

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 |
| Revenue | 75,771 | 50,044 | 204,430 | 157,835 |
| Cost of sales | (43,730) | (37,711) | (124,791) | (107,853) |
| Gross profit | 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) |
| Operating profit | 40,465 | 16,309 | 73,576 | 46,802 |
| Finance cost | (1,025) | (136) | (2,805) | (136) |
| Profit before tax | 39,440 | 16,173 | 70,771 | 46,666 |
| Income tax expense | (5,621) | (1,377) | (14,934) | (7,322) |
| Profit for the period | 33,819 | 14,796 | 55,837 | 39,344 |
| Profit for the period attributable to: | | | | |
| 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 |
| Earnings per share attributable to owners of the Company: | | | | |
| 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 |
| Comprehensive Income | | | | |
| Profit for the period | 33,819 | 14,796 | 55,837 | 39,344 |
| Other comprehensive (loss)/income: | | | | |
| Items that will be subsequently reclassified to profit or loss: | | | | |
| 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) |
| Total comprehensive income for the period | 18,664 | 13,972 | 53,749 | 36,581 |
| Total comprehensive income for the period attributable to: | | | | |
| 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**

| | As at End of Current Quarter 31 January 2017 | As at Preceding Financial Year End 30 April 2016 |
|--|---|---|
| | RM'000 | RM'000 |
| ASSETS | | |
| Non-Current Assets | | |
| 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 |
| | 1,881,322 | 1,881,478 |
| Current Assets | | |
| 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 |
| | 239,407 | 182,692 |
| TOTAL ASSETS | 2,120,729 | 2,064,170 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 209,221 | 209,221 |
| Share premium | 42,795 | 42,795 |
| Other reserves | 845,467 | 851,049 |
| Retained earnings | 631,154 | 605,586 |
| Equity attributable to owners of the Company | 1,728,637 | 1,708,651 |
| Non-controlling interests | 42,256 | 41,530 |
| Total equity | 1,770,893 | 1,750,181 |
| Non-Current Liabilities | | |
| Term loan | 155,374 | 136,896 |
| Deferred tax liabilities | 152,051 | 150,840 |
| | 307,425 | 287,736 |
| Current Liabilities | | |
| Trade payables | 9,957 | 7,444 |
| Other payables | 23,978 | 18,406 |
| Income tax payable | 8,476 | 403 |
| | 42,411 | 26,253 |
| Total liabilities | 349,836 | 313,989 |
| TOTAL EQUITY AND LIABILITIES | 2,120,729 | 2,064,170 |
| Net assets per share attributable to owners of the Company (RM) | 8.26 | 8.17 |

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 |
| Current 9 Months Ended 31 January 2017 | | | | | | | |
| Balance at 1 May 2016 | 209,221 | 42,795 | 851,049 | 605,586 | 1,708,651 | 41,530 | 1,750,181 |
| Total comprehensive (loss)/income for the period | - | - | (2,530) | 55,553 | 53,023 | 726 | 53,749 |
| Transfer to retained earnings: | | | | | | | |
| Realisation of asset revaluation reserve upon: | | | | | | | |
| - Depreciation | - | - | (2,601) | 2,601 | - | - | - |
| - Property, plant and equipment written off | - | - | (6) | 6 | - | - | - |
| | - | - | (2,607) | 2,607 | - | - | - |
| Transactions with owners: | | | | | | | |
| 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) |
| Balance at 31 January 2017 | 209,221 | 42,795 | 845,467 | 631,154 | 1,728,637 | 42,256 | 1,770,893 |

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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 - 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 |
| 9 Months Ended 31 January 2016 | | | | | | | |
| Balance at 1 May 2015 | 207,719 | 33,551 | 863,724 | 575,175 | 1,680,169 | - | 1,680,169 |
| Total comprehensive (loss)/income for the period | - | - | (2,763) | 39,344 | 36,581 | - | 36,581 |
| Transfer to retained earnings: | | | | | | | |
| Realisation of asset revaluation reserve upon: | | | | | | | |
| - Depreciation | - | - | (2,674) | 2,674 | - | - | - |
| - Property, plant and equipment written off | - | - | (4) | 4 | - | - | - |
| | - | - | (2,678) | 2,678 | - | - | - |
| Transactions with owners: | | | | | | | |
| 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 |
| Balance at 31 January 2016 | 209,218 | 42,777 | 855,566 | 584,571 | 1,692,132 | 41,879 | 1,734,011 |

