

**UNITED MALACCA BERHAD (1319 - V)**

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 31 JANUARY 2017****CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE THIRD QUARTER ENDED 31 JANUARY 2017**

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		9 Months Ended	
	31 January		31 January	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	75,771	50,044	204,430	157,835
Cost of sales	(43,730)	(37,711)	(124,791)	(107,853)
<b>Gross profit</b>	32,041	12,333	79,639	49,982
Other income	22,104	9,259	25,762	14,601
Selling and distribution expenses	(1,734)	(1,297)	(4,377)	(4,263)
Administrative expenses	(3,591)	(3,135)	(10,705)	(9,737)
Other expenses	(7,580)	(409)	(15,403)	(2,463)
Replanting expenses	(775)	(442)	(1,340)	(1,318)
<b>Operating profit</b>	40,465	16,309	73,576	46,802
Finance cost	(1,025)	(136)	(2,805)	(136)
<b>Profit before tax</b>	39,440	16,173	70,771	46,666
Income tax expense	(5,621)	(1,377)	(14,934)	(7,322)
<b>Profit for the period</b>	33,819	14,796	55,837	39,344
<b>Profit for the period attributable to:</b>				
Owners of the Company	33,669	14,796	55,553	39,344
Non-controlling interests	150	-	284	-
	33,819	14,796	55,837	39,344
<b>Earnings per share attributable to owners of the Company:</b>				
Basic (sen)	16.09	7.07	26.55	18.84
Diluted (sen)	16.09	7.07	26.55	18.84

*The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2016 and the accompanying explanatory notes attached to the interim financial statements.*

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**UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 31 JANUARY 2017****CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THIRD QUARTER ENDED 31 JANUARY 2017**

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		9 Months Ended	
	31 January		31 January	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Comprehensive Income</b>				
<b>Profit for the period</b>	33,819	14,796	55,837	39,344
<b>Other comprehensive (loss)/income:</b>				
<b>Items that will be subsequently reclassified to profit or loss:</b>				
Net (loss)/gain on fair value changes of available-for-sale investments	(120)	(824)	1,406	(2,763)
Transfer of gain on disposal of available-for-sale investments to profit or loss	(20,135)	-	(20,135)	-
Exchange differences on translation of foreign operations	5,100	-	16,641	-
	(15,155)	(824)	(2,088)	(2,763)
<b>Total comprehensive income for the period</b>	18,664	13,972	53,749	36,581
<b>Total comprehensive income for the period attributable to:</b>				
Owners of the Company	18,385	13,972	53,023	36,581
Non-controlling interests	279	-	726	-
	18,664	13,972	53,749	36,581

*The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2016 and the accompanying explanatory notes attached to the interim financial statements.*

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**UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 31 JANUARY 2017****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>As at End of Current Quarter 31 January 2017</b>	<b>As at Preceding Financial Year End 30 April 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	685,284	683,930
Biological assets	976,219	955,305
Prepaid land lease payments	132,696	133,047
Investment property	-	1,147
Goodwill on consolidation	86,777	86,777
Available-for-sale investments	346	21,272
	<b>1,881,322</b>	<b>1,881,478</b>
<b>Current Assets</b>		
Inventories	21,971	17,704
Trade receivables	17,460	13,979
Other receivables	99,461	69,760
Held-for-trading investments	20,891	17,232
Held-to-maturity investments	170	1,005
Financial assets at fair value through profit or loss	47,969	22,996
Cash and bank balances	31,485	40,016
	<b>239,407</b>	<b>182,692</b>
<b>TOTAL ASSETS</b>	<b>2,120,729</b>	<b>2,064,170</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	209,221	209,221
Share premium	42,795	42,795
Other reserves	845,467	851,049
Retained earnings	631,154	605,586
<b>Equity attributable to owners of the Company</b>	<b>1,728,637</b>	<b>1,708,651</b>
Non-controlling interests	42,256	41,530
<b>Total equity</b>	<b>1,770,893</b>	<b>1,750,181</b>
<b>Non-Current Liabilities</b>		
Term loan	155,374	136,896
Deferred tax liabilities	152,051	150,840
	<b>307,425</b>	<b>287,736</b>
<b>Current Liabilities</b>		
Trade payables	9,957	7,444
Other payables	23,978	18,406
Income tax payable	8,476	403
	<b>42,411</b>	<b>26,253</b>
<b>Total liabilities</b>	<b>349,836</b>	<b>313,989</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,120,729</b>	<b>2,064,170</b>
Net assets per share attributable to owners of the Company (RM)	<b>8.26</b>	<b>8.17</b>

