



**TANAH MAKMUR BERHAD** (841938-U)  
*(formerly known as Kreatif Selaras Sdn Bhd)*

**Quarterly Report on Consolidated Results for the  
Second Quarter Ended 30.06.2014**



**TANAH MAKMUR BERHAD (841938-U)**  
(formerly known as Kreatif Selaras Sdn Bhd)

**Condensed Consolidated Statement of Comprehensive Income**

	<u>Current quarter</u>		<u>Cumulative quarter</u>	
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>3 months ended</i>		<i>6 months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	81,309	46,630	173,137	104,998
Other income	487	237	763	810
	81,796	46,867	173,900	105,808
Operational costs	(52,473)	(30,479)	(125,618)	(76,124)
Depreciation and amortisation	(2,943)	(3,069)	(5,093)	(4,925)
Profit from operations	26,380	13,319	43,189	24,759
<i>Finance costs</i>	<i>(2,593)</i>	<i>(682)</i>	<i>(3,123)</i>	<i>(1,483)</i>
Profit before taxation	23,787	12,637	40,066	23,276
Taxation	(7,126)	(4,848)	(10,169)	(8,066)
Profit for the period	16,661	7,789	29,897	15,210
<b>Other comprehensive income :</b>	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>16,661</b>	<b>7,789</b>	<b>29,897</b>	<b>15,210</b>
<b>Profit attributable to:</b>				
Equity holders of the company	12,546	6,923	24,633	14,256
Non-controlling interests	4,115	866	5,264	954
	16,661	7,789	29,897	15,210
<b>Total comprehensive income attributable to:</b>				
Equity holders of the company	12,546	6,923	24,633	14,256
Non-controlling interests	4,115	866	5,264	954
	16,661	7,789	29,897	15,210
<b>Earnings per share attributable to equity holders of the company (sen):</b>				
Basic (Note B15)	3.63	2.00	7.12	4.12

This interim financial report should be read in conjunction with the audited financial statements of the Tanah Makmur Berhad (“**Tanah Makmur**” or “**Company**”) and its subsidiaries (“**Tanah Makmur Group**” or “**Group**”) for the year ended 31 December 2013.



**TANAH MAKMUR BERHAD (841938-U)**  
(formerly known as Kreatif Selaras Sdn Bhd)

**Condensed Consolidated Statement of Financial Position**

	<i>(unaudited)</i>	<i>(audited)</i>
	As at 30/06/2014	As at 31/12/2013
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	147,463	148,966
Biological assets	83,445	79,087
Land use rights	39,609	39,897
Land held for property development	28,551	28,600
Other investment	5	5
	<b>299,073</b>	<b>296,555</b>
<b>Current assets</b>		
Property development costs	75,622	73,214
Inventories	8,706	12,857
Trade and other receivables	59,254	32,839
Other current assets	18,101	6,365
Marketable securities	4,553	4,553
Tax recoverable	158	623
Cash and bank balances	62,365	46,931
	<b>228,759</b>	<b>177,382</b>
<b>TOTAL ASSETS</b>	<b>527,832</b>	<b>473,937</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	173,010	173,010
Reserves	151,219	150,476
	<b>324,229</b>	<b>323,486</b>
<b>Non-controlling interests</b>	20,982	16,150
<b>Total equity</b>	<b>345,211</b>	<b>339,636</b>
<b>Non-current liabilities</b>		
Loans and borrowings	48,346	44,455
Staff benefit liabilities	4,111	4,111
Deferred tax liabilities	28,999	29,538
	<b>81,456</b>	<b>78,104</b>
<b>Current liabilities</b>		
Loans and borrowings	7,880	12,407
Trade and other payables	51,184	33,618
Dividend payable	23,890	-
Other current liabilities	11,347	7,465
Tax payable	6,864	2,707
	<b>101,165</b>	<b>56,197</b>
<b>TOTAL LIABILITIES</b>	<b>182,621</b>	<b>134,301</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>527,832</b>	<b>473,937</b>
Net assets per share attributable to equity holders of the Company (RM)	1.01	0.93 *

**\*Note: adjusted for subdivision of shares to RM0.50 each retrospectively as per Paragraph B10 as at 31 December 2013 for comparative purposes.**

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013.



