



*a world of difference*

*Annual Report*



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



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# Corporate Information

## Board of Directors

**Dato' Haji Shaharuddin Bin Haji Haron**  
*Chairman/Senior Independent Non-Executive Director*

**Mr Lin, Tzu-Lang**  
*Deputy Chairman / Non- Independent Executive Director*

**Mr Lin, Tzu-Keng**  
*Managing Director*

**Mdm Lin Chen, Jui-Fen**  
*Non- Independent Executive Director*

**Mr Toh Seng Thong**  
*Independent Non-Executive Director*

**Mr Yek Siew Liang**  
*Non-Independent Non-Executive Director*  
*(appointed on 18 May 2007)*

## Company Secretary

**Ms Saw Bee Lean** (MAICSA 0793472)

**Ms Tai Yit Chan** (MAICSA 7009143)

**Mr Yeoh Joe Son** (MIA 9238)

## Audit Committee

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

**Dato' Haji Shaharuddin bin Haji Haron**  
*Chairman/Senior Independent Non-Executive Director*

**Mr Yek Siew Liang**  
*Non-Independent Non-Executive Director*  
*(appointed on 18 October 2007)*

**Mr Lin, Tzu-Keng**  
*Managing Director*  
*(Resigned on 18 October 2007)*

## Place of Incorporation And Domicile

Malaysia

## Stock Exchange Listing / Stock Name

Main Board of Bursa Malaysia Securities Berhad  
Stock Short Name : Latitud  
Stock Code : 7006

## Registered Office

Level 7, Setia 1,  
15, Lorong Dungun,  
Damansara Heights,  
50490 Kuala Lumpur.  
Telephone : 03-2095 7188  
Facsimile : 03-2095 0988

## Share Registrars

Tenaga Koperat Sdn. Bhd.  
G-01 Ground Floor,  
Plaza Permata  
Jalan Kampar Off Jalan Tun Razak  
50400 Kuala Lumpur  
Telephone : 03-4047 3883  
Facsimile : 03-4043 9233

## Auditors

Y.C. Chong & Co. (AF 0636)  
Chartered Accountants  
500-2-7, 2nd Floor, Wisma Indah  
Jalan Tun Razak, 50400 Kuala Lumpur

## Principal Bankers

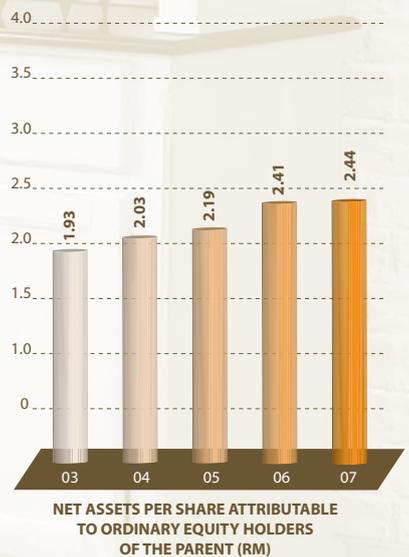
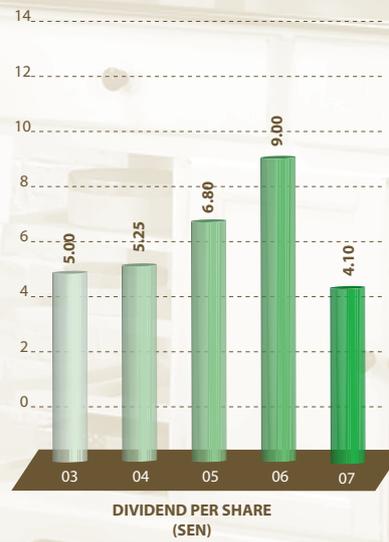
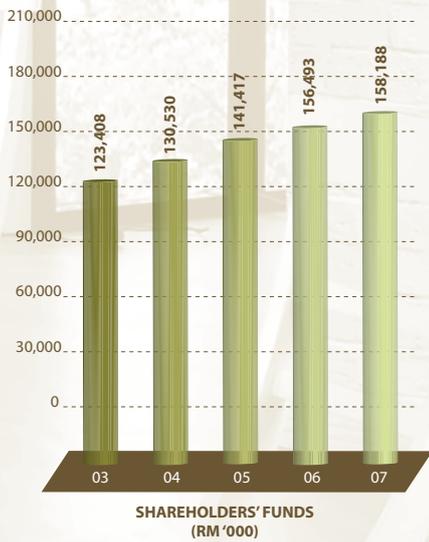
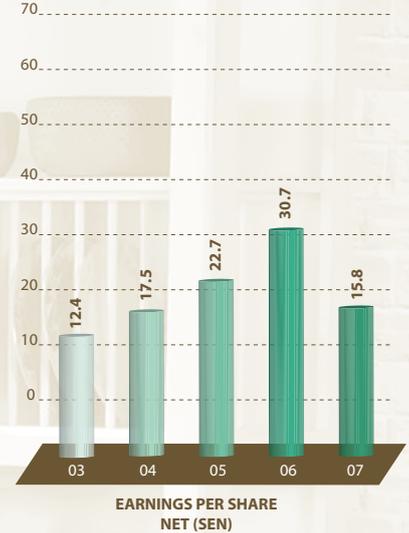
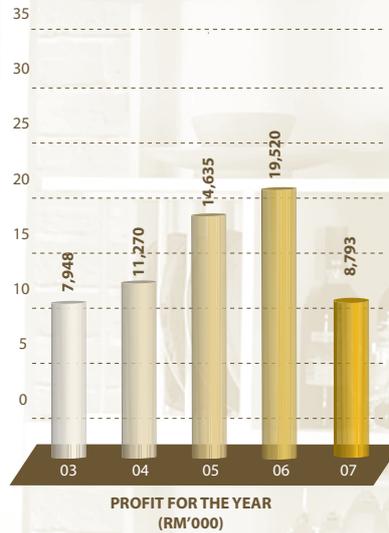
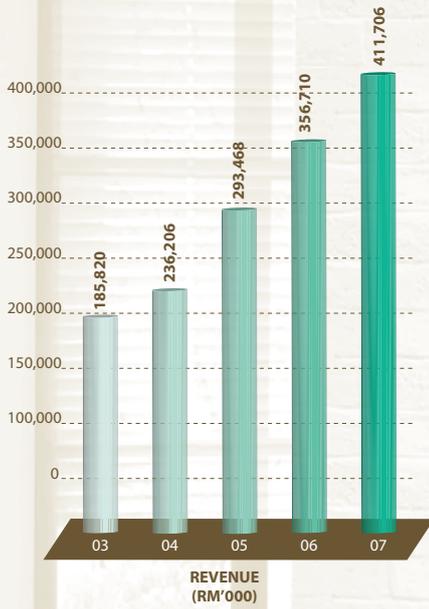
HSBC Bank Malaysia Berhad  
Standard Chartered Bank Malaysia Berhad  
United Overseas Bank (Malaysia) Bhd  
Affin Bank Berhad  
Citibank Berhad

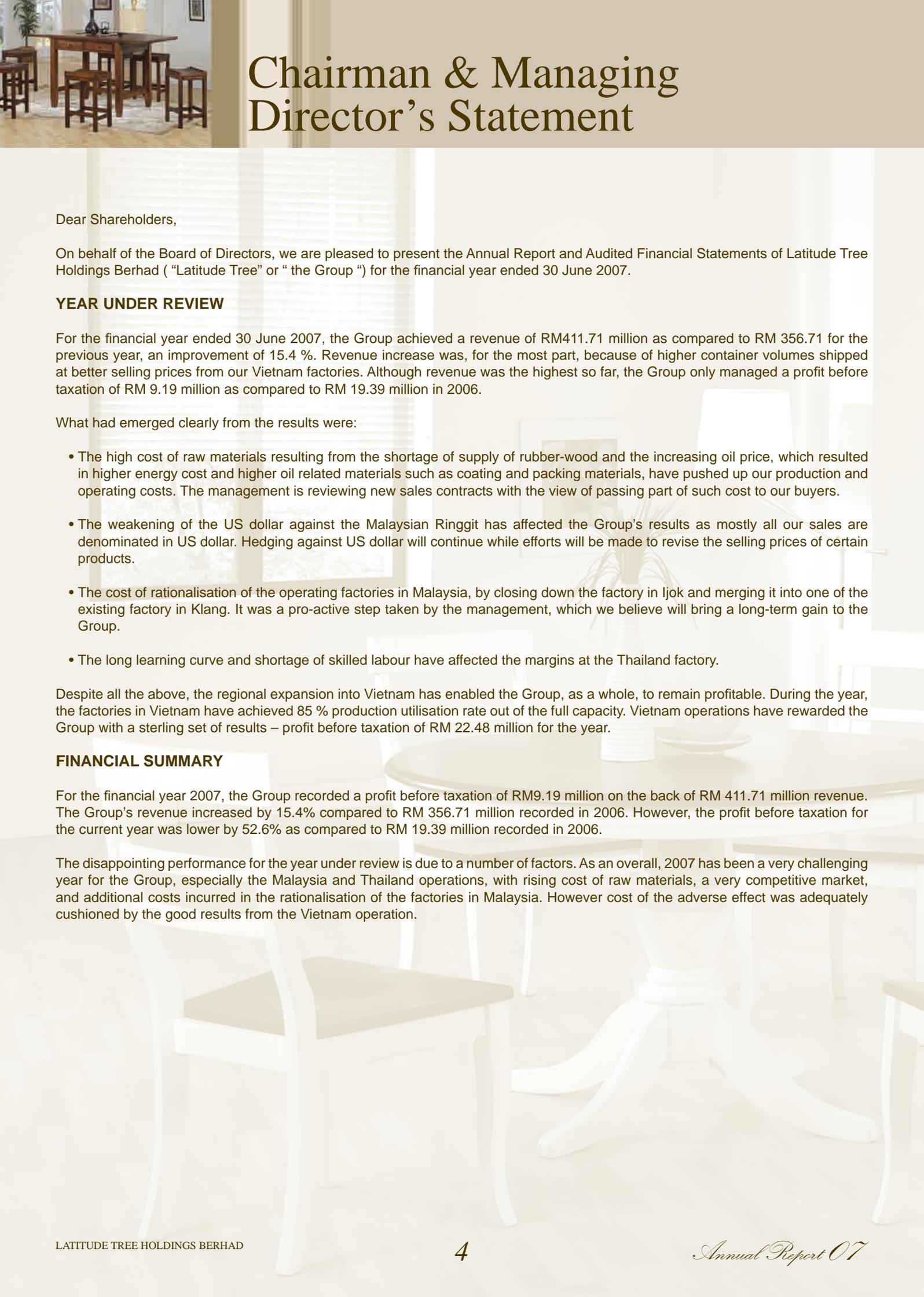
# Financial Highlights

FIVE YEARS FINANCIAL HIGHLIGHTS	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000
REVENUE	411,706	356,710	293,468	236,206	185,820
PROFIT FOR THE YEAR	8,793	19,520	14,635	11,270	7,948
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS	10,263	19,857	14,635	11,270	7,948
EARNINGS PER SHARE - NET (SEN)	15.8	30.7	22.7	17.5	12.4
SHAREHOLDERS' FUNDS	158,188	156,493	141,417	130,530	123,408
DIVIDEND PER SHARE (SEN)	4.10*	9.00	6.80	5.25	5.00
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RM)	2.44	2.41	2.19	2.03	1.93

\* recommended by the Board of Directors and is subject to shareholders' approval at the forthcoming Annual General Meeting

# Financial Highlights (cont'd)





# Chairman & Managing Director's Statement

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Annual Report and Audited Financial Statements of Latitude Tree Holdings Berhad ( "Latitude Tree" or " the Group ") for the financial year ended 30 June 2007.

## YEAR UNDER REVIEW

For the financial year ended 30 June 2007, the Group achieved a revenue of RM411.71 million as compared to RM 356.71 for the previous year, an improvement of 15.4 %. Revenue increase was, for the most part, because of higher container volumes shipped at better selling prices from our Vietnam factories. Although revenue was the highest so far, the Group only managed a profit before taxation of RM 9.19 million as compared to RM 19.39 million in 2006.

What had emerged clearly from the results were:

- The high cost of raw materials resulting from the shortage of supply of rubber-wood and the increasing oil price, which resulted in higher energy cost and higher oil related materials such as coating and packing materials, have pushed up our production and operating costs. The management is reviewing new sales contracts with the view of passing part of such cost to our buyers.
- The weakening of the US dollar against the Malaysian Ringgit has affected the Group's results as mostly all our sales are denominated in US dollar. Hedging against US dollar will continue while efforts will be made to revise the selling prices of certain products.
- The cost of rationalisation of the operating factories in Malaysia, by closing down the factory in Ijok and merging it into one of the existing factory in Klang. It was a pro-active step taken by the management, which we believe will bring a long-term gain to the Group.
- The long learning curve and shortage of skilled labour have affected the margins at the Thailand factory.

Despite all the above, the regional expansion into Vietnam has enabled the Group, as a whole, to remain profitable. During the year, the factories in Vietnam have achieved 85 % production utilisation rate out of the full capacity. Vietnam operations have rewarded the Group with a sterling set of results – profit before taxation of RM 22.48 million for the year.

## FINANCIAL SUMMARY

For the financial year 2007, the Group recorded a profit before taxation of RM9.19 million on the back of RM 411.71 million revenue. The Group's revenue increased by 15.4% compared to RM 356.71 million recorded in 2006. However, the profit before taxation for the current year was lower by 52.6% as compared to RM 19.39 million recorded in 2006.

The disappointing performance for the year under review is due to a number of factors. As an overall, 2007 has been a very challenging year for the Group, especially the Malaysia and Thailand operations, with rising cost of raw materials, a very competitive market, and additional costs incurred in the rationalisation of the factories in Malaysia. However cost of the adverse effect was adequately cushioned by the good results from the Vietnam operation.

# Chairman & Managing Director's Statement (cont'd)



## DIVIDEND

Your Board is pleased to recommend a first and final dividend of 4.1 sen per share ( tax exempt ) for the financial year ended 30 June 2007 as compared to 9.0 sen per share ( tax exempt ) in 2006.

## CORPORATE SOCIAL RESPONSIBILITY

The Group regards corporate social responsibility as an important part of its business. Hence, the Group has been participating in various activities organised by the local community that are proximate to its factories. Apart from providing on-the-job training to the people in the rural neighbourhood, the Group has been contributing to community at large through participations in various local community projects and charitable events.

## GOING FORWARD AND PROSPECTS

We have been growing in tandem with increasing globalisation including the cost attached to it. Although our revenue is increasing each year, we grapple with rising cost of materials, rising energy cost and oil-related materials, rising customers' expectations, volatile US dollar and fluctuating economic conditions in major markets where we sell our products. Whilst the previously set organic growth and strategies appeared challenging, they had been progressively attained. Rationalisation and improvement initiatives on our Malaysia and Thailand plants, in order to improve operational efficiency and productivity, are one of our priorities in the coming year. Expansion in Vietnam remains our main focus.

Our cautious tone stays: There have been recent market talk of lagging consumer spending as a result of the sub-prime mortgages crisis in the US – apparently everyone is waiting for a spate of measures to be announced. While we may not be totally immune from such lingering effects, we are trying to use our past experience and knowledge to explore ways to mitigate against any negative effects.

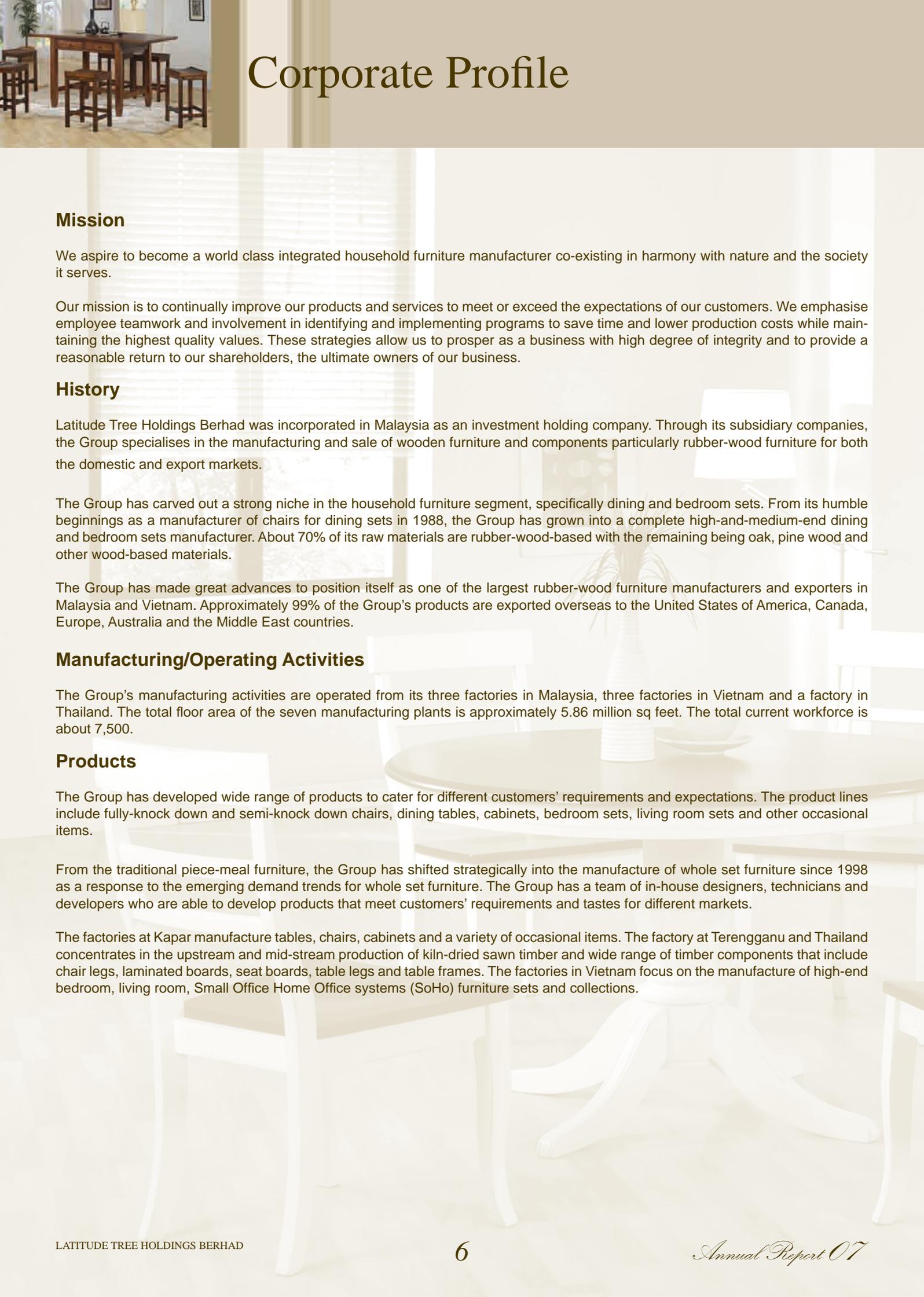
## ACKNOWLEDGEMENTS

Even as we look forward, we wish to record our sincere appreciation to all our valued shareholders, customers, business partners and associates for their continuing support and trust to the Group and more notably, faith in us. Our appreciation also goes out to the Management and employees at all levels for their passion, commitment and hard work.

