

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

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2016****CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2016**

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	31 October		31 October	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	74,444	49,865	128,659	107,791
Cost of sales	(41,945)	(30,657)	(81,061)	(70,142)
<b>Gross profit</b>	32,499	19,208	47,598	37,649
Other income	2,073	2,820	3,658	5,342
Selling and distribution expenses	(1,488)	(1,468)	(2,643)	(2,966)
Administrative expenses	(3,822)	(3,738)	(7,114)	(6,602)
Other expenses	(2,358)	(1,054)	(7,823)	(2,054)
Replanting expenses	(286)	(355)	(565)	(876)
<b>Operating profit</b>	26,618	15,413	33,111	30,493
Finance cost	(904)	-	(1,780)	-
<b>Profit before tax</b>	25,714	15,413	31,331	30,493
Income tax expense	(6,980)	(3,161)	(9,313)	(5,945)
<b>Profit for the period</b>	18,734	12,252	22,018	24,548
<b>Profit for the period attributable to:</b>				
Owners of the Company	18,503	12,252	21,884	24,548
Non-controlling interests	231	-	134	-
	18,734	12,252	22,018	24,548
<b>Earnings per share attributable to owners of the Company:</b>				
Basic (sen)	8.84	5.86	10.46	11.76
Diluted (sen)	8.84	5.86	10.46	11.76

*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 SECOND QUARTER ENDED 31 OCTOBER 2016****CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2016**

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	31 October		31 October	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Comprehensive Income</b>				
<b>Profit for the period</b>	18,734	12,252	22,018	24,548
<b>Other comprehensive income/(loss):</b>				
<b>Items that will be subsequently reclassified to profit or loss:</b>				
Net gain/(loss) on fair value changes of available-for-sale investments	2,292	(1,002)	1,526	(1,939)
Exchange differences on translation of foreign operations	4,316	-	11,541	-
	6,608	(1,002)	13,067	(1,939)
<b>Total comprehensive income for the period</b>	25,342	11,250	35,085	22,609
<b>Total comprehensive income for the period attributable to:</b>				
Owners of the Company	24,398	11,250	33,061	22,609
Non-controlling interests	944	-	2,024	-
	25,342	11,250	35,085	22,609

*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 SECOND QUARTER ENDED 31 OCTOBER 2016****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>As at End of Current Quarter 31 October 2016</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	682,746	683,930
Biological assets	973,039	955,305
Prepaid land lease payments	133,021	133,047
Investment property	-	1,147
Goodwill on consolidation	86,777	86,777
Available-for-sale investments	22,798	21,272
	<b>1,898,381</b>	<b>1,881,478</b>
<b>Current Assets</b>		
Inventories	22,915	17,704
Trade receivables	17,974	13,979
Other receivables	86,843	69,760
Held-for-trading investments	22,037	17,232
Held-to-maturity investments	219	1,005
Financial assets at fair value through profit or loss	30,860	22,996
Cash and bank balances	34,292	40,016
	<b>215,140</b>	<b>182,692</b>
<b>TOTAL ASSETS</b>	<b>2,113,521</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	860,296	851,049
Retained earnings	613,046	605,586
<b>Equity attributable to owners of the Company</b>	<b>1,725,358</b>	<b>1,708,651</b>
Non-controlling interests	43,554	41,530
<b>Total equity</b>	<b>1,768,912</b>	<b>1,750,181</b>
<b>Non-Current Liabilities</b>		
Term loan	147,501	136,896
Deferred tax liabilities	151,477	150,840
	<b>298,978</b>	<b>287,736</b>
<b>Current Liabilities</b>		
Trade payables	12,981	7,444
Other payables	27,104	18,406
Income tax payable	5,546	403
	<b>45,631</b>	<b>26,253</b>
<b>Total liabilities</b>	<b>344,609</b>	<b>313,989</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,113,521</b>	<b>2,064,170</b>
Net assets per share attributable to owners of the Company (RM)	<b>8.25</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 SECOND QUARTER ENDED 31 OCTOBER 2016****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 31 OCTOBER 2016**

