

PPB GROUP BERHAD (8167-W)
INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2018

(The figures have not been audited)

Condensed Consolidated Income Statements For The Period Ended 31 March 2018

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 March		31 March	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
		(restated)		(restated)
Revenue	1,145,122	1,030,586	1,145,122	1,030,586
Operating expenses	(1,127,011)	(999,662)	(1,127,011)	(999,662)
Other operating income	31,578	40,587	31,578	40,587
Share of net profits less losses of associates	164,724	301,465	164,724	301,465
Share of profit of joint venture	1,028	939	1,028	939
Finance costs	(5,927)	(6,617)	(5,927)	(6,617)
Profit before tax	<u>209,514</u>	<u>367,298</u>	<u>209,514</u>	<u>367,298</u>
Tax expense	(13,907)	(20,470)	(13,907)	(20,470)
Profit for the period	<u><u>195,607</u></u>	<u><u>346,828</u></u>	<u><u>195,607</u></u>	<u><u>346,828</u></u>
Attributable to :				
Owners of the parent	189,512	338,432	189,512	338,432
Non-controlling interests	6,095	8,396	6,095	8,396
Profit for the period	<u><u>195,607</u></u>	<u><u>346,828</u></u>	<u><u>195,607</u></u>	<u><u>346,828</u></u>
Basic earnings per share (sen)	<u><u>15.99</u></u>	<u><u>28.55</u></u>	<u><u>15.99</u></u>	<u><u>28.55</u></u>

(The Condensed Consolidated Income Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, and the accompanying explanatory notes attached to this report.)

PPB GROUP BERHAD (8167-W)
Condensed Consolidated Statements Of Comprehensive Income
For The Period Ended 31 March 2018

	Individual Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
	2018 RM'000	2017 RM'000 (restated)	2018 RM'000	2017 RM'000 (restated)
Profit for the period	195,607	346,828	195,607	346,828
Other comprehensive income/(loss), net of tax <u>Items that will be subsequently reclassified to profit or loss</u>				
Exchange differences on translation of foreign operations	(771,057)	(232,997)	(771,057)	(232,997)
Fair value of available-for-sale financial assets	(95,274)	129,917	(95,274)	129,917
Share of associates' other comprehensive income	178,590	216,170	178,590	216,170
Total comprehensive income/(loss)	<u>(492,134)</u>	<u>459,918</u>	<u>(492,134)</u>	<u>459,918</u>
Attributable to :				
Owners of the parent	(487,257)	452,644	(487,257)	452,644
Non-controlling interests	(4,877)	7,274	(4,877)	7,274
Total comprehensive income/(loss)	<u>(492,134)</u>	<u>459,918</u>	<u>(492,134)</u>	<u>459,918</u>

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the annual financial statements for the year ended 31 December 2017, and the accompanying explanatory notes attached to this report.)

PPB GROUP BERHAD (8167-W)
Condensed Consolidated Statements Of Financial Position

ASSETS	As at 31-Mar-18 RM'000	As at 31-Dec-17 RM'000 (restated)
Non-current Assets		
Property, plant and equipment	1,309,231	1,344,173
Investment properties	216,942	217,711
Biological assets	3,674	3,616
Goodwill	73,704	73,704
Other intangible assets	10,449	9,232
Land held for property development	86,260	86,209
Investments in associates	16,627,810	17,036,921
Investment in joint venture	60,533	61,595
Other investments	626,192	722,221
Deferred tax assets	1,164	2,225
	<u>19,015,959</u>	<u>19,557,607</u>
Current Assets		
Inventories	668,090	815,569
Biological assets	15,441	18,716
Other intangible assets	2,366	8,337
Property development costs	8,150	6,294
Receivables	950,795	932,291
Derivative financial instruments	8,917	17
Current tax assets	19,715	18,086
Cash, bank balances, deposits and short-term fund placements	1,347,192	1,339,143
	<u>3,020,666</u>	<u>3,138,453</u>
Assets classified as held for sale	9,880	10,163
	<u>3,030,546</u>	<u>3,148,616</u>
TOTAL ASSETS	<u><u>22,046,505</u></u>	<u><u>22,706,223</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	1,192,215	1,192,215
Reserves	19,036,536	19,523,793
Equity attributable to owners of the parent	<u>20,228,751</u>	<u>20,716,008</u>
Non-controlling interests	671,128	676,005
Total equity	<u><u>20,899,879</u></u>	<u><u>21,392,013</u></u>

