

UNITED MALACCA BERHAD (1319 - V)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 JULY 2017****CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FIRST QUARTER ENDED 31 JULY 2017**

	Individual Quarter 3 Months Ended 31 July		Cumulative Quarter 3 Months Ended 31 July	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Revenue	70,290	54,215	70,290	54,215
Cost of sales	(55,422)	(39,116)	(55,422)	(39,116)
Gross profit	14,868	15,099	14,868	15,099
Other income	2,158	2,231	2,158	2,231
Selling and distribution expenses	(1,694)	(1,155)	(1,694)	(1,155)
Administrative expenses	(4,368)	(3,292)	(4,368)	(3,292)
Other expenses	(623)	(6,111)	(623)	(6,111)
Replanting expenses	(353)	(279)	(353)	(279)
Operating profit	9,988	6,493	9,988	6,493
Finance cost	(1,247)	(876)	(1,247)	(876)
Profit before tax	8,741	5,617	8,741	5,617
Income tax expense	(2,894)	(2,333)	(2,894)	(2,333)
Profit for the period	5,847	3,284	5,847	3,284
Profit for the period attributable to:				
Owners of the Company	6,326	3,381	6,326	3,381
Non-controlling interests	(479)	(97)	(479)	(97)
	5,847	3,284	5,847	3,284
Earnings per share attributable to owners of the Company:				
Basic (sen)	3.02	1.62	3.02	1.62
Diluted (sen)	3.02	1.62	3.02	1.62

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2017 and the accompanying explanatory notes attached to the interim financial statements.

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

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		3 Months Ended	
	31 July		31 July	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Comprehensive Income				
Profit for the period	5,847	3,284	5,847	3,284
Other comprehensive (loss)/income:				
Items that will be subsequently reclassified to profit or loss:				
Net loss on fair value changes of available-for-sale investments	-	(766)	-	(766)
Exchange differences on translation of foreign operations	(1,478)	7,225	(1,478)	7,225
	(1,478)	6,459	(1,478)	6,459
Total comprehensive income for the period	4,369	9,743	4,369	9,743
Total comprehensive income for the period attributable to:				
Owners of the Company	5,130	8,663	5,130	8,663
Non-controlling interests	(761)	1,080	(761)	1,080
	4,369	9,743	4,369	9,743

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2017 and the accompanying explanatory notes attached to the interim financial statements.

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

	As at End of Current Quarter 31 July 2017	As at Preceding Financial Year End 30 April 2017
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	691,992	693,912
Biological assets	994,037	991,901
Prepaid land lease payments	131,383	132,527
Goodwill on consolidation	82,474	82,474
	<u>1,899,886</u>	<u>1,900,814</u>
Current Assets		
Inventories	23,630	20,735
Trade receivables	17,369	17,800
Other receivables	103,721	98,107
Held-for-trading investments	22,780	22,803
Held-to-maturity investments	184	301
Financial assets at fair value through profit or loss	48,813	48,375
Cash and bank balances	28,798	30,299
	<u>245,295</u>	<u>238,420</u>
TOTAL ASSETS	<u>2,145,181</u>	<u>2,139,234</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	209,775	209,494
Share premium	42,795	42,795
Other reserves	838,143	840,168
Retained earnings	636,805	660,958
Equity attributable to owners of the Company	<u>1,727,518</u>	<u>1,753,415</u>
Non-controlling interests	45,653	46,414
Total equity	<u>1,773,171</u>	<u>1,799,829</u>
Non-Current Liabilities		
Term loan	149,765	152,270
Retirement benefit obligation	360	365
Deferred tax liabilities	146,379	147,190
	<u>296,504</u>	<u>299,825</u>
Current Liabilities		
Trade payables	19,997	13,381
Other payables	21,603	21,695
Income tax payable	2,508	4,504
Dividends payable	31,398	-
	<u>75,506</u>	<u>39,580</u>
Total liabilities	<u>372,010</u>	<u>339,405</u>
TOTAL EQUITY AND LIABILITIES	<u>2,145,181</u>	<u>2,139,234</u>
Net assets per share attributable to owners of the Company (RM)	<u>8.25</u>	<u>8.38</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2017 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 JULY 2017**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 JULY 2017**

