



LATITUDE TREE HOLDINGS BERHAD (302829-W)

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

	Individual quarter ended		Cumulative quarter ended	
	Current year quarter 31.03.2019 RM'000	Preceding year corresponding quarter 31.03.2018 RM'000	Current year quarter 31.03.2019 RM'000	Preceding year corresponding quarter 31.03.2018 RM'000
Revenue	152,035	164,497	570,713	578,114
Cost of sales	(137,915)	(149,249)	(498,458)	(509,322)
<b>Gross profit</b>	<b>14,120</b>	<b>15,248</b>	<b>72,255</b>	<b>68,792</b>
Other income	(10)	2,269	4,852	4,990
Selling and marketing expenses	(5,962)	(4,610)	(17,514)	(15,521)
Administrative expenses	(8,459)	(6,490)	(19,864)	(17,838)
Other expenses	(377)	(5,259)	(2,474)	(10,718)
<b>Operating (loss)/profit</b>	<b>(688)</b>	<b>1,158</b>	<b>37,255</b>	<b>29,705</b>
Finance costs	(1,034)	(801)	(2,879)	(2,324)
<b>(Loss)/profit before taxation</b>	<b>(1,722)</b>	<b>357</b>	<b>34,376</b>	<b>27,381</b>
Taxation	(344)	2,042	(6,447)	(1,890)
<b>(Loss)/profit for the period</b>	<b>(2,066)</b>	<b>2,399</b>	<b>27,929</b>	<b>25,491</b>
Attributable to :				
Owners of the parent	(2,066)	2,399	27,929	25,491
Non-controlling interest	-	-	-	-
<b>(Loss)/profit for the period</b>	<b>(2,066)</b>	<b>2,399</b>	<b>27,929</b>	<b>25,491</b>
<b>(Loss)/earnings per share (sen) :</b>				
(a) Basic	(2.13)	2.47	28.81	26.22
(b) Diluted	(2.13)	2.47	28.81	26.22
Weighted average number of ordinary shares ('000)	96,940.5	97,207.5	96,940.5	97,207.5
(Loss)/profit for the period	(2,066)	2,399	27,929	25,491
Other comprehensive income:				
Foreign currency translation	(2,837)	(11,000)	3,823	(24,375)
Net gain on available-for-sale financial assets				
- Gain on fair value changes	164	98	257	159
<b>Total comprehensive (loss)/income for the period</b>	<b>(4,739)</b>	<b>(8,503)</b>	<b>32,009</b>	<b>1,275</b>
Total comprehensive (loss)/income attributable to :				
Owners of the parent	(4,739)	(8,503)	32,009	1,275
Non-controlling interest	-	-	-	-
<b>Total comprehensive (loss)/income for the period</b>	<b>(4,739)</b>	<b>(8,503)</b>	<b>32,009</b>	<b>1,275</b>

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 MARCH 2019**

	<b>Unaudited 31.03.2019 RM'000</b>	<b>Audited 30.06.2018 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	233,203	229,707
Investment properties	21,016	21,239
Land use rights	15,766	16,015
Other investments	81	81
Derivatives	30	30
Investment securities	1,000	1,000
Deferred tax assets	1,518	1,811
	<u>272,614</u>	<u>269,883</u>
<b>Current assets</b>		
Inventories	193,418	172,136
Trade and other receivables	68,678	81,767
Prepayments	6,079	1,448
Tax recoverable	1,992	2,415
Derivatives	367	205
Cash and bank balances	165,781	169,882
Investment securities	74,294	53,297
	<u>510,609</u>	<u>481,150</u>
<b>TOTAL ASSETS</b>	<u><u>783,223</u></u>	<u><u>751,033</u></u>



