# *DELLOYD VENTURES BERHAD*

*(Incorporated in Malaysia)*

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

## *A. NOTES TO THE INTERIM FINANCIAL REPORT*

### 1. Basis of preparation

The interim financial report has been prepared in accordance with FRS 134: Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report is unaudited and should be read in conjunction with the audited financial statements for the year ended **31 December 2009**. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of changes in the financial position and performance of the Group since the year ended **31 December 2009**.

### 2. Changes in accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009 except for adoption of the following new/revised/amendments to Financial Reporting Standards ("FRSs") and Interpretations effective for the financial period from 1 January 2010.

| **FRSs / IC Interpretations** | | **Effective for financial periods beginning on or after** |
|---|---|---|
| FRS 4 | Insurance Contracts | 1 January 2010 |
| FRS 7 | Financial Instruments: Disclosures | 1 January 2010 |
| FRS 8 | Operating Segments | 1 July 2009 |
| Revised FRS 101 (2009) | Presentation of Financial Statements | 1 January 2010 |
| Revised FRS 123 (2009) | Borrowing Costs | 1 January 2010 |
| Revised FRS 139 (2010) | Financial Instruments: Recognition and Measurement | 1 January 2010 |
| Amendments to FRS 1 and FRS 127 | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | 1 January 2010 |
| Amendments to FRS 2 | Vesting Conditions and Cancellations | 1 January 2010 |
| Amendments to FRS 7, FRS 139 and IC Interpretation 9 | | 1 January 2010 |
| IC Interpretation 9 | Reassessment of Embedded Derivatives | 1 January 2010 |

2. **Changes in accounting policies (Cont'd)**

| **FRSs / IC Interpretations** | | **Effective for financial periods beginning on or after** |
|---|---|---|
| IC Interpretation 10 | Interim Financial Reporting and Impairment | 1 January 2010 |
| IC Interpretation 11: FRS 2 | Group and Treasury Share Transactions | 1 January 2010 |
| IC Interpretation 13 | Customer Loyalty Programmes | 1 January 2010 |
| IC Interpretation 14: FRS 119 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1 January 2010 |
| Annual Improvements to FRSs | (2009) | 1 January 2010 |
| Amendments to FRS 132 | Classification of Rights Issues and the Transitional Provision In Relation To Compound Instruments | 1 January 2010/ 1 March 2010 |

Other than the effects discussed below, the adoption of the above FRSs, Amendments and Interpretations do not have any significant financial impact on the Group's results.

**(a) FRS 101 : Presentation of Financial Statements**

FRS 101 (revised in 2009) has introduced changes in terminology used, format and contents of financial statements. Amongst others, components of interim financial statements presented now consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements. The statement of comprehensive income consists of profit or loss for the period and other comprehensive income. All non-owner changes in equity are required to be presented in statement of comprehensive income and components of comprehensive income are not permitted to be presented in the statement of changes in equity.

**(b) FRS 139 : Financial Instruments : Recognition and Measurement**

FRS 139 establishes principles for recognition and measurement of financial instruments. A financial asset or a financial liability shall be recognised in its statement of financial position when, and only when, the group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is recorded at fair value upon initial recognition plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Financial Assets**

Subsequent to initial recognition, financial assets are classified as 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'loans and receivables', 'available for sale financial assets' or derivatives designated as hedging instruments, as appropriate.

2. **<u>Changes in accounting policies (Cont'd)</u>**

**(b) FRS 139 : Financial Instruments : Recognition and Measurement (Cont'd)**

**Financial Assets (Cont'd)**

The group financial assets include trade and other receivables (exclude prepayments), cash and short-term deposits, which are categorised as 'loans and receivables'.

'Loans and Receivables' – Prior to adoption of FRS 139, loans and receivables were stated at cost less allowance for doubtful debts. Under FRS 139, financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest methods. Gains or losses arising from amortisation process, impairment, or derecognition of loans and receivables are recognised in profit or loss.

**Financial Liabilitie**s

After initial recognition, financial liabilities are classified as 'fair value through profit or loss', 'amortised cost' or 'derivatives designated as hedging instruments', as appropriate.

The group financial liabilities include borrowings, trade and other payables, amount due to related parties and derivative instruments. Accordingly, the group assessed its derivatives and designated its derivative arising from forward exchange contract as fair value hedge.

Prior to adoption of FRS 139, payables (including the amounts owing by holding company, subsidiaries, fellow subsidiaries, related companies, associates, joint venture, other related parties etc.) and borrowings were previously recognised at their cost which is the fair value of the consideration to be paid in the future for, goods, services and loans received.

