exposures on its bank balances. At 30 June 2020, the Group entered into forward currency contracts with notional amount of RM48,213,000 (2019: RM45,923,000).

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

Sensitivity analysis for foreign currency risk

	Group Profit net of tax	
	2020 RM'000	2019 RM'000
VND/RM - strengthened 10% (2019: 10%)	(688)	(1,817)
- weakened 10% (2019: 10%)	688	1,817
USD/RM - strengthened 10% (2019: 10%)	332	3,041
- weakened 10% (2019: 10%)	(332)	(3,041)
THB/RM - strengthened 10% (2019: 10%)	(199)	26
- weakened 10% (2019: 10%)	199	(26)
SGD/RM - strengthened 10% (2019: 10%)	602	161
- weakened 10% (2019: 10%)	(602)	(161)
CNH/RM - strengthened 10% (2019: 10%)	406	-
- weakened 10% (2019: 10%)	(406)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

36. Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (i) Amortised cost ("AC"); and
- (ii) Fair value through profit or loss ("FVTPL")

	Note	Carrying amounts RM'000	AC RM'000	FVTPL RM'000
Group				
Financial assets				
At 30 June 2020				
Trade and other receivables (excluding import duty, GST receivables and advance to suppliers included in other receivables)	20	59,430	59,430	-
Investment securities	21	53,026	-	53,026
Cash at banks and in hand	23	71,947	71,947	-
Deposits with licensed banks	23	54,259	54,259	-
		238,662	185,636	53,026
At 30 June 2019				
Trade and other receivables (excluding import duty, GST receivables and advance to suppliers included in other receivables)	20	55,844	55,844	-
Investment securities	21	54,735	-	54,735
Derivatives	22	165	-	165
Cash at banks and in hand	23	93,893	93,893	-
Deposits with licensed banks	23	65,674	65,674	-
		270,311	215,411	54,900
Financial liabilities				
At 30 June 2020				
Trade and other payables (excluding import and export duties and SST payable)	25	78,346	78,346	-
Lease liabilities	30	6,852	6,852	-
Loan and borrowings	24	104,888	104,888	-
Derivatives	22	1,152	-	1,152
		191,238	190,086	1,152
At 30 June 2019				
Trade and other payables (excluding import and export duties and SST payable)	25	91,588	91,588	-
Loan and borrowings	24	113,592	113,592	-
		205,180	205,180	-



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

36. Categories of financial instruments (cont'd)

	Note	Carrying amounts RM'000	AC RM'000	FVTPL RM'000
Company				
Financial assets				
At 30 June 2020				
Trade and other receivables	20	168,029	168,029	-
Investment securities	21	7,402	-	7,402
Cash at banks and in hand	23	8,559	8,559	-
Deposits with licensed banks	23	6,099	6,099	-
		190,089	182,687	7,402
At 30 June 2019				
Trade and other receivables	20	164,769	164,769	-
Investment securities	21	7,552	-	7,552
Cash at banks and in hand	23	12,878	12,878	-
		185,199	177,647	7,552
Financial liabilities				
At 30 June 2020				
Trade and other payables	25	97	97	-
At 30 June 2019				
Trade and other payables	25	90	90	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

37. 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 2020 and 2019.

The Group monitors capital using a gearing ratio, which is net cash divided by total capital plus net cash. The Group's policy is to keep the gearing ratio at a reasonable level. The Group includes within net cash, loans and borrowings, less cash and bank balances.

	Note	Group	
		2020 RM'000	2019 RM'000
Loans and borrowings	24	104,888	113,592
Less: Cash and bank balances	23	(126,206)	(159,567)
Net cash		(21,318)	(45,975)
Equity attributable to owners of the parent, represents total capital		578,001	564,435
Total capital and net cash		556,683	518,460
Gearing ratio		-4%	-9%

38. 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

38. Segment information (cont'd)

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.