On behalf of the Board and the Company, we also wish to render the warmest welcome to Mr Yek Siew Liong who has been appointed to the Board on 18 May 2007.

Dato' Haji Shaharuddin Bin Haji Haron  
Chairman

Mr Lin, Tzu-Keng  
Managing Director



# 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 and bedroom sets. From its humble beginnings as a manufacturer of chairs for dining sets in 1988, the Group has grown into a complete high-and-medium-end dining and bedroom sets manufacturer. About 70% 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, Australia and the Middle East countries.

## Manufacturing/Operating Activities

The Group's manufacturing activities are operated from its three factories in Malaysia, three factories in Vietnam and a factory in Thailand. The total floor area of the seven manufacturing plants is approximately 5.86 million sq feet. The total current workforce is about 7,500.

## Products

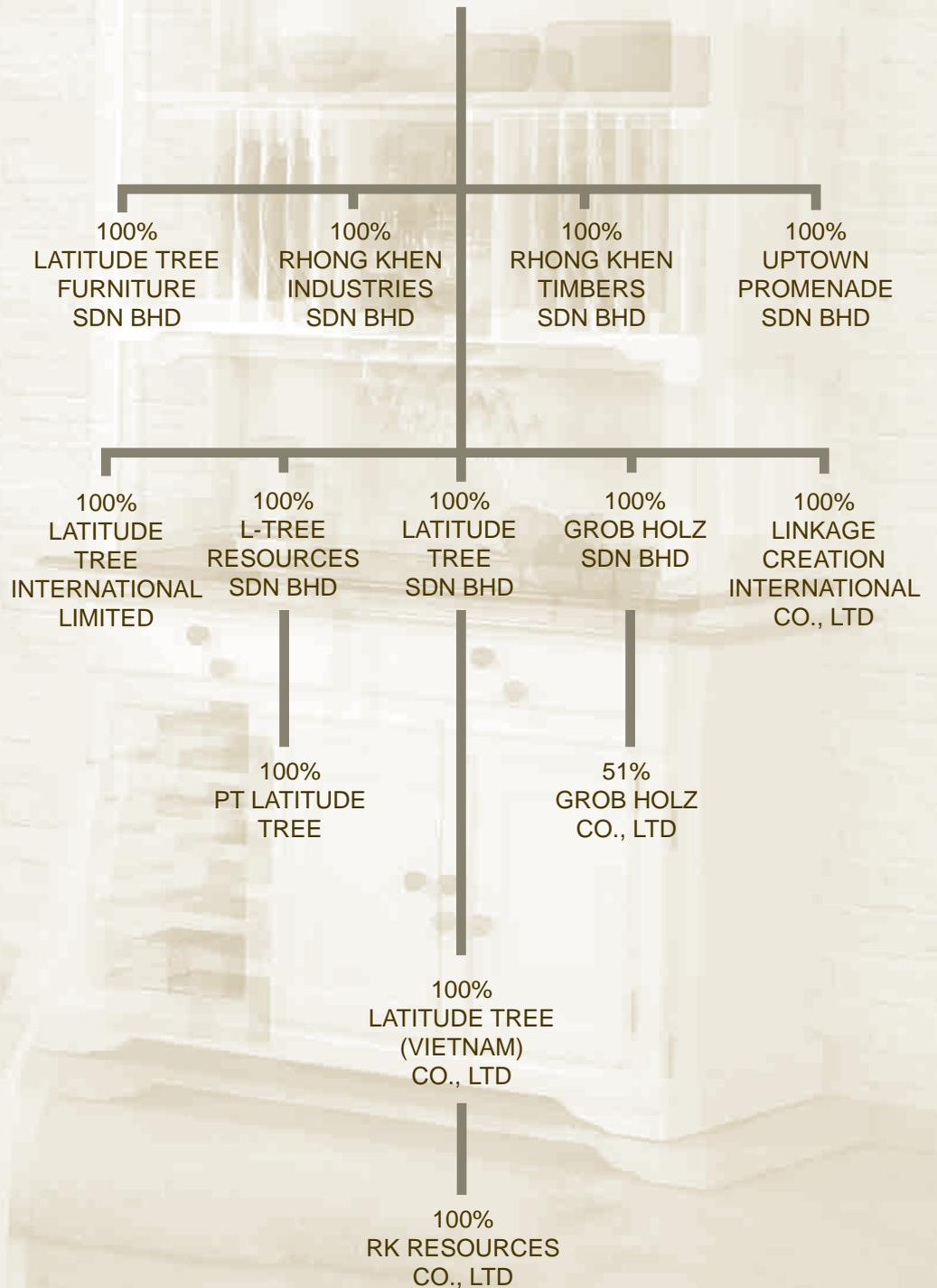
The Group has developed wide range of products to cater for different customers' requirements and expectations. The product lines include fully-knock down and semi-knock down chairs, dining tables, cabinets, bedroom sets, living room sets and other occasional items.

From the traditional piece-meal furniture, the Group has shifted strategically into the manufacture of whole set furniture since 1998 as a response to the emerging demand trends for whole 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.

The factories at Kapar manufacture tables, chairs, cabinets and a variety of occasional items. The factory at Terengganu and Thailand concentrates in the upstream and mid-stream production of kiln-dried sawn timber and wide range of timber components that include chair legs, laminated boards, seat boards, table legs and table frames. The factories in Vietnam focus on the manufacture of high-end bedroom, living room, Small Office Home Office systems (SoHo) furniture sets and collections.

# Corporate Profile (cont'd)

## LATITUDE TREE HOLDINGS BERHAD



# Profile of Board of Directors

## **Dato' Haji Shaharuddin Bin Haji Haron**

*Chairman / Senior Independent Non Executive Director*

Dato' Haji Shaharuddin Bin Haji Haron, aged 69, a Malaysian, was appointed to the Board of Latitude Tree Holdings Berhad on 21 June 2000. He is the Chairman of Remuneration Committee and Nomination Committee and a member of the Audit Committee. He graduated with a Bachelor of Arts (Honours) degree from the University of Malaya and a holder of Master of Administration from University of Pittsburg, United States of America. He has held various positions in the public sector. This includes Assistant Secretary of Economic Planning Unit of Prime Minister's Department (from 1963 to 1968), Principal Secretary of Economic Planning Unit (from 1968 to 1970), Director of Economic Planning Unit (from 1970 to 1974), Secretary of Foreign Investment Committee of Prime Minister's Department (from 1974 to 1979), Director General of Insurance of Ministry of Finance (from 1979 to 1983), Secretary of Finance Division of Ministry of Finance (from 1983 to 1984), Director General of National Padi and Rice Board, Malaysia (from 1984 to 1987); Secretary General of Ministry of Public Enterprise (from 1987 to 1990), Secretary General of Ministry of International Trade and Industry (from 1990 to 1992), Secretary General of Ministry of Domestic Trade (from 1992 to 1993).

Particulars of other directorships in public companies :

- Malayan Flour Mills Berhad
- Gopeng Berhad
- Edaran Otomobil Nasional Berhad
- Ajinomoto (Malaysia) Berhad

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

Dato' Haji Shaharuddin 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.

He has no conviction of any offence within the past ten ( 10 ) years except for traffic offences, if any.

## **Mr Lin, Tzu- Lang**

*Deputy Chairman / Non - Independent Executive Director*

Mr Lin, Tzu-Lang, aged 65, a Taiwanese, was appointed to the Board of Latitude Tree Holdings Berhad on 28 April 1997. He has wide experience in the manufacturing of wooden furniture having been involved for more than 36 years in the industry.

Mr Lin was appointed the Chairman of the Association of Furniture Manufacturers of Tai Chung, Taiwan in 1986 and 1988 in recognition of his contribution to promote the furniture manufacturing industry. Mr Lin is the brother of Mr Lin Tzu-Keng and they are both substantial shareholders of the Company.

He has no conviction of any offence within the past ten ( 10 ) years except for traffic offences, if any.

## **Mr Lin, Tzu- Keng**

*Managing Director*

Mr Lin Tzu-Keng, aged 53, a Taiwanese, was appointed to the Board of Latitude Tree Holdings Berhad on 28 April 1997.

In 1988, he came to Malaysia to set up Latitude Tree Furniture Sdn Bhd, an operating subsidiary of the Group, and has been its Managing Director since then. Using his knowledge and experience gained in the industry, he was responsible for building the company's factory in Kapar, Selangor and equipping it with the latest technology. In 2001, Mr Lin led the Group to venture into Vietnam in the setting up of two main operating subsidiaries in Vietnam namely, Latitude Tree ( Vietnam ) Co. Ltd and RK Resources Co. Ltd.

Mr Lin, Tzu-Keng now leads the Group in the areas of strategic planning, business development, new ventures and investments. He is also involved in key operational aspects of the business of the Group, particularly in areas of market and product development and group operations. He has been the main driving force behind the continuous introduction of new products and was instrumental in the rapid expansion of the operations of the Group, particularly in the overseas ventures and investments undertaken by the Group.

Mr Lin was elected as a Central Region Chairman of Taipei Investors' Association in Malaysia for a term of two years from 1997 to 1999. Mr Lin and Madam Lin Chen Jui-Fen are husband and wife whilst Mr Lin Tzu-Lang is the brother of Mr Lin. All of them are substantial shareholders of the Company.

He has no conviction of any offence within the past ten ( 10 ) years except for traffic offences, if any.

# Profile of Board of Directors

(cont'd)

## **Mdm Lin Chen, Jui-Fen**

*Non - Independent Executive Director*

Mdm Lin Chen, Jui-Fen, aged 53, a Taiwanese, was appointed as Executive Director to the Board of Latitude Tree Holdings Berhad on 28 April 1997.

Mdm Lin is involved in the overall management of the Group's sales and marketing department and human resources department. She also sits on the Board of several subsidiary companies of the Group. Mdm Lin is the wife of Mr Lin Tzu Keng.

She has no conviction of any offence within the past ten ( 10 ) years except for traffic offences, if any.

## **Mr Toh Seng Thong JP, PJK**

*Independent Non Executive Director*

Mr Toh Seng Thong, aged 49, a Malaysian, was appointed to the Board of Latitude Tree Holdings Berhad on 18 August 2003. He is the Chairman of the Board Audit Committee and a member of the Remuneration Committee and Nomination Committee.

He 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, Malaysia Institute of Certified Public Accountants, New Zealand Institute of Chartered Accountants, Fellow member of the Malaysia Institute of Taxation and Associate member of the Harvard Business School Alumni Club of Malaysia. Subsequent to his degree, he worked with a local manufacturing company before joining an international accounting firm, Peat Marwick Mitchell & Co (now known as KPMG), from 1983 to 1985. Subsequently he joined a local accounting firm as a partner before practicing on his own under Messrs S T Toh & Co in 1997. He has vast experience in auditing, tax planning, financial and management advisory. He also sits as a Corporate Advisor to a few private companies.

Particulars of other directorships in public companies:

- Adventa Berhad
- Golden Pharos Berhad

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

He has no conviction of any offence within the past ten ( 10 ) years except for traffic offences, if any.

## **Mr Yek Siew Liong**

*Non-Independent Non Executive Director*

Mr Yek Siew Liong, aged 47, a Malaysian, was appointed to the Board of Latitude Tree Holdings Berhad on 18 May 2007. He was appointed as a member of the Board Audit Committee on 18 October 2007.

Mr Yek graduated from United Kingdom with a Bachelor of Arts (Hons) in Architecture and Environmental Design and Bachelor of Architecture (Hons) from University of Nottingham and MBA from Aston University in Birmingham.

Mr Yek has 20 years of experience in various fields such as timber trading, logging, saw-milling, kiln-drying, laminated truck flooring, oil palm plantations, shipping, township and property development including the Bintulu City Point Shopping/Office Complex and the Kuching Hock Lee Centre. He is currently the Group Managing Director/Chief Executive Officer of Hock Lee Holdings Sdn Bhd.

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.

He has no conviction of any offence within the past ten ( 10 ) years except for traffic offences, if any.

# Corporate Governance Statement

## INTRODUCTION

Pursuant to paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("BMSB"), the Board is pleased to outline below the manner the Group has applied the Principles of Corporate Governance and the extent of compliance with the Best Practices set out in Part 1 and Part 2 respectively as prescribed in the Malaysian Code on Corporate Governance ("the Code").

The Board is committed to its policy of managing the affairs of the Group with transparency, integrity and accountability by ensuring that a sound framework of best corporate practices is in place at all levels of the Group's business and thus discharging its principal responsibility towards protecting and enhancing long-term shareholders' value and investors' interest.

## 1. BOARD OF DIRECTORS

### 1.1 Duties

The Board takes full responsibility for the proper conduct of the Group. The Board guides the Group on its short and long term goals, provides advice and direction on management and business development issues.

Three (3) Board Committees, namely Nomination Committee, Remuneration Committee and Audit Committee, formally established by the Board assist the latter in the discharge of its duties.

### 1.2 Composition / Board Balance

The Board consists of six (6) members; comprising one (1) Senior Independent Non-Executive Director, one (1) Independent Non-Executive Director, one (1) Non-Independent Non-Executive Director and three (3) Non-Independent Executive Directors of which one (1) is the Managing Director. The composition of the Board reflects a balance of executive and non-executive directors to ensure that the interest of not only the Group, but also stakeholders and the public in general are represented in all business strategies formulation and adoption.

The qualification and experience of the Directors are set in the Profile of Board of Directors on Pages 8 to 9 of the Annual Report. The Board is satisfied with its current composition which comprises the balanced mix of operational skills of the executive directors in the wooden furniture manufacturing industry with the professional expertise of the non-executive directors in the fields of finance, auditing/ accounting and economics.

Record of each Director's meeting attendance during the year under review is set out below :

Name	Attendance
Dato' Haji Shaharuddin	5/5
Bin Haji Haron #	
Mr Lin, Tzu-Keng	5/5
Mr Lin, Tzu-Lang	5/5
Mdm Lin Chen, Jui-Fen	5/5
Mr Toh Seng Thong #	5/5
Mr Yek Siew Liong ##	1/1

# - Denotes Independent Non-Executive Director

## - Denotes Non-Independent Non-Executive Director

### 1.3 Appointments to the Board and Re-elections

New candidates will be considered and evaluated by the Nomination Committee. Suitable nominees will then be recommended for appointment to the Board.

In accordance with the Group's holding company's Articles of Association ("Articles"), any Directors appointed during the year are required to retire and seek election by shareholders at the following AGM immediately after their appointment and that one third of the Board members are required to retire at every Annual General Meeting ("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.

# Corporate Governance Statement (cont'd)



## 1.4 Board Meetings

The Board meets on a quarterly basis and more often as required. The general agenda of the meetings includes discussion over minutes of previous meetings, quarterly financial results of the Group and any other issues requiring the Board's deliberation and approval. The agenda for each Board meeting is circulated to all the Directors for their perusal prior to the convening of each meeting to enable Directors to obtain further clarifications / explanations prior to the meeting to ensure smooth proceeding of each meeting. The proceedings and resolutions reached at each Board meeting are minuted and signed by Chairman of the meeting. Besides Board meetings, the Board exercises control on matters that require Board's deliberation and approval through circulation of Directors' Resolutions.

The Board held five (5) meetings during the financial year to control and monitor the development of the Group.

## 1.5 Supply of Information

All Directors have access to all information concerning the Company and the Group as well as the advice and services of the Company Secretary for the performance of his duties.