To qualify for the hedge accounting, the group is required to document prospectively the hedging relationship of the hedge instrument, the hedged item and nature of the risk being hedged. Besides, it also required to demonstrate the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value on an ongoing basis to ensure that the hedge has been highly effective throughout the financial reporting periods for which the hedge was designated.

**Marketable Securities**

Prior to the adoption of FRS 139, investment in equity securities, other than investments in subsidiaries and associates were stated at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investments in subsidiaries and associates are now categorised and measured as fair value through profit or loss.

The Group has an investment in unquoted shares that are not traded in an active market but are classified as AFS financial assets and stated at cost because the directors consider that the fair value could not be reliably measured.

2. **<u>Changes in accounting policies (Cont'd)</u>**

**(b) FRS 139 : Financial Instruments : Recognition and Measurement (Cont'd)**

**Transitional Provisions**

In accordance with the transitional provisions for first-time adoption of FRS 139, retrospective application is not permitted and any adjustment of the previous carrying amount, arising from re-measurement of the financial instruments as at 1 January 2010, shall be recognised as an adjustment of the opening balance of retained earnings or other appropriate category of reserves, Hence, comparative figures are not restated.

In accordance with the transitional provisions of FRS 139, the derivatives, financial assets and financial liabilities of the Group as at 1 January 2010 have been identified and re-measured in accordance with the provisions of FRS 139. The difference between the re-measured amount and the previous carrying amount has been recognised as a adjustment to the opening retained earnings at 1 January 2010 as follows:

| **Group** | **Retained Earnings in RM'000** |
|---|---|
| Retained profits as at 31 December 2009, previously reported | 220,804 |
| - re-measurement of MTNs using amortised cost method | 176 |
| - fair value loss on investments in quoted club membership | (32) |
| - fair value gain on amount due to a related party | 4,339 |
| - re-measurement of long term payable using amortised cost method | 52 |
| Retained profits as at 1 January 2010, restated | 225,339 |

The following FRSs and IC Interpretations were in issue but not yet effective and have not been applied by the Group and the Company:-

| **FRSs / IC Interpretations** | | **Effective for financial periods beginning on or after** |
|---|---|---|
| Revised FRS 1 (2010) | First-time Adoption of Financial Reporting Standards | 1 July 2010 |
| Revised FRS 3 (2010) | Business Combinations | 1 July 2010 |
| Revised FRS 127 (2010) | Consolidated and Separate Financial Statements | 1 July 2010 |
| Amendments to FRS 1 | Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters | 1 January 2011 |
| Amendments to FRS 2 | Scope of FRS 2 and Revised FRS 3 (2010) | 1 July 2010 |

2. **Changes in accounting policies (Cont'd)**

| **FRSs / IC Interpretations** | | **Effective for financial periods beginning on or after** |
|---|---|---|
| Amendments to FRS 5 | Plan to Sell the Controlling Interest in a Subsidiary | 1 July 2010 |
| Amendments to FRS 7 | Improving Disclosures about Financial Instruments | 1 January 2011 |
| Amendments to FRS 138 | Consequential Amendments Arising from Revised FRS 3 (2010) | 1 July 2010 |
| IC Interpretation 12 | Service Concession Arrangements | 1 July 2010 |
| IC Interpretation 15 | Agreements for the Construction Of Real Estate | 1 July 2010 |
| IC Interpretation 16 | Hedges of a Net Investment in a Foreign Operation | 1 July 2010 |
| IC Interpretation 17 | Distributions of Non-cash Assets to Owners | 1 July 2010 |
| Amendments to IC Interpretation 9 | Scope of IC Interpretation 9 and Revised FRS 3 (2010) | 1 July 2010 |

3. **Auditors' report on the preceding annual financial statements**

The auditors' report of the previous financial year ended **31 December 2009** was not subject to any qualification.

4. **Seasonal or cyclical factors**

The operations of the Group are not affected by any significant seasonal or cyclical factors other than the plantation sector, which is dependent on the selling prices of crude palm oil and the production of fresh fruit bunches.

5. **Unusual items due to their nature, size or incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the current quarter ended 30 June 2010.

6. **Changes in estimates**

There were no changes in estimates that have had a material effect in the current quarter results.

7. **Debt and equity securities**

During the current financial quarter, the Company repurchased 137,600 ordinary shares of its issued share capital for a total consideration of RM388,214. These repurchased shares are to be held as treasury shares and the total number of treasury shares held as at 30 June 2010 is 1,848,700 ordinary shares.