**LATITUDE TREE HOLDINGS BERHAD (302829-W)**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2019 (CONT'D)**

	<b>Unaudited 31.03.2019 RM'000</b>	<b>Audited 30.06.2018 RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	98,433	98,433
Treasury shares	(870)	(851)
Retained earnings	409,301	387,188
Fair value adjustment reserve	289	32
Foreign currency translation reserve	64,592	60,769
	<u>571,745</u>	<u>545,571</u>
Non-controlling interest	-	-
<b>Total equity</b>	<u>571,745</u>	<u>545,571</u>
<b>Non-current liabilities</b>		
Bank borrowings	10,347	13,268
Provision for severance allowance	31	26
Retirement benefit obligation	156	148
Deferred tax liabilities	3,357	3,198
	<u>13,891</u>	<u>16,640</u>
<b>Current liabilities</b>		
Trade and other payables	69,788	90,768
Bank borrowings	106,243	78,006
Tax payable	21,556	20,048
	<u>197,587</u>	<u>188,822</u>
<b>Total liabilities</b>	<u>211,478</u>	<u>205,462</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>783,223</u>	<u>751,033</u>
Net assets per share attributable to owners of the parent (RM)	<u>5.90</u>	<u>5.61</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 MARCH 2019**

	Share capital RM'000	Treasury shares RM'000	Non-distributable		Distributable Retained earnings RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
			Fair value adjustment reserve RM'000	Foreign currency translation reserve RM'000				
At 1 July 2017	98,433	-	109	75,132	386,776	560,450	-	560,450
Total comprehensive income for the period	-	-	159	(24,375)	25,491	1,275	-	1,275
Dividend paid	-	-	-	-	(11,665)	(11,665)	-	(11,665)
Effects of liquidation of a subsidiary	-	-	-	7	42	49	-	49
<b>At 31 March 2018</b>	<b>98,433</b>	<b>-</b>	<b>268</b>	<b>50,764</b>	<b>400,644</b>	<b>550,109</b>	<b>-</b>	<b>550,109</b>
At 1 July 2018	98,433	(851)	32	60,769	387,188	545,571	-	545,571
Total comprehensive income for the period	-	-	257	3,823	27,929	32,009	-	32,009
Dividend paid	-	-	-	-	(5,816)	(5,816)	-	(5,816)
Purchase of treasury shares	-	(19)	-	-	-	(19)	-	(19)
<b>At 31 March 2019</b>	<b>98,433</b>	<b>(870)</b>	<b>289</b>	<b>64,592</b>	<b>409,301</b>	<b>571,745</b>	<b>-</b>	<b>571,745</b>

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 MARCH 2019**

	31.03.2019 RM'000	31.03.2018 RM'000		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Profit before taxation</b>	34,376	27,381		
<b>Adjustments for:</b>				
Depreciation and amortisation	13,949	13,611		
Property, plant and equipment written off	5	8		
Impairment loss on trade receivables	663	-		
Fair value gain on derivatives	(162)	(1,862)		
Fair value gain on investment securities	(301)	-		
Net unrealised foreign exchange (gain)/loss	(167)	7,205		
Gain on disposal of property, plant and equipment	(24)	(6)		
Investment income from investment securities	(798)	(1,065)		
Non cash items	(3)	(10)		
Net financing costs	842	1,042		
<b>Operating profit before working capital changes</b>	<b>48,380</b>	<b>46,304</b>		
<b>Changes in working capital</b>				
Net change in current assets	(11,352)	2,097		
Net change in current liabilities	(22,035)	(10,694)		
Net income taxes paid	(4,191)	(7,248)		
Net financing costs paid	(984)	(1,042)		
<b>Net cash flows from operating activities</b>	<b>9,818</b>	<b>29,417</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income from investment securities	798	1,065		
Purchase of property, plant and equipment	(14,644)	(13,408)		
Proceeds from disposal of property, plant and equipment	71	6		
Decrease in deposits placed with licensed banks	7,452	3,556		
Purchase of investment securities	(20,479)	(16,393)		
<b>Net cash flows used in investing activities</b>	<b>(26,802)</b>	<b>(25,174)</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net drawdown of bank borrowings	24,782	23,645		
Dividends paid on ordinary shares	(5,816)	(11,665)		
Movement of deposits placed as securities for bank borrowings and guarantees	(190)	(4,973)		
Treasury shares acquired	(19)	-		
<b>Net cash flows from financing activities</b>	<b>18,757</b>	<b>7,007</b>		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1,773</b>	<b>11,250</b>		
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>151,569</b>	<b>195,741</b>		
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>1,388</b>	<b>(38,158)</b>		
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>154,730</b>	<b>168,833</b>		
Cash and cash equivalents included in the Consolidated Statement of Cash Flows comprise the following balance sheet amounts :				
Cash and bank balances	88,696	134,886		
Term deposits	77,085	47,718		
	<b>165,781</b>	<b>182,604</b>		
<b>Less:</b>				
Deposits pledged as securities for bank borrowings and guarantees	(9,215)	(13,771)		
Deposits with licensed banks with tenure more than three months	(1,836)	-		
	<b>154,730</b>	<b>168,833</b>		
<b>Reconciliation of liabilities arising from financing activities:</b>				
	Carrying amount as at 1 July 2018 RM'000	Cash flows RM'000	Effects of foreign exchange RM'000	Carrying amount as at 31 March 2019 RM'000
<u>Group</u>	<b>91,274</b>	<b>24,782</b>	<b>534</b>	<b>116,590</b>