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> |
|---|--|--|
| Operating Activities | | |
| 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) |
| Operating cash flows before changes in working capital | <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 |
| Cash flows from operations | <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) |
| Net cash flows from operating activities | <u>52,623</u> | <u>47,964</u> |

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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 - 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> |
|---|--|--|
| Investing Activities | | |
| 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) |
| Net cash flows used in investing activities | (27,200) | (230,932) |
| Financing Activities | | |
| Dividends paid | (33,476) | (16,735) |
| Proceeds from exercise of employee share options under ESOS | - | 8,154 |
| Drawdown of term loan | - | 214,975 |
| Net cash flows (used in)/from financing activities | (33,476) | 206,394 |
| Net change in cash and bank balances | (8,053) | 23,426 |
| Effect of foreign exchange rate changes | (478) | - |
| Cash and bank balances at beginning of period | 40,016 | 73,803 |
| Cash and bank balances at end of period | 31,485 | 97,229 |
| Cash and bank balances comprise: | | |
| Cash on hand and at banks | 5,946 | 30,818 |
| Short-term deposits with licensed financial institutions | 25,539 | 66,411 |
| | 31,485 | 97,229 |

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.

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UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 JANUARY 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 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

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

| | RM'000 |
|--|---------------|
| (a) In respect of financial year ended 30 April 2016 | |
| Second interim single-tier dividend of 8 sen per share, on 209,221,201 ordinary shares, paid on 19 August 2016 | 16,738 |
| (b) In respect of financial year ending 30 April 2017 | |
| 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**

| | Current Quarter Ended 31 January 2017 RM'000 | Cumulative Nine Months Ended 31 January 2017 RM'000 |
|------------------------------------|---|--|
| Segment Revenue | | |
| 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> |
| Segment Results | | |
| 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> |
| | | As at End of Current Quarter 31 January 2017 RM'000 |
| Segment Assets | | |
| Plantation | | 2,019,402 |
| Investment holding | | 101,327 |
| Consolidated total assets | | <u>2,120,729</u> |
| Segment Liabilities | | |
| Plantation | | 193,656 |
| Investment holding | | 156,180 |
| Consolidated total liabilities | | <u>349,836</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 - Cont'd****(b) Geographical Segments**

| | Current Quarter Ended 31 January 2017 RM'000 | Cumulative Nine Months Ended 31 January 2017 RM'000 |
|--------------------------------|---|--|
| Segment Revenue | | |
| Malaysia | 66,080 | 187,417 |
| Indonesia | 9,691 | 17,013 |
| Consolidated total revenue | <u>75,771</u> | <u>204,430</u> |
| Segment Results | | |
| 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> |
| | | As at End of Current Quarter 31 January 2017 RM'000 |
| Segment Assets | | |
| Malaysia | | 1,695,439 |
| Indonesia | | 425,290 |
| Consolidated total assets | | <u>2,120,729</u> |
| Segment Liabilities | | |
| 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**

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:

| | RM'000 |
|---|----------------|
| Capital expenditure approved and contracted for: | |
| Additions of biological assets | 31,181 |
| Purchase of property, plant and equipment | 19,474 |
| | <u>50,655</u> |
| Capital expenditure approved but not contracted for: | |
| 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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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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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:

| | Current Quarter Ended 31 January 2017 RM'000 | Cumulative Nine Months Ended 31 January 2017 RM'000 |
|---|---|--|
| 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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| | Current Quarter Ended 31 January 2017 RM'000 | Cumulative Nine Months Ended 31 January 2017 RM'000 |
|---|---|--|
| 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

| | Current Quarter Ended 31 January 2017 RM'000 | Cumulative Nine Months Ended 31 January 2017 RM'000 |
|----------------------|---|--|
| 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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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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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 |
|-----------------------------|----------------|----------------------------------|
| Long-term borrowing: | | |
| 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

| | As at End of Current Quarter 31 January 2017 RM'000 | As at Preceding Financial Year End 30 April 2016 RM'000 |
|---|--|--|
| 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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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 January 2017 | Cumulative Nine Months Ended 31 January 2017 |
|--|--|---|
| 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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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