	Attributable to Owners of the Company				Total	Non-Controlling Interests	Total Equity
	Share Capital	Non-distributable		Distributable Retained Earnings			
		Share Premium	Other Reserves				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Current 6 Months Ended 31 October 2016</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 income for the period</b>	-	-	11,177	21,884	33,061	2,024	35,085
<b>Transfer to retained earnings:</b>							
Realisation of asset revaluation reserve upon:							
- Depreciation		-	(1,432)	1,432	-	-	-
- Property, plant and equipment written off	-	-	(1)	1	-	-	-
	-	-	(1,433)	1,433	-	-	-
<b>Transactions with owners:</b>							
Fair value of share options granted to eligible directors and employees	-	-	384	-	384	-	384
Employee share options forfeited	-	-	(267)	267	-	-	-
Employee share options expired	-	-	(614)	614	-	-	-
Dividend	-	-	-	(16,738)	(16,738)	-	(16,738)
	-	-	(497)	(15,857)	(16,354)	-	(16,354)
<b>Balance at 31 October 2016</b>	209,221	42,795	860,296	613,046	1,725,358	43,554	1,768,912

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FOR THE SECOND QUARTER ENDED 31 OCTOBER 2016****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 31 OCTOBER 2016 - CONT'D**

	Attributable to Owners of the Company				Total Equity RM'000
	Share Capital RM'000	Non-distributable		Distributable Retained Earnings RM'000	
		Share Premium RM'000	Other Reserves RM'000		
<b>6 Months Ended 31 October 2015</b>					
<b>Balance at 1 May 2015</b>	207,719	33,551	863,724	575,175	1,680,169
<b>Total comprehensive (loss)/ income for the period</b>	-	-	(1,939)	24,548	22,609
<b>Transfer to retained earnings:</b>					
Realisation of asset revaluation reserve upon:					
- Depreciation	-	-	(1,773)	1,773	-
- Property, plant and equipment written off	-	-	(4)	4	-
	-	-	(1,777)	1,777	-
<b>Transactions with owners:</b>					
Fair value of share options granted to eligible directors and employees	-	-	467	-	467
Shares issued pursuant to Employee Share Option Scheme ("ESOS")	1,488	9,156	(2,554)	-	8,090
Employee share options forfeited	-	-	(765)	765	-
Dividend	-	-	-	(16,735)	(16,735)
	1,488	9,156	(2,852)	(15,970)	(8,178)
<b>Balance at 31 October 2015</b>	209,207	42,707	857,156	585,530	1,694,600

*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 SECOND QUARTER ENDED 31 OCTOBER 2016****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 31 OCTOBER 2016**

	<b><u>2016/2017</u></b> <b>6 Months</b> <b>Ended</b> <b>31 October 2016</b> <b>RM'000</b>	<b><u>2015/2016</u></b> <b>6 Months</b> <b>Ended</b> <b>31 October 2015</b> <b>RM'000</b>
<b>Operating Activities</b>		
Profit before tax	31,331	30,493
Adjustments for:		
Amortisation of prepaid land lease payments	745	152
Depreciation of property, plant and equipment	10,053	9,640
Dividend income	(507)	(425)
Fair value of share options expensed off	384	467
Gain on disposal of property, plant and equipment	(39)	(94)
Interest expense	1,780	-
Interest income	(434)	(1,024)
Net fair value gains on financial assets at fair value through profit or loss:		
- realised	(563)	(2,229)
- unrealised	(1)	(99)
Net fair value (gains)/losses on held-for-trading investments:		
- realised	(415)	1
- unrealised	(793)	1,948
Property, plant and equipment written off	11	33
Unrealised foreign exchange loss/(gain)	7,656	(551)
<b>Operating cash flows before changes in working capital</b>	<b>49,208</b>	<b>38,312</b>
Increase in inventories	(4,729)	(8,091)
Increase in trade and other receivables	(14,402)	(1,095)
Increase in trade and other payables	13,243	1,236
<b>Cash flows from operations</b>	<b>43,320</b>	<b>30,362</b>
Interest received	421	1,016
Interest paid	(1,623)	-
Income taxes refunded	192	96
Income taxes paid	(4,454)	(4,112)
<b>Net cash flows from operating activities</b>	<b>37,856</b>	<b>27,362</b>

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**UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2016****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 31 OCTOBER 2016 - CONT'D**

