



15 December 2020

Minority Shareholders Watch Group
(Badan Pengawas Pemegang Saham Minoriti Berhad)

Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Attn: Mr Devanesan Evanson (Chief Executive Officer)

26th Annual General Meeting ("26th AGM") of Latitude Tree Holdings Berhad ("Latitude") to be held on Tuesday, 15th December 2020

Reference is made to your letter dated 8 December 2020.

Refer below for replies to your queries.

Question # 1 - Operational & Financial Matters	<p><u>Question:</u></p> <p>The Company's Profit After Tax ("PAT") declined to RM16.8 million in FYE2020 from RM19.3 million in FYE2019 or by 13.2% (Page 5 of AR 2020).</p> <p>The Company attributed the decline in profitability to the Covid-19 pandemic which had affected demand for its products from key export markets.</p> <p>What are the measures to be taken by the Company to ensure that it increased its profitability in FYE 2021?</p> <p><u>Reply:</u></p> <p>The measures taken by the Company to increase its profitability in coming years were outlined in page 9 of AR 2020.</p>
Question # 2 - Operational & Financial Matters	<p><u>Question:</u></p> <p>The Company is on the lookout for businesses or assets that are related and which will synergise with its activities (Page 9 of AR 2020).</p> <p>Has the Company identified any potential businesses that it intends to acquire to enhance its performance?</p>

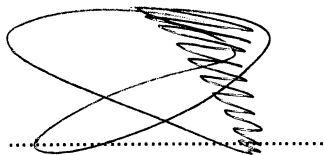
	<p><u>Reply:</u></p> <p>As at the date of this letter, we have yet to identify any businesses or assets that match our expectation.</p>
<p>Question # 3 - Operational & Financial Matters</p>	<p><u>Question:</u></p> <p>Other Expenses of the Company had almost doubled to RM11.4 million in FYE2020 from RM6.6 million in FYE2019 (Page 58 of AR 2020).</p> <p>What are the reasons for the significant rise in Other Expenses for FYE2020?</p> <p><u>Reply:</u></p> <p>Higher Other Expenses in FYE2020 compared to FYE2019 was mainly due to the followings:</p> <ul style="list-style-type: none"> (a) Higher allowance for expected credit losses on trade receivables of RM2.8 million; and (b) Higher fair value loss on derivatives of RM1.2 million in FYE2020.
<p>Question # 4 - Operational & Financial Matters</p>	<p><u>Question:</u></p> <p>Allowances for expected credit losses for trade receivables increased significantly to RM4 million in FYE2020 compared to RM1.2 million in FYE2019 (Page 64 of AR2020).</p> <ul style="list-style-type: none"> a) What were the reasons for the sharp spike in the allowances? b) How much of the allowance has been collected after the financial year end? <p><u>Reply:</u></p> <p>The increase in allowances for expected credit losses for trade receivables was mainly due to specific provision made for one (1) outstanding balance. The rationale for the specific provision was due to dispute of quality of goods delivered by one of our customer. As at to-date, we have yet to receive any amount in relation to the allowances made up to 30 June 2020.</p>
<p>Question #5 - Operational & Financial Matters</p>	<p><u>Question:</u></p> <p>Inventories written down of the Company rose sharply from RM411,000 in FYE2019 to RM2.4 million in FYE2020?</p> <ul style="list-style-type: none"> a) What was the nature of this write down (Slow moving stock or stock obsolescence)? b) How much of this amount had been reversed since the financial year end?

	<p><u>Reply:</u></p> <p>Inventories written down recorded during the financial year were to comply with the requirement of MFRS102. According to <i>MFRS 102: Inventories</i> paragraph 9, inventories shall be measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. No reversal is required subsequent to financial year end as this is not provision of slow moving stock or stock obsolescence.</p>
<p>Question # 1 - Corporate Governance</p>	<p><u>Question:</u></p> <p>Paragraph 9.21 (2) (b), Chapter 9 of the Main Market Listing Requirements (MMLR) requires companies to publish the summary of the Key Matters Discussed at the previous AGM onto the Company's website.</p> <p>As at 8 December 2020, the summary of the Key Matters discussed at the Company's 2019 AGM was not found on the Company's website http://www.lattree.com/.</p> <p>Please explain.</p> <p><u>Reply:</u></p> <p>We had updated our website.</p>
<p>Question # 2 - Corporate Governance</p>	<p><u>Question:</u></p> <p>Practice 4.1 of the Malaysian Code of Corporate Governance stipulates that half of the Board must be made up of independent directors.</p> <p>The Company has only 2 independent directors out of 5 directors and this does not comply with the Practice. This represents only 40% of the total directors.</p> <p>Does the Company intend to comply with this Practice and if yes, by when?</p> <p><u>Reply:</u></p> <p>The Board comprises two (2) Independent Non-Executive Directors, two (2) Executive Directors and one (1) Non-Independent Non-Executive Director. The present Board composition has complied with the Main Market Listing Requirement of Bursa Malaysia Securities Berhad that requires a minimum of two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be Independent Directors. The Board views the current size and composition of the Board are within a range which is appropriate at present to provide the necessary check and balance to the Board's decision-making process. The Independent Directors have fulfilled their role as Independent Directors through objective participation in Board deliberations and the exercise of unbiased and independent</p>

	judgement.
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Thank you.

Yours Sincerely,
Latitude Tree Holdings Berhad

A handwritten signature in black ink, featuring a large, stylized 'S' shape with a series of loops and a horizontal line at the bottom.

Name: Lin, Chin-Hung
Designation: Managing Director