*The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2016 and the accompanying explanatory notes attached to the interim financial statements.*

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**UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 31 JANUARY 2017**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED 31 JANUARY 2017**

	Attributable to Owners of the Company				Total	Non-Controlling Interests	Total Equity
	Share Capital	Share Premium	Other Reserves	Distributable Retained Earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Current 9 Months Ended 31 January 2017</b>							
<b>Balance at 1 May 2016</b>	209,221	42,795	851,049	605,586	1,708,651	41,530	1,750,181
<b>Total comprehensive (loss)/income for the period</b>	-	-	(2,530)	55,553	53,023	726	53,749
<b>Transfer to retained earnings:</b>							
Realisation of asset revaluation reserve upon:							
- Depreciation	-	-	(2,601)	2,601	-	-	-
- Property, plant and equipment written off	-	-	(6)	6	-	-	-
	-	-	(2,607)	2,607	-	-	-
<b>Transactions with owners:</b>							
Fair value of share options granted to eligible directors and employees	-	-	439	-	439	-	439
Employee share options forfeited	-	-	(270)	270	-	-	-
Employee share options expired	-	-	(614)	614	-	-	-
Dividends	-	-	-	(33,476)	(33,476)	-	(33,476)
	-	-	(445)	(32,592)	(33,037)	-	(33,037)
<b>Balance at 31 January 2017</b>	209,221	42,795	845,467	631,154	1,728,637	42,256	1,770,893

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FOR THE THIRD QUARTER ENDED 31 JANUARY 2017****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED 31 JANUARY 2017 - CONT'D**

	Attributable to Owners of the Company				Total	Non-Controlling Interests	Total Equity
	Share Capital	Non-distributable Share Premium	Other Reserves	Distributable Retained Earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>9 Months Ended 31 January 2016</b>							
<b>Balance at 1 May 2015</b>	207,719	33,551	863,724	575,175	1,680,169	-	1,680,169
<b>Total comprehensive (loss)/income for the period</b>	-	-	(2,763)	39,344	36,581	-	36,581
<b>Transfer to retained earnings:</b>							
Realisation of asset revaluation reserve upon:							
- Depreciation	-	-	(2,674)	2,674	-	-	-
- Property, plant and equipment written off	-	-	(4)	4	-	-	-
	-	-	(2,678)	2,678	-	-	-
<b>Transactions with owners:</b>							
Acquisition of subsidiaries	-	-	-	-	-	41,879	41,879
Fair value of share options granted to eligible directors and employees	-	-	700	-	700	-	700
Shares issued pursuant to Employee Share Option Scheme ("ESOS")	1,499	9,226	(2,571)	-	8,154	-	8,154
Employee share options forfeited	-	-	(179)	179	-	-	-
Employee share options expired	-	-	(667)	667	-	-	-
Dividends	-	-	-	(33,472)	(33,472)	-	(33,472)
	1,499	9,226	(2,717)	(32,626)	(24,618)	41,879	17,261
<b>Balance at 31 January 2016</b>	<b>209,218</b>	<b>42,777</b>	<b>855,566</b>	<b>584,571</b>	<b>1,692,132</b>	<b>41,879</b>	<b>1,734,011</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2016 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 31 JANUARY 2017****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS ENDED 31 JANUARY 2017**