	<u>2016/2017</u> <b>6 Months</b> <b>Ended</b> <b>31 October 2016</b> <b>RM'000</b>	<u>2015/2016</u> <b>6 Months</b> <b>Ended</b> <b>31 October 2015</b> <b>RM'000</b>
<b>Investing Activities</b>		
Dividend received from:		
- available-for-sale investments	165	165
- held-for-trading investments	321	270
Purchase of:		
- financial assets at fair value through profit or loss	(7,300)	(20,000)
- held-for-trading investments	(14,462)	(15,818)
- property, plant and equipment	(9,194)	(2,990)
Proceeds from disposal of:		
- held-for-trading investments	11,563	16,173
- property, plant and equipment	39	214
Additions of:		
- biological assets	(7,424)	(4,434)
- prepaid land lease payments	(1,328)	(2,744)
Net withdrawal/(placement) of held-to-maturity investments	786	(454)
<b>Net cash flows used in investing activities</b>	<b>(26,834)</b>	<b>(29,618)</b>
<b>Financing Activities</b>		
Dividend paid	(16,738)	(16,735)
Proceeds from exercise of employee share options under ESOS	-	8,090
<b>Net cash flows used in financing activities</b>	<b>(16,738)</b>	<b>(8,645)</b>
<b>Net change in cash and bank balances</b>	<b>(5,716)</b>	<b>(10,901)</b>
<b>Effect of foreign exchange rate changes</b>	<b>(8)</b>	<b>-</b>
<b>Cash and bank balances at beginning of period</b>	<b>40,016</b>	<b>73,803</b>
<b>Cash and bank balances at end of period</b>	<b>34,292</b>	<b>62,902</b>
<b>Cash and bank balances comprise:</b>		
Cash on hand and at banks	7,611	2,032
Short-term deposits with licensed financial institutions	26,681	60,870
	<b>34,292</b>	<b>62,902</b>

*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 SECOND QUARTER ENDED 31 OCTOBER 2016

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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 116 and FRS 141: *Agriculture: Bearer Plants*

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 SECOND QUARTER ENDED 31 OCTOBER 2016

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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.

In the current financial year, the FFB production will be affected by the laggard effect of the haze and dry weather caused by El Nino in the previous year (which was the most severe for the past 30 years).

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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 OCTOBER 2016

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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 six months ended 31 October 2016.

#### **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 October 2016.

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

There were no issuance, repurchase and repayment of debt and equity securities during the six months ended 31 October 2016.

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

#### **A7. Dividend Paid**

The amount of dividend paid during the six months ended 31 October 2016 was as follows:

	<b>RM'000</b>
<b>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	<u>16,738</u>

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

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**UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2016****NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D****A8. Segmental Information****(a) Business Segments**

	<b>Current Quarter Ended 31 October 2016 RM'000</b>	<b>Cumulative Six Months Ended 31 October 2016 RM'000</b>
<b>Segment Revenue</b>		
Plantation revenue	90,698	155,446
Elimination of inter-segment sales	(16,254)	(26,787)
External sales	<u>74,444</u>	<u>128,659</u>
<b>Segment Results</b>		
Plantation:		
- Malaysia operations	27,085	38,512
- Indonesia operations	790	(183)
Investment holding	(2,161)	(6,998)
Profit before tax	<u>25,714</u>	<u>31,331</u>
Income tax expense	(6,980)	(9,313)
Profit for the period	<u>18,734</u>	<u>22,018</u>
		<b>As at End of Current Quarter 31 October 2016 RM'000</b>
<b>Segment Assets</b>		
Plantation		2,003,095
Investment holding		110,426
Consolidated total assets		<u>2,113,521</u>
<b>Segment Liabilities</b>		
Plantation		196,673
Investment holding		147,936
Consolidated total liabilities		<u>344,609</u>

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**UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2016****NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONT'D****A8. Segmental Information - Cont'd****(b) Geographical Segments**

	<b>Current Quarter Ended 31 October 2016 RM'000</b>	<b>Cumulative Six Months Ended 31 October 2016 RM'000</b>
<b>Segment Revenue</b>		
Malaysia	68,911	121,337
Indonesia	5,533	7,322
Consolidated total revenue	<u>74,444</u>	<u>128,659</u>
<b>Segment Results</b>		
Malaysia	23,494	30,221
Indonesia	929	(338)
Singapore	1,291	1,448
Profit before tax	25,714	31,331
Income tax expense	(6,980)	(9,313)
Profit for the period	<u>18,734</u>	<u>22,018</u>
		<b>As at End of Current Quarter 31 October 2016 RM'000</b>
<b>Segment Assets</b>		
Malaysia		1,702,925
Indonesia		410,596
Consolidated total assets		<u>2,113,521</u>
<b>Segment Liabilities</b>		
Malaysia		292,676
Indonesia		51,498
Singapore		435
Consolidated total liabilities		<u>344,609</u>

# UNITED MALACCA BERHAD (1319 - V)

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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 OCTOBER 2016

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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 October 2016 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 six months ended 31 October 2016.