30 June 2020	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
Revenue:						
External	680,880	1,200	2,660	-		684,740
Inter-segment	23,184	-	23,590	(46,774)	A	-
Total revenue	704,064	1,200	26,250	(46,774)		684,740
Results:						
Interest income from deposits	1,696	1	1,335	-		3,032
Depreciation and amortisation	20,036	298	137	(906)		19,565
Other non-cash net expenses/(income)	6,989	-	(997)	506	B	6,498
Segment profit before tax	22,166	327	24,834	(24,352)	C	22,975
Assets:						
Additions to property, plant and equipment/ investment properties/right-of-use assets	29,027	30,585	11,189	-	D	70,801
Segment assets	710,839	51,504	529,108	(494,419)	E	797,032
Liabilities:						
Segment liabilities	220,515	46,160	203,888	(279,035)	F	191,528

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

38. Segment information (cont'd)

30 June 2019	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
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 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	688,034	21,106	525,868	(446,610)	E	788,398
Liabilities:						
Segment liabilities	217,144	16,106	199,968	(227,696)	F	205,522



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

38. 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	2020 RM'000	2019 RM'000
Net unrealised foreign exchange gain	5	(586)	(2,059)
Net fair value gain on investment securities	5	(690)	(360)
Net fair value loss on derivatives	7	1,317	70
Gain on disposal of property, plant and equipment	5	(8)	(14)
Allowance of expected credit losses	7	4,009	1,258
Property, plant and equipment written off	7	-	218
Provision for severance allowance	7	3	7
Inventories written down	7	2,451	411
Reversal of inventories written down	7	-	(84)
Retirement benefit expense	8	2	29
		<hr/> 6,498	<hr/> (524)

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:

	2020 RM'000	2019 RM'000
Revenue from inter-segment	(46,774)	(63,325)
Cost of sales from inter-segment	25,324	28,914
Other income from inter-segment	(5,292)	(101,427)
Other expenses from inter-segment	2,390	38,117
	<hr/> (24,352)	<hr/> (97,721)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

38. Segment information (cont'd)

Notes: Nature of consolidation adjustments to arrive at amounts reported in the consolidated financial statements. (cont'd)

D Additions to non-current assets consist of:

	2020 RM'000	2019 RM'000
Property, plant and equipment	29,027	30,576
Investment properties	30,585	-
Right-of-use assets	11,189	-
	<hr/> 70,801	<hr/> 30,576

E The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2020 RM'000	2019 RM'000
Tax recoverable and deferred tax assets	3,124	3,012
	<hr/> 3,124	<hr/> 3,012

F The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2020 RM'000	2019 RM'000
Tax payable and deferred tax liabilities	30,627	21,453
	<hr/> 30,627	<hr/> 21,453

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysia	126,823	141,950	152,510	109,379
Vietnam	540,999	564,926	182,102	154,651
Thailand	16,918	22,692	25,581	24,734
	<hr/> 684,740	<hr/> 729,568	<hr/> 360,193	<hr/> 288,764



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

38. Segment information (cont'd)

Geographical information (cont'd)

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	2020 RM'000	2019 RM'000
Property, plant and equipment	246,891	247,603
Right-of-use assets	37,661	-
Investment properties	65,508	21,491
Other investments	81	81
Land use rights	-	17,376
Investment securities	10,052	2,213
	<hr/> 360,193	<hr/> 288,764

Information about major customers

Revenue from major customers amounting to RM343,514,000 (2019: RM311,145,000), arising from sales by the top 5 major customers (2019: top 5 major customers) which accounted for 50% (2019: 43%) of the total revenue of the Group.

39. Comparative

Certain comparative figures in the notes to the financial statements have been reclassified to conform with current year's presentation.

40. Significant events

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak to be a global pandemic. On 16 March 2020, the Government of Malaysia imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in the country. The Covid-19 outbreak also resulted in travel restriction, lockdown, quarantines, social distancing and closures of non-essential services which have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. This has also brought major economic uncertainties in Malaysia within which the Group and the Company operates.

As the outbreak continue to evolve, it is challenging to predict the full extend and duration of its impact on business and economy. For the Group and the Company, the impact on business operations has not been a direct consequence of the Covid-19 outbreak, but a result of the measures taken by the Government of Malaysia to contain it.