	<u>2016/2017</u> <u>9 Months</u> <u>Ended</u> <u>31 January 2017</u> <u>RM'000</u>	<u>2015/2016</u> <u>9 Months</u> <u>Ended</u> <u>31 January 2016</u> <u>RM'000</u>
<b>Operating Activities</b>		
Profit before tax	70,771	46,666
Adjustments for:		
Amortisation of prepaid land lease payments	1,078	223
Depreciation of property, plant and equipment	15,192	15,356
Dividend income	(1,205)	(1,021)
Fair value of share options expensed off	439	700
Gain on disposal of:		
- available-for-sale investments	(20,135)	-
- property, plant and equipment	(112)	(102)
Interest expense	2,805	136
Interest income	(768)	(1,670)
Net fair value (gains)/losses on financial assets at fair value through profit or loss:		
- realised	(820)	(3,235)
- unrealised	(29)	8
Net fair value (gains)/losses on held-for-trading investments:		
- realised	(457)	556
- unrealised	(651)	1,736
Property, plant and equipment written off	47	57
Unrealised foreign exchange loss/(gain)	15,102	(7,334)
<b>Operating cash flows before changes in working capital</b>	<u>81,257</u>	<u>52,076</u>
Increase in inventories	(3,608)	(6,562)
(Increase)/decrease in trade and other receivables	(23,694)	3,195
Increase in trade and other payables	7,085	4,648
<b>Cash flows from operations</b>	<u>61,040</u>	<u>53,357</u>
Interest received	770	1,722
Interest paid	(2,641)	-
Income taxes refunded	192	96
Income taxes paid	(6,738)	(7,211)
<b>Net cash flows from operating activities</b>	<u>52,623</u>	<u>47,964</u>

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FOR THE NINE MONTHS ENDED 31 JANUARY 2017 - CONT'D**

	<u>2016/2017</u> <u>9 Months</u> <u>Ended</u> <u>31 January 2017</u> <u>RM'000</u>	<u>2015/2016</u> <u>9 Months</u> <u>Ended</u> <u>31 January 2016</u> <u>RM'000</u>
<b>Investing Activities</b>		
Dividend received from:		
- available-for-sale investments	743	688
- held-for-trading investments	457	352
Purchase of:		
- available-for-sale investments	(578)	-
- financial assets at fair value through profit or loss	(29,124)	(20,000)
- held-for-trading investments	(19,298)	(21,015)
- property, plant and equipment	(17,579)	(6,192)
Proceeds from disposal of:		
- available-for-sale investments	22,910	-
- financial assets at fair value through profit or loss	5,000	71,002
- held-for-trading investments	17,189	20,118
- property, plant and equipment	114	239
Additions of:		
- biological assets	(6,090)	(7,197)
- prepaid land lease payments	(1,779)	(2,848)
Net withdrawal/(placement) of held-to-maturity investments	835	(254)
Net cash outflow on acquisition of subsidiaries	-	(265,825)
<b>Net cash flows used in investing activities</b>	<u>(27,200)</u>	<u>(230,932)</u>
<b>Financing Activities</b>		
Dividends paid	(33,476)	(16,735)
Proceeds from exercise of employee share options under ESOS	-	8,154
Drawdown of term loan	-	214,975
<b>Net cash flows (used in)/from financing activities</b>	<u>(33,476)</u>	<u>206,394</u>
<b>Net change in cash and bank balances</b>	(8,053)	23,426
<b>Effect of foreign exchange rate changes</b>	(478)	-
<b>Cash and bank balances at beginning of period</b>	40,016	73,803
<b>Cash and bank balances at end of period</b>	<u>31,485</u>	<u>97,229</u>
<b>Cash and bank balances comprise:</b>		
Cash on hand and at banks	5,946	30,818
Short-term deposits with licensed financial institutions	25,539	66,411
	<u>31,485</u>	<u>97,229</u>

*The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 30 April 2016 and the accompanying explanatory notes attached to the interim financial statements.*

# UNITED MALACCA BERHAD (1319 - V)

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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 JANUARY 2017

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### NOTES TO THE INTERIM FINANCIAL STATEMENTS

#### A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD ("FRS") 134: INTERIM FINANCIAL REPORTING AND BURSA LISTING REQUIREMENTS

##### A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the annual audited financial statements of the Group for the year ended 30 April 2016. These explanatory notes attached to the 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 April 2016.