#### **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	7,831
Purchase of property, plant and equipment	15,098
	<u>22,929</u>
<b>Capital expenditure approved but not contracted for:</b>	
Additions of biological assets	23,278
Additions of prepaid land lease payments	7,078
Construction of new palm oil mills	149,133
Purchase of property, plant and equipment	17,509
	<u>196,998</u>
	<u>219,927</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 October 2016.

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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 OCTOBER 2016

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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 October 2016 of RM25.71 million (after allowing for unrealised foreign exchange loss of RM4.57 million on the USD loan) was 67% higher compared with RM15.41 million in the corresponding quarter of the preceding year. Excluding the unrealised foreign exchange loss, the Group's pretax profit would be RM30.28 million which was 96% higher than that 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 33% and 87% respectively.

Comments on the business segments are as follows:

##### **Plantation**

###### Malaysia operations

Plantation profit of RM27.09 million was 94% higher compared with RM13.96 million in the corresponding quarter of the preceding year. This was mainly due to higher average prices of CPO (RM2,727/tonne compared with RM2,047/tonne) and PK (RM2,777/tonne compared with RM1,487/tonne) even though the FFB production was lower by 9% or 9,184 tonnes.

###### Indonesia operations

Plantation profit of RM0.79 million achieved in the current quarter mainly due to higher FFB production as well as higher FFB selling price.

##### **Investment holding**

Investment loss of RM2.16 million included an unrealised foreign exchange loss of RM4.57 million on the USD loan. Excluding the unrealised foreign exchange loss, the investment segment would show a profit of RM2.41 million which was 66% higher compared with RM1.45 million in the corresponding quarter of the preceding year. This was mainly due to the fair value gains of RM516,000 on held-for-trading investments in the current quarter.

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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 OCTOBER 2016

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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 six months ended 31 October 2016 of RM31.33 million (after allowing for unrealised foreign exchange loss of RM10.57 million on the USD loan) was 3% higher compared with RM30.49 million in the preceding year. Excluding the unrealised foreign exchange loss, the Group's pretax profit would be RM41.90 million which was 37% higher than that in the preceding year. This was mainly due to higher average prices of CPO and PK by 23% and 75% respectively.

Comments on the business segments are as follows:

#### **Plantation**

##### Malaysia operations

Plantation profit of RM38.51 million was 39% higher compared with RM27.73 million in the preceding year mainly due to higher average prices of CPO (RM2,633/tonne compared with RM2,139/tonne) and PK (RM2,627/tonne compared with RM1,503/tonne) even though the FFB production was lower by 12% or 23,119 tonnes.

##### Indonesia operations

Plantation loss of RM0.18 million incurred mainly due to 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 loss of RM7 million included an unrealised foreign exchange loss of RM10.57 million on the USD loan. Excluding the unrealised foreign exchange loss, the investment segment would show a profit of RM3.57 million which was 29% higher compared with RM2.76 million in the preceding year. This was mainly due to the fair value gains of RM1.21 million on held-for-trading investments in the current six months.

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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 OCTOBER 2016

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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 October 2016 of RM25.71 million (after allowing for unrealised foreign exchange loss of RM4.57 million on the USD loan) was 358% higher compared with RM5.62 million (after allowing for unrealised foreign exchange loss of RM6 million on the USD loan) in the preceding quarter. Excluding the unrealised foreign exchange loss, the Group's pretax profit would be RM30.28 million which was 161% higher compared with RM11.62 million in the preceding quarter. This was mainly due to higher average prices of CPO and PK by 8% and 13% respectively as well as higher FFB production.

Comments on the business segments are as follows:

#### **Plantation**

##### Malaysia operations

Plantation profit of RM27.09 million was 137% higher compared with RM11.43 million in the preceding quarter mainly due to higher average prices of CPO (RM2,727/tonne compared with RM2,515/tonne) and PK (RM2,777/tonne compared with RM2,461/tonne) as well as higher FFB production by 18% or 13,640 tonnes.