8. **Dividends paid**

There was no dividend payment during the current financial quarter.

9. **Segmental Information**

| | 3 months ended | | Cumulative Quarter | |
|---|---|---|---|---|
| | Current Quarter Ended | | 6 Months Cumulative | |
| | 30/06/10 | 30/06/09 | 30/06/10 | 30/06/09 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Segment Revenue | | | | |
| Automotive Components | 68,279 | 51,936 | 129,861 | 105,645 |
| Plantation | 11,472 | 12,692 | 20,632 | 20,484 |
| Vehicle Distribution | 9,651 | 4,486 | 19,004 | 8,756 |
| Others | 683 | 310 | 1,039 | 592 |
| Group Revenue | 90,085 | 69,424 | 170,536 | 135,477 |
| Segment Results | | | | |
| Automotive Components | 11,532 | 7,383 | 22,211 | 14,264 |
| Plantation | 2,626 | 4,071 | 4,804 | 4,868 |
| Vehicle Distribution | (11) | (151) | 6 | (359) |
| Others | (1,646) | (1,167) | (3,010) | (2,345) |
| | 12,501 | 10,136 | 24,011 | 16,428 |
| Unrealised gain on foreign exchange | 434 | 4,532 | 268 | 4,532 |
| Effects of FRS 139 | (437) | - | (939) | - |
| | 12,498 | 14,668 | 23,340 | 20,960 |
| Share of profit less losses in associated companies (net of tax) | 1,520 | 614 | 1,879 | 586 |
| | 14,018 | 15,282 | 25,219 | 21,546 |

10. **Valuation of property, plant and equipment**

There was no valuation of property, plant and equipment during the current financial quarter.

11. **Material events subsequent to the balance sheet date**

There were no material events subsequent to the end of the financial period ended 30 June 2010.

12. **Changes in the composition of the Group**

There were no significant changes in the composition of the Group during the financial period ended 30 June 2010.

13. **Changes in contingent liabilities or contingent assets**

Contingent liabilities of the Group as at 19 August 2010 amounted to **RM59.1 million** which are in respect of corporate guarantees given to licensed banks for banking facilities granted to subsidiaries.

## B. *ADDITIONAL INFORMATION AS REQUIRED UNDER BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENT*

### 1. Review of performance

#### 1.1 Second Quarter ended 30 June 2010 compared with Second Quarter ended 30 June 2009

Group revenue advanced by 29.8%, an increase of RM20.7 million, from RM69.4 million to RM90.1 million. Profit before tax was higher at RM12.5 million from RM10.1 million previously.

The automotive sector continue to play a pivotal role in the strong performance of the Group in the current quarter.

The plantation sector's performance was affected by lower output and yield due to heavy rainfall in Indonesia despite better FFB prices and also the new oil mill commenced operations in May 2010 which incurred high initial operation costs.

#### 1.2 First Half year ended 30 June 2010 compared with First Half year ended 30 June 2009

The Group saw significant improvement in sales in the first half of 2010. Revenue was up from RM135.5 million to RM170.5 million, an increase of 25.8%. This was mainly attributable to the automotive and vehicle distribution sectors.

Group profit increased in tandem with the increase in revenue mainly from the automotive sector. Profit was up by 46.3% increasing from RM16.4 million to RM24.0 million in the first half of 2010.

The unrealised gain on exchange arose mainly from the conversion of a long term loan denominated in US Dollar.

#### 1.3 Second Quarter ended 30 June 2010 against preceding quarter ended 31 March 2010

Group revenue and profits continued to climb from RM80.5 million to RM90.1 million and from RM11.5 million to RM12.5 million respectively. The improvement in performance is mainly due to both the automotive and plantation sectors.

2. **Prospects**

With the prospect of a better domestic economic environment, the Malaysian Automotive Association (MAA) has revised upward the Total Industry Volume for the sale of new vehicles from 550,000 units to 570,000 units this year. Positive consumers' sentiment is expected to continue owing to greater stability in the employment market and these developments augur well for the domestic automotive industry for the remaining months of the year.

In light of the positive business environment, the Group anticipates that its automotive components sector will remain on a positive track in terms of revenue and earnings for the remaining quarters of the year. Earnings contribution from the Group's plantation sector is also expected to be favourable with the prevailing CPO prices, the increase in yield expected from the plantations in Indonesia and with the mill already in operation which will further enhance contribution to this sector.

3. **Profit Forecast**

There was no profit forecast or profit guarantee made during the quarter under review.

