



LATITUDE TREE HOLDINGS BERHAD (302829-W)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(UNAUDITED) FOR THE PERIOD ENDED 31 DECEMBER 2019

| | Individual quarter ended | | Cumulative quarter ended | |
|--|---|--|---|--|
| | Current year quarter 31.12.2019 RM'000 | Preceding year corresponding quarter 31.12.2018 RM'000 | Current year quarter 31.12.2019 RM'000 | Preceding year corresponding quarter 31.12.2018 RM'000 |
| Revenue | 209,251 | 204,484 | 403,953 | 418,678 |
| Cost of sales | (184,152) | (170,989) | (359,324) | (360,543) |
| Gross profit | 25,099 | 33,495 | 44,629 | 58,135 |
| Other income | 1,224 | 1,551 | 2,628 | 4,862 |
| Selling and marketing expenses | (6,748) | (6,286) | (11,922) | (11,552) |
| Administrative expenses | (5,170) | (5,677) | (11,423) | (11,405) |
| Other expenses | (3,889) | (1,076) | (4,504) | (2,097) |
| Operating profit | 10,516 | 22,007 | 19,408 | 37,943 |
| Finance costs | (1,166) | (1,002) | (2,154) | (1,845) |
| Profit before taxation | 9,350 | 21,005 | 17,254 | 36,098 |
| Taxation | (2,145) | (4,139) | (3,480) | (6,103) |
| Profit for the period | 7,205 | 16,866 | 13,774 | 29,995 |
| Attributable to : | | | | |
| Owners of the parent | 7,205 | 16,866 | 13,774 | 29,995 |
| Non-controlling interest | - | - | - | - |
| Profit for the period | 7,205 | 16,866 | 13,774 | 29,995 |
| Earnings per share (sen) : | | | | |
| (a) Basic | 7.51 | 17.40 | 14.36 | 30.94 |
| (b) Diluted | 7.51 | 17.40 | 14.36 | 30.94 |
| Weighted average number of ordinary shares ('000) | 95,946.1 | 96,941.1 | 95,946.1 | 96,941.1 |
| Profit for the period | 7,205 | 16,866 | 13,774 | 29,995 |
| Other comprehensive income: | | | | |
| Foreign currency translation | (5,674) | (192) | (2,542) | 6,660 |
| Net (loss)/gain on available-for-sale financial assets | | | | |
| - (Loss)/gain on fair value changes | - | (64) | - | 93 |
| Total comprehensive income for the period | 1,531 | 16,610 | 11,232 | 36,748 |
| Total comprehensive income attributable to : | | | | |
| Owners of the parent | 1,531 | 16,610 | 11,232 | 36,748 |
| Non-controlling interest | - | - | - | - |
| Total comprehensive income for the period | 1,531 | 16,610 | 11,232 | 36,748 |

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



LATITUDE TREE HOLDINGS BERHAD (302829-W)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 DECEMBER 2019**

| | Unaudited 31.12.2019 RM'000 | Audited 30.06.2019 RM'000 |
|-------------------------------|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 251,243 | 247,603 |
| Investment properties | 21,351 | 21,491 |
| Right of use assets | 19,966 | 17,376 |
| Other investments | 81 | 81 |
| Investment securities | 2,213 | 2,213 |
| Deferred tax assets | 1,163 | 1,349 |
| | <u>296,017</u> | <u>290,113</u> |
| Current assets | | |
| Inventories | 182,841 | 210,249 |
| Trade and other receivables | 91,451 | 76,261 |
| Prepayments | 4,941 | 870 |
| Tax recoverable | 1,544 | 1,663 |
| Derivatives | 317 | 165 |
| Cash and bank balances | 176,312 | 159,567 |
| Investment securities | 61,131 | 52,522 |
| | <u>518,537</u> | <u>501,297</u> |
| TOTAL ASSETS | <u><u>814,554</u></u> | <u><u>791,410</u></u> |