## 1.7 Directors' Remuneration

During the financial year, the details of aggregate remuneration of Directors are as follows:

Remuneration	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Salaries and other emoluments	709	-	709
Fees	72	150	222
Allowance	9	12	21
Bonus	99	12	111
<b>Total</b>	<b>889</b>	<b>174</b>	<b>1,063</b>

Where necessary, the Director(s) may engage independent professionals at the Group's expense on specialised issues to enable the Director(s) to discharge his/their duties with adequate knowledge on the matters being deliberated.

## 1.6 Training of Directors

All the Directors have completed the Mandatory Accreditation Programme ("MAP") and have attended various other trainings to enhance their skills and knowledge, to keep abreast with the latest developments in the marketplace and to enhance their business acumen and skills to meet challenging commercial risks.

The Directors are encouraged to evaluate their own training needs on a continuous basis and to attend relevant training programmes/ seminars under the Continuing Education Programme ("CEP") pursuant to the listing requirements of BMSB. During the financial year, the seminars and courses attended by the Directors are, inter-alia in various aspects relating to taxation and financial statement preparation.

# Corporate Governance Statement (cont'd)

The number of directors of the Company whose total remunerations during the year fall within the respective bands are as follows:

Range of Remuneration	Number of Executive Directors	Number of Non-Executive Directors
Below RM50,000	-	1
RM50,000 – RM100,000	1	2
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	-	-
RM200,001 – RM250,000	1	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	-	-
RM350,001 – RM400,000	-	-
RM400,001 – RM450,000	-	-
RM450,001 – RM500,000	-	-
RM500,001 – RM550,000	-	-
RM550,001 – RM600,000	-	-
RM600,001 – RM650,000	1	-
<b>Total</b>	<b>3</b>	<b>3</b>

## 1.8 Number of Directorships in other companies

Each of the Directors of the Company holds not more than ten directorships in public listed companies and not more than fifteen in other companies (other than listed companies) which are either incorporated or registered under the Companies Act, 1965. This ensures the Director's commitment, resources and time for an effective input to the Board. Directors' compliance with the directorships requirement are set out in the announcement of the Semi-Annual Returns to the BMSB.

- To recommend candidates to fill seats on board committee.
- To review and make recommendations to the Board, on an annual basis, the required mix of expertise and experience, including core competencies of the non-executive Directors.
- To assess on an annual basis the effectiveness of the Board, the Committees of the Board and for continuously assessing the role of each individual Director towards the accomplishment of the Board's duties/responsibilities.

## 2. BOARD COMMITTEES

The following Board Committees have been established to assist the Board in the execution of its responsibilities:-

### 2.1 Audit Committee

Terms of reference and further information on the Audit Committee are set out on pages 18 to 22 of the Annual Report.

### 2.2 Nomination Committee

Key Responsibilities

- To consider and make recommendations to the Board on the suitability of candidates nominated for appointment to the Board.

The Nomination Committee meets whenever necessary.

The current members of the Nomination Committee are:

Chairman  
**Dato' Haji Shaharuddin Bin Haji Haron**  
 Chairman/Senior Independent  
 Non-Executive Director

Member  
**Mr Toh Seng Thong**  
 Independent Non-Executive Director

# Corporate Governance Statement (cont'd)

## 2.3 Remuneration Committee

### Key Responsibilities

To assess, recommend and review remuneration policies and packages in relation to Executive Directors.

The Remuneration Committee meets on a need basis, and is entrusted with examining the remuneration packages of Executive Directors and the Managing Director. The Committee will then make recommendation to the Board who will ultimately approve the remuneration entitlement of all Directors. The basis of the Committee's recommendation will be linked to corporate and individual performance as well as their principal duties and responsibilities.

The current members of the Remuneration Committee are:

### Chairman

**Dato' Haji Shaharuddin Bin Haji Haron**  
Chairman/Senior Independent  
Non-Executive Director

### Member

**Mr Toh Seng Thong**  
Independent Non-Executive Director

## 2.4 Employees' Share Option Scheme Committee ("ESOS Committee")

### Key Responsibilities

- To formulate guidelines and procedures for the administration of the Employees' Share Option Scheme ("ESOS" or the "Scheme") in accordance with the Bye-Laws of the ESOS and, in such manner, as it shall in its discretion deem fit and, within such powers and duties as are conferred upon it by the Board.
- To recommend, establish, amend and revoke any rules or arrangements relating to the ESOS which will subject to approval by the Board ultimately.
- To select employees of the Company and its subsidiary companies who are eligible to participate in the initial offer and subsequent offers of the Scheme and, determine the number of new shares to be allocated to the eligible employees according to the grading of employees and each band of years of service.

- To determine the number of options exercisable by the eligible employees for each year during the duration of the Scheme, the date of the initial offer and subsequent offers and the exercise price for each offer at which the eligible employees are entitled to subscribe under an option and, the period during which the option may be exercised.

The ESOS Committee meets whenever necessary.

Members of the ESOS Committee, comprised one (1) member from the Board and three (3) members from Management.

The members of the ESOS Committee are:

### Member

**Mr Lin, Tzu-Keng**  
Managing Director  
**Mr Yeoh Joe Son**  
Corporate Finance Manager/Company Secretary  
**Ms Ho Khoy Ling**  
Group Accountant  
**Mr Heng Boon Chai**  
Finance Manager

Directors' respective ESOS entitlements are disclosed in the Directors' Report (Pages 27 to 28 of the Annual Report).

The Employees' Share Option Scheme has expired on 4 October 2006.

## 3. SHAREHOLDERS AND INVESTORS

### • Investor Relations and Shareholder Communication

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

# Corporate Governance Statement (cont'd)

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

- **The Annual General Meeting**

The Annual General Meeting (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.

External auditors are also present to provide their professional and independent clarification on issues of concern raised by the shareholders, if any. In addition, the requests for briefings from the press are usually met.

- **Shareholders' Correspondences**

Shareholders can also convey their concerns and queries to the Group via the Group Company Secretary who will make arrangement for Chairman, Directors and other designated senior executives to reply to shareholders in cases of relevant queries which are not price-sensitive and/ or sensitive to the Group's business which has not already been generally made available to the Company's shareholders and regulatory authorities.

- **Corporate Website**

The Group maintains its corporate website at [www.lattree.com](http://www.lattree.com) which has made available the corporate information, financial and other pertinent information to all its shareholders, at all times.

## 4. ACCOUNTABILITY AND AUDIT

### 4.1 Internal Control

Details of the Internal Control system is stated in the Statement of Internal Control on pages 16 to 17 of the Annual Report.

### 4.2 Financial Reporting

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 to oversee the Group's financial reporting processes and the quality of its financial reporting with particular emphasis on the application of accounting standards and policies and the making of reasonable and prudent estimates and assumptions.

A statement by the Board of its responsibilities for preparing the financial statements is set out on page 23 of the Annual Report.

### 4.3 Relationship with Auditors

The Board maintains an active, transparent and professional relationship with its Auditors through Audit Committee, which has been conferred with the authority to interface directly with both the external and internal auditors of the Group.

# Corporate Governance Statement (cont'd)

During the financial year, the Company's External Auditors conducted an audit of the Company and the Group, so as to provide reasonable assurance that the financial statements present a true and fair view of the Group's performance and are free from material misstatements. After the completion of the audit, discussion was carried out with the External Auditors on issues relating to the audit report and significant issues arising from the audit of the Company and the Group. The Board, through the Audit Committee, also seeks the External Auditors' professional advice in ensuring compliance with the appropriate accounting standards in Malaysia and the provisions of the Companies Act, 1965.

A summary of the activities of the Audit Committee during the year is set out in the Audit Committee Report on pages 18 to 22 of the Annual Report.

## 5. OTHER INFORMATION PURSUANT TO THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

### 5.1 Utilisation of Proceeds

There were no issuance of new shares, rights issue or bonds carried out during the year ended 30 June 2007 to raise any cash proceeds except for the issuance of shares pursuant to the ESOS as discussed in the Directors' Report on pages 27 to 28 of the Annual Report.

### 5.2 Share Buy-Back

The Company had not undertaken any share buy-back exercise for the financial year ended 30 June 2007.

### 5.3 Options, Warrants or Convertible Securities

There were no other options, warrants or convertible securities exercised in respect of the financial year ended 30 June, 2007 except for the exercise of share options pursuant to the ESOS as disclosed in the Directors' Report on pages 27 to 28 of the Annual Report.

### 5.4 American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

The Company had not sponsored any ADR or GDR programme for the year ended 30 June 2007.

### 5.5 Sanctions and/or Penalties

The Company and its subsidiaries, Directors and Management had not been imposed with any sanctions and/or penalties.

### 5.6 Non-Audit Fees

During the financial year under review, the Group had not incurred any non-audit fees paid or payable to the external auditors.

### 5.7 Variation of Results

There were no material variances between the actual results for the year ended 30 June 2007 and the unaudited results previously announced by the Company.

### 5.8 Profit Forecast and Guarantee

The Company did not issue any profit forecast and guarantee for the year ended 30 June 2007.

### 5.9 Revaluation Policy

The Group has adopted a policy on regular revaluation of landed properties. This is as disclosed in the financial statements under page 43 of the Annual Report.

### 5.10 Material Contracts Involving Directors and Major Shareholders

There were no material contracts involving the Company and its subsidiaries with directors and substantial shareholders of the Company either still subsisting at the end of the financial year ended 30 June 2007 or entered into since the end of the financial year.

### 5.11 Recurrent Related Party Transactions of Revenue Nature

The Group did not have any recurrent related party transactions of a revenue or trading nature during the financial year ended 30 June 2007.

# Statement on Internal Control

## 1. INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and Group's assets. The Listing Requirements require the Directors of public listed companies to include in the Annual Report a statement on the state of its internal control.

## 2. RESPONSIBILITY

The Board acknowledges its responsibility to establish a sound system of internal control and risk management and for reviewing the effectiveness of the system 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. 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.

The Board has extended the responsibilities of the Audit Committee to include the role of reviewing and monitoring the effectiveness of the Group's internal control system. The Audit Committee receives assurance reports from both the internal auditors for findings from site audits carried out at operating units, and the external auditors on areas for improvement identified during the course of statutory audit. The Reports of the Audit Committee is set out on pages 18 to 22 of the 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 companies.

The Company has established a Risk Management Committee ( "RMC" ) whom together with the Audit Committee, 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
- review and assess the applicability of the control environment in mitigating risk

The Company has in place an enterprise wide risk management(ERM) framework during the previous financial year with the assistance of an independent professional consulting firm, Messrs KPMG.

Within the ERM framework, risks and control measures are documented and compiled by the RMC to represent the risk profile of the operating companies 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 Audit Committee before reporting to Board.

During the financial year under review, 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 based on the risk profiles of the major business units of the Group. Internal audit reviews the internal controls in the key activities of the Group's businesses.

# Statement on Internal Control (cont'd)

A minimum one (1) internal audit cycle will be carried out annually by the outsourced independent professional consulting firm. The internal audit team assesses the adequacy and integrity of the internal control system based on its scope of work and highlights to the Management the findings and areas for improvement. Internal audit also reviews the extent to which its recommendations have been accepted and implemented by the Management. Audit Committee will review various internal audit reports and management responses thereto and ensuring significant findings especially control deficiencies are adequately addressed to and rectified by Management of the operating units concern. Internal audit reports are also tabled at Audit Committee meetings. The Audit Committee in turn reports to the Board its assessment and recommendations.

During the financial year ended 30 June 2007, the Audit Committee, with the assistance of the external professional consulting firm, Messrs KPMG, continuously reviewed the adequacy and integrity of the Group's internal control systems relating to Sales & Marketing, Procurement And Logistics of the Group's Vietnam operations.

## 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:

- 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 units;
- a close monthly monitoring and review of financial results and forecasts for all operating units by the Group's Management Steering Committee (MSC), headed by the Managing Director;
- a standardised formulation of action plans at the Group level through discussions carried out by the MSC, to focus on areas of concern.

## 6. CONCLUSION

Hence, 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 under review and up to the date of approval of the Annual Report.

There were no control deficiencies noted during the financial year under review which have a material impact on the Group's performance or operations.

The statement was made in accordance with a resolution of the Board.

# Audit Committee Report

The Board of Directors ("Board") of the Company is pleased to present the report of the Audit Committee for the financial year ended 30 June 2007.

## A. MEMBERSHIP AND MEETING ATTENDANCE

The current members of the Audit Committee are :

Chairman:

**Mr Toh Seng Thong**

*Independent Non-Executive Director*

Members:

**Dato' Haji Shaharuddin Bin Haji Haron**

*Chairman/Senior Independent Non-Executive Director*

**Mr Lin, Tzu-Keng**

*Managing Director*

*(resigned on 18 October 2007)*

**Mr Yek Siew Liong**

*Non-Independent Non-Executive Director*

*(appointed on 18 October 2007)*

## B. TERMS OF REFERENCE

The terms of reference of the Committee are as follows:

### 1. Composition of members

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) directors, where the majority shall be independent directors. The term of office of the Audit Committee is 3 years and may be re-nominated and appointed by the Board. No alternate director is appointed as a member of the Audit Committee and at least one (1) member:-

- (a) shall be a member of the Malaysian Institute of Accountants ("MIA"); or
- (b) if he is not a member of the MIA, he must have at least 3 years of working experience and:
  - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - ii. he must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967.

- (c) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad.

### 2. Chairman

The Chairman of the Audit Committee, elected from amongst the Audit Committee members, shall be an independent director. The Chairman of the Committee shall be approved by the Board.

### 3. Retirement and resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

### 4. Secretary

The Secretary of the Audit Committee shall be the Company Secretary.

The Secretary shall be responsible for drawing up the agenda with concurrence of the Chairman and circulating it, supported by explanatory documentation to members of the Audit Committee prior to each meeting.

# Audit Committee Report (cont'd)

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, circulating them to members of the Audit Committee and to the other members of the Board and for following up outstanding matters.

## 5. Terms of Office

The Board shall review the term of office and performance of the Audit Committee and each of its members at least once in every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

## 6. Meetings

The Audit Committee meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

In the absence of the Chairman, the other independent director shall be the Chairman for that meeting.

The members of the Audit Committee, Finance Manager and the head of internal audit will normally be in attendance at the meetings. Representatives of the external auditors are to be in attendance at meeting where matters relating to the audit of the statutory accounts and/or external auditors are to be discussed.

Other directors, officers and employees of the Company and/or Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Audit Committee. However, at least once a year the Audit Committee shall meet with the external auditors without any executive board member present.

Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and also to the other members of the Board.

The Audit Committee Chairman shall report on each meeting to the Board.

The Audit Committee meetings held during the financial year ended 30 June 2007 and details of attendance of each Committee member is as follows:

	No. of Audit Committee Meeting	
	Held	Attended
Mr. Toh Seng Thong	5	5
Dato' Haji Shaharuddin Bin Hj Haron	5	5
Mr. Lin, Tzu-Keng *	5	5
Mr. Yek Siew Liong #	-	-

The external auditor were also invited to attend one of these meetings.

\* Mr. Lin, Tzu-Keng resigned on 18 October 2007.

# Mr. Yek Siew Liong was appointed on 18 October 2007.

# Audit Committee Report (cont'd)

## 7. Quorum

The quorum for the Audit Committee meeting shall be the majority of members present whom must be independent directors.

## 8. Reporting

The Audit Committee shall report to the Board either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The Audit Committee shall report to the Board on any specific matters referred to it by the Board for investigation and report.

## 9. Objectives

The principal objectives of the Audit Committee is to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:

- evaluate the quality of the audits performed by the internal and external auditors;
- provide assurance that the financial information presented by management is relevant, reliable and timely;
- oversee compliance with laws and regulations and observance of a proper code of conduct; and
- determine the quality, adequacy and effectiveness of the Group's control environment.

## 10. Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- (a) authorise to investigate any activity within its terms of reference. All employees shall be directed to co-operate as requested by members of the Audit Committee.
- (b) have full and unlimited/unrestricted access to all information and documents/resources as well as to the internal and external auditors and senior management of the Company and the Group which are required to perform its duties.
- (c) obtain other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
- (d) be able to convene meetings with the external auditors, without the attendance of the executive members of the Audit Committee, whenever deemed necessary.
- (e) be able to make relevant reports when necessary to the relevant authorities if a breach of the Listing Requirements occurred.

## 11. Duties and Responsibilities

The duties and responsibilities of the Audit Committee are to review the following and report the same to the Board of the Company:-

- (a) with the external auditors, their audit plan;
- (b) with the external auditors, their evaluation of the system of internal controls;
- (c) with the external auditors, their audit report;
- (d) the assistance given by the employees of the Company and the Group to the external auditors;
- (e) any letter of resignation from the external auditors of the Company;

# Audit Committee Report (cont'd)

- (f) reason(s) and ground(s) to support the opinion that the Company's external auditors are not suitable for re-appointment;
  - (g) the adequacy of the scopes, functions and resources of the internal audit function and degree of the necessary authority given for the accomplishment of tasks;
  - (h) the internal audit programmes, processes, the results of the investigations undertaken and whether or not appropriate action is taken on the recommendations made by the internal audit function;
  - (i) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on :-
    - (i) changes due to implementation of new and/or revised accounting policy;
    - (ii) significant and unusual events;
    - (iii) the going concern assumptions and
    - (iv) compliance with accounting standards and other legal requirements;
  - (j) any related party transactions and conflict of interest situations that may arise within the Company and/or the Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
  - (k) any other areas as defined by the Board.
- Reviewed the quarterly and year-to date unaudited financial statements, prior to deliberation and approval by Board;
  - Reviewed the Audited Financial Statements of the Group and of the Company for the financial year ended 30 June 2006;
  - Reviewed and discussed the external auditors' audit report and areas of concern;
  - Reviewed and assessed the Risk Register updates;
  - Reviewed the Internal Auditors' reports pertaining to the state of internal control of the Vietnam operating units within the Group and appraised the adequacy and effectiveness of Management's response in resolving the audit issues reported;
  - Reviewed the proposed audit fees for the external auditors in respect of their audit of the Group and of the Company for the financial year;
  - Consider the re-appointment of the external auditors for recommendation to shareholders for their approval.