PPB GROUP BERHAD (8167-W)
Condensed Consolidated Statements Of Financial Position
(continued)

	As at 31-Mar-18 RM'000	As at 31-Dec-17 RM'000 (restated)
Non-current Liabilities		
Long-term borrowings	30,290	35,974
Deferred tax liabilities	93,916	91,871
	124,206	127,845
Current Liabilities		
Payables	428,838	433,687
Derivative financial instruments	9,808	337
Short-term borrowings	576,152	744,749
Current tax liabilities	6,956	6,107
	1,021,754	1,184,880
Liabilities associated with assets classified as held for sale	666	1,485
	1,022,420	1,186,365
Total liabilities	1,146,626	1,314,210
TOTAL EQUITY AND LIABILITIES	22,046,505	22,706,223
Net assets per share attributable to owners of the parent (RM)	17.06	17.47

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the annual financial statements for the year ended 31 December 2017, and the accompanying explanatory notes attached to this report.)

Condensed Consolidated Statement Of Changes In Equity For The Period Ended 31 March 2018

	Non-distributable						Distributable		Attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Exchange translation reserve RM'000	Fair value reserve RM'000	Hedge reserve RM'000	Capital reserve RM'000	Retained earnings RM'000			
3 months ended 31 March 2018											
At 1 January 2018											
As previously stated	1,192,215	-	38,966	1,753,866	292,119	13,528	180,305	17,427,041	20,898,040	676,176	21,574,216
Effects of MFRS convergence and adoption of MFRS 9, MFRS 15 and MFRS 141	-	-	(38,966)	1,227,523	-	4,118	22,672	(1,397,379)	(182,032)	(171)	(182,203)
Restated	1,192,215	-	-	2,981,389	292,119	17,646	202,977	16,029,662	20,716,008	676,005	21,392,013
Total comprehensive income/(loss)	-	-	-	(543,390)	(95,274)	(16,044)	(22,061)	189,512	(487,257)	(4,877)	(492,134)
Transfer of reserves	-	-	-	-	-	-	2,771	(2,771)	-	-	-
At 31 March 2018	1,192,215	-	-	2,437,999	196,845	1,602	183,687	16,216,403	20,228,751	671,128	20,899,879
3 months ended 31 March 2017											
At 1 January 2017											
As previously stated	1,185,500	6,715	39,511	3,099,410	9,442	(51,000)	128,920	16,554,092	20,972,590	695,143	21,667,733
Effects of MFRS convergence and adoption of MFRS 9, MFRS 15 and MFRS 141	-	-	(39,511)	1,202,792	-	(13,634)	(23,651)	(1,379,439)	(253,443)	127	(253,316)
Restated	1,185,500	6,715	-	4,302,202	9,442	(64,634)	105,269	15,174,653	20,719,147	695,270	21,414,417
Total comprehensive income/(loss)	-	-	-	(153,791)	129,917	123,857	14,229	338,432	452,644	7,274	459,918
Transfer of reserves	-	-	-	-	-	-	3,221	(3,221)	-	-	-
Transfer pursuant to Companies Act 2016	6,715	(6,715)	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-	(16,000)	(16,000)
At 31 March 2017	1,192,215	-	-	4,148,411	139,359	59,223	122,719	15,509,864	21,171,791	686,544	21,858,335

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the annual financial statements for the year ended 31 December 2017, and the accompanying explanatory notes attached to this report.)