LATITUDE TREE HOLDINGS BERHAD (302829-W)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 DECEMBER 2019 (CONT'D)

| | Unaudited 31.12.2019 RM'000 | Audited 30.06.2019 RM'000 |
|--|-----------------------------------|---------------------------------|
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the parent | | |
| Share capital | 98,433 | 98,433 |
| Treasury shares | (5,581) | (870) |
| Retained earnings | 407,753 | 397,848 |
| Foreign currency translation reserve | 66,482 | 69,024 |
| | <u>567,087</u> | <u>564,435</u> |
| Non-controlling interest | - | - |
| Total equity | <u>567,087</u> | <u>564,435</u> |
| Non-current liabilities | | |
| Bank borrowings | 8,147 | 9,344 |
| Lease liabilities | 3,951 | - |
| Provision for severance allowance | 33 | 32 |
| Retirement benefit obligation | 197 | 194 |
| Deferred tax liabilities | 3,553 | 3,257 |
| | <u>15,881</u> | <u>12,827</u> |
| Current liabilities | | |
| Trade and other payables | 101,598 | 91,704 |
| Bank borrowings | 110,481 | 104,248 |
| Lease liabilities | 103 | - |
| Tax payable | 19,404 | 18,196 |
| | <u>231,586</u> | <u>214,148</u> |
| Total liabilities | <u>247,467</u> | <u>226,975</u> |
| TOTAL EQUITY AND LIABILITIES | <u>814,554</u> | <u>791,410</u> |
| Net assets per share attributable to owners of the parent (RM) | <u>5.95</u> | <u>5.82</u> |

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



LATITUDE TREE HOLDINGS BERHAD (302829-W)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2019**

| | <u>Share capital</u> RM'000 | <u>Treasury shares</u> RM'000 | Non-distributable | | <u>Distributable Retained earnings</u> RM'000 | <u>Total</u> RM'000 | <u>Non-controlling interest</u> RM'000 | <u>Total equity</u> RM'000 |
|--|--------------------------------|----------------------------------|--|---|--|------------------------|---|-------------------------------|
| | | | <u>Fair value adjustment reserve</u> RM'000 | <u>Foreign currency translation reserve</u> RM'000 | | | | |
| At 1 July 2018 | 98,433 | (851) | 32 | 60,769 | 387,188 | 545,571 | - | 545,571 |
| Total comprehensive income for the period | - | - | 93 | 6,660 | 29,995 | 36,748 | - | 36,748 |
| Dividend paid | - | - | - | - | (5,816) | (5,816) | - | (5,816) |
| Purchase of treasury shares | - | (19) | - | - | - | (19) | - | (19) |
| At 31 December 2018 | 98,433 | (870) | 125 | 67,429 | 411,367 | 576,484 | - | 576,484 |
| At 1 July 2019 (as previously stated) | 98,433 | (870) | - | 69,024 | 397,848 | 564,435 | - | 564,435 |
| Effect of adoption of MFRS 16 | - | - | - | - | (1,009) | (1,009) | - | (1,009) |
| At 1 July 2019 (restated) | 98,433 | (870) | - | 69,024 | 396,839 | 563,426 | - | 563,426 |
| Total comprehensive income for the period | - | - | - | (2,542) | 13,774 | 11,232 | - | 11,232 |
| Dividend paid | - | - | - | - | (2,860) | (2,860) | - | (2,860) |
| Purchase of treasury shares | - | (4,711) | - | - | - | (4,711) | - | (4,711) |
| At 31 December 2019 | 98,433 | (5,581) | - | 66,482 | 407,753 | 567,087 | - | 567,087 |