## C. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

Activities undertaken during the financial year under review are as follows:

- Reviewed and evaluated the scope of works and audit plans of the Internal and External Auditors;

## D. SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Group has out-sourced the provision of internal audit and management system assurance to an independent professional consulting firm, Messrs KPMG. The Internal Auditors report directly to the Audit Committee and administratively to the Group Managing Director.

The Audit Committee 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 :

# Audit Committee Report (cont'd)

- reviewing identified high risk areas for compliance with control policies and procedures; identifying business risks 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 Audit Committee. The reports of the audits undertaken were forwarded to the management for attention and necessary action and were presented to the Audit Committee for deliberation and approval.

During the financial year under review, the Internal Auditors undertook the following activities:

- Completed the internal audit and reported on the systems of internal controls relating to Sales & Marketing, Production and Logistics of the Vietnam subsidiaries namely Latitude Tree Vietnam Co., Ltd and RK Resources Co., Ltd;
- Attended and reported to the Audit Committee its internal audit findings and response and rectification undertaken by the Management.

# Statement of Board of Directors' Responsibilities

## For preparing the Annual Audited Financial Statements

The Companies' Act 1965 requires Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs, results and cashflows of the Company and of the Group for that period.

The Directors are responsible for:-

- i) ensuring that financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965, applicable MASB Approved Accounting Standards in Malaysia for Entities other than Private Entities and the Listing Requirements of the BMSB.
- ii) making of judgements and estimates that are reasonable and prudent
- iii) ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965
- iv) for safeguarding the assets of the Group and the Company, and
- v) taking reasonable steps for the prevention and detection of fraud and irregularities

In preparing the financial statements for the year ended 30 June 2007 as set out on pages 25 to 67 of the Annual Report, the Directors have applied appropriate accounting policies on a consistent basis and made judgements and estimates that are reasonable and prudent.

This statement is made in accordance with a resolution of the Board of Directors.



# Financial Statements

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# Directors' Report

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June, 2007.

## PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

## RESULTS

	Group RM'000	Company RM'000
Profit / (Loss) for the year	8,793	(36)
Attributable to :		
Equity holders of the Company	10,263	(36)
Minority interest	(1,470)	-
Profit / (Loss) for the year	8,793	(36)

## DIVIDENDS

Since the end of the previous financial year, the Company paid out RM5,834,450 on 30 January, 2007 being tax exempt dividend of 9.0 sen for the previous financial year.

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 30 June, 2007 of 4.1 sen (tax exempt) on 64,805,000 ordinary shares amounting to a total of RM2,657,005 will be proposed for shareholders' approval. The dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 30 June, 2008.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the financial year.

## EMPLOYEES' SHARE OPTION SCHEME

The Latitude Tree Holdings Berhad Employees' Share Option Scheme ("ESOS") was approved by the shareholders at an Extraordinary General Meeting held on 18 June 2001.

The main features of the ESOS are :

- eligible persons are full time employees with confirmed employment within the Group and have served for at least a continuous period of 12 months prior to the Date of Offer. The Date of Offer being the date when an offer in writing is made to eligible employees to participate in ESOS. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors;
- the maximum amount of shares available under ESOS shall not be more than 10% of the issued and paid up ordinary share capital of the Company at any point of time during the existence of ESOS, which shall continue to be in force for a period of 5 years from 5 October, 2001;

# Directors' Report (cont'd)

- (c) no option shall be granted for less than 1,000 shares or for more than 500,000 shares to any eligible employee. The option may be exercised in full or in such lesser number of ordinary shares provided that the number shall be in multiples of 1,000 ordinary shares;
- (d) the ESOS subscription price for each ordinary share shall be based on the average of the mean market quotation of the shares of the Company as shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five market days preceding the Date of Offer or at the par value of the shares of the Company, whichever is higher; and
- (e) the shares to be allotted upon exercise of the option will, upon allotment and issue, rank pari passu in all respects with existing issued and paid up ordinary shares of the Company.

During the financial year 1,702,000 options granted to eligible employees were lapsed due to expiry of the option.

The summary of the above movements and the number of unissued ordinary shares under the ESOS options as at the financial year end were as follows:

Tranche	Date Granted	Exercise Price per Share RM	Number of Unissued Ordinary Shares Under The ESOS Options				At 30.6.2007
			At 1.7.2006	Granted	Exercised	Lapsed	
1	1.11.2001	1.67	1,615,000	-	-	(1,615,000)	-
2	5.2.2002	1.88	87,000	-	-	(87,000)	-
			1,702,000	-	-	(1,702,000)	-

The Employees' Share Option Scheme has expired on 4 October, 2006.

## BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of a provision for doubtful debts, and are satisfied that all known bad debts have been written off and that no provision for doubtful debts is required.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts inadequate to any substantial extent or require a provision for doubtful debts in the financial statements of the Group and of the Company.

## CURRENT ASSETS

Before the income statements and balance sheets were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised, in the ordinary course of business including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which have arisen which render the values attributed to current assets in the financial statements misleading.

## VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist :

- (i) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liabilities of any person; or

# Directors' Report (cont'd)

(ii) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group or the Company has become enforceable or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or the Company to meet its obligations when they fall due.

## CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in the report or financial statements, which would render any amount stated in the financial statements misleading.

## ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors :

- (i) the results of the operations of the Group and of the Company for the financial year ended 30 June, 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## SIGNIFICANT EVENT

Significant event is disclosed in Note 30 to the financial statements.

## SUBSEQUENT EVENT

Subsequent event is disclosed in Note 31 to the financial statements.

## DIRECTORS

The directors who served since the date of the last report are :

Dato' Haji Shaharuddin Bin Haji Haron	Lin Chen, Jui-Fen
Lin, Tzu-Lang	Toh Seng Thong
Lin, Tzu-Keng	Yek Siew Liong (appointed on 18.5.2007)

In accordance with the Company's Articles of Association, Lin, Tzu-Lang, Lin Chen, Jui-Fen and Yek Siew Liong retire and being eligible, offer themselves for re-election.

## DIRECTORS' INTERESTS

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

(i) Shares	Number of ordinary shares of RM1 each			
	At 1.7.2006	Bought	Sold	At 30.6.2007
Direct interest :				
Lin, Tzu-Lang	6,410,250	-	-	6,410,250
Lin, Tzu-Keng	12,882,168	-	-	12,882,168
Lin Chen, Jui-Fen	7,344,134	-	-	7,344,134
Indirect interest :				
Lin, Tzu-Keng	7,344,134	-	-	7,344,134 *
Lin Chen, Jui-Fen	12,882,168	-	-	12,882,168 *
Yek Siew Liong	9,740,000	-	-	9,740,000 #

\* Deemed interest in shares held by spouse

# Deemed interest in shares held by Konsortium Kontrek Sdn. Bhd.

# Directors' Report (cont'd)

## (ii) Options

	Number of options over ordinary shares of RM1 each				
	At 1.7.2006	Exercised	Lapsed	At 30.6.2007	Exercise Price
Direct interest :					
Lin, Tzu-Lang	125,000	-	(125,000)	-	1.67
Lin, Tzu-Keng	180,000	-	(180,000)	-	1.67
Lin Chen, Jui-Fen	125,000	-	(125,000)	-	1.67
Indirect interest :					
Lin, Tzu-Keng	125,000 *	-	(125,000)	-	1.67
Lin Chen, Jui-Fen	180,000 *	-	(180,000)	-	1.67

\* Deemed interest in options held by spouse

By virtue of their interests in the shares and options of the Company, Lin, Tzu-Lang, Lin, Tzu-Keng and Lin Chen, Jui-Fen are also deemed to have interest in the shares of all its subsidiaries to the extent the Company has an interest

Other than as stated above, the directors in office at the end of the financial year did not have any interest in the shares and options of the Company or its related corporations during the financial year.

## DIRECTORS' BENEFITS

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable directors to 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 a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the 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.

## AUDITORS

Y.C. Chong & Co retire and have indicated their willingness to be re-appointed.

Signed on behalf of the Board in accordance  
with a resolution of the directors :

DATO' HAJI SHAHARUDDIN BIN HAJI HARON

LIN, TZU-KENG  
Kuala Lumpur  
Dated : 18 October 2007

# Statement by Directors

We, DATO' HAJI SHAHARUDDIN BIN HAJI HARON and LIN, TZU-KENG being two of the directors of LATITUDE TREE HOLDINGS BERHAD, do hereby state that in the opinion of the directors, the financial statements on pages 31 to 67 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June, 2007, and of the results of their operations and cash flows for the year ended on that date and have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia For Entities Other Than Private Entities.

On behalf of the Board,

DATO' HAJI SHAHARUDDIN BIN HAJI HARON

LIN, TZU-KENG  
Kuala Lumpur  
Dated: 18 October, 2007

# Statutory Declaration

I, HO KHOY LING, the officer primarily responsible for the financial management of LATITUDE TREE HOLDINGS BERHAD, do solemnly and sincerely declare that the financial statements on pages 31 to 67 are to the best of my knowledge and belief 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 HO KHOY LING )  
at Kuala Lumpur in Wilayah )  
Persekutuan on 18 October, 2007 )

HO KHOY LING

Before me,

K.MARIASOOSAY  
No: W344  
Commissioner for Oaths  
Kuala Lumpur.

# Auditors' Report

to the members of Latitude Tree Holdings Berhad

We have audited the financial statements of LATITUDE TREE HOLDINGS BERHAD set out on pages 31 to 67. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion :

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of :
  - (i) the state of affairs of the Group and of the Company as at 30 June, 2007 and of the results of their operations and the cash flows for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and Auditors' Reports of the subsidiaries of which we have not acted as auditors, as indicated in Note 5 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that are consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for that purpose.

The Auditors' Reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the said Act.

Y.C. CHONG & CO.  
No. AF 0636  
Chartered Accountants

CHONG YING CHOY  
1264/02/08(J)  
Chartered Accountant

Kuala Lumpur  
Dated: 18 October, 2007

# Balance Sheets

as at 30 June 2007

	Note	Group		Company	
		2007	2006	2007	2006
		RM '000	RM '000	RM '000	RM '000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	4	217,124	203,235	-	-
Investments	5	3,581	1,500	47,549	45,376
Deferred tax assets	6	2,211	4,242	-	-
<b>CURRENT ASSETS</b>					
Inventories	7	82,239	77,235	-	-
Trade receivables	8	18,712	17,899	-	-
Other receivables	9	22,836	23,400	20	14
Due from subsidiaries	10	-	-	69,502	57,631
Term deposits	11	15,662	15,913	10,647	10,342
Cash and bank balances		23,688	11,713	38	24
		163,137	146,160	80,207	68,011
Non-current assets held for sale	12	8,200	-	-	-
		171,337	146,160	80,207	68,011
<b>TOTAL ASSETS</b>		<b>394,253</b>	<b>355,137</b>	<b>127,756</b>	<b>113,387</b>
<b>EQUITY AND LIABILITIES</b>					
Equity attributable to equity holders of the Company					
Share capital	13	64,805	64,805	64,805	64,805
Reserves	14	93,383	91,688	27,624	33,491
		158,188	156,493	92,429	98,296
Minority interest		8,695	9,056	-	-
<b>TOTAL EQUITY</b>		<b>166,883</b>	<b>165,549</b>	<b>92,429</b>	<b>98,296</b>
<b>NON-CURRENT LIABILITIES</b>					
Hire purchase payables	15	751	1,577	-	-
Bank borrowings	16	70,122	41,870	35,000	15,000
Deferred tax liabilities	6	6,540	8,342	-	-
		77,413	51,789	35,000	15,000
<b>CURRENT LIABILITIES</b>					
Trade payables	17	30,192	34,585	-	-
Other payables and accruals	18	26,268	27,035	75	91
Due to subsidiaries	10	-	-	173	-
Hire purchase payables	15	1,446	2,612	-	-
Bank borrowings	16	92,051	73,567	-	-
Taxation		-	-	79	-
		149,957	137,799	327	91
<b>TOTAL LIABILITIES</b>		<b>227,370</b>	<b>189,588</b>	<b>35,327</b>	<b>15,091</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>394,253</b>	<b>355,137</b>	<b>127,756</b>	<b>113,387</b>

The notes on pages 37 to 67 form an integral part of these financial statements.

# Income Statements

for the year ended 30 June 2007

	Note	Group		Company	
		2007	2006	2007	2006
		RM '000	RM '000	RM '000	RM '000
Revenue	19	411,706	356,710	240	240
Cost of sales		(369,527)	(310,155)	-	-
Gross profit		42,179	46,555	240	240
Other operating income		3,016	1,762	620	239
Selling and marketing expenses		(7,004)	(5,316)	-	-
Administrative expenses		(16,487)	(12,645)	(764)	(346)
Other operating expenses		(3,469)	(4,392)	(5)	(4)
Profit from operations	20	18,235	25,964	91	129
Finance costs	23	(9,045)	(6,570)	-	-
Profit before taxation		9,190	19,394	91	129
Taxation	24	(397)	126	(127)	(67)
Profit for the year		8,793	19,520	(36)	62
Attributable to :					
Equity holders of the Company		10,263	19,857		
Minority interest		(1,470)	(337)		
Net profit for the year		8,793	19,520		
Earnings per share attributable to equity holders of the Company (sen)					
Basic	25	15.8	30.7		
Diluted	25	N/A	30.0		
Dividend per share (tax exempt) (sen)	26	9.0	6.8	9.0	6.8

The notes on pages 37 to 67 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2007

## ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Non-distributable		Foreign currency translation		Distributable retained profits	Total	Minority interest	Total equity	
	Share capital	Share premium	Reserve on consolidation	Revaluation reserve					reserve
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	
As at 1 July, 2005	64,619	1,101	2,055	2,284	-	71,358	141,417	-	141,417
Acquired during the year	-	-	-	-	-	-	-	9,393	9,393
Profit / (Loss) for the year	-	-	-	-	-	19,857	19,857	(337)	19,520
Amortisation of reserve on consolidation	-	-	(685)	-	-	-	(685)	-	(685)
Dividends (Note 26)	-	-	-	-	-	(4,406)	(4,406)	-	(4,406)
Increase in share capital : ESOS	186	124	-	-	-	-	310	-	310
<b>As at 30 June, 2006</b>	<b>64,805</b>	<b>1,225</b>	<b>1,370</b>	<b>2,284</b>	<b>-</b>	<b>86,809</b>	<b>156,493</b>	<b>9,056</b>	<b>165,549</b>
As at 1 July, 2006									
As previously stated	64,805	1,225	1,370	2,284	-	86,809	156,493	9,056	165,549
Effect of adopting FRS 3	-	-	(1,370)	-	-	1,370	-	-	-
<b>As restated</b>	<b>64,805</b>	<b>1,225</b>	<b>-</b>	<b>2,284</b>	<b>-</b>	<b>88,179</b>	<b>156,493</b>	<b>9,056</b>	<b>165,549</b>
Profit / (Loss) for the year	-	-	-	-	-	10,263	10,263	(1,470)	8,793
Foreign currency translation difference	-	-	-	-	(2,143)	-	(2,143)	1,109	(1,034)
Reversal of revaluation reserve (Note 12)	-	-	-	(770)	-	-	(770)	-	(770)
Deconsolidation adjustment	-	-	-	-	-	176	176	-	176
Dividends (Note 26)	-	-	-	-	-	(5,831)	(5,831)	-	(5,831)
<b>As at 30 June, 2007</b>	<b>64,805</b>	<b>1,225</b>	<b>-</b>	<b>1,514</b>	<b>(2,143)</b>	<b>92,787</b>	<b>158,188</b>	<b>8,695</b>	<b>166,883</b>

The notes on pages 37 to 67 form an integral part of these financial statements.

# Statement of Changes in Equity

for the year ended 30 June 2007

	Share capital RM '000	Non-Distributable Share premium RM '000	Distributable retained profits RM '000	Total RM '000
As at 1 July, 2005	64,619	1,101	36,610	102,330
Profit for the year	-	-	62	62
Dividends (Note 26)	-	-	(4,406)	(4,406)
Increase in share capital : ESOS	186	124	-	310
As at 30 June, 2006	64,805	1,225	32,266	98,296
Loss for the year	-	-	(36)	(36)
Dividends (Note 26)	-	-	(5,831)	(5,831)
As at 30 June, 2007	64,805	1,225	26,399	92,429

The notes on pages 37 to 67 form an integral part of these financial statements.