The outbreak of the Covid-19 continues to impact in many countries and the rising number of infections has threatened the global economic recovery. The Group's results for the financial year have been impaired by the restricted movement control orders in Malaysia. Sales orders have also been disrupted due to movement restrictions of goods in the Group international markets in the United States of America and Europe.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

40. Significant events (cont'd)

The effects of the Covid-19 global pandemic are still unfolding and the Group is unable to ascertain its full impact.

Nevertheless, the home lifestyle furniture segment remains the Group's core business. With the Group's cost reduction strategies in place, enhancing production efficiency, re-engineering higher margin products including research and development of new products and continuous engagement with the international customers, the Group will endeavour to remain profitable in the next financial year.

41. Subsequent event

On 17 July 2020, Latitude Tree Furniture Sdn. Bhd. and Rhong Khen Timbers Sdn. Bhd., both wholly-owned subsidiaries of the Company entered into Memorandum of Understanding ("MOU") with Advancecon Solar Sdn. Bhd. to install rooftop solar system under the Net Energy Metering scheme on the rooftop of the Group's premises.

42. Authorisation of financial statements for issue

The financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 13 October 2020.



PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES

AS AT 30 JUNE 2020

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	27	167,433	8,310	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	20	168,800	10,256	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	22	171,518	7,752	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	22	674,879	8,938	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 5 blocks of factory building	Leasehold	2058	20	671,345	11,289	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	146	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	17/28	332,939	19,984	2 May 2001 (R)
H.S 270, PT No.5920, Batu 8 ½, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Agricultural land with 1 block of warehouse building	Leasehold	2071	26	103,727	389	14 April 2003 (A)
H.S.(M) 35437, PT 56964, Batu 8, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Workers' quarters	Freehold	N/A	13	59,890	2,116	18 December 2006 (A)

PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES

AS AT 30 JUNE 2020 (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	14	869,024	14,149	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	565	21 January 2005 (A)
Title Deed No. 17617 and 42908, Moo 1, Tung Mo Subdistrict, Sadao District, Songkhla Province, Thailand	Vacant land	Freehold	N/A	N/A	322,401	776	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	19	637,869	15,459	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	20	140,243	4,107	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	19	111,008	6,007	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	15	780,082	15,631	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	13	1,011,043	19,620	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	12	1,035,962	19,731	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	13	1,116,670	26,706	November 2006 (A)



PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES

AS AT 30 JUNE 2020 (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 A_15B_CN, Bau Bang Industrial Park, Lai Uyen Town, Bau Bang District, Binh Duong Province, Vietnam	Vacant land	Leasehold	2057	N/A	475,690	11,256	Feb 2020 (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	26	190,757	20,644	8 October 2014 (A)
Lot 6102, Jalan Haji Abdul Manan, Kawasan Perindustrian Meru Selatan, 41050 Klang, Selangor Darul Ehsan	Vacant industrial land	Freehold	N/A	N/A	435,605	30,585	25 November 2019 (A)
PT 10549, Kawasan Perindustrian Ajil, Mukim Tanggul, 21800 Hulu Terengganu, Terengganu Darul Iman	Industrial land with 1 block of factory building	Leasehold	2074	3	175,226	4,959	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	3	199,100	4,908	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	174	13 July 2014 (A)

ANALYSIS OF SHAREHOLDINGS

AS AT 2 OCTOBER 2020

Total Number of Issued Shares	:	97,207,500 (including shares held as Treasury Shares)
Treasury Shares	:	1,957,500 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	170	9.19	7,666	0.01
100 - 1,000	385	20.82	271,329	0.28
1,001 - 10,000	1,034	55.89	3,941,105	4.14
10,001 - 100,000	223	12.05	6,308,625	6.62
100,001 - 4,762,499	32	1.73	31,828,747	33.42
4,762,500 (5% of Issued Shares) and above	6	0.32	52,892,528	55.53
TOTAL	1,850	100.00	95,250,000	100.00