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2019**

| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | | |
|--|-----------------------------------|----------------------|-----------------------------|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before taxation | 17,254 | 36,098 | | |
| Adjustments for: | | | | |
| Depreciation and amortisation | 9,364 | 9,327 | | |
| Property, plant and equipment written off | - | 5 | | |
| Impairment loss on trade receivables | 1,253 | - | | |
| Fair value (gain)/loss on derivatives | (152) | 91 | | |
| Fair value gain on investment securities | (242) | (202) | | |
| Net unrealised foreign exchange loss/(gain) | 1,051 | (1,533) | | |
| Gain on disposal of property, plant and equipment | (8) | (24) | | |
| Investment income from investment securities | (371) | (482) | | |
| Non cash items | 1 | (2) | | |
| Net financing costs | 696 | 466 | | |
| Operating profit before working capital changes | 28,846 | 43,744 | | |
| Changes in working capital | | | | |
| Net change in current assets | 1,214 | (31,345) | | |
| Net change in current liabilities | 15,251 | (1,487) | | |
| Net income taxes paid | (1,439) | (2,397) | | |
| Net financing costs paid | (751) | (483) | | |
| Net cash flows from operating activities | 43,121 | 8,032 | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment income from investment securities | 371 | 482 | | |
| Purchase of property, plant and equipment | (13,590) | (11,518) | | |
| Proceeds from disposal of property, plant and equipment | 50 | 71 | | |
| (Increase)/decrease in deposits placed with licensed banks | (3,736) | 9,288 | | |
| Purchase of investment securities | (8,881) | (9,402) | | |
| Net cash flows used in investing activities | (25,786) | (11,079) | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Net drawdown of bank borrowings | 6,317 | 12,272 | | |
| Dividends paid on ordinary shares | (2,860) | (5,816) | | |
| Movement of deposits placed as securities for bank borrowings and guarantees | (181) | (221) | | |
| Treasury shares acquired | (4,711) | (19) | | |
| Net cash flows (used in)/from financing activities | (1,435) | 6,216 | | |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 15,900 | 3,169 | | |
| CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD | 137,354 | 151,569 | | |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (3,072) | 438 | | |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 150,182 | 155,176 | | |
| Cash and cash equivalents included in the Consolidated Statement of Cash Flows comprise the following balance sheet amounts : | | | | |
| Cash and bank balances | 91,788 | 87,590 | | |
| Term deposits | 84,524 | 76,832 | | |
| | 176,312 | 164,422 | | |
| Less: | | | | |
| Deposits pledged as securities for bank borrowings and guarantees | (14,386) | (9,246) | | |
| Deposits with licensed banks with tenure more than three months | (11,744) | - | | |
| | 150,182 | 155,176 | | |
| Reconciliation of liabilities arising from financing activities: | | | | |
| | Carrying amount as at 1 July 2019 | Cash flows | Effects of foreign exchange | Carrying amount as at 31 December 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Group</u> | | | | |
| Loans and borrowings | 113,592 | 6,317 | (1,281) | 118,628 |

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



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NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2019

A1. BASIS OF PREPARATION

The interim financial report is unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Chapter 9 paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's audited financial statements for the year ended 30 June 2019.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2019 except for the changes in accounting policies and presentation resulting from the adoption of relevant MFRSs, Amendment to MFRSs and IC Interpretations that are effective for the financial periods beginning on 1 July 2019.

The adoption of relevant MFRSs, Amendment to MFRSs and IC Interpretations did not have any material effect on the financial performance or position of the Group except as disclosed below:

MFRS 16 Leases

The Group has adopted the new standard on the required effective date using the modified retrospective transition approach, which measures the lease liabilities based on the present value of future lease payments calculated using the incremental borrowing rate and exchange rate at date of transition. Lease payments would be split into principal and interest payments, using the effective interest method.

Correspondingly, the right-of-use ("ROU") assets are based on the present value of the liability at the commencement date of the lease, adding any directly attributable costs. The ROU assets will be depreciated on a straight-line basis over the shorter of the lease term and the useful life of the leased assets.

On the date of initial application, the Group applied the simplified transition approach and did not restate comparative amounts for the period prior to first adoption.

The adoption of MFRS 16 has the following impact:

To the opening balances as at 1 July 2019:

| | Audited 30.06.2019 RM'000 | Adjustments RM'000 | After MFRS 16 Adoption RM'000 |
|---------------------|--|-------------------------------|--|
| Right of use assets | 17,376 | 3,256 | 20,632 |
| Lease liabilities | - | (4,265) | (4,265) |
| Retained earnings | 397,848 | (1,009) | 396.839 |

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The latest audited financial statements for the financial year ended 30 June 2019 were not subject to any qualification.



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NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2019

A3. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence for the current quarter and financial period ended 31 December 2019.

A4. VALUATION OF PROPERTY, PLANT & EQUIPMENT

There was no revaluation of properties of the Group during the financial period ended 31 December 2019.

A5. TAXATION

The taxation of the Group for the financial period under review was as follows:-

| | Individual Quarter | | Cumulative Quarter | |
|----------------------|--------------------|--------------|--------------------|--------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax expense | | | | |
| Malaysian | 789 | 1,074 | 1,302 | 1,150 |
| Overseas | 1,149 | 3,044 | 1,705 | 4,912 |
| Total | 1,938 | 4,118 | 3,007 | 6,062 |
| Deferred tax expense | | | | |
| Malaysian | 207 | 21 | 473 | 41 |
| Overseas | - | - | - | - |
| Total | 207 | 21 | 473 | 41 |
| | 2,145 | 4,139 | 3,480 | 6,103 |

A6. CHANGES IN THE COMPOSITION OF THE GROUP

There was no change to the composition of the Group in the quarter ended 31 December 2019.