# Consolidated Cash Flow Statement

for the year ended 30 June 2007

	Note	2007 RM '000	2006 RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		9,190	19,394
Adjustments for :			
Amortisation of reserve on consolidation		-	(685)
Bad debts written off		4	-
Deconsolidation adjustment		176	-
Depreciation		14,835	13,217
Deposits written off		52	159
Impairment loss on property, plant and equipment		156	544
Impairment loss on non-current assets held for sale		896	-
Inventories written off		-	49
Property, plant and equipment written off		5	2
Gain on disposal of property, plant and equipment		(157)	(214)
Interest expense		9,045	6,570
Interest income		(611)	(579)
Unrealised (gain) / loss on foreign exchange		(448)	1,372
Operating profit before working capital changes		33,143	39,829
Increase in inventories		(5,004)	(15,139)
Decrease / (Increase) in receivables		717	(15,583)
(Decrease) / Increase in payables		(4,712)	20,038
Cash generated from operations		24,144	29,145
Interest paid		(9,045)	(6,570)
Interest received		611	579
Taxation refunded		881	-
Taxation paid		(2,068)	(1,022)
Net cash generated from operating activities		14,523	22,132
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		6,586	817
Purchase of property, plant and equipment	27	(44,756)	(38,389)
Purchase of investments		(2,081)	-
Net cash used in investing activities		(40,251)	(37,572)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of share capital		-	310
Repayment of hire purchase payables		(2,783)	(3,302)
Proceeds from term loans		36,497	21,251
Repayment of term loans		(6,311)	(11,137)
Proceeds from bank borrowings		136,197	84,884
Repayment of bank borrowings		(127,326)	(57,899)
Deposits placed as security for bank borrowings		251	(8,500)
Dividends paid		(5,831)	(4,406)
Minority interests		-	9,393
Net cash generated from financing activities		30,694	30,594
Exchange difference in translation of financial statements of foreign subsidiaries		(668)	483
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		4,298	15,637
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		3,755	(11,882)
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	28	8,053	3,755

The notes on pages 37 to 67 form an integral part of these financial statements.

# Cash Flow Statements

for the year ended 30 June 2007

	Note	2007 RM '000	2006 RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		91	129
Adjustments for :			
Interest income		(313)	(239)
Operating loss before working capital changes		(222)	(110)
(Increase) / Decrease in receivables		(20)	3
(Increase) / Decrease in amounts due from subsidiaries		(11,871)	11,821
Increase in amount due to subsidiaries		173	-
(Decrease) / Increase in payables		(16)	17
Cash (used in) / generated from operations		(11,956)	11,731
Interest received		313	239
Taxation paid		(34)	(34)
Net cash (used in) / profit from operating activities		(11,677)	11,936
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments		(2,173)	-
		(2,173)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of share capital		-	310
Proceeds from bank borrowings		20,000	-
Deposit placed as security for bank borrowings		(305)	(7,838)
Dividend paid		(5,831)	(4,406)
Net cash generated from / (used in) financing activities		13,864	(11,934)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>14</b>	<b>2</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>24</b>	<b>22</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	<b>28</b>	<b>38</b>	<b>24</b>

The notes on pages 37 to 67 form an integral part of these financial statements.

# Notes to the Financial Statements

for the year ended 30 June 2007

## 1. GENERAL INFORMATION

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

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at Lot 3356, Batu 7 3/4, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan.

The registered office is located at Level 7, Setia 1, 15, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors on 18 October 2007.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise indicated and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia For Entities Other Than Private Entities.

At the beginning of the current financial year, the Group and the Company had adopted all the new and revised Financial Reporting Standards ("FRS") which are mandatory for financial period beginning on or after 1 January, 2006.

The financial statements are presented in Ringgit Malaysia (RM). All financial information presented in RM has been rounded to the nearest RM unless otherwise stated.

The preparation of financial statements requires directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

### (b) Changes in accounting policies and effects arising from adoption of new and revised FRSs

#### (i) New and revised FRSs adopted in the current financial year

On 1 July 2006, the Group and the Company adopted the following FRSs which are mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the new and revised FRSs did not result in significant changes in accounting policies of the Group and the Company except for the followings :

(a) FRS 3 : Business Combinations

Prior to 1 January 2006, negative goodwill (formerly known as reserve on consolidation) was amortised on a straight-line basis over its estimated useful life of 10 years. The adoption of FRS 3 has resulted in the Group ceasing annual negative goodwill amortisation.

Under FRS 3, any negative goodwill is recognised immediately in income statement. In accordance with FRS 3, negative goodwill as at 1 July 2006 of RM1,370,000 was derecognised with a corresponding increase in retained earnings.

Had there not been a change in accounting policy the net profit attributable to shareholders for the financial year ended 30 June, 2007 would have increased by RM685,000.

(b) FRS 5 'Non-current assets held for sale'

The adoption of FRS 5 has resulted in a change in accounting policy for non-current assets held for sale.

The definition of non-current assets held for sale under FRS 5 has resulted in identification of assets of the Group that meets the definition of non-current assets held for sale. These assets are now classified into a separate asset category on the balance sheet. Previously, non-current assets held for sale were included within property, plant and equipment.

The Group has applied FRS 5 prospectively in accordance with the transitional provisions. This change has no impact on the Group's and the Company's balance sheet as at 30 June, 2007.

(c) FRS 101 : Presentation of Financial Statements

Prior to 1 July, 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statements of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

The change in presentation has been applied retrospectively and certain comparatives have been restated.

The changes in presentation has no impact on the Group's financial statements.

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

(ii) FRSs issued but not yet adopted.

The Company have not adopted the following FRSs which are not relevant except possibly for FRS 17, FRS 124 and FRS 139 :

<b>FRS</b>	<b>Effective for financial periods beginning on or after</b>
FRS 17 : Leases	1 October 2006
FRS 124 : Related Party Disclosures	1 October 2006
FRS 6 : Exploration for Evaluation of Mineral Resources	1 January 2007
Amendments to FRS 119 <sup>2004</sup> : Employees Benefits - Actuarial Gain and Losses, Group Plans and Disclosures	1 January 2007
Amendments to FRS 121 : The Effects of Changes in Foreign Exchange Rates- Net Investment in Foreign Operation	1 July 2007
IC Interpretation 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2 : Members' Share in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5 : Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6 : Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7 : Applying the Restatement Approach under FRS 129 <sup>2004</sup> Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8 : Scope of FRS 2	1 July 2007
FRS 139 : Financial Instruments : Recognition and Measurement	Effective date Deferred

## (c) Basis of consolidation

The Group financial statements include the financial statements of the Company and all its subsidiaries made up to 30 June, 2007. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Acquisition of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The costs of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Intragroup transactions and balances and the resulting unrealised gains are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

## (d) Investments

Investments in subsidiaries are shown at cost. Where an indication of impairment exist, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(f) to the financial statements on impairment of assets.

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

Investments in other non-current investments are stated at cost and a provision for diminution in value is made where, in the opinion of the directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceed and its carrying amount is charged or credited to the income statement.

## (e) Property, plant and equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, with the exception of certain land and buildings which are stated at valuation less subsequent depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. For those property, plant and equipment that are stated at valuation, all subsequent additions are stated at cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Property, plant and equipment are depreciated on the straight line basis to write off the cost of the assets, or their revalued amounts, to their residual values over their estimated useful lives, summarised as follows :

Long leasehold land	60 - 90 years
Short leasehold land	20 - 50 years
Buildings	2% - 10%
Plant and machinery	5% - 10%
Electrical installation	10%
Furniture and fittings	10% - 20%
Hostel	10%
Motor vehicles	12.5% - 20%
Office equipment	10% - 20%
Renovation	10%

Freehold land has an unlimited useful life and is not depreciated.

Depreciation on assets under construction commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indication exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(f) on impairment of assets.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts of the assets disposed and are included in the income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

## (f) Impairment of assets

The carrying value of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash generating unit.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of accumulated depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

## **(g) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined principally on the weighted average method. The cost of work-in-progress and finished goods include the cost of direct materials, labour and a proportion of manufacturing overheads. The cost of raw materials comprise the original cost of purchase and all direct expenses in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

## **(h) Receivables**

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

## **(i) Payables**

Payables are stated at cost which are the fair values of the consideration to be paid in the future for goods and services received.

## **(j) Leases**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

### **(i) Finance leases**

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(e).

### **(ii) Operating leases**

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## (k) Foreign currencies

### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

### (ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### (ii) Foreign entities

The results and financial position of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows :

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to "Foreign currency translation reserve" in shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

The exchange rates ruling at the balance sheet date used are as follows :

	2007 RM	2006 RM
1 United States Dollar	3.4545	3.6745
1,000 Indonesian Rupiah	0.3750	0.3915
1 Thailand Baht	0.10900	0.09585

## (l) Foreign currencies

### (i) Taxation

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

Current tax is the expected tax payable on the taxable income for the year using tax rates that have been enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary differences arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

## (m) Revenue recognition

- (i) Sale of goods is recognised when the risks and rewards of ownership of the goods have been transferred to the buyers.
- (ii) Interest income is recognised on accrual basis taking into account the effective yield on the asset.
- (iii) Rental income is recognised on accrual basis on agreed upon rental rates.
- (iv) Management fee is recognised on accrual basis.
- (v) Dividend income is recognised when the right to receive payment is established.

## (n) Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method.

Interest on borrowings is reported within finance cost in the income statement.

## (o) Revaluation of Land and Buildings

It is the Group's policy to appraise the land and buildings at least once in every 5 years based on valuations carried out by independent professional valuers on the open market value basis. A surplus arising therefrom is credited to revaluation reserve. However, a surplus will be recognised as revenue to the extent that it reverses a revaluation deficit of the same asset previously recognised as an expense. A deficit arising therefrom is recognised as an expense.

However, a deficit will be set-off against any related revaluation surplus to the extent that the deficit does not exceed the amount held in revaluation reserve in respect of the same assets.

On disposal of these properties, any surplus in revaluation reserve relating to these assets will be transferred to retained earnings.

## (p) Employee benefits

- (i) 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. 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. Non-accumulating compensated absences such as sick leave are recognised when the absences occur.

- (ii) Defined contribution plans

Companies incorporated in Malaysia contribute to the Employees Provident Fund, the national defined contribution plan. Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## (q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, when a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is immaterial, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

## (r) Non-current assets held for sale

Non-current assets are classified as assets held for sale and are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

## (s) Share capital

Ordinary shares are classified as equity.

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares are recognised as a liability in the period in which they are declared. A dividend declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date. Upon the dividend becoming payable, it will be accounted for as a liability.

## (t) Cash and Cash equivalents

Cash and cash equivalents include cash and bank balances and term deposits net of bank overdrafts.

## (u) Financial instruments

### (i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends, gain and losses relating to financial instruments classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### (ii) Financial instruments recognised on the balance sheet

The particular recognition methods adopted for financial instruments recognised on the balance sheets are disclosed in individual policy statements associated with each item.

### (iii) Financial instruments not recognised on the balance sheet

The Group is a party to financial instruments that comprise foreign currency forward contracts. These instruments are not recognised in the financial statements on inception.

#### Foreign currency forward contracts

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

Exchange gains and losses on contracts are recognised when settled at which time they are included in the measurement of the transaction hedged.

(iv) Fair value estimation for disclosure purposes

In assessing the fair value of financial instruments, the Group uses the estimated discounted value of future cash flows and makes assumptions that are based on market conditions existing at each balance sheet date to determine the fair value.

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows :

**(a) Estimated useful lives of property, plant and equipment**

The Group estimates the useful lives of property, plant and equipment to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the assets are acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual review of the assumptions made on useful lives to ensure that they continue to be valid.

**(b) Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the assets does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

**(c) 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 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.

**(d) Write down of inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories which require judgement and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT

Group	Cost / Valuation							Reclassification to non-current assets held for sale	At 30.6.2007
	At	Transfers	Additions	Translation differences	Disposals	Written off	At		
	1.7.2006								
Freehold land									
at valuation	3,300	-	-	-	-	-	-	3,300	
at cost	16,048	-	1,212	220	(2,731)	-	-	14,749	
Long leasehold land									
at valuation	3,500	-	-	-	-	-	(3,500)	-	
at cost	12,012	-	3,998	(886)	-	-	-	15,124	
Short leasehold land									
at cost	12,287	-	-	(10)	-	-	-	12,277	
Freehold buildings									
at valuation	5,200	-	-	-	-	-	-	5,200	
at cost	30,078	-	(1,571)	4,746	-	-	-	33,253	
Leasehold buildings									
at valuation	6,500	-	-	-	-	-	(6,500)	-	
at cost	35,292	-	20,200	(802)	-	-	(830)	53,860	
Leasehold building under construction	660	-	1,043	(620)	-	-	-	1,083	
Freehold building under construction	1,149	-	2,531	(3,570)	-	-	-	110	
Plant and machinery	133,367	780	15,837	(382)	(7,986)	(430)	-	141,186	
Electrical installation	4,068	-	337	323	-	(117)	-	4,611	
Factory equipment	780	(780)	-	-	-	-	-	-	
Furniture and fittings	1,464	-	178	(477)	-	(33)	-	1,132	
Hostel	3,099	-	749	-	-	-	-	3,848	
Motor vehicles	2,697	-	530	(15)	(40)	-	-	3,172	
Office equipment	2,026	-	212	466	(8)	(89)	-	2,607	
Renovation	1,121	-	290	113	-	-	-	1,524	
	274,648	-	45,546	(894)	(10,765)	(669)	(10,830)	297,036	

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT

Group	Accumulated Depreciation and impairment loss							Reclassification to non-current assets held for sale	At 30.6.2007
	At 1.7.2006	Transfers	Charge for the year	Translation differences	Disposals	Written off	Impairment Loss		
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Freehold land at valuation	-	-	-	-	-	-	-	-	-
at cost	-	-	-	-	-	-	-	-	-
Long leasehold land at valuation	88	-	-	-	-	-	-	(88)	-
at cost	905	-	537	(64)	-	-	-	(87)	1,291
Short leasehold land at cost	1,596	-	-	-	-	-	156	-	1,752
Freehold buildings at valuation	395	-	104	-	-	-	-	-	499
at cost	2,316	-	649	2	-	-	-	-	2,967
Leasehold buildings at valuation	536	-	130	-	-	-	-	(666)	-
at cost	2,147	-	806	(77)	-	-	-	(123)	2,753
Leasehold building under construction	-	-	-	-	-	-	-	-	-
Freehold building under construction	-	-	-	-	-	-	-	-	-
Plant and machinery	57,113	362	11,031	(368)	(4,297)	(430)	-	-	63,411
Electrical installation	1,162	-	434	3	-	(117)	-	-	1,482
Factory equipment	362	(362)	-	-	-	-	-	-	-
Furniture and fittings	923	-	120	(279)	-	(33)	-	-	731
Hostel	883	-	185	-	-	-	-	-	1,068
Motor vehicles	1,411	-	358	(9)	(34)	-	-	-	1,726
Office equipment	1,369	-	348	263	(5)	(84)	-	-	1,891
Renovation	207	-	133	1	-	-	-	-	341
	71,413	-	14,835	(528)	(4,336)	(664)	156	(964)	79,912

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT

Group	Net book value		Depreciation charge for the year 2006 RM '000
	2007 RM '000	2006 RM '000	
Freehold land			
at valuation	3,300	3,300	-
at cost	14,749	16,048	-
Long leasehold land			
at valuation	-	3,412	-
at cost	13,833	11,107	185
Short leasehold land			
at cost	10,525	10,691	224
Freehold buildings			
at valuation	4,701	4,805	104
at cost	30,286	27,762	465
Leasehold buildings			
at valuation	-	5,964	130
at cost	51,107	33,145	847
Leasehold building under construction	1,083	660	-
Freehold building under construction	110	1,149	-
Plant and machinery	77,426	76,254	10,047
Electrical installation	3,129	2,906	190
Factory equipment	349	418	73
Furniture and fittings	401	541	171
Hostel	2,780	2,216	166
Motor vehicles	1,446	1,286	331
Office equipment	716	657	255
Renovation	1,183	914	29
	<b>217,124</b>	<b>203,235</b>	<b>13,217</b>

Company  
2007 : Nil  
2006 : Nil

Certain property, plant and equipment of subsidiaries with net book value of RM22,090,902 (2006 : RM50,785,233) have been pledged as security for the banking facilities as set out in Note 16 to the financial statements.

The net book value of property, plant and equipment acquired under hire purchase agreements are as follows:

	Group	
	2007 RM '000	2006 RM '000
Plant and machinery	5,594	8,369
Motor vehicles	567	706
	<b>6,161</b>	<b>9,075</b>

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

Certain freehold and long leasehold land and buildings were revalued by the directors of the subsidiaries under the open market value basis based on valuation carried out by a Chartered Surveyor and Registered Valuer, Liong Sang Chong (B.Sc, FRICS, MISB) of W.M. Malik & Kamaruzaman, Chartered Surveyors & Valuers on 25 September 2002.

Had the revalued property, plant and equipment been carried at historical cost less accumulated depreciation, the net book value of the revalued property, plant and equipment that would have been included in the financial statements at the end of the financial year would be as follows:

	Group	
	2007 RM '000	2006 RM '000
Freehold land	651	651
Freehold buildings	2,848	2,917
Leasehold buildings	4,241	4,350
	7,740	7,918

The titles to the leasehold land and freehold land with net book value of RM4,522,026 (2006 : RM7,969,805) and RM10,472,300 (2006 : RM9,260,000) are in the process of being transferred to the subsidiaries.