##### A2. Changes in Accounting Policies

The accounting policies and methods of computation applied by the Group in the interim financial statements are consistent with those applied in the latest audited financial statements for the financial year ended 30 April 2016 except for the adoption of the following standards effective for the financial year beginning 1 May 2016:

##### **Effective for annual periods beginning on or after 1 January 2016**

Annual Improvements to FRSs 2012–2014 Cycle

FRS 14 *Regulatory Deferral Accounts*

Amendments to FRS 10, FRS 12 and FRS 128: *Investment Entities: Applying the Consolidation Exception*

Amendments to FRS 11: *Accounting for Acquisitions of Interests in Joint Operations*

Amendments to FRS 101: *Disclosure Initiative*

Amendments to FRS 116 and FRS 138: *Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to FRS 127: *Equity Method in Separate Financial Statements*

The adoption of the above standards do not have any material impact on the financial statements of the Group.

##### **Malaysian Financial Reporting Standards**

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").



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### **UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 JANUARY 2017**

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#### **NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D**

##### **A2. Changes in Accounting Policies - Cont'd**

###### **Malaysian Financial Reporting Standards - Cont'd**

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141: *Agriculture* ("MFRS 141") and IC Interpretation 15: *Agreements for Construction of Real Estate* ("IC 15"), including its parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities are allowed to defer the adoption of the new MFRS Framework and continue to use the existing Financial Reporting Standards Framework until the MFRS Framework is mandated by the MASB. According to the announcement made by MASB on 2 September 2015, all Transitioning Entities shall adopt the MFRS Framework and prepare their first MFRS financial statements for annual periods beginning on or after 1 January 2018.

The Company and certain subsidiaries in the Group fall within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will present its first set of MFRS financial statements for annual periods beginning on or after 1 May 2018 as mandated by the MASB.

In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements could be different if prepared under the MFRS Framework.

##### **A3. Seasonal or Cyclical of Operations**

The production of oil palm fresh fruits bunches ("FFB") is influenced by weather conditions.

Based on past trends, FFB production tends to pick up from May onwards and will peak around September/October. From December onwards, it will be the seasonal downtrend in FFB production.

The laggard effect of the severe El Nino, the worst in the past 30 years, and the haze has affected FFB yield in the current financial year. Heavy rain and flood in some of our estates in Peninsular and Sabah hindered harvesting and crop evacuation in January and February 2017.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D**

**A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the nine months ended 31 January 2017.

**A5. Material Changes in Estimates**

There were no material changes in estimates that have a material effect against results in the current quarter and current financial year-to-date ended 31 January 2017.

**A6. Changes in Debt and Equity Securities**

There were no issuance, repurchase and repayment of debt and equity securities during the nine months ended 31 January 2017.

During the current quarter, 641,000 new options which were offered to eligible employees pursuant to the ESOS in the preceding quarter were accepted by the said eligible employees, out of which 20% are exercisable into new ordinary shares with effect from 7 November 2016 and expiring 17 June 2020.

**A7. Dividends Paid**

The amount of dividends paid during the nine months ended 31 January 2017 were as follows:

	<b>RM'000</b>
<b>(a) In respect of financial year ended 30 April 2016</b>	
Second interim single-tier dividend of 8 sen per share, on 209,221,201 ordinary shares, paid on 19 August 2016	16,738
<b>(b) In respect of financial year ending 30 April 2017</b>	
First interim single-tier dividend of 8 sen per share, on 209,221,201 ordinary shares, paid on 25 January 2017	16,738
	<u>33,476</u>

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**UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 31 JANUARY 2017****NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D****A8. Segmental Information****(a) Business Segments**