A7. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current quarter that would have impact on the result that had been reflected in the quarter under review except for on 10 February 2020, RK Resources Co. Ltd. ("RKR"), an indirect wholly-owned subsidiary of the Company received a proposal of first interim payment of VND15.0 billion



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(equivalent to RM2.65 million) for the fire damage claim from the insurer and the management of RKR has accepted the proposal on even date.

A8. CHANGES IN EQUITY AND LONG TERM DEBTS

There were no changes in equity and long term debts for the current quarter ended 31 December 2019, other than the following repurchase of shares by the Company:

| Month | Number of shares purchased and retained as treasury shares | Lowest price paid RM | Highest price paid RM | Average price paid RM | Total consideration paid RM |
|--------------|--|----------------------|-----------------------|-----------------------|-----------------------------|
| October 2019 | 104,300 | 2.72 | 2.76 | 2.75 | 286,310.46 |

A9. BORROWINGS AND DEBTS SECURITIES

Details of the Group's borrowings were as follows:

| | As at 31 December 2019 | | | | | |
|---------------------------|---|--------|---|--------|---|--------|
| | Long term | | Short term | | Total borrowings | |
| | RM equivalents of amount denominated in foreign currency (RM'000) | RM'000 | RM equivalents of amount denominated in foreign currency (RM'000) | RM'000 | RM equivalents of amount denominated in foreign currency (RM'000) | RM'000 |
| Secured | | | | | | |
| Term loan (USD) | - | - | 2,455 | - | 2,455 | - |
| Term loan (RM) | - | 8,147 | - | 730 | - | 8,877 |
| Bankers' acceptances (RM) | - | - | - | 849 | - | 849 |
| Revolving credit (USD) | - | - | 4,093 | - | 4,093 | - |
| Unsecured | | | | | | |
| Trust receipts (USD) | - | - | 102,354 | - | 102,354 | - |
| Total | - | 8,147 | 108,902 | 1,579 | 108,902 | 9,726 |



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NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2019

| | As at 30 June 2019 | | | | | |
|---------------------------|---|--------|---|--------|---|--------|
| | Long term | | Short term | | Total borrowings | |
| | RM equivalents of amount denominated in foreign currency (RM'000) | RM'000 | RM equivalents of amount denominated in foreign currency (RM'000) | RM'000 | RM equivalents of amount denominated in foreign currency (RM'000) | RM'000 |
| Secured | | | | | | |
| Term loan (USD) | 828 | - | 3,314 | - | 4,142 | - |
| Term loan (RM) | - | 8,516 | - | 715 | - | 9,231 |
| Bankers' acceptances (RM) | - | - | - | 2,201 | - | 2,201 |
| Revolving credit (USD) | - | - | 2,071 | - | 2,071 | - |
| Unsecured | | | | | | |
| Trust receipts (USD) | - | - | 95,947 | - | 95,947 | - |
| Total | 828 | 8,516 | 101,332 | 2,916 | 102,160 | 11,432 |

A10. FINANCIAL INSTRUMENTS - DERIVATIVES

Details of the Group's outstanding derivative financial instruments were as follows:

| | As at 31 December 2019 | | | As at 30 June 2019 | | |
|--------------------------------------|---------------------------------|--------|-------------|---------------------------------|--------|-------------|
| | Contract/ Notional amount | Assets | Liabilities | Contract/ Notional amount | Assets | Liabilities |
| Non-hedging derivatives: | | | | | | |
| Current | | | | | | |
| Forward currency contracts | 28,748 | 306 | - | 45,923 | 154 | - |
| Interest rate swap | 2,455 | 11 | - | 4,142 | 11 | - |
| | | 317 | - | | 165 | - |
| Non-current | | | | | | |
| Interest rate swap | | - | - | | - | - |
| Total non-hedging derivatives | | 317 | - | | 165 | - |



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

Forward currency contracts are used to hedge the Group's bank balance denominated in United States Dollar ("USD") for which Group's commitments existed at the reporting date, extending to November 2019 and February 2022. During the financial period under review, the Group recognised a gain of RM151,750 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. 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% p.a. and has the same maturity terms as the bank loan.