	Attributable to Owners of the Company				Total	Non-Controlling Interests	Total Equity
	Share Capital	Share Premium	Other Reserves	Retained Earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Current 3 Months Ended 31 July 2017</u>							
Balance at 1 May 2017	209,494	42,795	840,168	660,958	1,753,415	46,414	1,799,829
Total comprehensive (loss)/income for the period	-	-	(1,196)	6,326	5,130	(761)	4,369
Transfer to retained earnings:							
Realisation of asset revaluation reserve upon depreciation	-	-	(911)	911	-	-	-
	-	-	(911)	911	-	-	-
Transactions with owners:							
Fair value of share options granted to eligible directors and employees	-	-	120	-	120	-	120
Shares issued pursuant to Employee Share Option Scheme ("ESOS")	281	-	(30)	-	251	-	251
Employee share options forfeited	-	-	(8)	8	-	-	-
Dividends	-	-	-	(31,398)	(31,398)	-	(31,398)
	281	-	82	(31,390)	(31,027)	-	(31,027)
Balance at 31 July 2017	209,775	42,795	838,143	636,805	1,727,518	45,653	1,773,171

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 JULY 2017 - CONT'D**

	Attributable to Owners of the Company				Total	Non-Controlling Interests	Total Equity
	Share Capital	Non-distributable		Distributable			
		Share Premium	Other Reserves	Retained Earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
3 Months Ended 31 July 2016							
Balance at 1 May 2016	209,221	42,795	851,049	605,586	1,708,651	42,412	1,751,063
Total comprehensive income for the period	-	-	5,282	3,381	8,663	1,080	9,743
Transfer to retained earnings:							
Realisation of asset revaluation reserve upon depreciation	-	-	(865)	865	-	-	-
	-	-	(865)	865	-	-	-
Transactions with owners:							
Fair value of share options granted to eligible directors and employees	-	-	192	-	192	-	192
Employee share options forfeited	-	-	(3)	3	-	-	-
Dividend	-	-	-	(16,738)	(16,738)	-	(16,738)
	-	-	189	(16,735)	(16,546)	-	(16,546)
Balance at 31 July 2016	209,221	42,795	855,655	593,097	1,700,768	43,492	1,744,260

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2017 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 JULY 2017****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 JULY 2017**

	<u>2017/2018</u> 3 Months Ended 31 July 2017 RM'000	<u>2016/2017</u> 3 Months Ended 31 July 2016 RM'000
Operating Activities		
Profit before tax	8,741	5,617
Adjustments for:		
Amortisation of prepaid land lease payments	802	417
Depreciation of property, plant and equipment	7,282	5,157
Dividend income	(179)	(342)
Fair value of share options expensed off	120	192
Gain on disposal of property, plant and equipment	(19)	(24)
Interest expense	1,247	876
Interest income	(203)	(248)
Net fair value (gains)/losses on financial assets at fair value through profit or loss:		
- realised	(414)	(290)
- unrealised	(24)	6
Net fair value gains on held-for-trading investments:		
- realised	(634)	(79)
- unrealised	(24)	(613)
Property, plant and equipment written off	67	3
Unrealised foreign exchange loss	373	5,406
Operating cash flows before changes in working capital	17,135	16,078
Increase in inventories	(3,008)	(4,757)
Increase in trade and other receivables	(6,055)	(389)
Increase in trade and other payables	6,199	5,035
Cash flows from operations	14,271	15,967
Interest received	206	271
Interest paid	(1,174)	(748)
Net taxes paid	(5,847)	(2,542)
Net cash flows from operating activities	7,456	12,948

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**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 JULY 2017****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 JULY 2017 - CONT'D**

	<u>2017/2018</u> 3 Months Ended 31 July 2017 RM'000	<u>2016/2017</u> 3 Months Ended 31 July 2016 RM'000
Investing Activities		
Dividend received from:		
- available-for-sale investments	-	165
- held-for-trading investments	174	149
Purchase of:		
- financial assets at fair value through profit or loss	-	(7,300)
- held-for-trading investments	(7,470)	(7,087)
- property, plant and equipment	(6,627)	(2,800)
Proceeds from disposal of:		
- held-for-trading investments	7,577	5,610
- property, plant and equipment	94	24
Additions of:		
- biological assets	(2,657)	(3,025)
- prepaid land lease payments	(76)	(553)
Net withdrawal of held-to-maturity investments	117	431
Net cash flows used in investing activities	(8,868)	(14,386)
Financing Activity		
Proceeds from exercise of employee share options under ESOS	251	-
Net cash flows from financing activity	251	-
Net change in cash and bank balances	(1,161)	(1,438)
Effect of foreign exchange rate changes	(340)	(242)
Cash and bank balances at beginning of period	30,299	40,016
Cash and bank balances at end of period	28,798	38,336
Cash and bank balances comprise:		
Cash on hand and at banks	5,228	6,102
Short-term deposits with licensed financial institutions	23,570	32,234
	28,798	38,336

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 30 April 2017 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 JULY 2017

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 2017. 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 2017.