## 5. INVESTMENTS

	Group		Company	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Investment in subsidiaries :				
Unquoted shares, at cost	-	-	44,049	43,876
Other investment :				
Unquoted subordinated bonds, at cost				
maturity date on				
10 June, 2009	1,500	1,500	1,500	1,500
26 January, 2012	2,000	-	2,000	-
Investment in Glenmarie Golf & Country Club, at cost	81	-	-	-
	3,581	1,500	47,549	45,376

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## The subsidiaries are as follows :-

Name of Company	Principal Activities	Effective 2007 %	Interest 2006 %	Country of Incorporation
Latitude Tree Furniture Sdn. Bhd.	Manufacture and sale of wooden furniture and components	100	100	Malaysia
Rhong Khen Industries Sdn. Bhd.	Manufacture and sale of wooden furniture and parts	100	100	Malaysia
Latitude Tree Sdn. Bhd.	General trading and investment holding	100	100	Malaysia
Rhong Khen Timbers Sdn. Bhd.	Dormant	100	100	Malaysia
Uptown Promenade Sdn. Bhd.	Investment holding	100	100	Malaysia
L-Tree Resources Sdn. Bhd.	Investment holding	100	100	Malaysia
Grob Holz Sdn. Bhd.	Investment holding	100	100	Malaysia
Linkage Creation International Co., Ltd. #	Dormant	100	-	Brunei Darussalam
Latitude Tree International Limited #	Dormant	100	-	British Virgin Islands
<b>Subsidiaries of Latitude Tree Sdn. Bhd.</b>				
Latitude Tree (Vietnam) Co. Ltd. *	Manufacture and sale of wooden furniture and components	100	100	Vietnam
RK Resources Co. Ltd. *	Manufacture and sale of household furniture	-	100	Vietnam
<b>Subsidiary of Latitude Tree (Vietnam) Co. Ltd.</b>				
RK Resources Co. Ltd. *	Manufacture and sale of household furniture	100	-	Vietnam
<b>Subsidiary of L-Tree Resources Sdn. Bhd.</b>				
P.T. Latitude Tree *	Moulding industry and material components	100	100	Indonesia
<b>Subsidiary of Grob Holz Sdn. Bhd.</b>				
Grob Holz Company Limited *	Manufacture and sale of rubberwood parts and components	51	51	Thailand

\* Audited by another firm of auditors.

# consolidated using management accounts.

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

On 7 May 2007, the Company acquired the entire issued and paid-up share capital of Linkage Creation International Co. Ltd ("LCI"), a company incorporated in Brunei Darussalam comprising 1 share of USD1.00 for a cash consideration of USD1.00 only.

On 9 May 2007, the Company acquired the entire issued and paid-up share capital of Latitude Tree International Limited ("LTIL") comprising 50,000 shares of USD1.00 each for a total cash consideration of USD50,000.00 only.

On 28 June 2007, a wholly-owned subsidiary of the Company, Latitude Tree Sdn. Bhd. ("LTSB") had completed an internal restructuring of its wholly-owned subsidiaries namely, Latitude Tree Vietnam Co. Ltd ("LTV") and RK Resources Co. Ltd ("RKR"). With the restructuring, LTV remained as the wholly-owned subsidiary of LTSB and RKR became the wholly-owned subsidiary of LTV.

There are no effect of the acquisition of subsidiaries on the financial results of the Group for the financial year.

The fair value of assets acquired comprising of receivables at the date of acquisition of the subsidiaries was RM172,728.

## 6. DEFERRED TAX ASSETS AND LIABILITIES

The movement during the financial year relating to deferred tax are as follows :

	Group	
	2007	2006
	RM '000	RM '000
At 1 July, 2006 / 2005	4,100	4,501
Recognised in the income statement (Note 24)	229	(401)
At 30 June	4,329	4,100

Deferred tax assets and liabilities are as follows :

	Group	
	2007	2006
	RM '000	RM '000
Deferred tax assets		
Property, plant and equipment	(2,211)	(4,242)
Deferred tax liabilities		
Property, plant and equipment	6,540	8,342
Net deferred tax liabilities	4,329	4,100

## 7. INVENTORIES

	Group	
	2007	2006
	RM '000	RM '000
At cost:		
Finished goods	15,564	18,815
Work-in-progress	24,813	20,725
Raw materials	41,862	37,695
	82,239	77,235

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## 8. TRADE RECEIVABLES

The currency exposure profile of trade receivables is as follows:

	Group	
	2007 RM '000	2006 RM '000
Ringgit Malaysia	414	285
United States Dollar	18,298	17,614
	18,712	17,899

The Group's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case by case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to group of debtors.

## 9. OTHER RECEIVABLES

	Group		Company	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Other receivables	16,897	18,385	-	-
Prepayments	1,620	1,924	20	-
Deposits	751	465	-	-
Tax recoverables	3,568	2,626	-	14
	22,836	23,400	20	14

The other receivables are payable on demand.

Included in other receivables of the Group are import duty and other direct taxes receivable in foreign subsidiaries of RM15,497,685 (2006 : RM16,144,000).

The currency exposure profile of other receivables is as follows:

	Group	
	2007 RM '000	2006 RM '000
Ringgit Malaysia	817	701
Thai Baht	275	360
United States Dollar	15,805	17,324
	16,897	18,385

## 10. DUE FROM / TO SUBSIDIARIES

### Company

The amounts due from / to subsidiaries are unsecured, interest free and have no fixed term of repayment.

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## 11. TERM DEPOSITS

	Group		Company	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Deposits with licensed Banks	15,662	15,913	10,647	10,342

Term deposits of the Group and Company of RM15,662,246 (2006 : RM15,913,395) and RM10,646,826 (2006: RM10,342,830) respectively placed in licensed banks are pledged to the banks as security for banking facilities granted to the subsidiaries.

The range of interest rates and weighted average maturity of deposits at the balance sheet date were 1.6% to 3.4% (2006 : 3.59%) and 181 days (2006: 78 days) respectively.

## 12. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale comprise land and buildings, which have been presented as held for sale following the Group management decision and firm commitment to sell the land and buildings. The transactions are expected to be completed by the end of the next financial year.

	Group		Company	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
At beginning of the financial year, following the adoption of FRS 5: reclassification from property, plant and equipment (Note 4)	9,866	-	-	-
Impairment loss during the financial year	770	-	-	-
revaluation reserve	(896)	-	-	-
income statement (Note 20)				
	8,200	-	-	-
Represented by :				
Leasehold land	2,870	-	-	-
Leasehold buildings	5,330	-	-	-
	8,200	-	-	-

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## 13. SHARE CAPITAL

	Group and Company	
	2007	2006
	RM '000	RM '000
Ordinary shares of RM1 each Authorised	200,000	200,000
Issued and fully paid:		
At 1 July, 2006 / 2005	64,805	64,619
Shares issued under the Employees' Share Option Scheme	-	186
At 30 June	64,805	64,805

### EMPLOYEES' SHARES OPTION SCHEME

The Latitude Tree Holdings Berhad Employees' Share Option Scheme ("ESOS") was approved by the shareholders at an Extraordinary General Meeting held on 18 June, 2001.

The main features of the ESOS are :

- eligible persons are full time employees with confirmed employment within the Group and have served for at least a continuous period of 12 months prior to the Date of Offer. The Date of Offer being the date when an offer in writing is made to eligible employees to participate in ESOS. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors;
- the maximum amount of shares available under ESOS shall not be more than 10% of the issued and paid up ordinary share capital of the Company at any point of time during the existence of ESOS, which shall continue to be in force for a period of 5 years from 5 October, 2001;
- no option shall be granted for less than 1,000 shares or for more than 500,000 shares to any eligible employee. The option may be exercised in full or in such lesser number of ordinary shares provided that the number shall be in multiples of 1,000 ordinary shares;
- the ESOS subscription price for each ordinary share shall be based on the average of the mean market quotation of the shares of the Company as shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five market days preceding the Date of Offer or at the par value of the shares of the Company, whichever is higher; and
- the shares to be allotted upon exercise of the option will, upon allotment and issue, rank pari passu in all respects with existing issued and paid up ordinary shares of the Company.

The Employees' Share Option Scheme has expired on 4 October, 2006.

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## 14. RESERVES

	Group		Company	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Non-distributable :				
Share premium	1,225	1,225	1,225	1,225
Reserve on consolidation	-	1,370	-	-
Revaluation reserve	1,514	2,284	-	-
Foreign currency translation reserve	(2,143)	-	-	-
	596	4,879	1,225	1,225
Distributable :				
Retained profits	92,787	86,809	26,399	32,266
At 30 June	93,383	91,688	27,624	33,491

The Company has tax exempt account in respect of tax exempt dividend income from subsidiaries of approximately RM35,436,294 (2006 : RM41,266,846) available to frank the payment of tax exempt dividends subject to agreement with the Inland Revenue Board.

In addition subject to agreement with the Inland Revenue Board, the Company has tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of RM1,612,650 (2006 : RM1,135,000) as dividends out of its retained profits as at 30 June, 2007.

## 15. HIRE PURCHASE PAYABLES

	Group	
	2007 RM '000	2006 RM '000
Minimum hire purchase payments		
Within 1 year	1,535	2,792
More than 1 year and less than 2 years	704	1,337
More than 2 years and less than 5 years	77	331
	2,316	4,460
Less: Future finance charges	(119)	(271)
Present value of hire purchase liabilities	2,197	4,189
Present value of hire purchase liabilities		
Within 1 year	1,446	2,612
After 1 and up to 2 years	676	1,258
After 2 and up to 5 years	75	319
	2,197	4,189
Analysed as :		
Current	1,446	2,612
Non-current	751	1,577
	2,197	4,189

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

The hire purchase liabilities bore interest at the balance sheet date of 2.40% to 5.75% (2006 : 2.40% to 5.75%) per annum.

The currency exposure profile of hire purchase payables is as follows:

	Group	
	2007 RM '000	2006 RM '000
Ringgit Malaysia	1,785	3,934
Thai Baht	412	255
	<b>2,197</b>	<b>4,189</b>

## 16. BANK BORROWINGS

	Group		Company	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Current :				
Secured				
Bank overdrafts	15,635	7,958	-	-
Bankers' acceptances	19,597	33,367	-	-
Trust receipts	42,620	22,452	-	-
Bills payable	2,474	-	-	-
Term loans [Note (a)]	11,725	9,790	-	-
	<b>92,051</b>	<b>73,567</b>	<b>-</b>	<b>-</b>
Non-current :				
Secured				
Term loans [Note (a)]	35,122	26,870	-	-
Unsecured				
Primary Collateralised Loan Obligation [Note (b)]	35,000	15,000	35,000	15,000
	<b>70,122</b>	<b>41,870</b>	<b>35,000</b>	<b>15,000</b>
Total	<b>162,173</b>	<b>115,437</b>	<b>35,000</b>	<b>15,000</b>

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

The currency exposure profile of bank borrowings is as follows:

	Group	
	2007 RM '000	2006 RM '000
Trust receipts		
United States Dollar	42,620	22,452
Bills payable		
Thai Baht	2,474	-
Term loans		
Ringgit Malaysia	5,316	7,397
Thai Baht	14,569	7,189
United States Dollar	26,962	22,074
	46,847	36,660

The bank overdrafts, bankers' acceptances and Primary Collateralised Loan Obligation are denominated in Ringgit Malaysia.

The bank overdrafts, bankers' acceptances, trust receipts, revolving credits and term loans are secured by a pledge of fixed deposits, negative pledge on the assets and charge over the property, plant and equipment of certain subsidiaries and corporate guarantees by the Company.

The range of interest rates per annum at the balance sheet date for borrowings were as follows:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Term loans	5.85 - 10.94	5.00 - 10.88	-	-
Bank overdrafts	7.40 - 8.25	7.50 - 7.80	-	-
Bankers' acceptances	2.64 - 4.62	2.64 - 5.30	-	-
Trust receipts	6.25 - 7.16	5.55 - 7.12	-	-
Bills payable	6.25 - 7.00	-	-	-
Primary Collateralised Loan Obligation	5.63 - 6.50	6.50	5.63 - 6.50	6.50

(a) Term loans

	Group	
	2007 RM '000	2006 RM '000
Maturity of term loans :		
Not later than 1 year	11,725	9,790
Later than 1 year and not later than 2 years	9,125	10,126
Later than 2 years and not later than 5 years	24,708	16,744
More than 5 years	1,289	-
	46,847	36,660

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## (b) Primary Collateralised Loan Obligations

- (i) On 21 May 2004, the Company obtained a 5 year unsecured term loan of RM15,000,000 under a Primary Collateralised Loan Obligation Programme arranged by Alliance Merchant Bank. The funds were utilised primarily for upgrading of plant and machinery of factories at Terengganu, Kapar, Ijok and the expansion of Vietnam's factory. The term loan bears interest rate of 6.5% per annum and is to be repaid in one bullet payment at the end of the loan period.

Under the Facility Agreement entered into with Alliance Merchant Bank (the "Lender") and Kerisma Berhad (the "Issuer"), a company specially incorporated for the purpose of implementing and carrying out a primary collateralised loan obligations transaction where the Issuer will issue Bonds to finance its purchase of Transferred Assets, the Lender will sell, transfer and assign its rights, title and interest to the loan proceeds (the "Transferred Assets") to the Issuer. The Company has subscribed for the Subordinated Bonds of RM1,500,000.

- (ii) On 8 January, 2007, the Company obtained a 5 year unsecured term loan on RM20,000,000 under a Primary Collateralised Loan Obligation Programme arranged by RHB Investment Berhad. The funds were utilised primarily for working capital and general corporate purposes of Company and its subsidiaries. The term loan bears interest rate of 5.63% per annum and is to be repaid in one bullet payment at the end of the loan period.

Under the Facility Agreement entered into with RHB Investment Bank Berhad (the "Lender") and Prima Uno Berhad (the "Issuer"), a company specially incorporated for the purpose of implementing and carrying out a primary collateralised loan obligations transaction where the Issuer will issue Bonds to finance its purchase of Transferred Assets, the Lender will sell, transfer and assign its rights, title and interest to the loan proceeds (the "Transferred Assets") to the Issuer. The Company has subscribed for the Subordinated Bonds of RM2,000,000.

## 17. TRADE PAYABLES

The currency exposure profile of trade payables is as follows:

	Group	
	2007 RM '000	2006 RM '000
Ringgit Malaysia	7,852	12,062
Thai Baht	270	325
United States Dollar	22,070	22,198
	<b>30,192</b>	<b>34,585</b>

The normal trade credit term granted to the Group ranges from 7 to 90 days.

## 18. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Other payables	4,816	7,782	-	15
Accruals	21,452	19,253	75	76
	<b>26,268</b>	<b>27,035</b>	<b>75</b>	<b>91</b>

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

The currency exposure profile of other payables and accruals is as follows:

	Group	
	2007 RM '000	2006 RM '000
Ringgit Malaysia	6,539	7,832
Thai Baht	522	1,712
United States Dollar	19,207	17,491
	<b>26,268</b>	<b>27,035</b>

Included in accruals of the Group are :

- (i) RM41,000 (2006 : RM40,000) due to directors for directors' remuneration. These amounts are unsecured, interest free and have no fixed term of repayment.
- (ii) RM13,915,274 (2006 : RM13,067,000) accrued for import duty and other direct taxes payable in foreign subsidiaries.

## 19. REVENUE

	Group		Company	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Sale of wooden furniture and components	411,706	356,710	-	-
Management fees income from subsidiaries	-	-	240	240
	<b>411,706</b>	<b>356,710</b>	<b>240</b>	<b>240</b>

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## 20. PROFIT FROM OPERATIONS

	Group		Company	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
This is arrived at				
After charging:				
Auditors' remuneration				
- holding company auditors	96	96	11	11
- other auditors	79	54	-	-
- over provision in previous year	(5)	(2)	-	-
Bad debts written off	4	-	-	-
Depreciation	14,835	13,217	-	-
Deposits written off	52	159	-	-
Directors' remuneration (Note 22)				
- fees	222	216	222	216
- salaries and other emoluments	1,182	782	33	34
Impairment loss on non-current assets held for sale	896	-	-	-
Impairment loss on property, plant and equipment	156	544	-	-
Inventories written off	-	49	-	-
Loss on foreign exchange unrealised	-	1,372	-	-
Property, plant and equipment written off	5	2	-	-
Rental	839	1,115	-	-
Staff costs (Note 21)	60,328	53,082	-	-
And crediting :				
Amortisation of reserve on consolidation	-	685	-	-
Gain on disposal of property, plant and equipment	157	214	-	-
Gain on foreign exchange				
- realised	522	48	-	-
- unrealised	448	-	-	-
Insurance claim received	53	66	-	-
Rental income	5	5	-	-
Term deposit interest income	611	579	314	239
Management fees income from subsidiaries	-	-	240	240

## 21. STAFF COSTS

	Group	
	2007 RM '000	2006 RM '000
Salaries and wages	53,654	48,756
Social security costs	2,279	1,266
Pension costs - defined contribution plans	1,980	1,737
Other staff related expenses	2,415	1,323
	60,328	53,082

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## 22. DIRECTORS' REMUNERATION

	Group		Company	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Directors of the Company				
Executive:				
Lin, Tzu-Lang				
Lin, Tzu-Keng				
Lin Chen, Jui-Fen				
Salaries and other emoluments	709	510	-	-
Fees	72	72	72	72
Allowance	9	11	10	11
Bonus	99	99	-	-
	889	692	82	83
Directors of the Company				
Non-Executive:				
Dato' Haji Shaharuddin Bin Haji Haron				
Toh Seng Thong				
Yek Siew Liong				
Fees	150	144	150	144
Allowance	12	11	11	11
Bonus	12	12	12	12
	174	167	173	167
Other directors of the Group				
Salaries and other emoluments	335	133	-	-
Bonus	6	6	-	-
	341	139	-	-
Total	1,404	998	255	250

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

The number of directors of the Group whose total remuneration during the year fall within the following bands is as follows:

	Number of Directors	
	2007	2006
<b>Directors of the Company</b>		
<b>Executive directors:</b>		
Below RM50,000	-	-
RM50,001 – RM100,000	1	1
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	-	1
RM200,001 – RM250,000	1	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	-	-
RM350,001 – RM400,000	-	-
RM400,001 – RM450,000	-	-
RM450,001 – RM500,000	-	1
RM500,001 – RM550,000	-	-
RM550,001 – RM600,000	-	-
RM600,001 – RM650,000	1	-
<b>Non-Executive directors:</b>		
Below RM50,000	1	-
RM50,001 – RM100,000	2	2
<b>Other directors of the Group</b>		
<b>Executive director :</b>		
Below RM50,000	-	-
RM50,001 – RM100,000	1	2
RM100,001 - RM150,000	1	-
RM150,001 - RM200,000	1	-

## 23. FINANCE COSTS

Included in finance costs are :

	Group		Company	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
<b>Interest expenses :</b>				
bank overdraft	1,147	910	-	-
bankers' acceptance	1,144	1,037	-	-
bills payable	6	-	-	-
hire purchase	233	377	-	-
term loan	4,512	3,421	-	-
trust receipts	2,003	817	-	-
others	-	8	-	-
	<b>9,045</b>	<b>6,570</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## 24. TAXATION

	Group		Company	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Malaysian income tax charge for the year	150	290	150	67
Under / (Over) provision in prior year	18	(15)	(23)	-
Deferred tax (Note 6) - relating to origination and reversal of temporary differences	229	(401)	-	-
	397	(126)	127	67

### Reconciliation of effective tax rate :

	Group		Company	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Profit before taxation	9,190	19,394	91	129
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	2,481	5,430	24	36
Expenses not deductible for tax purposes	4,667	3,823	126	31
Income not subject to tax	(6,620)	(6,775)	-	-
Utilisation of unrecognised tax losses and unabsorbed capital allowances	(149)	(2,130)	-	-
Utilisation of reinvestment allowances	-	(459)	-	-
Under / (Over) provision in prior year	18	(15)	(23)	-
Profit before taxation	397	(126)	127	67

The Group has unutilised capital allowances and reinvestment allowances of approximately RM7,705,575 (2006 : RM3,815,000) and RM11,342,804 (2006 : RM23,110,000) respectively available for set off against future taxable income subject to agreement with the Inland Revenue Board.