PPB GROUP BERHAD (8167-W)
Condensed Consolidated Statement Of Cash Flows
For The Period Ended 31 March 2018

	3 months ended 31 March	
	2018	2017
	RM'000	RM'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	209,514	367,298
Adjustments :		
Non-cash items	(127,560)	(268,213)
Non-operating items	(5,955)	(3,849)
Operating profit before working capital changes	75,999	95,236
Working capital changes :-		
Net change in current assets	109,995	63,914
Net change in current liabilities	24,060	(29,692)
Cash generated from operations	210,054	129,458
Tax paid	(11,777)	(26,196)
Net cash generated from operating activities	198,277	103,262
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment, investment properties, biological assets and other intangible assets	(33,588)	(33,351)
Proceeds from disposal of property, plant and equipment, and assets held for sale	797	35,934
Purchase of investments	(908)	-
Dividends received	59	8,381
Income from short-term fund placements	7,209	2,652
Interest received	3,381	3,476
Repayment from associates	1,395	2,706
Distribution of profits from joint venture	1,568	-
Other investing activities	1,072	1,287
Net cash (used in)/generated from investing activities	(19,015)	21,085
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank borrowings	(160,753)	(66,649)
Interest paid	(5,464)	(6,804)
Dividends paid	-	(16,000)
Net cash used in financing activities	(166,217)	(89,453)
Net increase in cash and cash equivalents	13,045	34,894
Cash and cash equivalents brought forward	1,338,663	1,177,203
Effect of exchange rate changes	(5,469)	(2,482)
Cash and cash equivalents carried forward	1,346,239	1,209,615
<u>Cash and cash equivalents represented by :</u>		
Cash and bank balances	310,416	195,558
Bank deposits	196,521	295,667
Short-term fund placements	840,255	718,952
Bank overdrafts	(953)	(562)
	1,346,239	1,209,615

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the annual financial statements for the year ended 31 December 2017, and the accompanying explanatory notes attached to this report.)

NOTES

A1. Accounting policies

The interim financial statements of the Group have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") MFRS 134 - Interim Financial Reporting and Chapter 9, Part K of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Group adopted the MFRS on 1 January 2018 and will prepare the first set of financial statements in accordance with MFRS for the financial year ending 31 December 2018. The interim financial statements of the Group have been prepared in accordance with the accounting policies to be applied in preparing the annual financial statements of the Group for the financial year ending 31 December 2018.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the audited financial statements for the financial year ended 31 December 2017 except for the adoption of the following MFRS, Amendments to MFRS and Issues Committee Interpretation ("IC Interpretation") that are effective for the financial periods beginning on or after 1 January 2018 :

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 1	Annual Improvements to MFRS Standards 2014 - 2016 Cycle
Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property
IC Intrepretation 22	Foreign Currency Transactions and Advance Consideration

A2. Adoption of MFRS

a) *MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards*

In general, on the date of transition, the Group recognised, measured and reclassified its assets, liabilities and components of equity in accordance with MFRS. The Group adopted MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards on 1 January 2018 and has elected to apply the following transitional exemptions:

Business combinations

The Group has elected not to apply MFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition.

Deemed cost of assets

The Group has elected to use the previous revaluation of property, plant and equipment and investment properties as their deemed cost under the MFRS on the date of transition.

b) MFRS 141 Agriculture

Upon adoption of MFRS 141 and the amendments to MFRS 141 Agriculture: Bearer Plants, the Group measures bearer plants at cost less accumulated depreciation and impairment losses, whereas agricultural produce is measured at fair value less costs at the point of harvest. Other biological assets are measured at fair value less costs to sell.

c) MFRS 9 Financial Instruments

MFRS 9 introduced expected credit losses model on impairment of financial assets, that replaces the incurred loss model applied previously. Upon adoption of MFRS 9, the Group applied the simplified approach where the loss allowance shall be measured at an amount equal to lifetime expected credit losses for trade receivable and contract assets.

d) MFRS 15 Revenue from Contracts with Customers

MFRS 15 Revenue from Contracts with Customers introduced a new model for revenue recognition arising from contracts with customers. In general, the Group recognises revenue to depict the transfer of a promised good or service to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for that good or service. Depending on the terms of the contract, the Group recognises revenue when the performance obligation is satisfied, which may be at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