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 2017 except for the adoption of the following standards effective for the financial year beginning 1 May 2017:

Effective for annual periods beginning on or after 1 January 2017

Amendments to FRS 12: *Annual Improvements to FRS Standards 2014-2016 Cycle*

Amendments to FRS 107: *Disclosure Initiative*

Amendments to FRS 112: *Recognition of Deferred Tax Assets for Unrealised Losses*

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").

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").

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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

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 FFB production for the current three months ended 31 July 2017 was 8% higher than that of the corresponding period in the preceding year mainly due to additional of 4,640 hectares came into harvesting (Malaysia - 1,679 hectares and Indonesia - 2,961 hectares).

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**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 JULY 2017****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 three months ended 31 July 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 July 2017.

A6. Changes in Debt and Equity Securities

There were no issuance, repurchase and repayment of debt and equity securities during the three months ended 31 July 2017 except for the issuance of 48,500 ordinary shares for cash pursuant to the Company's ESOS.

A7. Dividends Paid

A second interim single-tier dividend of 12 sen in respect of financial year ended 30 April 2017 and a special single-tier dividend of 3 sen amounting to RM31,398,000 was declared on 22 June 2017 and paid on 24 August 2017.

A8. Segmental Information**(a) Business Segments**

	Current Quarter Ended 31 July 2017 RM'000	Cumulative Three Months Ended 31 July 2017 RM'000
Segment Revenue		
Plantation revenue	81,377	81,377
Elimination of inter-companies' sales	<u>(11,087)</u>	<u>(11,087)</u>
External sales	<u>70,290</u>	<u>70,290</u>

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

	Current Quarter Ended 31 July 2017 RM'000	Cumulative Three Months Ended 31 July 2017 RM'000
Segment Results		
Plantation:		
- Malaysian operations	9,981	9,981
- Indonesian operations	(1,022)	(1,022)
Investment holding	(218)	(218)
Profit before tax	8,741	8,741
Income tax expense	(2,894)	(2,894)
Profit for the period	5,847	5,847
		As at End of Current Quarter 31 July 2017 RM'000
Segment Assets		
Plantation		2,044,051
Investment holding		101,130
Consolidated total assets		2,145,181
Segment Liabilities		
Plantation		221,479
Investment holding		150,531
Consolidated total liabilities		372,010

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**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 JULY 2017****NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D****A8. Segmental Information - Cont'd****(b) Geographical Segments**

	Current Quarter Ended 31 July 2017 RM'000	Cumulative Three Months Ended 31 July 2017 RM'000
Segment Revenue		
Malaysia	61,771	61,771
Indonesia	8,519	8,519
Consolidated total revenue	<u>70,290</u>	<u>70,290</u>
Segment Results		
Malaysia	11,871	11,871
Indonesia	(1,946)	(1,946)
Singapore	(1,184)	(1,184)
Profit before tax	8,741	8,741
Income tax expense	(2,894)	(2,894)
Profit for the period	<u>5,847</u>	<u>5,847</u>
		As at End of Current Quarter 31 July 2017 RM'000
Segment Assets		
Malaysia		1,702,197
Indonesia		442,984
Consolidated total assets		<u>2,145,181</u>
Segment Liabilities		
Malaysia		328,637
Indonesia		43,329
Singapore		44
Consolidated total liabilities		<u>372,010</u>

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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 July 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 three months ended 31 July 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 2017.

A12. Capital Commitments

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

	RM'000
Capital expenditure approved and contracted for:	
Construction of new palm oil mill - Indonesia	72,984
Purchase of property, plant and equipment	<u>21,022</u>
	<u>94,006</u>
Capital expenditure approved but not contracted for:	
Additions of biological assets	18,820
Construction of new palm oil mill - Indonesia	30,400
Construction of new palm oil mill - Malaysia	56,402
Purchase of property, plant and equipment	<u>34,852</u>
	<u>140,474</u>
	<u>234,480</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 July 2017.