THIRTY LARGEST SHAREHOLDERS/DEPOSITORS AS AT 2 OCTOBER 2020

Name of Shareholders/Depositors	No. of Shares	% of Issued Capital
1. LIN CHEN, JUI-FEN	15,224,902	15.98
2. RHB NOMINEES (TEMPATAN) SDN. BHD. MAYBANK KIM ENG SECURITIES PTE. LTD. FOR KONSORTIUM KONTREK SDN. BHD.	10,110,000	10.61
3. LIN CHEN, JUI-FEN	9,041,826	9.49
4. HSBC NOMINEES (ASING) SDN. BHD. KBL EURO PB FOR SAMARANG UCITS – SAMARANG ASIAN PROSPERITY	7,815,800	8.21
5. LIN, CHIN-HUNG	5,700,000	5.98
6. LIN, CHENG-HUNG	5,000,000	5.25
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	4.73
9. CHEN, CHIU-CHIN	3,802,700	3.99
10. KENANGA NOMINEES (ASING) SDN. BHD. FOR LIU, HSU-CHOU	3,160,900	3.32
11. LIM PEI TIAM @ LIAM AHAT KIAT	2,438,900	2.56
12. AFFIN HWANG NOMINEES (ASING) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LI, YI-PING	2,360,700	2.48
13. KENANGA NOMINEES (ASING) SDN. BHD. FOR LIU, CHIA-HSING	1,533,000	1.61
14. HO SUE BIA	1,157,472	1.22
15. CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	998,000	1.05
16. AMANAH RAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	938,600	0.99
17. AFFIN HWANG NOMINEES (ASING) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIN, CHIN-HUNG	820,000	0.86
18. LIU, CHIA-HSING	644,000	0.68
19. LIU, HSU-CHOU	561,000	0.59
20. AFFIN HWANG NOMINEES (ASING) SDN. BHD. PHILLIP SECURITIES PTE LTD FOR TOH ONG TIAM	460,200	0.48



ANALYSIS OF SHAREHOLDINGS

AS AT 2 OCTOBER 2020 (CONT'D)

THIRTY LARGEST SHAREHOLDERS/DEPOSITORS AS AT 2 OCTOBER 2020 (CONT'D)

Name of Shareholders/Depositors	No. of Shares	% of Issued Capital
21. MAYBANK NOMINEES (ASING) SDN. BHD. NOMURA SINGAPORE LIMITED FOR YONG HENG CHOE	440,000	0.46
22. DB (MALAYSIA) NOMINEE (ASING) SDN. BHD. DEUTSCHE BANK AG SINGAPORE FOR YEOMAN 3-RIGHTS VALUE ASIA FUND (PTSL)	400,000	0.42
23. RHB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR YONG LOY HUAT	297,000	0.31
24. THONG THYE SIANG SDN. BHD.	266,800	0.28
25. FIRST LOOK CORPORATION SDN. BHD.	230,000	0.24
26. MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR DANA MAKMUR PHEIM	224,600	0.24
27. WONG CHONG HAI	220,600	0.23
28. TEE KIAM HENG	190,000	0.20
29. TEE KIAM HENG	180,000	0.19
30. HLB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM PAY KAON	171,000	0.18
TOTAL	83,650,150	87.82

SUBSTANTIAL SHAREHOLDERS AS AT 2 OCTOBER 2020

Name of Substantial Shareholders	Direct		Indirect	
	No. of Shares Held	% of Issued Capital	No. of Shares Held	% of Issued Capital
Lin Chen, Jui-Fen	24,351,978	25.57	-	-
Lin, Chin-Hung	6,520,000	6.85	-	-
Lin, Cheng-Hung	5,000,000	5.25	-	-
Konsortium Kontrek Sdn. Bhd.	14,610,000	15.34	-	-
Samarang UCITS – Samarang Asian Prosperity	7,815,800	8.21	-	-
Yek Siew Liong	-	-	14,610,000 ⁽¹⁾	15.34

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 2 OCTOBER 2020

Name of Directors	Direct		Indirect	
	No. of Shares Held	% of Issued Capital	No. of Shares Held	% of Issued Capital
Lin Chen, Jui-Fen	24,351,978	25.57	-	-
Lin, Chin-Hung	6,520,000	6.85	-	-
Yek Siew Liong	-	-	14,610,000 ⁽¹⁾	15.34
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.



LATITUDE TREE HOLDINGS BERHAD

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