The effects on adoption of the MFRS are as follows:

Condensed Consolidated Income Statement for the period ended 31 March 2017

	As reported previously RM'000	Effects of MFRS adoption RM'000	Restated RM'000
Revenue	1,033,263	(2,677)	1,030,586
Operating expenses	(996,067)	(3,595)	(999,662)
Other operating income	40,587	-	40,587
Share of net profits less losses of associates	317,465	(16,000)	301,465
Share of profit of joint venture	939	-	939
Finance costs	(6,617)	-	(6,617)
Profit before tax	389,570	(22,272)	367,298
Tax expense	(21,963)	1,493	(20,470)
Profit for the period	367,607	(20,779)	346,828
Attributable to :			
Owners of the parent	358,266	(19,834)	338,432
Non-controlling interests	9,341	(945)	8,396
Profit for the period	367,607	(20,779)	346,828
Basic earnings per share (sen)	30.22	(1.67)	28.55

Condensed Consolidated Statement of Comprehensive Income for the period ended 31 March 2017

	As reported previously RM'000	Effects of MFRS adoption RM'000	Restated RM'000
Profit for the period	367,607	(20,779)	346,828
<u>Other comprehensive income/(loss), net of tax</u>			
<u>Items that will be subsequently reclassified to</u>			
<u>profit or loss</u>			
Exchange differences on translation of foreign operations	(232,997)	-	(232,997)
Fair value of available-for-sale financial assets	129,917	-	129,917
Share of associates' other comprehensive income	200,074	16,096	216,170
Total comprehensive income	<u>464,601</u>	<u>(4,683)</u>	<u>459,918</u>

Condensed Consolidated Statement of Financial Position as at 31 December 2017

	As reported previously RM'000	Effects of MFRS adoption RM'000	Restated RM'000
Non-current Assets			
Investment properties	216,811	900	217,711
Biological assets	2,844	772	3,616
Land held for property development	85,272	937	86,209
Investment in associates	17,221,581	(184,660)	17,036,921
Deferred tax assets	2,164	61	2,225
Other non-current assets	2,210,925	-	2,210,925
	<u>19,739,597</u>	<u>(181,990)</u>	<u>19,557,607</u>
Current Assets			
Biological assets	18,969	(253)	18,716
Property development costs	5,360	934	6,294
Receivables	932,885	(594)	932,291
Other current assets	2,191,315	-	2,191,315
	<u>3,148,529</u>	<u>87</u>	<u>3,148,616</u>
Total assets	<u>22,888,126</u>	<u>(181,903)</u>	<u>22,706,223</u>

Condensed Consolidated Statement of Financial Position as at 31 December 2017 (continued)

	As reported previously RM'000	Effects of MFRS adoption RM'000	Restated RM'000
Equity			
Equity attributable to owners of the parent	20,898,040	(182,032)	20,716,008
Non-controlling interests	676,176	(171)	676,005
Total equity	<u>21,574,216</u>	<u>(182,203)</u>	<u>21,392,013</u>
Non-current liabilities			
Deferred tax liabilities	91,857	14	91,871
Other non-current liabilities	35,974	-	35,974
	<u>127,831</u>	<u>14</u>	<u>127,845</u>
Current liabilities			
Payables	433,401	286	433,687
Other current liabilities	752,678	-	752,678
	<u>1,186,079</u>	<u>286</u>	<u>1,186,365</u>
Total liabilities	<u>1,313,910</u>	<u>300</u>	<u>1,314,210</u>
TOTAL EQUITY AND LIABILITIES	<u><u>22,888,126</u></u>	<u><u>(181,903)</u></u>	<u><u>22,706,223</u></u>

A3. Seasonality or cyclicity of interim operations

The Group's operations are not materially affected by any seasonal or cyclical factors.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flow

There were no items of an unusual nature, size or incidence that affected the assets, liabilities, equity, net income and cash flows of the Group during the current financial period end under review.

A5. Nature and amount of changes in estimates

There were no changes in estimates of amounts reported in the previous financial year which have a material effect in the current interim period.

A6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuances or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period to-date.

