

1. Basis of Preparation

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for the revaluation of land, buildings and plantation infrastructure included within property, plant and equipment and biological assets.

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2012. These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2012.

2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2012, except for the adoption of the following new/amendments to FRSs:

On 1 July 2012, the Group adopted the following new and amended FRSs mandatory for annual financial periods beginning on or after 1 July 2012

Effective for financial periods beginning on or after 1 January 2012

- FRS 124: Related Party Disclosures
- Amendments to FRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
- Amendments to FRS 112: Deferred Tax – Recovery of Underlying Assets
- Amendments to FRS 7: Transfers of Financial Assets

Effective for financial periods beginning on or after 1 March 2012

- Amendments to FRS 9 (IFRS 9(2009), FRS 9(IFRS 9(2010)), and FRS 7: Mandatory Effective Date of FRS 9 and Transition Disclosures

Effective for financial periods beginning on or after 1 July 2012

- Amendments to FRS 101: Presentation of Items of Other Comprehensive Income

The adoption of the above new/amended FRSs do not have any significant financial impacts on the results and the financial position of the Group for the current quarter.

As stated in our audited financial statements for the financial year ended 30 June 2012, the Group has yet to adopt the Malaysian Financial Reporting Standards (“MFRS”) framework, but has elected to be a transitioning entity which will only adopt the MFRS framework for the financial year ending 30 June 2015.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2012 was not qualified.

4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

5. Changes in Estimates

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

6. Comments About Seasonal or Cyclical Factors

The seasonal or cyclical factors affecting the results of the operations of the Group are general climatic conditions, age profile of oil palms and the cyclical nature of annual production.

7. Dividend Payable

At the Seventeen Annual General Meeting held on 19 December 2012, the shareholders approved a first and final single tier dividend of 5 sen per ordinary share of RM0.50 each, amounting to RM15,583,863.20 paid on 9 March 2013 in respect of the financial year ended 30 June 2012 (2011: 10 sen per ordinary share).



Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2013

8. Segmental Information

Segmental information for the current financial year ended 30 June 2013 is as followed:

| | <i>Oil palm plantations and palm products processing</i> | | <i>Oleochemical Products</i> | | <i>Others</i> | | <i>Adjustments and eliminations</i> | | <i>Per consolidated financial statements</i> | |
|--------------------------------|--|------------------|------------------------------|----------------|----------------|----------------|-------------------------------------|----------------|--|------------------|
| | <i>30.6.13</i> | <i>30.6.12</i> | <i>30.6.13</i> | <i>30.6.12</i> | <i>30.6.13</i> | <i>30.6.12</i> | <i>30.6.13</i> | <i>30.6.12</i> | <i>30.6.13</i> | <i>30.6.12</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| 3 Months Ended 30 June | | | | | | | | | | |
| Revenue | | | | | | | | | | |
| External Sales | 425,007 | 294,147 | 70,556 | 60,279 | - | - | 4 | - | 495,563 | 354,430 |
| Inter-segment | - | - | - | - | 3,480 | 826 | (3,480) | (826) | - | - |
| Total Revenue | 425,007 | 294,147 | 70,556 | 60,279 | 3,480 | 830 | (3,480) | (826) | 495,563 | 354,430 |
| Results | | | | | | | | | | |
| Interest income | 181 | 117 | 15 | 10 | - | 13 | - | - | 196 | 140 |
| Depreciation | 4,684 | 5,647 | 4,538 | 6,016 | 458 | 471 | - | - | 9,680 | 12,134 |
| Segment profit/(loss) | 4,125 | 3,747 | 1,756 | 1,197 | 1,206 | (697) | - | - | 7,087 | 4,247 |
| 12 Months Ended 30 June | | | | | | | | | | |
| Revenue | | | | | | | | | | |
| External Sales | 1,614,435 | 1,073,500 | 250,758 | 226,122 | - | 4 | - | - | 1,865,193 | 1,299,626 |
| Inter-segment | - | - | - | - | 10,261 | 7,241 | (10,261) | (7,241) | - | - |
| Total Revenue | 1,614,435 | 1,073,500 | 250,758 | 226,122 | 10,261 | 7,245 | (10,261) | (7,241) | 1,865,193 | 1,299,626 |
| Results | | | | | | | | | | |
| Interest income | 475 | 922 | 41 | 33 | - | 13 | - | - | 516 | 968 |
| Depreciation | 22,612 | 22,238 | 9,939 | 11,185 | 1,868 | 1,881 | - | - | 34,419 | 35,304 |
| Segment profit/(loss) | 54,226 | 69,269 | (4,070) | (17,655) | 97 | (2,429) | - | - | 50,253 | 49,185 |

9. Carrying Amount of Revalued Assets

The valuations of land, buildings and plantation infrastructure included within property, plant and equipment and biological assets have been brought forward without amendment from the financial statements for the financial year ended 30 June 2012.

10. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter ended 30 June 2013.

11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter.

12. Capital Commitments

The amount of capital commitments for the purchase of property, plant and equipment not provided for in the financial statements as at 30 June 2013 is as follows:

Approved and contracted for

RM'000
2,546

13. Changes in Contingent Liabilities and Contingent Assets

Unsecured

The Company has provided corporate guarantees to secure banking facilities granted to its subsidiary companies. The amount utilised and outstanding as at 30 June 2013 amounted to approximately RM469 million.

14. Subsequent Events

There were no material events subsequent to the end of the current quarter.

15. Performance Review

Oil palm plantations and palm products processing

This major segment has contributed 86% of the Group's total revenue. For the current quarter under review, the segment recorded a revenue of RM425,007,000, as compared to the revenue reported in the corresponding period of preceding year, there is an increase of 45% or RM130,860,000 in value. The increase is principally attributed to the increase in sales volume of palm products, offset with the effect of lower average selling prices realised in the current quarter compared to the corresponding quarter of preceding year.

The average selling price of CPO traded for this quarter was RM2,225 per MT as compared to RM2,974 per MT traded in the corresponding quarter of preceding year.

Oleochemicals

Oleochemical division has accounted for 14% of the total Group's revenue for this quarter. The revenue has increased by RM10,277,000 in value to RM70,556,000 this quarter. The increase is primarily results from the increase in sales volume of stearic acid, a 38% increase as compared to the corresponding quarter of preceding year.

Others

Others segments' results are insignificant to the Group.

16. Comment on Material Change in Profit Before Tax

Profit before tax of the Group during the quarter has increased by 67% or RM2,840,000 in value. The increase was principally attributed by the following:

- higher sales volume of palm products offset with weaker selling prices realised; and
- lower finance costs which is in line with lower borrowings during the year under review; and off-set by
- higher selling expenses which is in line with the increase in sales volume coupled with higher unit freight charges.

17. Profit before tax

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

| | <i>3 months ended</i> | | <i>12 months ended</i> | |
|--|-----------------------|------------------|------------------------|------------------|
| | <i>30.6.2013</i> | <i>30.6.2012</i> | <i>30.6.2013</i> | <i>30.6.2012</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Interest income | 196 | 140 | 516 | 968 |
| Interest expense | (5,555) | (8,994) | (25,972) | (24,862) |
| Gain on disposal of property, plant & equipment | - | (32) | 88 | 158 |
| Fair value gain/(loss) on forward currency contracts | 47 | (2,129) | 47 | (2,129) |
| Depreciation on property, plant & equipment | (9,680) | (12,134) | (34,419) | (35,304) |
| Unrealised foreign exchange gain | 618 | 5,010 | 1,904 | 5,010 |

18. Commentary on Prospects

The recovery of the global economy remains slow, therefore the performance of the Group and the oil palm sector remain challenging. Furthermore, the performance of the China economy, which is the major palm oil buyer from Malaysia, is expected to be lower compared to the previous year due to economic structural reform by the new leadership.

Nevertheless, the Board of Directors expects that the Group will perform satisfactorily with sustainable performances and remained steadfast to its commitment to consistently enhance shareholders' return.

The Board of Directors is cautiously optimistic that the prospects for the oil palm industry remain bright in light of other various bullish demand factors while the group is also actively exploring expansion opportunities by increasing its planting acreage in Malaysia.

19. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit and forecast profit and for the shortfall in profit guarantee are not applicable.

20. Income Tax Expense

| | <i>3 months ended</i> | | <i>12 months ended</i> | |
|---------------------------------|-----------------------|------------------|------------------------|------------------|
| | <i>30.6.2013</i> | <i>30.6.2012</i> | <i>30.6.2013</i> | <i>30.6.2012</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Current income tax: | | | | |
| - Malaysian income tax | (1,605) | (5,598) | (9,947) | (16,404) |
| - Foreign tax | (20) | (20) | (20) | (20) |
| Deferred tax | 2,581 | (176) | 3,331 | 824 |
| Total income tax expense | 956 | (5,794) | (6,636) | (15,600) |

The effective tax rate for the current year was lower than the statutory income tax rate principally due to the availability of capital, agricultural and reinvestment allowances and double tax deduction of certain subsidiary companies for set-off against the current year's taxable profit for its plantations and palm product processing operations and certain expenses which are not deductible for tax purposes.

21. Corporate Proposals

There are no corporate proposals announced but not completed as at 25 August 2013.