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**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 JULY 2017****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****Current Quarter vs. Preceding Year Corresponding Quarter**

	Individual Quarter		
	Current Quarter Ended 31 July 2017	Preceding Year Corresponding Quarter Ended 31 July 2016	Variance
	RM'000	RM'000	%
Revenue	70,290	54,215	30%
Operating profit/profit before interest and tax	9,988	6,493	54%
Profit before tax	8,741	5,617	56%
Profit after tax	5,847	3,284	78%
Profit attributable to the owners of the Company	6,326	3,381	87%
Additional information:			
Mature area (hectare)	25,065	20,397	23%
Immature area (hectare)	2,706	6,801	-60%
Total planted area (hectare)	27,771	27,198	2%
FFB production (tonne)	83,484	77,628	8%
FFB yield (tonne/hectare)	3.33	3.81	-12%
Average CPO price/tonne (RM)	2,721	2,515	8%
Average PK price/tonne (RM)	2,070	2,456	-16%

The Group's pretax profit for the current quarter ended 31 July 2017 of RM8.74 million was 56% higher compared with RM5.62 million in the corresponding quarter of the preceding year which included foreign exchange loss of RM5.39 million.

Excluding the foreign exchange impact, the Group's pretax profit would be RM8.46 million which was 23% lower compared with RM11.01 million in the corresponding quarter of the preceding year. Lower profit was mainly due to lower FFB yield of 3.33 tonne/ha (preceding year: 3.81 tonne/ha) especially from the newly matured 2,961 hectares of oil palms in Indonesia that came into harvesting at the beginning of the current financial year.

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UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 JULY 2017

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D

B1. Review of Performance - Cont'd

Current Quarter vs. Preceding Year Corresponding Quarter - Cont'd

Comments on the business segments are as follows:

Plantation

Malaysian operations

Plantation profit of RM9.98 million was 13% lower compared with RM11.43 million in the corresponding quarter of the preceding year mainly due to lower FFB yield from estates in Sabah as a result of extended wet weather in the first half of 2017. In addition, the newly matured palms of 1,679 hectares that came into harvesting at the beginning of the current financial year with higher cost of FFB production had also contributed to the lower plantation profit.

Indonesian operations

Plantation loss of RM1.02 million in the current quarter was mainly due to low FFB yield from the 2,961 hectares of newly matured palms (62% of total matured area) that came into harvesting at the beginning of the current financial year.

Plantation loss of RM0.97 million in the corresponding quarter of the preceding year was mainly due to low FFB yield from the 1,667 hectares of newly matured palms that came into harvesting at the beginning of the preceding financial year.

Investment holding

Investment loss of RM218,000 was recorded in the current quarter compared with a loss of RM4.84 million in the corresponding quarter of the preceding year which included foreign exchange loss of RM5.39 million. The investment loss for the current quarter was mainly due to interest expense of RM1.25 million (preceding year: RM0.88 million).

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**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 JULY 2017****NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D****B2. Comparison with Preceding Quarter's Results**

	Individual Quarter		
	Current Quarter Ended 31 July 2017	Preceding Quarter Ended 30 April 2017	Variance
	RM'000	RM'000	%
Revenue	70,290	70,279	0%
Operating profit/profit before interest and tax	9,988	29,198	-66%
Profit before tax	8,741	28,117	-69%
Profit after tax	5,847	30,052	-81%
Profit attributable to the owners of the Company	6,326	29,001	-78%
Additional information:			
Mature area (hectare)	25,065	20,199	24%
Immature area (hectare)	2,706	7,466	-64%
Total planted area (hectare)	27,771	27,665	0%
FFB production (tonne)	83,484	80,935	3%
FFB yield (tonne/hectare)	3.33	4.01	-17%
Average CPO price/tonne (RM)	2,721	3,070	-11%
Average PK price/tonne (RM)	2,070	2,903	-29%

The Group's pretax profit for the current quarter ended 31 July 2017 of RM8.74 million was 69% lower compared with RM28.12 million in the preceding quarter.

Lower profit was mainly due to lower average prices of crude palm oil ("CPO") and palm kernel ("PK") by 11% and 29% respectively as well as higher cost of FFB production.

Comments on the business segments are as follows:

PlantationMalaysian operations

Malaysian operations achieved a 4% or 2,922 tonnes higher FFB production compared with that of the preceding quarter. However, due to the drop in CPO and PK prices by 11% and 29% respectively as well as higher cost of FFB production as a result of newly matured palms coming into maturity, plantation profit was 57% lower at RM9.98 million compared with RM23.23 million in the preceding quarter.

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UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 JULY 2017

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D

B2. Comparison with Preceding Quarter's Results - Cont'd

Plantation - Cont'd

Indonesian operations

Plantation loss of RM1.02 million in the current quarter was mainly due to low FFB yield from the 2,961 hectares of newly matured palms (62% of total matured area) that came into harvesting at the beginning of the current financial year.

Plantation profit of RM1.86 million in the preceding quarter was mainly due to higher FFB selling price.