A7. Dividends paid

No dividend was paid during the financial period under review.

A8. Segmental reporting

Segmental information in respect of the Group's business segments for the period ended 31 March 2018 is as follows :

Business segments: <i>All figures in RM'000</i>	Grains and <u>agribusiness</u>	Consumer <u>products</u>	Film exhibition and <u>distribution</u>	Environmental engineering and <u>utilities</u>	Property	Investments <u>in equities</u>	Other <u>operations</u>	Inter-segment <u>elimination</u>	<u>Total</u>
REVENUE									
External revenue	779,570	164,023	124,071	41,606	10,532	59	25,261	-	1,145,122
Inter-segment sales	31,578	581	-	-	663	-	6,255	(39,077)	-
Total revenue	<u>811,148</u>	<u>164,604</u>	<u>124,071</u>	<u>41,606</u>	<u>11,195</u>	<u>59</u>	<u>31,516</u>	<u>(39,077)</u>	<u>1,145,122</u>
RESULTS									
Segment results	21,621	4,742	13,432	1,919	1,764	59	247	-	43,784
Share of associates' profits less losses	15,867	(1,082)	1,014	1,225	1,859	-	145,841	-	164,724
Share of joint venture's profit	-	-	-	1,028	-	-	-	-	1,028
Interest income									3,301
Income from short-term fund placements									7,471
Finance costs									(5,927)
Unallocated corporate expenses									(4,867)
Profit before tax									<u>209,514</u>
ASSETS									
Segment assets	2,300,867	460,702	333,223	104,471	349,946	626,192	93,714	(271)	4,268,844
Investments in associates	447,099	26,827	163,237	51,307	195,182	-	15,744,158	-	16,627,810
Investment in joint venture	-	-	-	60,533	-	-	-	-	60,533
Bank deposits and short-term fund placements									1,036,776
Tax assets									20,879
Other unallocated corporate assets									31,663
Total assets									<u>22,046,505</u>

A9. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements under review.

A10. Changes in the composition of the Group

There were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations for the interim period under review.

Subsequent to the end of the interim period under review, Tego Sdn Bhd ("Tego"), a 79.9%-owned indirect subsidiary of PPB, has received approval from the Myanmar Investment Commission vide its letter dated 16 May 2018 for the proposed disposal by Tego of its entire equity interest in Tefel Packaging Industries Co Ltd ("Tefel") comprising 60 ordinary shares of Kyat 10,000/- each.

A11. Changes in contingent liabilities or contingent assets

There were no changes in contingent assets and contingent liabilities since the end of the last annual reporting period.

A12. Capital commitments

Authorised capital commitments not provided for in the interim financial report as at 31 March 2018 were as follows:

	RM'000
Property, plant and equipment, investment properties and biological assets	
- contracted	33,924
- not contracted	407,333
	<u>441,257</u>
Other capital commitments	
- contracted	141,331
	<u>582,588</u>

A13. Significant related party transactions

Significant related party transactions during the period ended 31 March 2018 were as follows:

	RM'000
Transactions with associates	
- Interest income	1,031
- Purchase of goods	9,008
	<u>5,967</u>
Transactions with a subsidiary of the ultimate holding company	
- Sale of goods	5,967
	<u>5,967</u>
Transactions with subsidiaries of associates	
- Purchase of goods	55,882
- Sale of goods	15,895
- Charter hire of vessels	6,708
	<u>78,485</u>

B1. Analysis of performance for the financial period to-date

The Group reported total revenue of RM1.14 billion in 1Q2018 (1Q2017: RM1.03 billion), up 11% from a year ago. Pre-tax profit of the Group for the quarter was at RM210 million, 43% lower than the RM367 million recorded a year ago. The decrease was mainly due to lower contribution from Wilmar International Limited ("Wilmar") of RM146 million (1Q2017: RM279 million) as well as lower profits recorded by the *Grains and agribusiness*, *Consumer products* and *Film exhibition and distribution* segments.