A11. CHANGES IN MATERIAL LITIGATION

There was no material litigation or any pending material litigation since the date of the last annual statement of financial position until 25 February 2020.

A12. SEGMENTAL INFORMATION

The Group's primary business segment, including its overseas subsidiaries is that of the manufacture and sale of wooden furniture and components.

Business segmental information has not been prepared as the Group's revenue, operating profit, assets and liabilities, capital expenditure, depreciation and amortisation and non-cash expenses are mainly confined to one business segment.

Geographical segments

The Group's business segment operates principally in Malaysia, Vietnam and Thailand.

In presenting information on the basis of geographical segments, segment revenue and profit before taxation, segment assets and liabilities were based on the geographical location of assets.



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NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2019

Results for the Individual Quarter ended 31 December

| RM'000 | Malaysia | | Vietnam | | Thailand | | Others | | Total | |
|-------------------------------|----------|---------|---------|---------|----------|---------|----------|----------|-----------|-----------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Total revenue | 39,848 | 39,930 | 169,705 | 163,278 | 4,894 | 6,465 | 20,832 | 27,004 | 235,279 | 236,677 |
| Inter-segment revenue | (5,436) | (5,084) | (150) | (190) | (954) | (1,140) | (19,488) | (25,779) | (26,028) | (32,193) |
| External revenue | 34,412 | 34,846 | 169,555 | 163,088 | 3,940 | 5,325 | 1,344 | 1,225 | 209,251 | 204,484 |
| Profit/(loss) before taxation | 2,036 | 4,290 | 7,481 | 15,219 | (441) | 477 | 274 | 1,019 | 9,350 | 21,005 |
| Segment assets | 232,068 | 269,987 | 449,946 | 427,675 | 34,897 | 32,020 | 540,459 | 358,154 | 1,257,370 | 1,087,836 |
| Segment liabilities | 27,446 | 188,316 | 218,448 | 180,300 | 12,990 | 12,283 | 212,722 | 101,257 | 471,606 | 482,156 |

Results for the Cumulative Quarter ended 31 December

| RM'000 | Malaysia | | Vietnam | | Thailand | | Others | | Total | |
|-------------------------------|----------|----------|---------|---------|----------|---------|----------|----------|-----------|-----------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Total revenue | 84,081 | 84,089 | 319,458 | 330,501 | 11,299 | 14,302 | 22,126 | 28,164 | 436,964 | 457,056 |
| Inter-segment revenue | (10,862) | (10,149) | (236) | (286) | (2,425) | (2,164) | (19,488) | (25,779) | (33,011) | (38,378) |
| External revenue | 73,219 | 73,940 | 319,222 | 330,215 | 8,874 | 12,138 | 2,638 | 2,385 | 403,953 | 418,678 |
| Profit/(loss) before taxation | 4,874 | 6,178 | 11,189 | 24,557 | (126) | 1,573 | 1,317 | 3,790 | 17,254 | 36,098 |
| Segment assets | 232,068 | 269,987 | 449,946 | 427,675 | 34,897 | 32,020 | 540,459 | 358,154 | 1,257,370 | 1,087,836 |
| Segment liabilities | 27,446 | 188,316 | 218,448 | 180,300 | 12,990 | 12,283 | 212,722 | 101,257 | 471,606 | 482,156 |



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NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2019

The following items are deducted from segment assets/liabilities to arrive at total assets/liabilities reported in the consolidated statement of financial position:

| | 31.12.2019 | 31.12.2018 |
|---------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Inter-segment assets | <u>442,816</u> | <u>290,310</u> |
| Inter-segment liabilities | <u>224,139</u> | <u>261,114</u> |

ADDITIONAL INFORMATION REQUIRED BY MAIN MARKET LISTING REQUIREMENT (APPENDIX 9B)

B1. MATERIAL CHANGE IN PROFIT BEFORE TAXATION COMPARED TO IMMEDIATE PRECEDING QUARTER

| RM' Million | Individual quarter | | Changes (%) |
|------------------------|--------------------|------------|-------------|
| | 31.12.2019 | 30.09.2019 | |
| Revenue | 209.3 | 194.7 | +7.5% |
| Gross profit | 25.1 | 19.5 | +28.7% |
| Profit before taxation | 9.4 | 7.9 | +19.0% |
| Profit after taxation | 7.2 | 6.6 | +9.1% |

Revenue

For the quarter under review, the Group's revenue surged 7.5% to RM209.3 million as compared to the preceding quarter of RM194.7 million. The increase was mainly attributable to the followings:

- higher sales recorded by furniture plants amounting to RM18.0 million in the quarter under review; offset with
- lower orders received by sawmill plants amounting to RM1.3 million; and
- lower orders received by panel board lamination plant amounting to RM1.9 million.