22. Retained Earnings

The breakdown of retained profits of the Group as at 30 June 2013 is as follows:

| | <i>As at</i> 30.6.2013 <i>RM'000</i> | <i>As at</i> 30.6.2012 <i>RM'000</i> <i>(Audited)</i> |
|--|---|---|
| Total retained earnings of the Company and its subsidiaries: | | |
| - Realised | 663,185 | 620,596 |
| - Unrealised | (107,855) | (111,186) |
| | <u>555,330</u> | <u>509,410</u> |
| Less: Consolidation adjustments | (186,665) | (168,860) |
| Total group retained earnings as per consolidated accounts | <u>368,665</u> | <u>340,550</u> |

23. Borrowings

The Group borrowings, which is secured, were as follows:

| | | |
|------------------------------|-----------------------|-----------------------|
| Short term borrowings | | |
| - Secured | 550,297 | 612,230 |
| Long term borrowings | | |
| - Secured | 133,733 | 153,982 |
| | <u>684,030</u> | <u>766,212</u> |

Included in long term secured borrowings is RM138 million nominal value of term loans.

Borrowings denominated in foreign currency:

| | USD '000 | RMB '000 | RM'000 equivalent |
|-----------------------|---------------------------|---------------------------|------------------------------------|
| United States Dollars | 94,395 | - | 293,713 |
| Renminbi | - | 121,320 | 62,411 |
| Total | <u>94,395</u> | <u>121,320</u> | <u>356,124</u> |

24. Material Litigation

- i) On 18 March 1998, the Group is disputing a claim amounting to approximately RM8 million together with interests and costs from a commercial bank (“CB”) on two foreign currency forward contracts alleged to have been entered into by a subsidiary company.

In respect of the 1st foreign currency forward contract, judgment for the sum of RM2.6 million had been obtained by the CB on 24 March 1999. Subsequently, the Group filed a Notice of Appeal to the Court of Appeal and the Judge was found in favour of the Group. The CB was then ordered to refund the sum of RM3.2 million together with interests and costs to the Group.

In respect of the 2nd foreign currency forward contract, the CB is claiming for RM5 million together with interests and costs. The High Court Judge found in favour of the CB. However, the Group has applied for a stay of execution of the Judgment. The Court held that the execution of the Judgment be stayed provided that a sum of RM6.8 million (“Sum”) be deposited into an interest bearing account in the joint names of the CB and the Group’s solicitors. The said Sum shall be paid to the successful party after the disposal of the Appeal. The Group’s lawyers are of the opinion that the Group has a good prospect of succeeding in the Court of Appeal.

- ii) On 15 April 2010, DMGZ received a claim to deliver 1,700 metric tonnes of refined palm oil product with market value of RM6.3 million (RMB13 million) from a third party. The plaintiff also claiming for interest loss due to non-delivery of goods amounting to approximately RM1.21 million (RMB2.5 million) calculated up to the date of affidavit. The plaintiff claims that his agent stored the oil in DMGZ’s tank but DMGZ contended that the oil stored by the agent has already been despatched to their customers based on the said agent’s instruction. Legal proceeding is now in progress.

Other than the above, there were no material changes in material litigation, including the status of pending material litigation since the date of last annual statement of financial position date of 30 June 2012.

25. Dividend

No interim dividend has been declared for the financial year ending 30 June 2013.

26. Earnings/(Loss) Per Share

(a) Basic

Basic earnings/(loss) per share amounts are calculated by dividing profit/(loss) for the period/year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period/year.

| | <i>3 months ended</i> | | <i>12 months ended</i> | |
|--|-----------------------|------------------|------------------------|--------------------------------------|
| | <i>30.6.2013</i> | <i>30.6.2012</i> | <i>30.6.2013</i> | <i>30.6.2012</i> <i>(Audited)</i> |
| Profit/(loss) for the period/year attributable to owners of the Company (RM’000) | 7,973 | (1,487) | 43,699 | 33,753 |
| Weighted average number of ordinary shares in issue (‘000) | 311,677 | 311,677 | 311,677 | 311,677 |
| Basic earnings/(loss) per share (sen) | 2.56 | (0.48) | 14.02 | 10.83 |

(b) Diluted

For the purpose of calculating diluted earnings/(loss) per share, the profit/(loss) for the period/year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period/year have been adjusted for the dilutive effects of all potential ordinary shares and shares options granted to employees.

| | <i>3 months ended</i> | | <i>12 months ended</i> | |
|--|-----------------------|------------------|------------------------|------------------|
| | <i>30.6.2013</i> | <i>30.6.2012</i> | <i>30.6.2013</i> | <i>30.6.2012</i> |
| Profit/(loss) for the period/year attributable to owners of the Company (RM'000) | 7,973 | (1,487) | 43,699 | 33,753 |
| Weighted average number of ordinary shares in issue ('000): | 311,677 | 311,677 | 311,677 | 311,677 |
| Effect of dilution: Share options | - | - | - | - |
| Adjusted weighted average number of ordinary shares in issue and issuable | <u>311,677</u> | <u>311,677</u> | <u>311,677</u> | <u>311,677</u> |
| Diluted earnings/(loss) per share (sen) | <u>2.56</u> | <u>(0.48)</u> | <u>14.02</u> | <u>10.83</u> |

27. Authorisation for Issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 August 2013.