The foreign subsidiaries in Vietnam are entitled to corporate income tax exemption for the first four years from the first profit making year and a 50% tax reduction for the following four years.

## 25. EARNINGS PER SHARE

### (i) Basic Earnings Per Share

Basic earnings per share has been calculated based on the net profit for the year of RM10,263,000 (2006 : RM19,857,000) and on weighted average number of ordinary shares in issue during the year of RM64,805,000 (2006 : RM64,782,000).

### (ii) Diluted Earnings Per Share

The diluted earnings per share for the current financial year was not presented as the share options have lapsed on 4 October, 2006.

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## 26. DIVIDENDS

	Group and Company			
	Amount of tax exempt dividend		Dividend per share	
	2007	2006	2007	2006
	RM '000	RM '000	sen	sen
Final dividend paid :				
financial year ended 30 June, 2005	-	4,406	-	6.8
financial year ended 30 June, 2006	5,831	-	9.0	-
	5,831	4,406	9.0	6.8

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 30 June, 2007 of 4.1 sen on 64,805,000 ordinary shares amounting to a total of RM2,657,005 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 the shareholders' equity as an appropriation of retained profits in the next financial year ending 30 June 2008.

## 27. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the year the Group acquired property, plant and equipment with cost of RM45,546,778 (2006 : RM38,802,158) of which RM790,963 (2006 : RM413,130) was acquired by hire purchase agreements and RM44,755,815 (2006 : RM38,389,028) by cash payments.

## 28. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	RM '000	RM '000	RM '000	RM '000
Cash and bank balances	23,688	11,713	38	24
Term deposits	15,662	15,913	10,647	10,322
Bank overdrafts	(15,635)	(7,958)	-	-
	23,715	19,668	10,685	10,346
Less :				
Term deposits not available for use by the Group and the Company	(15,662)	(15,913)	(10,647)	(10,322)
	8,053	3,755	38	24

## 29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2007	2006
	RM '000	RM '000
Management fees income from subsidiaries		
Latitude Tree Furniture Sdn. Bhd.	120	120
Rhong Khen Industries Sdn. Bhd.	120	120

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## 30. SIGNIFICANT EVENT

On 21 August, 2006, a wholly-owned subsidiary of the Company, Latitude Tree Sdn. Bhd., has entered into a Sale and Purchase Agreement and a Supplemental Agreement dated 6 October, 2006 with Shi Sei Auto Parts Worldwide Sdn. Bhd. for the disposal of a freehold land for a cash consideration of RM2,945,000. The transaction was completed during the financial year.

## 31. SUBSEQUENT EVENT

On 8 October, 2007 the Company incorporated a wholly-owned subsidiary in Singapore, Latitude Tree Pte. Ltd. as an investment holding company with a paid up share capital of SGD1.00.

## 32. COMMITMENTS

Capital commitments

Capital expenditure on property, plant and equipment not provided for in the financial statements is as follows :

	Group	
	2007	2006
	RM '000	RM '000
Authorised and contracted for	1,057	22,741

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2007	2006
	RM '000	RM '000
Within 1 year	205	218
Within 2 to 5 years	819	871
More than 5 years	11,525	12,477
	12,549	13,566

## 33. CONTINGENT LIABILITIES (unsecured)

	Group	
	2007	2006
	RM '000	RM '000
Corporate guarantees given to financial institutions in respect of facilities granted to subsidiaries	228,706	193,151

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

## 34. FINANCIAL INSTRUMENTS

### (a) Forward foreign exchange contract

Forward foreign exchange contract is entered into by the Group to manage exposure to fluctuations in foreign currency exchange rate on specific transaction. In general, the Group's policy is to enter into forward foreign exchange contracts for confirmed foreign currency receipts when it is deemed necessary.

At 30 June, 2007, the settlement dates on open forward contracts ranged between 3 months to 12 months. The foreign currency amounts and contractual exchange rate of the Group's outstanding contracts are as follows:

Hedged items	Currency to be received	RM equivalents	Contractual rate
Trade receivable: USD4,400,000	United States Dollar	14,956,100	1 USD = RM3.399

The fair values of outstanding forward contracts of the Group at the balance sheet date approximate their book values.

### (b) Credit risk

The Group and Company has no significant concentrations of credit risk except that the majority of its deposits are placed with major financial institutions in Malaysia and Vietnam.

### (c) Fair values

The fair value of financial assets and financial liabilities of the Group and of the Company approximate their carrying values as at the balance sheet date.

It is not practicable to estimate the fair value of contingent liabilities as referred to in Note 33 due to the uncertainties of timing, costs and eventual outcome.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

#### (i) Cash and Cash Equivalents, Trade and Other Receivables / Payables and Short Term Borrowings

The carrying amounts approximate fair value due to the relatively short term maturity of these financial instruments.

#### (i) Borrowings – Term Loans

The fair values of the term loans approximate the carrying amounts as the interest rates attached to these borrowings approximate the current interest rates for liabilities with similar risk profiles.

## 35. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms. Such transfers are eliminated on consolidation.

### Business segments

The Group's business segment is mainly comprised 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, Indonesia and Thailand.

# Notes to the Financial Statements

for the year ended 30 June 2007 (cont'd)

In presenting information on the basis of geographical segments, segment revenue and profit/(loss) before taxation are based on the geographical location of assets. Segment assets and capital expenditure are also based on the geographical location of assets.

	Malaysia		Vietnam		Indonesia		Thailand		Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Total revenue	292,483	290,794	231,940	169,391	-	-	13,697	559	538,120	460,744
Inter segment revenue	(101,326)	(100,114)	(20,667)	(3,361)	-	-	(4,421)	(559)	(126,414)	(104,034)
External revenue	191,157	190,680	211,273	166,030	-	-	9,276	-	411,706	356,710
(Loss) / Profit before taxation	(10,246)	(419)	22,481	21,235	(41)	(605)	(3,004)	(817)	9,190	19,394

The following is an analysis of the carrying amount of segment assets and capital expenditure by geographical area of the Group in which the assets are located :

	Carrying amount of segment assets		Capital expenditure	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Malaysia	193,917	196,869	4,964	6,530
Vietnam	164,282	130,839	37,094	9,448
Thailand	35,782	27,190	3,488	22,043
Indonesia	272	239	-	781
	394,253	355,137	45,546	38,802

# Properties Held by the Company & its Subsidiaries as at 30 June 2007

Location	Description	Tenure	Year Lease Expiring	Age of Building (years)	Site Area (sq.ft.)	Net Book Value (RM'000)	Date of Revaluation (R)/ Acquisition (A)
Lot 3356, Batu 7 3/4, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan.	1 plot of industrial land with 2 blocks of factory building & 1 two-storey office block	Freehold	N/A	14.0	167,433	8,001	25/9/2002 (R)
Lot 3360, Batu 7 3/4, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan.	1 plot of industrial land with 1 block of factory building	Freehold	N/A	9.0	171,518	8,762	19/3/2003 (A)
PT 5322, Kawasan Perindustrian Ajil, Fasa 2, Batu 21, Jalan Ajil, Kuala Berang, 21800 Ulu Terengganu, Terengganu	Industrial land with 9 blocks of factory building & 1 single-storey office building	Leasehold	2058	9.0	669,086	11,244	3/8/1999 (A)
PT 5324, Kawasan Perindustrian Ajil, Fasa 2, Batu 21, Jalan Ajil, Kuala Berang, 21800 Ulu Terengganu, Terengganu	Industrial land with 3 blocks of factory building	Leasehold	2058	7.0	660,880	7,136	30/5/2000 (A)
PT 9090, Kawasan Perindustrian Ajil, Mukim Tanggul, Hulu Terengganu Terengganu	Vacant Industrial Land	Leasehold	60 Years	N/A	153,924	189	15/10/2003 (A)
Plot No. 8, Kawasan Perindustrian Telok Kalong Kemaman, Terengganu	Vacant Industrial Land	Leasehold	2061	N/A	596,966	3,164	20/5/2001 (A)
GM3838, Lot No. 519, Batu 8, Jalan Kapar, 42200 Kapar Selangor Darul Ehsan.	Industrial land with 1 block of factory building & 1 double-storey office building	Freehold	N/A	5.0	196,020	9,136	2/5/2001 (R)
Lot 901 & 902, Batu 29, Jalan Kepong, Mukim Ijok, 45620 Batang Berjuntai, Kuala Selangor, Selangor Darul Ehsan	2 plot of industrial land with 2 blocks of factory buildings & 1 3-storey office building	Leasehold	2083	13.5	261,264	9,866	25/9/2002 (R)
Lot 1752, Batu 28, Mukim Ijok 45620 Batang Berjuntai, Kuala Selangor, Selangor Darul Ehsan	Land with 6 blocks of hostel	Leasehold	2077	10.0	136,397	2,065	25/6/2001 (A)
GM2582, Lot No. 518, Batu 8, Jalan Kapar 42200 Kapar, Selangor Darul Ehsan	Industrial land with 2 blocks of factory building	Freehold	N/A	15.0	195,748	10,975	14/4/2003 (A)
HS 270, PT No. 5920 Batu 8 1/2, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan	Agricultural land with 4 blocks of workers' quarter	Leasehold	2071	13.0	103,727	1,192	14/4/2003 (A)

# Properties Held by the Company & Its Subsidiaries

as at 30 June 2007 (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)
No. 29, Road DT 743 Song Than II Industrial Zone Di An District Binh Duong Province Vietnam	Industrial land with 5 blocks of factory building & 1 3-storey office building	Leasehold	2045	6.0	637,869	12,634	February 2001 (A)
Lot L, Road 27, Song Than II Industrial Zone, Di An District, Binh Duong Province, Vietnam	Industrial land with 1 block of warehouse building	Leasehold	2045	1.0	140,243	5,064	March 2006 (A)
Lot 241, 242, 249,250, 251, Lai Uyen Village, Ben Cat District, Binh Duong Province, Vietnam	Industrial Land with 4 blocks of factory building	Leasehold	2052	2.25	780,081	12,345	May 2002 (A)
Lot 231, 240, Lai Uyen Village, Ben Cat District, Binh Duong Province, Vietnam	Industrial Land with 4 blocks of factory building	Leasehold	2052	0.25	1,011,042	20,349	May 2002 (A)
Lot 77, 232, 243, 244, Lai Uyen Village, Ben Cat District, Binh Duong Province, Vietnam	Vacant Industrial Land	Leasehold	2052	N/A	1,035,961	2,349	May 2002 (A)
Lot 299 Lai Uyen Village, Ben Cat District, Binh Duong Province, Vietnam	Industrial Land with 2 blocks of hostel	Leasehold	2052	0.50	1,132,448	3,947	Nov 2006 (A)
Title Deed No. 18571/18572/19359/19942/19943 Moo 1, Tung Mo Subdistrict, Sadao District, Songkhla Province, Thailand.	Industrial Land with 3 blocks of factory building & 4 blocks of workers' quarter	Freehold	N/A	1.17	869,022	9,998	21/1/2005 (A)
Title Deed No. 18604, Moo 1, Tung Mo Subdistrict, Sadao District, Songkhla Province, Thailand.	Vacant industrial land	Freehold	N/A	N/A	333,860	374	21/1/2005 (A)
Certificate of Ownership Rights No.156 & 157, Mendalo Village, Sub-district of Jambi Luar Kota, District of Batang Hari, Indonesia	Vacant industrial land	Leasehold	2023	N/A	1,340,170	81	Oct 2003 (A)

# Analysis of Shareholdings

as at 19 October, 2007

<b>Authorised Capital</b>	RM200,000,000
<b>Issued and Fully Paid-up Capital</b>	RM64,805,000
<b>Class of Shares</b>	Ordinary Shares of RM1.00 each fully paid
<b>Voting Rights</b>	One vote per RM1.00 share

## DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Holders	% of Total Holders	No. of Shares Held	% of Issued Capital
1 - 99	93	7.27%	4,536	0.01%
100 - 1,000	194	15.17%	169,703	0.26%
1,001 - 10,000	877	68.57%	2,702,644	4.17%
10,001 - 100,000	82	6.41%	2,070,850	3.20%
100,001 - 3,240,249	28	2.19%	26,883,099	41.48%
3,240,250 and above	5	0.39%	32,974,168	50.88%
<b>TOTAL</b>	<b>1,279</b>	<b>100.00%</b>	<b>64,805,000</b>	<b>100.00%</b>

## THIRTY LARGEST SHAREHOLDERS AS AT 19 OCTOBER, 2007

Name	No. of Shares Held	% of Issued Capital
1 LIN, TZU-KENG	8,380,668	12.93%
2 CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR SILVERBELL CAPITAL SDN BHD	6,800,000	10.49%
3 KE-ZAN NOMINEES (TEMPATAN) SDN BHD KIM ENG SECURITIES PTE LTD FOR KONSORTIUM KONTREK SDN BHD	6,740,000	10.40%
4 LIN, TZU-LANG	6,410,250	9.89%
5 EB NOMINEES (ASING) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR LIN CHEN, JUI-FEN	4,643,250	7.16%
6 KONSORTIUM KONTREK SDN BHD	3,000,000	4.63%
7 JF APEX NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LI, YI-PING	2,956,900	4.56%
8 AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR LIN, TZU-KENG	2,800,000	4.32%
9 PUI CHENG WUI	2,422,000	3.74%
10 LIN CHEN, JUI-FEN	2,284,634	3.53%
11 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	2,275,500	3.51%
12 HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (HBFS-B CLT 500)	1,884,500	2.91%
13 LIN, TZU-KENG	1,701,500	2.63%
14 PRB NOMINEES (TEMPATAN) SDN BHD RUBBER INDUSTRY SMALLHOLDERS DEVELOPMENT AUTHORITY	1,473,900	2.27%
15 HO SUE BIA	936,648	1.45%
16 YVONNE YAP YOKE SUM	700,000	1.08%
17 SHEN CHAO MING	473,000	0.73%
18 OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR CHUA SENG HUAT	473,000	0.73%
19 SHEN CHING CHI	472,000	0.73%
20 LIN CHEN, JUI-FEN	412,750	0.64%

# Analysis of Shareholdings

as at 19 October, 2007 (cont'd)

Name	No. of Shares Held	% of Issued Capital
21 JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KOK WAH @ ANN KOK WAH	391,967	0.60%
22 JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR EONPLUS INDUSTRY SDN BHD	291,500	0.45%
23 JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHENG KIEN WING	270,750	0.42%
24 CHUAH GUAT KOOI	269,700	0.42%
25 LIM TONG YONG @ LIM TONG YAIM	214,000	0.33%
26 HSBC NOMINEES (ASING) SDN BHD HSBC-FS FOR ASEAN EMERGING COMPANIES GROWTH FUND LTD	192,000	0.30%
27 HSBC NOMINEES (ASING) SDN BHD HSBC-FS FOR CHINESE DEVELOPMENT ASSISTANCE COUNCIL (EQUITIES PORT)	170,000	0.26%
28 HSBC NOMINEES (ASING) SDN BHD HSBC-FS FOR CARL FRIEDRICH MARINO GUMPERT	150,000	0.23%
29 MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD JENILAI SDN BHD	146,950	0.23%
30 MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD CAPITAL DYNAMICS ASSET MANAGEMENT SDN BHD FOR ACE SYNERGY INSURANCE BERHAD	145,000	0.22%
	<b>59,482,367</b>	<b>91.79%</b>