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



# LATITUDE TREE HOLDINGS BERHAD

(302829-W)

## NOTES TO THE QUARTERLY REPORT – 31 MARCH 2019

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### 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 2018.

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 2018 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 2018.

The adoption of relevant MFRSs, Amendment to MFRSs and IC Interpretations are not expected to have any significant financial impact on the financial statements of the Group, except as disclosed below:

#### MFRS 15 Revenue from Contracts with Customers

The Group has adopted the new standard on the required effective date using the modified retrospective method and applies all the practical expedients available for the modified retrospective approach. The adoption of this Standard results in changes in accounting policies for revenue recognition and has no significant impact other than the disclosures in the Group's financial statements.

#### MFRS 9 Financial Instruments

The Group has performed a detailed impact assessment of all three aspects of MFRS 9. Based on the assessment, there was no significant impact on the accounting for the Group's financial assets upon initial application of the new classification requirements.

### A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The latest audited financial statements for the financial year ended 30 June 2018 were not subject to any qualification.

### 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 March 2019.

### A4. VALUATION OF PROPERTY, PLANT & EQUIPMENT

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



# LATITUDE TREE HOLDINGS BERHAD

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## NOTES TO THE QUARTERLY REPORT – 31 MARCH 2019

### A5. TAXATION

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

	Individual Quarter		Cumulative Quarter	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian	(2)	(3,280)	1,148	(1,296)
Overseas	(143)	434	4,769	2,424
<b>Total</b>	<b>(145)</b>	<b>(2,846)</b>	<b>5,917</b>	<b>1,128</b>
Deferred tax expense				
Malaysian	489	804	530	762
Overseas	-	-	-	-
<b>Total</b>	<b>489</b>	<b>804</b>	<b>530</b>	<b>762</b>
	<b>344</b>	<b>(2,042)</b>	<b>6,447</b>	<b>1,890</b>

### A6. CHANGES IN THE COMPOSITION OF THE GROUP

There was no change to the composition of the Group in the quarter ended 31 March 2019 except for on 13 March 2019, L-Tree Resources Sdn. Bhd. ("LTR"), a wholly-owned subsidiary of the Company has incorporated a new wholly-owned subsidiary in Vietnam, namely RT Industries Co., Ltd. ("RTI") with a charter capital (authorised capital) of VND92,000,000,000.00 (approximately RM16,192,000.00).

### 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.

### A8. CHANGES IN EQUITY AND LONG TERM DEBTS

There were no changes in equity and long term debts for the current quarter ended 31 March 2019.