4. **Taxation**

| | 3 months ended | | Year To Date | |
|---|---|---|---|---|
| | 30/06/10 | 30/06/09 | 30/06/10 | 30/06/09 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income Tax | | | | |
| - Local | 3,480 | 2,641 | 6,418 | 4,832 |
| - Overseas | 21 | - | 213 | 23 |
| | 3,501 | 2,641 | 6,631 | 4,855 |
| Deferred Tax | (104) | 38 | (209) | 38 |
| | 3,397 | 2,679 | 6,422 | 4,893 |

The income tax charge is due to certain profitable subsidiary companies of the Group which are subjected to tax at the applicable statutory tax rate. The effective tax rate of the Group for the current quarter is higher than the statutory tax rate mainly due to the non-availability of Group relief for losses incurred by certain subsidiary companies.

The deferred tax credit arose from the reversal of the deferred tax liability of its revaluation reserves.

5. **Unquoted investments and properties**

There were no purchases or disposal of unquoted investments and/or properties during the current financial quarter.

6. **Purchase / disposal of quoted securities**

a) There were no purchases or disposals of quoted securities for the current quarter under review.

b) Investments in quoted securities as at 30 June 2010 are as follows:

| | ***RM'000*** |
|---|---|
| At cost | 953 |
| At book value | 702 |
| At Market value | 702 |

7. **Status of corporate proposals**

On 17 May 2010, it was announced that the Company proposed to obtain credit facilities of RM50 million from OCBC Bank (Malaysia) Berhad to finance the redemption of the RM50 million MTN issued under the Islamic CP/MTN Issuance Programme due to mature on June 2011. The proposed facilities are in the form of a Term Loan of RM40 million and Revolving Credit of RM10 million.

Subsequently, on 10 June 2010, it was also announced that the Company has, on 7 June 2010, completed the redemption (buyback) of the RM50 million MTN issued. Pursuant to the said CP/MTN Programme, the Company has cancelled the RM100 million Islamic CP/MTN Programme.

8. **Group borrowings and debt securities**

Details of the Group's borrowings as at the end of the current quarter are as follows:

| | 30/06/2010<br>*RM'000* |
|---|---|
| **Current** | |
| Secured | 23,515 |
| **Non Current** | |
| Secured | 59,937 |
| | 83,452 |

Borrowings denominated in foreign currency:

| | RM'000<br>Equivalent |
|---|---|
| US Dollars | 23,795 |
| Indonesian Rupiah | 8,411 |
| | 32,206 |

## 9. Disclosure of Derivatives

With the adoption of FRS 139, there are currently no off balance sheet financial instruments. The nature and values of outstanding derivatives as at 30 June 2010 are as follows:-

| | Contracted Amount RM'000 | Fair Value RM'000 |
|---|---|---|
| Foreign Exchange Contracts | | |
| - Less than 1 year | 1,983 | 1,998 |

Foreign exchange forward contracts are entered into to protect the Group from exposure to currency movements in exchange rates.

The fair value of forward exchange contract is determined using forward market rates at the end of reporting period and changes in the fair value is recognised in profit and loss. The subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with the corresponding gain or loss recognised in profit or loss.

The above financial instrument is subject to credit risk arising from the possibility of default of the counter party in meeting its contractual obligations in which the group has a gain in the contract. This, however, is minimised as the financial instrument is executed with creditworthy financial institutions in Malaysia.

The group has set aside the cash required in meeting the above liabilities when it falls due or in tandem with the settlement of the underlying hedged item.

## 10. Capital Commitments

Amount contracted but not provided for in the accounts:

| | *RM'000* |
|---|---|
| - Property, plant and equipment | 5,316 |
| - Construction of oil mill | 3,833 |
| | 9,149 |

## 11. Material litigation

There was no material litigation or pending material litigation involving the Group as at the date of this announcement.

12. **Dividend**

The Board approved the declaration of a 3% interim dividend (single-tier dividend) in respect of the financial period ending 31 March 2011 (the Company changed its financial year end to 31 March) payable on 18 November 2010.

13. **Earnings per share**

The earnings per share is derived based on the net profit attributable to ordinary shareholders for the quarter ended 30 June 2010 of **RM10.199 million** divided by the weighted average number of ordinary shares in issue, net of treasury shares, at the balance sheet date of 90,852,550 shares.

The diluted earnings per share is derived based on the net profit attributable to ordinary shareholders for the quarter ended 30 June 2010 of **RM10.199** million divided by the weighted average number of ordinary shares in issue and issuable, net of treasury shares of 91,630,016 shares.

By Order of The Board

Ng Say Or
Company Secretary
25 August 2010