Group financial performance by business segment

	1Q2018	1Q2017	Variance	
	RM'000	RM'000 (restated)	RM'000	%
Revenue				
Grains and agribusiness	811,148	723,727	87,421	12%
Consumer products	164,604	168,687	(4,083)	(2%)
Film exhibition and distribution	124,071	124,622	(551)	(0%)
Environmental engineering and utilities	41,606	18,713	22,893	>100%
Property	11,195	10,638	557	5%
Investments and Other operations	31,575	33,057	(1,482)	(4%)
Inter-segment elimination	(39,077)	(48,858)	9,781	
Total revenue	1,145,122	1,030,586	114,536	11%

	1Q2018	1Q2017	Variance	
	RM'000	RM'000 (restated)	RM'000	%
Segment results				
Grains and agribusiness	21,621	30,414	(8,793)	(29%)
Consumer products	4,742	12,805	(8,063)	(63%)
Film exhibition and distribution	13,432	20,023	(6,591)	(33%)
Environmental engineering and utilities	1,919	1,035	884	85%
Property	1,764	2,556	(792)	(31%)
Investments and Other operations	306	(16)	322	>100%
Total segment results	43,784	66,817	(23,033)	(34%)
Share of profits less losses from associates and joint venture	165,752	302,404	(136,652)	(45%)
Unallocated expenses, finance costs net of interest income and income from short-term fund placements	(22)	(1,923)	1,901	99%
Profit before tax	209,514	367,298	(157,784)	(43%)

Grains and agribusiness

Grains and agribusiness segment revenue increased by 12% to RM811 million in 1Q2018 (1Q2017: RM724 million), mainly attributed to higher sales volume from all flour mills and additional capacity at the southern Vietnam mill which commenced production in July 2017. Segment profit was lower by 29% to RM22 million (1Q2017: RM30 million) mainly attributable to lower profit margin as a result of higher raw material costs and foreign exchange translation loss.

Consumer products

Consumer products segment revenue decreased by 2% to RM165 million in 1Q2018 (1Q2017: RM169 million), mainly attributed to lower sales of agency products. Segment profit was lower by 63% to RM4.7 million (1Q2017: RM12.8 million) mainly due to a one-time gain recognised on sale of land and building of RM8.0 million in 1Q2017.

Film exhibition and distribution

Film exhibition and distribution segment revenue for 1Q2018 was unchanged at RM124 million as compared to the corresponding period. Segment profit decreased by 33% to RM13 million in 1Q2018 (1Q2017: RM20 million), primarily due to losses incurred from film distribution as Chinese New Year titles did not perform up to expectations. Overall, the movies released in 1Q2018 were weaker than that in 1Q2017.

Environmental engineering and utilities

Revenue was significantly higher at RM42 million for 1Q2018 (1Q2017: RM19 million) mainly contributed by revenue from new projects that commenced in the second half of 2017. In line with the increase in revenue, segment profit was higher at RM1.9 million (1Q2017: RM1.0 million).

Property

Property segment revenue was higher at RM11.2 million in 1Q2018 (1Q2017: RM10.6 million) due mainly to higher project management income in 1Q2018. For 1Q2018, the segment reported lower profit of RM1.8 million (1Q2017: RM2.6 million) attributable to higher marketing fees and personnel cost.

Investments and Other operations

The combined segment revenue decreased by 4% in 1Q2018 to RM32 million (1Q2017: RM33 million). The combined segment reported a profit of RM0.3 million in 1Q2018 (1Q2017: RM16,000 loss).

Share of associates and joint venture's profits less losses

The Group's share of associates and joint venture profits was at RM166 million in 1Q2018 (1Q2017: RM302 million). Profit contribution from Wilmar was at RM146 million in 1Q2018 (1Q2017: RM279 million).