Gross profit

The Group has recorded higher gross profit from RM19.5 million in preceding quarter compared to RM25.1 million in current quarter, representing an increase of 28.7%. The increase in gross profit was mainly attributable to the followings:

- in line with the increase in revenue; and
- furniture plants recorded higher sales of better margin products during the quarter.



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Profit before taxation (“PBT”)

The Group has recorded an increase in PBT from RM7.9 million in preceding quarter to RM9.4 million in current quarter, representing an increase of 19.0%. The increase in PBT was mainly attributable to the followings:

- in line with the increase in gross profit; offset with
- registered foreign exchange loss of RM1.7 million in current quarter compared to foreign exchange gain of RM0.1 million in preceding quarter; and
- impairment loss on trade receivables amounting to RM1.2 million in current quarter.

Profit after taxation (“PAT”)

The Group recorded PAT of RM7.2 million in current quarter, representing an increase of 9.1% from RM6.6 million in preceding quarter was in line with increase in PBT offset with higher provision of taxation.

B2. REVIEW OF PERFORMANCE

| RM' Million | Cumulative quarter | | Changes (%) |
|------------------------|--------------------|------------|-------------|
| | 31.12.2019 | 31.12.2018 | |
| Revenue | 404.0 | 418.7 | -3.5% |
| Gross profit | 44.6 | 58.1 | -23.2% |
| Profit before taxation | 17.3 | 36.1 | -52.1% |
| Profit after taxation | 13.8 | 30.0 | -54.0% |

Revenue

The Group recorded revenue of RM404.0 million for the six months financial period ended 31 December 2019 (“Q2FY2020”), representing a decrease of 3.5% as compared to the six months financial period ended 31 December 2018 (“Q2FY2019”) of RM418.7 million. The decrease was mainly attributable to lower sales recorded by all divisions of the Group generally due to overall slowing down in demand impacted by the US China trade war. However, the decrease was offset by strengthening of US Dollar (“USD”) against Ringgit Malaysia (“RM”) by 0.8%.

Gross profit

Gross profit of the Group amounted to RM44.6 million in Q2FY2020, representing a decrease of 23.2% from RM58.1 million in Q2FY2019. The decrease in gross profit was mainly attributable to the followings:

- in line with the decrease in revenue;
- higher production costs due to shortage of workers in Vietnam;
- higher labour costs in Vietnam and Malaysia plants due to increase in minimum wages;
- and



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- lower profit margin of new products especially new upholstery products.

Profit before taxation (“PBT”)

PBT of the Group amounted to RM17.3 million in Q2FY2020, representing a significant decrease of 52.1% from RM36.1 million in Q2FY2019 was mainly attributable to the followings:

- in line with decrease in gross profit;
- registered foreign exchange loss of RM1.6 million in Q2FY2020 compared to foreign exchange gain of RM2.0 million in Q2FY2019; and
- impairment loss on trade receivables amounting to RM1.2 million in Q2FY2020.

Profit after taxation (“PAT”)

PAT of the Group amounted to RM13.8 million in Q2FY2020, representing a significant decrease of 54.0% from RM30.0 million in Q2FY2019 was in line with decrease in PBT.

B3. PROFIT FOR THE PERIOD

Profit for the period is arrived at after (crediting)/charging:

| | Individual quarter ended | | Cumulative quarter ended | |
|---|--------------------------|------------|--------------------------|------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | (795) | (732) | (1,458) | (1,379) |
| Interest expense | 1,166 | 1,002 | 2,154 | 1,845 |
| Investment income from investment securities | (258) | (275) | (371) | (482) |
| Depreciation and amortization | 4,712 | 4,737 | 9,364 | 9,327 |
| Gain on disposal of property, plant and equipment | (8) | (6) | (8) | (24) |
| Property, plant and equipment written off | - | 5 | - | 5 |
| Impairment loss on trade receivables | 1,253 | - | 1,253 | - |
| Unrealised foreign exchange loss/(gain) | 1,320 | (140) | 1,051 | (1,533) |
| Realised foreign exchange loss/(gain) | 373 | 169 | 509 | (511) |
| Fair value (gain)/loss on derivatives | (412) | (94) | (152) | 91 |
| Fair value gain on investment securities | (114) | (202) | (242) | (202) |