# LATITUDE TREE HOLDINGS BERHAD

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## NOTES TO THE QUARTERLY REPORT – 31 MARCH 2019

### A9. BORROWINGS AND DEBTS SECURITIES

Details of the Group's borrowings were as follows:

	As at 31 March 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
<b>Secured</b>						
Term loan (USD)	1,633	-	3,264	-	4,897	-
Term loan (RM)	-	8,714	-	684	-	9,398
Bankers' acceptances (RM)	-	-	-	4,828	-	4,828
Revolving credit (USD)	-	-	4,081	-	4,081	-
<b>Unsecured</b>						
Trust receipts (USD)	-	-	93,386	-	93,386	-
<b>Total</b>	1,633	8,714	100,731	5,512	102,364	14,226

	As at 30 June 2018					
	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
<b>Secured</b>						
Term loan (USD)	4,037	-	3,230	-	7,267	-
Term loan (RM)	-	9,231	-	652	-	9,883
Bankers' acceptances (RM)	-	-	-	5,127	-	5,127
<b>Unsecured</b>						
Trust receipts (USD)	-	-	68,997	-	68,997	-
<b>Total</b>	4,037	9,231	72,227	5,779	76,264	15,010





# LATITUDE TREE HOLDINGS BERHAD

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## NOTES TO THE QUARTERLY REPORT – 31 MARCH 2019

### A10. FINANCIAL INSTRUMENTS - DERIVATIVES

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

	As at 31 March 2019			As at 30 June 2018		
	RM'000 Contract/ Notional amount	Assets	Liabilities	RM'000 Contract/ Notional amount	Assets	Liabilities
<b>Non-hedging derivatives:</b>						
<b>Current</b>						
Forward currency contracts	46,026	318	-	42,747	156	-
Interest rate swap	4,897	49	-	7,267	49	-
		<u>367</u>	<u>-</u>		<u>205</u>	<u>-</u>
<b>Non-current</b>						
Interest rate swap	4,897	30	-	7,267	30	-
Total non-hedging derivatives		<u>397</u>	<u>-</u>		<u>235</u>	<u>-</u>

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. During the financial period under review, the Group recognised a gain of RM162,365 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 28 May 2019.



# LATITUDE TREE HOLDINGS BERHAD

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## NOTES TO THE QUARTERLY REPORT – 31 MARCH 2019

### 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.

#### Results for the Individual Quarter ended 31 March

	Malaysia		Vietnam		Thailand		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total revenue	38,498	39,327	112,215	121,741	6,780	9,523	13,183	19,511	170,676	190,102
Inter-segment revenue	(5,381)	(5,740)	(307)	(227)	(1,139)	(738)	(11,814)	(18,900)	(18,641)	(25,605)
External revenue	33,117	33,587	111,908	121,514	5,641	8,785	1,369	611	152,035	164,497
(Loss)/profit before taxation	(468)	(277)	(713)	4,289	439	805	(980)	(4,460)	(1,722)	357
Segment assets	266,976	249,300	412,885	397,132	33,156	26,509	395,029	354,699	1,108,046	1,027,640
Segment liabilities	186,308	168,491	175,572	166,136	12,643	9,528	116,163	55,189	490,686	399,344

#### Results for the Cumulative Quarter ended 31 March

	Malaysia		Vietnam		Thailand		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total revenue	122,587	123,952	442,716	445,414	21,082	28,535	41,347	78,583	627,732	676,484
Inter-segment revenue	(15,530)	(18,737)	(593)	(557)	(3,303)	(3,534)	(37,593)	(75,542)	(57,019)	(98,370)



# LATITUDE TREE HOLDINGS BERHAD

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## NOTES TO THE QUARTERLY REPORT – 31 MARCH 2019

External revenue	107,057	105,215	442,123	444,857	17,779	25,001	3,754	3,041	570,713	578,114
Profit/(loss) before taxation	5,710	5,767	23,844	26,717	2,012	1,599	2,810	(6,702)	34,376	27,381
Segment assets	266,976	249,300	412,885	397,132	33,156	26,509	395,029	354,699	1,108,046	1,027,640
Segment liabilities	186,308	168,491	175,572	166,136	12,643	9,528	116,163	55,189	490,686	399,344