B2. Material changes in the quarterly results compared to the results of the preceding quarter

	1Q2018	4Q2017	Variance	
	RM'000	RM'000 (restated)	RM'000	%
Segment results				
Grains and agribusiness	21,621	10,782	10,839	>100%
Consumer products	4,742	4,071	671	16%
Film exhibition and distribution	13,432	11,745	1,687	14%
Environmental engineering and utilities	1,919	3,550	(1,631)	(46%)
Property	1,764	766	998	>100%
Investments and Other operations	306	1,934	(1,628)	(84%)
Total segment results	43,784	32,848	10,936	33%
Share of profits less losses from associates and joint venture	165,752	356,463	(190,711)	(54%)
Unallocated expenses, finance costs net of interest income and income from short-term fund placements	(22)	(2,947)	2,925	99%
Profit before tax	209,514	386,364	(176,850)	(46%)

Group pre-tax profit was lower at RM210 million in 1Q2018 (4Q2017: RM386 million) due mainly to:

- a) lower profit contribution from Wilmar at RM146 million in the current quarter (4Q2017: RM332 million); partially mitigated by
- b) higher *Grains and agribusiness* segment profit mainly due to improved profit margins for the flour and feed milling businesses.

B3. Prospects for the current financial year

The Malaysian economy grew by 5.4% in the first quarter of 2018, driven by continued growth in private sector spending and strong growth in net export. The growth in Malaysian economy is projected to remain favorable for the rest of the year with domestic demand as the key driver of growth. The reduction in the goods and services tax to zero-rate effective from 1 June 2018 will provide further impetus for growth in domestic consumption.

The Group's *Grains and agribusiness* segment will focus on export-oriented customers as well as the local consumer market for growth. The *Consumer products* segment is expected to perform satisfactorily with more promotional activities, whilst the reduction in the goods and services tax to zero-rate effective from 1 June 2018 is expected to have a positive impact to the domestic consumer market. The *Film exhibition and distribution* segment is expected to be supported by a stronger movie line-up in Malaysia and Vietnam for the rest of the year. The *Environmental engineering and utilities* segment will continue to be cost-efficient and ensure timely delivery of on-going projects. The *Property* segment will be focusing on completing the Taman Megah project as well sourcing for new project management opportunities.

Against the backdrop of a positive growth momentum in the domestic and global economies, the Group's main business segments are expected to perform satisfactorily in FY2018. The overall Group financial results will continue to be supported by the business performance of Wilmar.

B4. Variance of actual profit from forecast profit

Not applicable.

B5. Profit before tax

	Individual Quarter 3 months ended 31-Mar-18 RM'000	Cumulative Quarter 3 months ended 31-Mar-18 RM'000
Profit before tax is stated after crediting:		
Dividend income	59	59
Fair value gain on derivatives	6,202	6,202
Foreign exchange gain	8,461	8,461
Interest income and income from short-term fund placements	10,772	10,772
Rental income	1,051	1,051
Profit before tax is stated after charging:		
Allowance for doubtful debts and receivables written off	(604)	(604)
Depreciation and amortisation	(37,060)	(37,060)
Fair value loss on derivatives	(7,816)	(7,816)
Foreign exchange loss	(16,664)	(16,664)
Interest expense	(5,927)	(5,927)

B6. Tax expense

	Individual Quarter 3 months ended 31-Mar-18 RM'000	Cumulative Quarter 3 months ended 31-Mar-18 RM'000
Taxation comprises:		
Malaysian operation		
Current income tax	11,326	11,326
Deferred tax	278	278
	11,604	11,604
Foreign operation		
Current income tax	860	860
Deferred tax	1,411	1,411
	13,875	13,875
Underprovision of deferred tax in prior year	32	32
	13,907	13,907

The effective tax rate is higher than the average statutory rate for the period mainly due to deferred tax credit not recognised by certain subsidiaries. Deferred tax benefit will be recognised when the subsidiaries are able to estimate accurately the timing of their future profits.

B7. Status of corporate proposals

- a) On 8 May 2018, PPB announced a proposed bonus issue of 237,099,976 ordinary shares in PPB ("Bonus Shares") on the basis of one (1) bonus share for every five (5) existing PPB shares held ("Proposed Bonus Issue") on an entitlement date to be determined later.

The application to Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation for the Bonus Shares on the Main Market of Bursa Securities is in progress; and PPB shareholders' approval for the Proposed Bonus Issue will be obtained in due course at an extraordinary general meeting to be convened.