## SUBSTANTIAL SHAREHOLDERS AS AT 19 OCTOBER 2007

Name of Substantial Shareholders	Direct		Indirect	
	No. of Shares Held	% of Issued Capital	No. of Shares Held	% of Issued Capital
1 LIN, TZU-KENG	12,882,168	19.88%	7,344,134	11.33%
2 KONSORTIUM KONTREK SDN BHD	9,740,000	15.03%	-	-
3 SILVERBELL CAPITAL SDN BHD	6,800,000	10.49%	-	-
4 LIN CHEN, JUI-FEN	7,344,134	11.33%	12,882,168	19.88%
5 LIN, TZU-LANG	6,410,250	9.89%	-	-
6 YEK SIEW LIONG	-	-	9,740,000 #	15.03%

## DIRECTORS' SHAREHOLDINGS AS AT 19 OCTOBER 2007

Name of Directors	Direct		Indirect	
	No. of Shares Held	% of Issued Capital	No. of Shares Held	% of Issued Capital
1 LIN, TZU-KENG	12,882,168	19.88%	7,344,134 *	11.33%
2 LIN CHEN, JUI-FEN	7,344,134	11.33%	12,882,168 *	19.88%
3 LIN, TZU-LANG	6,410,250	9.89%	-	-
4 DATO HAJI SHAHARUDDIN BIN HAJI HARON	-	-	-	-
5 TOH SENG THONG	-	-	-	-
6 YEK SIEW LIONG	-	-	9,740,000 #	15.03%

\* Deemed interest in shares held by spouse

# Deemed interest in shares held by Konsortium Kontrek Sdn. Bhd.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of the shareholders of LATITUDE TREE HOLDINGS BERHAD will be held at Putra Room, Kelab Golf Sultan Abdul Aziz Shah, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor Darul Ehsan on Wednesday, 19 December 2007 at 11.00 am for the following purposes:-

## AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2007 together with Reports of the Directors' and the Auditors' thereon. **Ordinary Resolution 1**
2. To declare a first and final dividend of 4.1 sen per share (tax exempt) for the financial year ended 30 June 2007. **Ordinary Resolution 2**
3. To approve payment of Directors' fee for the financial year ended 30 June 2007. **Ordinary Resolution 3**
4. To re-elect the following Directors retiring under Article 85 of the Articles of Association of the Company:-  
  
Mr Lin, Tzu-Lang  
Mdm Lin Chen, Jui-Fen **Ordinary Resolution 4**  
**Ordinary Resolution 5**
5. To re-elect Mr Yek Siew Liong retiring under Article 89 of the Articles of Association of the Company. **Ordinary Resolution 6**
6. To re-appoint Messrs Y.C. Chong & Co as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

## As Special Business

To consider and, if thought fit, to pass the following resolutions:-

7. AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES  
  
"THAT, pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, subject always to the approval of all relevant Regulatory Authorities being obtained for such allotment and issuance." **Ordinary Resolution 8**
8. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY  
  
"That the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix I attached with the Annual Report for financial year ended 30 June 2007 be and are hereby approved." **Special Resolution 1**

# Notice of Dividend Payment

NOTICE IS ALSO HEREBY GIVEN THAT the first and final dividend of 4.1 sen per share (tax exempt) for the financial year ended 30 June 2007, if approved, will be paid on 23 January 2008 to shareholders whose names appear on the Record of Depositors as at 2 January 2008.

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

- (a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 2 January 2008 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD  
SAW BEE LEAN (MAICSA 0793472)  
TAI YIT CHAN (MAICSA 7009143)  
YEOH JOE SON (MIA 9238)  
Company Secretaries

Selangor Darul Ehsan  
Date : 27 November 2007

## NOTE:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149 (1) (b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints two (2) proxies to attend at the same meeting, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of its officer or its duly authorised attorney.
4. The proxy form must be deposited at the registered office of the Company at Level 7, Setia 1, 15, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.

## EXPLANATORY NOTES ON SPECIAL BUSINESS

- (i) Ordinary Resolution 8 - Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares

The Resolution 8 proposed under item 7 of the Agenda, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

- (ii) Special Resolution 1 - Proposed Amendments to the Articles of Association of the Company

The Special Resolution 1, if passed, will render the Articles of Association of the Company to be consistent with the requirements to the Listing Requirements of Bursa Malaysia Securities Berhad and any prevailing laws, rules, regulations, orders, guidelines or requirements of the relevant authorities.

# Statement Accompanying Notice of Annual General Meeting

## PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

### 1. Names of individuals who are standing for re-election

Directors who are standing for re-election at the Thirteenth Annual General Meeting of the Company are:

Pursuant to the following Articles of Association of the Company:

#### Article 85

(i) Mr. Lin, Tzu-Lang

(Ordinary Resolution 4)

(ii) Mdm. Lin Chen, Jui-Fen

(Ordinary Resolution 5)

#### Article 89

(i) Mr. Yek Siew Liong

(Ordinary Resolution 6)

### Details of attendance of Directors at Board Meetings

### 2. Five (5) Board Meetings were held in the financial year from 1 July 2006 till 30 June 2007, details are as follows:-

#### Name

#### Attendance

Dato' Haji Shaharuddin bin Haji Haron

5/5

Mr. Lin, Tzu-Keng

5/5

Mr. Lin, Tzu-Lang

5/5

Mdm. Lin Chen, Jui-Fen

5/5

Mr. Toh Seng Thong

5/5

Mr. Yek Siew Liong (appointed on 18 May 2007)

1/1

### Date, Time and Place of the Thirteenth Annual General Meeting

### 3. The Thirteenth Annual General Meeting of the Company will be held at Putra Room, Kelab Golf Sultan Abdul Aziz Shah, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor Darul Ehsan on Wednesday, 19 December 2007 at 11.00 a.m.

### Further details of directors standing for re-election

### 4. Details of directors standing for re-election are set out in directors' profiles appearing on pages 8 to 9 of the annual report.

## PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

That the following existing Articles of Association of the Company be hereby amended as follows:-

1. The existing definitions in Article 2 be amended to read as follows and wherever appearing throughout the entire Articles:-

<b>Existing</b>	<b>New</b>
“the Exchange” means Kuala Lumpur Stock Exchange	“Exchange” means <b>Bursa Malaysia Securities Berhad</b>
“Market Day” means any day between Mondays and Fridays which is not a market holiday or Public Holiday	“Market Day” means a day <b>on which the stock market of the Exchange is open for trading in securities</b>
“Central Depository” means the Malaysian Central Depository Sdn Bhd	“Central Depository” means <b>Bursa Malaysia Depository Sdn Bhd</b>
“Depositor” means a holder of Securities Account	“Depositor” means a holder of Securities Account <b>established by the Central Depository</b>
“Deposited Securities” means the securities in the Company standing to the credit of a securities account of a Depositor subject to the provision of the Central Depositories Act and/or the Rules.	“Deposited Securities” <b>shall have the meaning given in Section 2 of the Securities Industry (Central Depositories) Act 1991.</b>
“Approved Market Place” means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption) (No.2) Order 1998.	<b>Deleted</b>
“Securities” shall have the same meaning given in Section 2 of the Securities Commission Act 1993.	“Securities” shall have the meaning given <b>in Section 2 of the Capital Markets and Services Act 2007.</b>

2. Article 17

To delete the existing Article 17 in its entirety and to replace with the following new Article 17:-

Existing Article 17

“Subject to the Act, the Central Depositories Act and the Rules, the Company shall:

- (a) within fifteen (15) market days of the final applications closing date for a rights issue or for an offer for sale or such other period as may be prescribed by the Stock Exchange;
- (b) and within ten (10) market days of:
- (i) the books closing date for a bonus issue; or
  - (ii) the date of receipt of a notice of the exercise of an option together with the requisite payment under a share scheme for employees; or
  - (iii) the date of receipt of a subscription form together with the requisite payment for the conversion or exercise of the convertible security,

or such other period as may be prescribed by the Stock Exchange,

allot and/or issue securities, dispatch a notice of allotment to allottees or the employees (for the case of share scheme for employees) or the holder of the convertible security (for the case of conversion) or successful applicants as the case may be, and make an application for the quotation of such securities.

### **New Article 17**

**“Subject to the meaning given in Section 2 of the Securities Industry (Central Depositories) Act 1991 and with respect to Deposited Security, the Company must allot and issue securities, despatch notices of allotment of securities to the allottees and make an application for the quotation of such securities within such period as may be prescribed by the Stock Exchange.**

# Appendix I (cont'd)

## 3. Article 38B

To delete the existing Article 38B in its entirety and to replace with the following new Article 38B:-

Existing Article 38B

(1) Where:-

(a) the securities of the Company are listed on an Approved Market Place; and

(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the Company in Malaysia (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in the ownership of such securities.

(2) For the avoidance of doubt, the Company shall not allow any transmission of securities from the Malaysian Register into the Foreign Register.

### **New Article 38B**

Where:-

(a) the securities of the Company are listed on **another stock exchange**; and

(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry Central Depositories (Amendment) Act, 1998, as the case may be, under the Rules in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the **other stock exchange**, to the register of holders maintained by the registrar of the Company in Malaysia **and vice versa** provided that there shall be no change in the ownership of such securities.

(2) Deleted

## 4. Article 73

To delete the existing Article 73 in its entirety and to replace with the following new Article 73:-

Existing Article 73

Subject to Article 59 paragraph four and Subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings of Members or classes of Members each member entitled to vote may vote in person or by proxy or by attorney or other duly authorised representative and on a show of hands every person who is a Member or representative or proxy of a Member shall have one (1) vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorized representative shall have one (1) vote for each share he holds.

### **New Article 73**

**"Subject to any special rights or restrictions as to voting attached to any class or classes of shares by or in accordance with these Articles, on a show of hands every person present who is a holder of ordinary shares or preference shares or a member's representative or proxy or attorney and entitled to vote shall be entitled to one vote and in the case of a poll every member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for every share held by him. A person entitled to more than one vote need not use all his votes or cast all the votes he uses on a poll in the same way. A member may appoint not more than two proxies to attend at the same meeting. Where a member appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy"**

## 5. Article 93

To delete the existing Article 93 in its entirety and to replace with the following new Article 93:-

### Existing Article 93

The office of Director shall become vacant ipso facto if the Director:

- (a) becomes bankrupt or has a Receiving Order in Bankruptcy made against him or makes any arrangement or composition with his creditors generally;
- (b) becomes prohibited from being a Director by reason of any order made under the Act or contravenes Section 130 of the Act;
- (c) ceases to be a Director by virtue of the Act;
- (d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way relating to mental disorder and the Directors resolve that his office be vacated;
- (e) (not being an executive Director whose contract precludes resignation) resigns his office by notice in writing under his hand left at the registered address for the time being of the Company;
- (f) is removed from his office of Director by a resolution of the Company in General Meeting of shareholders and special notice has been given;
- (g) absent himself from more than fifty percent (50%) of total Board of Directors' meeting held during a financial year;

### New Article 93

The office of Director shall become vacant ipso facto if the Director:

- (a) becomes bankrupt or has a Receiving Order in Bankruptcy made against him or makes any arrangement or composition with his creditors generally **during his term of office**;
- (b) **if he convicted by a court of law, whether in Malaysia or elsewhere, in relation to the offences under the Act or the securities laws as defined in the Listing Requirements**;
- (c) ceases to be a Director by virtue of the Act;
- (d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way relating to mental disorder **during his term of office** and the Directors resolve that his office be vacated;
- (e) (not being an executive Director whose contract precludes resignation) resigns his office by notice in writing under his hand left at the registered address for the time being of the Company;
- (f) is removed from his office of Director by a resolution of the Company in General Meeting of shareholders and special notice has been given; and
- (g) absent himself from more than fifty percent (50%) of total Board of Directors' meeting held during a financial year **unless approval is sought and obtained from the Exchange**.

## 6. Article 158

To delete the existing Article 158 in its entirety and to replace with the following new Article 158:-

### Existing Article 158

"The Directors shall from time to time in accordance with Section 153 of the Act cause to be prepared and laid before the Company in General Meeting such profit and loss accounts, balance sheets and reports as are referred to in the said Section. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' reports shall not exceed four (4) months. A copy of each such document shall not less than twenty-one (21) days before the date of the meeting (or such shorter period as may be agreed in any year for the receipt of notice of the meeting pursuant to Article 59) be sent to every Member of, and every holder of debenture of the Company under the provisions of the Act or these Articles. The requisite number of copies of each such document as may be required by the stock exchange upon which the Company's shares may be listed shall at the same time be likewise sent to each stock exchange. PROVIDED THAT these Articles shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Company's registered office."

# Appendix I (cont'd)

## **New Article 158**

“The Directors shall from time to time in accordance with Section 169 of the Act, cause to be prepared and laid before the company in general meeting such financial statements and report as are referred to in the Section. The interval between the close of financial year of the Company and the issue of the annual audited financial statements, the directors’ and auditors’ reports relating to it shall not exceed 4 months. A copy of each such documents which can be issued in the form of a printed copy or compact disc read-only memory (CD-ROM) or any other form of electronic media, shall not less than 21 days (or such other shorter period as may be agreed by all members entitled to attend and vote at the meeting) before the date of the meeting, be sent to every member of, and to every debenture of the Company under the provisions of the Act or these Articles. The requisite number of copies of each such documents as may be required by the Exchange and Securities Commission provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.”

## **7. Article 168**

To delete the existing Article 168 in its entirety and to replace with the following new Article 168:-

### **Existing Article 168**

Any notice or other document if sent by post and whether by airmail or not shall be deemed to have been served at the time at which the notice or other document would be delivered in the ordinary course of post (save and except in the case of a notice of a meeting in which event such notice shall be deemed to have been served five (5) days after the date of its posting). In proving such service by post it shall be sufficient to prove that the letter or wrapper containing the same or the foldover was properly addressed and put into the post as a prepaid letter or wrapper or foldover.

## **New Article 168**

“The notices convening meetings shall be given to such Members, entitled to receive notices from the Company and also to the Company’s Auditors, at least fourteen (14) days before the meeting or at least twenty-one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. The length of notice in every case shall be calculated exclusive of the day on which the notice is given. At least fourteen (14) days’ notice or twenty-one (21) days’ notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in at least one nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the Company is listed.”

## **8. Article 179**

To delete the existing Article 179 in its entirety and to replace with the following new Article 179:-

### **Existing Article 179**

Companies admitted to the Main Board shall not delete, amend or add to any of their existing articles, which have previously been approved by the Exchange, unless prior written approval has been sought and obtained from the Exchange for such deletion, amendment or addition.

## **New Article 179**

“In addition to the requirements set out in Section 31 of the Act, the Company may amend, delete, or add to any of the Articles contained herein in accordance with the provision of the relevant laws and regulations .”

**PROXY FORM**  
**LATITUDE TREE HOLDINGS BERHAD (302829-W)**  
(Incorporated in Malaysia)

<b>CDS account no. of authorised nominee</b>	<b>No. of shares held</b>

I/We, \_\_\_\_\_  
of \_\_\_\_\_  
being a member of LATITUDE TREE HOLDINGS BERHAD hereby appoint \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ or failing him/her, \_\_\_\_\_  
of \_\_\_\_\_  
as my/our proxy to vote and act for me/us, and on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at Putra Room, Kelab Golf Sultan Abdul Aziz Shah, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor Darul Ehsan on Wednesday, 19 December 2007 at 11.00am and at any adjournment thereof.

My/our proxy is to vote as indicated below :

	Resolution	For	Against
Ordinary Resolution 1	Adoption of Audited Financial Statements for financial year ended 30 June 2007 together with Directors' and Auditors' Reports		
Ordinary Resolution 2	Declaration of a first and final dividend of 4.1 sen per share (tax exempt) for the financial year ended 30 June 2007		
Ordinary Resolution 3	Approval of Directors' fees for the financial year ended 30 June 2007		
Ordinary Resolution 4	Re-election of Mr Lin, Tzu-Lang		
Ordinary Resolution 5	Re-election of Mdm Lin Chen, Jui-Fen		
Ordinary Resolution 6	Re-election of Mr Yek Siew Liong		
Ordinary Resolution 7	Re-appointment of Messrs Y.C. Chong & Co and to authorise the Directors to fix their remuneration		
Ordinary Resolution 8	Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares		
Special Resolution 1	Proposed Amendments to Articles of Association		

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

\_\_\_\_\_  
Signature/Common Seal

Date: \_\_\_\_\_

For appointment of two proxies,  
percentage of shareholdings to be  
represented by the proxies:

	<b>Percentage</b>
Proxy 1	%
Proxy 2	%
<hr/>	
Total	100%

**NOTE:**

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149 (1) (b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints two (2) proxies to attend at the same meeting, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of its officer or its duly authorised attorney.
4. The proxy form must be deposited at the registered office of the Company at Level 7, Setia 1, 15, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.

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**STAMP**

**TENAGA KOPERAT SDN BHD  
20TH FLOOR. PLAZA PERMATA,  
JALAN KAMPAR, OFF JALAN TUN RAZAK  
50400 KUALA LUMPUR**

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**Latitude Tree Holdings Berhad** (302829-W)