	<b>Current Quarter Ended 31 January 2017 RM'000</b>	<b>Cumulative Nine Months Ended 31 January 2017 RM'000</b>
<b>Segment Revenue</b>		
Plantation revenue	93,133	248,579
Elimination of inter-segment sales	(17,362)	(44,149)
External sales	<u>75,771</u>	<u>204,430</u>
<b>Segment Results</b>		
Plantation:		
- Malaysia operations	23,905	62,417
- Indonesia operations	2,559	2,376
Investment holding	<u>12,976</u>	<u>5,978</u>
Profit before tax	39,440	70,771
Income tax expense	(5,621)	(14,934)
Profit for the period	<u>33,819</u>	<u>55,837</u>
		<b>As at End of Current Quarter 31 January 2017 RM'000</b>
<b>Segment Assets</b>		
Plantation		2,019,402
Investment holding		101,327
Consolidated total assets		<u>2,120,729</u>
<b>Segment Liabilities</b>		
Plantation		193,656
Investment holding		156,180
Consolidated total liabilities		<u>349,836</u>

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	<b>Current Quarter Ended 31 January 2017 RM'000</b>	<b>Cumulative Nine Months Ended 31 January 2017 RM'000</b>
<b>Segment Revenue</b>		
Malaysia	66,080	187,417
Indonesia	9,691	17,013
Consolidated total revenue	<u>75,771</u>	<u>204,430</u>
<b>Segment Results</b>		
Malaysia	37,398	67,619
Indonesia	1,237	899
Singapore	805	2,253
Profit before tax	39,440	70,771
Income tax expense	(5,621)	(14,934)
Profit for the period	<u>33,819</u>	<u>55,837</u>
		<b>As at End of Current Quarter 31 January 2017 RM'000</b>
<b>Segment Assets</b>		
Malaysia		1,695,439
Indonesia		425,290
Consolidated total assets		<u>2,120,729</u>
<b>Segment Liabilities</b>		
Malaysia		300,870
Indonesia		48,160
Singapore		806
Consolidated total liabilities		<u>349,836</u>

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FOR THE THIRD QUARTER ENDED 31 JANUARY 2017**

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D**

**A9. Material Events Subsequent to the End of the Interim Period**

There were no material events from the current quarter ended 31 January 2017 to the date of this announcement that had not been reflected in this interim financial statements.

**A10. Changes in the Composition of the Group**

There were no changes in the composition of the Group during the nine months ended 31 January 2017.

**A11. Changes in Contingent Liabilities and Contingent Assets**

At the date of this report, no contingent liabilities and contingent assets had arisen since the end of preceding financial year 30 April 2016.

**A12. Capital Commitments**

At the end of the current quarter, the Group has the following capital commitments:

	<b>RM'000</b>
<b>Capital expenditure approved and contracted for:</b>	
Additions of biological assets	31,181
Purchase of property, plant and equipment	19,474
	<u>50,655</u>
<b>Capital expenditure approved but not contracted for:</b>	
Additions of biological assets	2,369
Additions of prepaid land lease payments	6,639
Construction of new palm oil mills	154,303
Purchase of property, plant and equipment	13,031
	<u>176,342</u>
	<u>226,997</u>

**A13. Related Party Disclosures**

There were no transactions and balances with related party during the current quarter and current financial year-to-date ended 31 January 2017.

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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 JANUARY 2017

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### NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D

#### **B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

##### **B1. Review of Performance**

###### **(a) Current Quarter vs. Preceding Year's Corresponding Quarter**

The Group's pretax profit for the current quarter ended 31 January 2017 of RM39.44 million (including the gain on disposal of available-for-sale investments of RM20.14 million and after allowing for unrealised foreign exchange loss of RM7.82 million on the USD loan) was 144% higher compared with RM16.17 million (including the unrealised foreign exchange gain of RM7.23 million on the USD loan) in the corresponding quarter of the preceding year. Excluding the gain on disposal of available-for-sale investments and unrealised foreign exchange loss/gain, the Group's pretax profit would be RM27.12 million which was 203% higher compared with RM8.94 million in the corresponding quarter of the preceding year. This was mainly due to higher average prices of crude palm oil ("CPO") and palm kernel ("PK") by 42% and 80% respectively as well as higher FFB production.