B8. Group borrowings

Total Group borrowings as at 31 March 2018 were as follows:

	Total RM'000	Secured RM'000	Unsecured RM'000
Long-term bank borrowings			
Long-term bank loans (USD)	51,526	51,526	-
Long-term bank loans (VND)	11,310	11,310	-
Hire purchase financing	386	386	-
Repayments due within the next 12 months	(32,932)	(32,932)	-
	30,290	30,290	-
Short-term bank borrowings			
Bills payable	74,100	-	74,100
Bills payable (IDR)	104,386	-	104,386
Bills payable (USD)	19,377	-	19,377
Short-term loans	800	-	800
Short-term loans (USD)	136,372	-	136,372
Short-term loans (IDR)	62,399	-	62,399
Short-term loans (VND)	144,833	-	144,833
Hire purchase financing	71	71	-
Current portion of long-term bank borrowings	32,861	32,861	-
	575,199	32,932	542,267
Bank overdrafts	953	-	953
	576,152	32,932	543,220

B9. Derivative financial instruments

(a) Derivative financial assets and financial liabilities

	1Q2018	
	Contract / Notional value	Fair value - (Liabilities) / Assets
	RM'000	RM'000
<u>Derivative financial assets</u>		
i) Futures contracts	171,095	8,909
ii) Forward foreign currency contracts	598	8
Total derivative assets		8,917
<u>Derivative financial liabilities</u>		
i) Futures contracts	99,853	(2,601)
ii) Options contracts	6,478	(7,207)
Total derivative liabilities		(9,808)

All contracts will mature within one year.

Futures and options contracts

The Group is exposed to market risk mainly from fluctuations in the prices of agricultural commodities, namely wheat and corn which are the key raw materials to be used in the Group's *Grains and agribusiness* segment. Commodity futures and options contracts are entered into with the objective to mitigate and hedge against the volatility of commodities prices. It is the policy of the Group to hedge only in contracts with corresponding underlying commodities that are used in its grains and agribusiness activities.

Forward foreign currency contracts

The Group enters into foreign currency forwards contracts to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency. Under the Group's policy, foreign currency hedging is only considered for committed transactions and shall not exceed 100% of the committed amount.

There have been no significant changes since the end of the previous financial year ended 31 December 2017 in respect of the following:

- (i) the credit risk, market risk and liquidity risk associated with the derivatives;
- (ii) the cash requirements of the derivatives;
- (iii) the policies in place for mitigating or controlling the risks associated with the derivatives; and
- (iv) the related accounting policies.

(b) Fair value changes of financial liabilities

The derivative financial instruments are recognised at fair value on contract dates and subsequently re-measured at fair value through profit of loss. The resulting gain or loss from the re-measurement is recognised in income statement. Fair value changes are dependent on the market prices of derivatives as at liquidation date and end of reporting period.

For 1Q2018, fair value loss on options and futures contracts amounted to RM0.7 million and RM2.6 million respectively.

B10. Material litigation

There was no material litigation as at 24 May 2018.

B11. Dividends

The final dividend for financial year ended 31 December 2017 of 22 sen per share was approved by shareholders at the 49th Annual General Meeting held on 15 May 2018, and paid on 31 May 2018.

Dividends paid

Dividends paid from financial year 2017 and up to the date of this report are as follows:

Financial year	Type (all single tier)	Amount per share	Payment date
2017	Interim dividend	8 sen	28 September 2017
2017	Final dividend	22 sen	31 May 2018

B12. Earnings per share

The basic earnings per share has been calculated by dividing the Group's profit attributable to owners of the parent for the current financial period by 1,185,499,882 ordinary shares in issue as at 31 March 2018.

There is no diluted earnings per share for the current financial quarter as there were no potential dilutive ordinary shares issued or to be issued.

B13. Disclosure of audit report qualification and status of matters raised

There was no qualification in the auditors' report of the preceding annual financial statements.

Kuala Lumpur
31 May 2018

By Order of the Board
Mah Teck Keong
Company Secretary