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B4. TRADE AND OTHER RECEIVABLES

| | 31.12.2019 RM'000 | 30.06.2019 RM'000 |
|---|----------------------|----------------------|
| Trade receivables | | |
| Third parties | 56,536 | 51,985 |
| Less: Allowance for impairment | (2,751) | (1,509) |
| Trade receivables, net | 53,785 | 50,476 |
| Other receivables | | |
| Deposits | 1,168 | 1,394 |
| Staff loans | 215 | 119 |
| Goods and services tax receivable | 907 | 907 |
| Sundry receivables | 35,670 | 23,654 |
| | 37,960 | 26,074 |
| Less: Allowance for impairment-sundry receivables | (294) | (289) |
| Other receivables, net | 37,666 | 25,785 |
| Total trade and other receivables | 91,451 | 76,261 |

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

| | 31.12.2019 RM'000 | 30.06.2019 RM'000 |
|-------------------------------|----------------------|----------------------|
| Neither past due nor impaired | 40,508 | 36,621 |
| Past due not impaired: | | |
| 1 - 30 days | 13,001 | 12,716 |
| 31 - 60 days | 12 | 568 |
| 61 - 90 days | - | 472 |
| > 91 days | 84 | 99 |
| Impaired | 2,751 | 1,509 |
| Gross trade receivables | 56,536 | 51,985 |

Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 90 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables

Included in sundry receivables of the Group are:

- i) Import duty and other direct taxes receivable in foreign subsidiaries of RM10,559,000 (30.06.2019: RM8,350,000); and
- ii) Advance to suppliers of RM7,204,000 (30.06.2019: RM2,312,000) that mainly relates to payment in advance for raw materials and machinery.
- iii) Advance payment of RM11,173,000 (30.06.2019: RM8,848,000) for leasing a parcel of land.



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B5. CORPORATE PROPOSAL

There were no corporate proposals announced but not completed as at 25 February 2020.

B6. SEASONAL OR CYCLICAL FACTORS

The Group operation is seasonal in nature whereby the turnover for the first three months of a calendar year is slightly lower due to long festive holidays which fall on the first quarter of the calendar year and also the lower demand in the United States which normally slows down after Christmas and New Year.

B7. CURRENT YEAR PROSPECT

Financial year 2020 is going to be another challenging year and the Group will continue with its strategies to diversify product range to include more upholstery products and innovative products. At the same time, the Group will also step up efforts to enhance its upstream activities and to grow its panel board operations.

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

B8. VARIANCE BETWEEN ACTUAL RESULT AND FORECAST PROFIT OR PROFIT GUARANTEE

The Group did not issue any profit forecast or profit guarantee for the quarter ended 31 December 2019.

B9. DIVIDEND

The Company had on 20 December 2019 paid a final single tier dividend of 3.0 sen per ordinary share for the financial year ended 30 June 2019.

On 25 February 2020, the Board of Directors approved and declared a first interim single tier dividend of 3.0 sen per ordinary share in respect of the financial year ending 30 June 2020 which will be paid on 15 May 2020. The entitlement date is on 17 April 2020.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- a) Shares transferred to the Depositor's Securities Account before 5.00 p.m. on 17 April 2020 in respect of transfers; and
- b) Shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.



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B10. EARNINGS PER SHARE (“EPS”)

| Basic EPS | Individual Quarter | | Cumulative Quarter | |
|---|--------------------|------------|--------------------|------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| Net profit attributable to owners the parent (RM'000) | 7,205 | 16,866 | 13,774 | 29,995 |
| Weighted average number of shares ('000) | 95,946.1 | 96,941.1 | 95,946.1 | 96,941.1 |
| Basic EPS (sen) | 7.51 | 17.40 | 14.36 | 30.94 |

B11. CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment not provided for in the financial statements as at 31 December 2019 were as follows:

| | |
|--|--------------|
| | RM'000 |
| Authorised by Directors and contracted | 9,346 |
| Authorised by Directors and not contracted | - |
| | 9,346 |