##### Indonesia operations

Plantation profit of RM0.79 million achieved in the current quarter compared with a loss of RM0.97 million in the preceding quarter mainly due to higher FFB production as well as higher FFB selling price.

#### **Investment holding**

Investment loss of RM2.16 million for the current quarter included an unrealised foreign exchange loss of RM4.57 million on the USD loan whilst the investment loss of RM4.84 million for the preceding quarter included an unrealised foreign exchange loss of RM6 million on the USD loan. Excluding the unrealised foreign exchange loss, the investment segment would show a profit of RM2.41 million which was higher compared with RM1.17 million in the preceding quarter. This was mainly due to foreign exchange gain recorded by foreign subsidiaries.

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

The dry weather due to El Nino which affected the yield for the preceding financial year 2015/16 will continue 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 and the full year contribution from the newly acquired Indonesia plantations.



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

Should the CPO prices remain at the current level, the Group expects better results for the current financial year.

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

No profit forecast or profit guarantee was issued by the Group during the six months ended 31 October 2016.

**B5. Profit Before Tax**

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

	<b>Current Quarter Ended 31 October 2016 RM'000</b>	<b>Cumulative Six Months Ended 31 October 2016 RM'000</b>
Dividend income	(165)	(507)
Gain on disposal of property, plant and equipment	(15)	(39)
Interest income	(186)	(434)
Net fair value gains on financial assets at fair value through profit or loss:		
- realised	(273)	(563)
- unrealised	(7)	(1)
Net fair value gains on held-for-trading investments:		
- realised	(336)	(415)
- unrealised	(180)	(793)
Net foreign exchange (gain)/loss:		
- realised	(36)	(52)
- unrealised	2,250	7,656
Amortisation of prepaid land lease payments	328	745
Depreciation of property, plant and equipment	4,896	10,053
Fair value of share options expensed off	192	384
Interest expense	904	1,780
Property, plant and equipment written off	8	11

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

#### B5. Profit Before Tax - Cont'd

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 October 2016 RM'000</b>	<b>Cumulative Six Months Ended 31 October 2016 RM'000</b>
Current tax expense	6,644	9,405
Deferred tax expense	336	(92)
	<u>6,980</u>	<u>9,313</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.

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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 OCTOBER 2016

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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 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 the date of the MOU.

#### **B8. Group Borrowings and Debt Securities**

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

	<b>RM'000</b>	<b>Amount in Foreign Currency</b>
<b>Long-term borrowing:</b>		
Term loan (secured)	<u>147,501</u>	USD35 million

There was no debt security as at 31 October 2016.

#### **B9. Material Litigations**

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

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	<b>As at End of Current Quarter 31 October 2016 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	645,069	630,841
- unrealised	(29,053)	(22,963)
	<u>616,016</u>	<u>607,878</u>
Less: Consolidation adjustments	(2,970)	(2,292)
Total Group's retained earnings as per consolidated statement of financial position	<u>613,046</u>	<u>605,586</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:

	<b>Current Quarter Ended 31 October 2016</b>	<b>Cumulative Six Months Ended 31 October 2016</b>
Profit for the period attributable to owners of the Company (RM'000)	18,503	21,884
Weighted average number of ordinary shares in issue ('000 unit)	209,221	209,221
Basic earnings per share (sen)	<u>8.84</u>	<u>10.46</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 2016.

##### **B13. Dividends**

The directors declare a first interim single-tier dividend of 8 sen, in respect of current financial year ending 30 April 2017 (previous year 2015/2016: single-tier dividend of 8 sen).

The first interim dividend will be paid on 25 January 2017.

##### **B14. Closure of Books**

NOTICE IS HEREBY GIVEN that a first interim single-tier dividend of 8 sen per share, in respect of the financial year ending 30 April 2017 will be paid on 25 January 2017 to shareholders whose names appear in the Record of Depositors and the Register of Members at the close of business at 5.00 p.m. on 11 January 2017.

A shareholder shall qualify for dividend entitlement only in respect of:

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 11 January 2017 in respect of transfers;
- (b) Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 9 January 2017 in respect of shares which are exempted from mandatory deposit;
- (c) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

##### **B15. 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 16 December 2016.

By order of the Board,  
**Yong Yoke Hiong (MAICSA 7021707)**  
**Pang Poh Chen (MACS 01405)**  
Company Secretaries  
Melaka, 16 December 2016