Comments on the business segments are as follows:

##### **Plantation**

###### Malaysia operations

Plantation profit of RM23.90 million was 214% higher compared with RM7.61 million in the corresponding quarter of the preceding year. This was mainly due to higher average prices of CPO (RM3,069/tonne compared with RM2,156/tonne) and PK (RM3,205/tonne compared with RM1,783/tonne) as well as higher FFB production by 14% or 9,343 tonnes.

###### Indonesia operations

Plantation profit of RM2.56 million achieved in the current quarter mainly due to higher FFB production as well as higher FFB selling price.

##### **Investment holding**

Investment profit of RM12.98 million (including the gain on disposal of available-for-sale investments of RM20.14 million and after allowing for unrealised foreign exchange loss of RM7.82 million on the USD loan) was 52% higher compared with RM8.56 million (including the unrealised foreign exchange gain of RM7.23 million on the USD loan) in the corresponding quarter of the preceding year. Excluding the gain on disposal of available-for-sale investments and unrealised foreign exchange loss/gain, the investment profit would be RM0.66 million which was 50% lower compared with RM1.33 million in the corresponding quarter of the preceding year. This was mainly due to higher interest expense of RM1.03 million in the current quarter as against RM0.14 million in the corresponding quarter of the preceding year.

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### NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D

#### **B1. Review of Performance - Cont'd**

##### **(b) Current Year-to-date vs. Preceding Year-to-date**

The Group's pretax profit for the nine months ended 31 January 2017 of RM70.77 million (including the gain on disposal of available-for-sale investments of RM20.14 million and after allowing for unrealised foreign exchange loss of RM18.39 million on the USD loan) was 52% higher compared with RM46.67 million (including the unrealised foreign exchange gain of RM7.23 million on the USD loan) in the preceding year. Excluding the gain on disposal of available-for-sale investments and unrealised foreign exchange loss/gain, the Group's pretax profit would be RM69.02 million which was 75% higher compared with RM39.44 million in the preceding year. This was mainly due to higher average prices of CPO and PK by 29% and 78% respectively.

Comments on the business segments are as follows:

#### **Plantation**

##### Malaysia operations

Plantation profit of RM62.42 million was 77% higher compared with RM35.35 million in the preceding year mainly due to higher average prices of CPO (RM2,769/tonne compared with RM2,144/tonne) and PK (RM2,804/tonne compared with RM1,573/tonne) even though the FFB production was lower by 5% or 13,777 tonnes.

##### Indonesia operations

Plantation profit of RM2.37 million was achieved mainly due to higher FFB production and higher FFB selling price in second and third quarters which were more than offset the adverse impact of low FFB yield in the first quarter (which was affected by the laggard effect of the dry weather caused by the El Nino in the previous year).

#### **Investment holding**

Investment profit of RM5.98 million (including the gain on disposal of available-for-sale investments of RM20.14 million and after allowing for unrealised foreign exchange loss of RM18.39 million on the USD loan) was 47% lower compared with RM11.32 million (including the unrealised foreign exchange gain of RM7.23 million on the USD loan) in the preceding year. Excluding the gain on disposal of available-for-sale investments and unrealised foreign exchange loss/gain, the investment profit would be RM4.23 million which was marginally higher compared with RM4.09 million in the preceding year.

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### NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D

#### **B2. Comparison with Preceding Quarter's Results**

The Group's pretax profit for the current quarter ended 31 January 2017 of RM39.44 million (including the gain on disposal of available-for-sale investments of RM20.14 million and after allowing for unrealised foreign exchange loss of RM7.82 million on the USD loan) was 53% higher compared with RM25.71 million (after allowing for unrealised foreign exchange loss of RM4.57 million on the USD loan) in the preceding quarter. Excluding the gain on disposal of available-for-sale investments and unrealised foreign exchange loss, the Group's pretax profit would be RM27.12 million which was 10% lower compared with RM30.28 million in the preceding quarter mainly due to lower FFB production in the current quarter.

Comments on the business segments are as follows:

#### **Plantation**

##### Malaysia operations

Plantation profit of RM23.90 million was 12% lower compared with RM27.08 million in the preceding quarter mainly due to lower FFB production by 15% or 13,066 tonnes.