Investment holding

Investment loss of RM218,000 was recorded in the current quarter compared with a profit of RM3.03 million in the preceding quarter. The investment loss was mainly due to higher interest expense of RM1.25 million (preceding quarter: RM1.08 million) and lower fair value gains on held-for-trading investments of RM658,000 (preceding quarter: RM2.35 million).

B3. Current Year Prospects

The Group expects higher FFB production for the financial year ending 30 April 2018 due to improved FFB yield from the young matured palms and an additional 4,640 hectares coming into maturity (Malaysia - 1,679 hectares and Indonesia - 2,961 hectares).

Assuming CPO prices remain at the current level, the Group expects satisfactory results for the financial year ending 30 April 2018.

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

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

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

	Current Quarter Ended 31 July 2017	Cumulative Three Months Ended 31 July 2017
	RM'000	RM'000
Dividend income	(179)	(179)
Gain on disposal of property, plant and equipment	(19)	(19)
Interest income	(203)	(203)
Net fair value gains on financial assets at fair value through profit or loss:		
- realised	(414)	(414)
- unrealised	(24)	(24)
Net fair value gains on held-for-trading investments:		
- realised	(634)	(634)
- unrealised	(24)	(24)
Net foreign exchange (gain)/loss:		
- realised	(94)	(94)
- unrealised	373	373
Amortisation of prepaid land lease payments	802	802
Depreciation of property, plant and equipment	7,282	7,282
Fair value of share options expensed off	120	120
Interest expense	1,247	1,247
Property, plant and equipment written off	67	67

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

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	Current Quarter Ended 31 July 2017 RM'000	Cumulative Three Months Ended 31 July 2017 RM'000
Current tax expense	3,700	3,700
Deferred tax expense	(806)	(806)
	<u>2,894</u>	<u>2,894</u>

The effective tax rate for the current quarter and current financial year-to-date was higher than the statutory tax rate due to certain expenses which are not deductible.

B7. Status of Corporate Proposals**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

B7. Status of Corporate Proposals - Cont'd

Memorandum of Understanding ("MOU") entered into between the Company, Adhi Indrawan and Kartika Dianningsih Antono - Cont'd

The Company further announced on 28 July 2017 that the Parties have mutually agreed to extend the exclusivity period of the MOU for a further three (3) months from 29 July 2017 to 28 October 2017, in order to grant the Parties further time to finalise the terms and conditions of a definitive agreement to be entered into amongst the Parties.

B8. Group Borrowings and Debt Securities

At the end of the current quarter and preceding year corresponding quarter, the Group's borrowing was as follow:

	As at End of Current Quarter 31 July 2017	As at End of Preceding Year Corresponding Quarter 31 July 2016
Long-term borrowing (secured):		
USD term loan		
Amount as per consolidated statement of financial position (RM'000)	149,765	142,625
Amount in foreign currency (USD'000)	35,000	35,000
Exchange rate used: USD1 =	4.279	4.075

(a) The USD term loan is bearing interest at the rate of bank's cost of funds + 1% per annum.

(b) The Group does not hedge the USD term loan to Ringgit Malaysia ("RM").

There was no debt security as at 31 July 2017.

B9. Material Litigation

There was no material litigation since the last reporting date as at 30 April 2017.

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	As at End of Current Quarter 31 July 2017 RM'000	As at Preceding Financial Year End 30 April 2017 RM'000
Total retained earnings of the Company and its subsidiaries:		
- realised	677,062	698,364
- unrealised	(37,436)	(34,069)
	<u>639,626</u>	<u>664,295</u>
Less: Consolidation adjustments	(2,821)	(3,337)
Total Group's retained earnings as per consolidated statement of financial position	<u>636,805</u>	<u>660,958</u>

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:

	Current Quarter Ended 31 July 2017	Cumulative Three Months Ended 31 July 2017
Profit for the period attributable to owners of the Company (RM'000)	6,326	6,326
Weighted average number of ordinary shares in issue ('000 unit)	209,289	209,289
Basic earnings per share (sen)	<u>3.02</u>	<u>3.02</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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D

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 2017.

B13. Dividends

A second interim single-tier dividend of 12 sen in respect of financial year ended 30 April 2017 and a special single-tier dividend of 3 sen amounting to RM31,398,000 was declared on 22 June 2017 and paid on 24 August 2017.

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

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 19 September 2017.

By order of the Board,
Yong Yoke Hiong (MAICSA 7021707)
Pang Poh Chen (MACS 01405)
Company Secretaries
Melaka, 19 September 2017