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

	<b>31.03.2019</b>	<b>31.03.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Inter-segment assets	<u>324,823</u>	<u>276,761</u>
Inter-segment liabilities	<u>279,208</u>	<u>198,574</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 (%)
	31.03.2019	31.12.2018	
Revenue	152.0	204.5	-25.7%
Gross profit	14.1	33.5	-57.9%
(Loss)/profit before taxation	(1.7)	21.0	>-100.0%
(Loss)/profit after taxation	(2.1)	16.9	>-100.0%

#### **Revenue**

For the quarter under review, the Group's revenue declined 25.7% to RM152.0 million as compared to the preceding quarter of RM204.5 million. The substantial decrease was mainly attributable to the followings:

- lower sales recorded by furniture plants amounting to USD11.2 million or approximately 24.8% in the quarter under review as shipments of goods to buyers in United States ("US") were on hold or delayed as requested by buyers due to high inventory level at their warehouses in US; and
- lesser production days as the quarter under review is a low season due to festive holidays.



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## NOTES TO THE QUARTERLY REPORT – 31 MARCH 2019

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### **Gross profit**

The Group has recorded lower gross profit from RM33.5 million in preceding quarter compared to RM14.1 million in current quarter, representing a decrease of 57.9%. The substantial decrease in gross profit was mainly attributable to the followings:

- in line with the decrease in revenue;
- higher sales of lower margin products during the quarter; and
- impact of increase in minimum wages in Vietnam and Malaysia effective 1 January 2019.

### **(Loss)/profit before taxation (“(LBT)/PBT”)**

The Group has recorded a significant decrease in PBT from a profit of RM21.0 million in preceding quarter to a loss of RM1.7 million in current quarter, representing a decrease of more than 100.0%. The substantial decrease in PBT was in line with the decrease in gross profit and higher foreign exchange losses of RM1.6 million in current quarter compared to preceding quarter.

### **(Loss)/profit after taxation (“(LAT)/PAT”)**

The Group recorded LAT of RM2.1 million in current quarter, representing a significant decrease of more than 100.0% from PAT of RM16.9 million in preceding quarter was in line with decrease in (LBT)/PBT offset with reversal of over-provision of tax expense.

## **B2. REVIEW OF PERFORMANCE**

RM' Million	Cumulative quarter		Changes (%)
	31.03.2019	31.03.2018	
Revenue	570.7	578.1	-1.3%
Gross profit	72.3	68.8	+5.1%
Profit before taxation	34.4	27.4	+25.5%
Profit after taxation	27.9	25.5	+9.4%

### **Revenue**

The Group recorded revenue of RM570.7 million for the nine months financial period ended 31 March 2019 (“Q3FY2019”), representing a slight decrease of 1.3% as compared to the nine months financial period ended 31 March 2018 (“Q3FY2018”) of RM578.1 million. The decrease was mainly due to lower orders received by sawmill plants amounting to RM9.0 million and the delay in shipments of finished goods at the request of US buyers.



# LATITUDE TREE HOLDINGS BERHAD

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## NOTES TO THE QUARTERLY REPORT – 31 MARCH 2019

### **Gross profit**

Gross profit of the Group amounted to RM72.3 million in Q3FY2019, representing an increase of 5.1% from RM68.8 million in Q3FY2018. The increase in gross profit was mainly attributable to the followings:

- lower average prices of certain main raw materials in Q3FY2019 compared to Q3FY2018;
- improved productivity across all operating plants; and
- higher sales of low volume high product mix collections with better margin.

### **Profit before taxation (“PBT”)**

PBT of the Group amounted to RM34.4 million in Q3FY2019, representing an increase of 25.5% from RM27.4 million in Q3FY2018 was mainly due to the followings:

- in line with increase in gross profit; and
- registered foreign exchange gain of RM0.4 million in Q3FY2019 compared to foreign exchange loss of RM8.8 million in Q3FY2018.