##### Indonesia operations

Plantation profit of RM2.56 million in the current quarter was 224% higher compared with RM0.79 million in the preceding quarter mainly due to higher FFB production by 23% as well as higher FFB selling price by 5%.

#### **Investment holding**

Investment segment showed a profit of RM12.98 million (including the gain on disposal of available-for-sale investments of RM20.14 million and after allowing for unrealised foreign exchange loss of RM7.82 million on the USD loan) in the current quarter compared with a loss of RM2.16 million (after allowing for unrealised foreign exchange loss of RM4.57 million on the USD loan) in the preceding quarter. Excluding the gain on disposal of available-for-sale investments and unrealised foreign exchange loss, the investment profit would be RM0.66 million which was 72% lower compared with RM2.41 million in the preceding quarter. Higher investment profit in the preceding quarter mainly due to higher foreign exchange gain recorded by foreign subsidiaries.



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### NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D

#### **B3. Current Year Prospects**

The impact of dry weather due to El Nino which adversely affected the yield for the preceding financial year 2015/16 continued into this financial year. However, the Group expects higher FFB output for the financial year ending 30 April 2017, with the additional 833 hectares coming into maturity in Malaysia, increasing yield trend from the young palms in Sabah and the full year contribution from the newly acquired Indonesia plantations.

Management's priority remains focused on improving labour productivity, reducing cost and enhancing estate management practices.

With the higher CPO prices, the Group expects better results for the current financial year ending 30 April 2017.

#### **B4. Variance of Actual Profit from Profit Forecast or Profit Guarantee**

No profit forecast or profit guarantee was issued by the Group during the nine months ended 31 January 2017.

#### **B5. Profit Before Tax**

The following items have been (credited)/charged in arriving at profit before tax:

	<b>Current Quarter Ended 31 January 2017 RM'000</b>	<b>Cumulative Nine Months Ended 31 January 2017 RM'000</b>
Dividend income	(698)	(1,205)
Gain on disposal of:		
- available-for-sale investments	(20,135)	(20,135)
- property, plant and equipment	(73)	(112)
Interest income	(334)	(768)
Net fair value gains on financial assets at fair value through profit or loss:		
- realised	(257)	(820)
- unrealised	(28)	(29)
Net fair value (gains)/losses on held-for-trading investments:		
- realised	(42)	(457)
- unrealised	142	(651)

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	<b>Current Quarter Ended 31 January 2017 RM'000</b>	<b>Cumulative Nine Months Ended 31 January 2017 RM'000</b>
Net foreign exchange (gain)/loss:		
- realised	(211)	(263)
- unrealised	7,446	15,102
Amortisation of prepaid land lease payments	333	1,078
Depreciation of property, plant and equipment	5,139	15,192
Fair value of share options expensed off	55	439
Interest expense	1,025	2,805
Property, plant and equipment written off	36	47

The other minimum disclosure items which are currently not applicable to the Group are as follows:

- Provision for and write off of receivables
- Provision for and write off of inventories
- Impairment of assets
- Gain or loss on derivatives
- Exceptional items

**B6. Income Tax Expense**

	<b>Current Quarter Ended 31 January 2017 RM'000</b>	<b>Cumulative Nine Months Ended 31 January 2017 RM'000</b>
Current tax expense	5,214	14,619
Deferred tax expense	407	315
	<u>5,621</u>	<u>14,934</u>

The effective tax rate for the current quarter and current financial year-to-date was lower than the statutory tax rate due to certain income which are not taxable.

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### NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D

#### **B7. Status of Corporate Proposals**

##### **(a) Completion of Accounting of Business Combination of New Subsidiaries**

As disclosed in the preceding year's audited financial statements, the accounting of business combination of new subsidiaries, namely International Natural Resources Pte. Ltd. ("INR") and PT Lifere Agro Kapuas ("LAK") was based on the provisional fair value of their identifiable assets, liabilities and contingent liabilities. In accordance with FRS 3: *Business Combinations*, the Group is required to carry out the purchase price allocation exercise within 12 months from the date of acquisition. The provisional goodwill arising from this acquisition will be adjusted on a retrospective basis when the valuation of the identifiable assets, liabilities and contingent liabilities is finalised.

The purchase price allocation exercise was completed during the current quarter ended 31 January 2017 and there were no material changes on the fair value of the identifiable assets, liabilities and contingent liabilities of INR and LAK.

##### **(b) Memorandum of Understanding ("MOU") entered into between the Company, Adhi Indrawan and Kartika Dianningsih Antono**

On 29 July 2016, the Company entered into a MOU with Adhi Indrawan and Kartika Dianningsih Antono ("the Parties") with the intention of establishing a joint venture arrangement with PT Bintang Gemilang Permai ("BGP") which holds 99.9% equity interest in PT Wana Rindang Lestari ("WRL") which in turn holds the concession right to develop approximately 59,920 hectares of land within an industrial plantation forest area located in Central Sulawesi, Indonesia ("Proposed Joint Venture").

Both BGP and WRL are companies incorporated and domiciled in the Republic of Indonesia.

The Company intends to acquire a 60% equity interest in the joint venture company for a consideration to be mutually determined and agreed by the Parties subject to satisfactory due diligence and approval from the relevant authorities and applicable laws.

The MOU is a formal confirmation of the Parties' intention to evaluate the possibilities of pursuing the Proposed Joint Venture and to allow the Company to conduct the necessary due diligence in connection with the Proposed Joint Venture. The MOU will enable the Parties to further negotiate and execute definitive agreements within the exclusivity period.

The MOU is effective for a period of six (6) months from 29 July 2016 to 28 January 2017.

On 24 January 2017, the Company has announced that the Parties have mutually agreed to extend the exclusivity period of the MOU for an additional six (6) months from 29 January 2017 to 28 July 2017 for the Company to complete the on-going financial and legal due diligence review on BGP and WRL, as well as market studies on various crops.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D**

**B8. Group Borrowings and Debt Securities**

At the end of the current quarter, the Group's borrowing was as follow:

	RM'000	Amount in Foreign Currency
<b>Long-term borrowing:</b>		
Term loan (secured)	<u>155,374</u>	USD35 million

There was no debt security as at 31 January 2017.

**B9. Material Litigations**

There was no material litigation since the last reporting date as at 30 April 2016.

**B10. Disclosure of Realised and Unrealised Profits/Losses**

	<b>As at End of Current Quarter 31 January 2017 RM'000</b>	<b>As at Preceding Financial Year End 30 April 2016 RM'000</b>
Total retained earnings of the Company and its subsidiaries:		
- realised	670,009	630,841
- unrealised	<u>(36,597)</u>	<u>(22,963)</u>
	633,412	607,878
Less: Consolidation adjustments	<u>(2,258)</u>	<u>(2,292)</u>
Total Group's retained earnings as per consolidated statement of financial position	<u>631,154</u>	<u>605,586</u>

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### NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D

#### B11. Earnings Per Share

##### (a) Basic earnings per share

Basic earnings per share are calculated by dividing profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period as follows:

	<b>Current Quarter Ended 31 January 2017</b>	<b>Cumulative Nine Months Ended 31 January 2017</b>
Profit for the period attributable to owners of the Company (RM'000)	33,669	55,553
Weighted average number of ordinary shares in issue ('000 unit)	209,221	209,221
Basic earnings per share (sen)	<u>16.09</u>	<u>26.55</u>

##### (b) Diluted earnings per share

The share options granted under the Company's ESOS could potentially dilute basic earnings per share in the future but have not been included in the calculation of diluted earnings per share because they are antidilutive for the period presented.

#### B12. Auditors' Report on Preceding Annual Financial Statements

There were no qualifications in the auditors' report of the Group's latest annual financial statements ended 30 April 2016.

#### B13. Dividends

No dividend has been declared in respect of the current financial period ended 31 January 2017.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D**

**B14. Authorised for Issue**

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board on 28 March 2017.

By order of the Board,  
**Yong Yoke Hiong (MAICSA 7021707)**  
**Pang Poh Chen (MACS 01405)**  
Company Secretaries  
Melaka, 28 March 2017