### **Profit after taxation (“PAT”)**

PAT of the Group amounted to RM27.9 million in Q3FY2019, representing an increase of 9.4% from RM25.5 million in Q3FY2018 was in line with increase in PBT.

## **B3. PROFIT FOR THE PERIOD**

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

	Individual quarter ended		Cumulative quarter ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Interest income	(658)	(504)	(2,037)	(1,282)
Interest expense	1,034	801	2,879	2,324
Investment income from investment securities	(316)	(394)	(798)	(1,065)
Depreciation and amortization	4,622	4,300	13,949	13,611
Gain on disposal of property, plant and equipment	-	-	(24)	(6)
Property, plant and equipment written off	-	6	5	8
Impairment loss on trade receivables	663	-	663	-



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Unrealised foreign exchange loss/(gain)	1,366	4,549	(167)	7,205
Realised foreign exchange loss/(gain)	302	460	(209)	1,642
Fair value gain on derivatives	(253)	(1,197)	(162)	(1,862)
Fair value gain on investment securities	(99)	-	(301)	-

### B4. TRADE AND OTHER RECEIVABLES

	31.03.2019 RM'000	30.06.2018 RM'000
<b>Trade receivables</b>		
Third parties	44,192	52,600
Less: Allowance for impairment	(902)	(227)
Trade receivables, net	<u>43,290</u>	<u>52,373</u>
<b>Other receivables</b>		
Deposits	502	2,514
Staff loans	122	118
Goods and services tax receivable	907	2,138
Sundry receivables	24,133	24,886
	<u>25,664</u>	<u>29,656</u>
Less: Allowance for impairment-sundry receivables	(276)	(262)
Other receivables, net	<u>25,388</u>	<u>29,394</u>
Total trade and other receivables	<u>68,678</u>	<u>81,767</u>

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

	31.03.2019 RM'000	30.06.2018 RM'000
Neither past due nor impaired	35,853	37,939
Past due not impaired:		
1 - 30 days	6,665	12,463
31 - 60 days	449	1,008
61 - 90 days	-	406
> 91 days	323	557
Impaired	902	227
Gross trade receivables	<u>44,192</u>	<u>52,600</u>

#### **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.



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### **Other receivables**

Included in sundry receivables of the Group are:

- i) Import duty and other direct taxes receivable in foreign subsidiaries of RM6,692,000 (30.06.2018: RM11,263,000); and
- ii) Advance to suppliers of RM14,945,000 (30.06.2018: RM10,965,000) that mainly relates to payment in advance for raw materials and machinery.

### **B5. CORPORATE PROPOSAL**

There were no corporate proposals announced but not completed as at 28 May 2019.

### **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**

The outlook for financial year 2019 will be better as strategies have been developed to grow its upholstery products as well as its market segments. It will maximize the Group's gross margin through a more refined marketing strategy. At the same time, the Group will also step up efforts to enhance its upstream activities and to grow its panel board lamination plant.

Barring unforeseen circumstances, the Group is of the opinion that its financial performance will improve for the financial year ending 30 June 2019.

### **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 March 2019.

### **B9. DIVIDEND**

The Company had on 15 May 2019 paid a first interim single tier dividend of 3.0 sen per ordinary share for the financial year ending 30 June 2019.

The Board of Directors did not recommend any interim dividend for the current quarter ended 31 March 2019.



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### B10. (LOSS)/EARNINGS PER SHARE (“LPS”)/“EPS”

Basic (LPS)/EPS	Individual Quarter		Cumulative Quarter	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
Net (loss)/profit attributable to owners the parent (RM'000)	(2,066)	2,399	27,929	25,491
Weighted average number of shares ('000)	96,940.5	97,207.5	96,940.5	97,207.5
Basic (LPS)/EPS (sen)	(2.13)	2.47	28.81	26.22

### B11. CAPITAL COMMITMENTS

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

	RM'000
Authorised by Directors and contracted	20,593
Authorised by Directors and not contracted	-
	<b>20,593</b>