**TANAH MAKMUR BERHAD (841938-U)**  
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**Condensed Consolidated Statements of Changes in Equity**  
for the period ended 30/6/2014

	<-----Non-distributable----->			<Distributable>				TOTAL EQUITY
	Share capital	Share premium	Capital redemption reserves	Other Reserve	Retained profit	Total	Non- controlling interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1.1.2014</b>	<b>173,010</b>	-	<b>1,050</b>	<b>3,544</b>	<b>145,882</b>	<b>323,486</b>	<b>16,150</b>	<b>339,636</b>
Total comprehensive income	-	-	-	-	24,633	24,633	5,264	29,897
Transfer to capital reserve	-	-	700	-	(700)	-	-	-
Dividend paid to minority interest	-	-	-	-	-	-	(432)	(432)
Proposed dividend (B14)	-	-	-	-	(23,890)	(23,890)	-	(23,890)
<b>At 30.6.2014</b>	<b>173,010</b>	-	<b>1,750</b>	<b>3,544</b>	<b>145,925</b>	<b>324,229</b>	<b>20,982</b>	<b>345,211</b>

	<-----Non-distributable----->			<Distributable>				TOTAL EQUITY
	Share capital	Share premium	Capital redemption reserves	Other reserve	Retained profit	Total	Non- controlling interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1.1.2013</b>	173,010	-	700	3,544	129,533	306,787	14,150	320,937
Total comprehensive income	-	-	-	-	42,890	42,890	1,800	44,690
Transfer to capital reserve	-	-	350	-	(350)	-	-	-
Issue of ordinary shares by subsidiaries	-	-	-	-	-	-	944	944
Dilution/(accretion) on change in stake	-	-	-	-	(240)	(240)	240	-
Dividend paid to minority interest	-	-	-	-	-	-	(984)	(984)
Dividend	-	-	-	-	(25,951)	(25,951)	-	(25,951)
<b>At 31.12.2013</b>	<b>173,010</b>	-	<b>1,050</b>	<b>3,544</b>	<b>145,882</b>	<b>323,486</b>	<b>16,150</b>	<b>339,636</b>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013.



**TANAH MAKMUR BERHAD (841938-U)**  
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**Condensed Consolidated Statement of Cash Flow**  
**For the 6 Months Period Ended 30 June 2014**

	<i>(unaudited)</i> 30/06/2014 RM'000	<i>(unaudited)</i> 30/06/2013 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Operating profit before tax</b>	<b>40,066</b>	<b>23,276</b>
<b><u>Adjustments for :</u></b>		
Depreciation / amortisation	5,093	4,925
Inventories written down	-	632
Bad debts written off	161	-
Provision for doubtful debt	246	-
Loss on sale of live stock	40	9
Pension costs - defined benefit plan	-	152
Interest on term loan	1,039	1,452
Interest on hire purchase	28	30
Interest income	(401)	(552)
Unwinding discounts of the redeemable preference shares	2,056	1,126
<b>Total adjustments</b>	<b>8,262</b>	<b>7,774</b>
<b>Operating profit before changes in working capital</b>	<b>48,328</b>	<b>31,050</b>
<b><u>Changes in working capital :</u></b>		
- Property development costs and land held for development	(2,323)	(7,273)
- Trade and other receivables	(35,905)	(3,084)
- Inventories	4,151	206
- Trade and other payables	20,762	637
<b>Total changes in working capital</b>	<b>(13,315)</b>	<b>(9,514)</b>
<b>Cash generated from operations</b>	<b>35,013</b>	<b>21,536</b>
Term loan interest paid	(1,039)	(1,452)
Hire purchase interest paid	(28)	(30)
Taxes paid	(7,628)	(7,407)
Taxes refund	-	230
<b>Net cash flows from operating activities</b>	<b>26,318</b>	<b>12,877</b>



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**Condensed Consolidated Statement of Cash Flow**  
**For the 6 Months Period Ended 30 June 2014**

	<i>(unaudited)</i> 30/06/2014 RM'000	<i>(unaudited)</i> 30/06/2013 RM'000
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(2,435)	(9,252)
Purchase of biological assets	(5,397)	(6,528)
Proceeds from sales of live stock	64	99
Proceeds from disposal of land held for property development	-	3,769
Purchase of livestock	(29)	(89)
Interest income received	401	552
<b>Net cash used in investing activities</b>	<b>(7,396)</b>	<b>(11,449)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Drawdown of term loan	25,000	-
Repayment of term loan	(20,817)	(13,393)
Repayment of hire purchase financing	(239)	(248)
Repayment of redeemable preference shares	(7,000)	-
Dividends paid to equity holders of the company	-	(8,650)
Dividend paid to non-controlling interest	(432)	(492)
Proceeds issuance of ordinary shares by subsidiaries to non-controlling interests	-	120
<b>Net cash used in financing activities</b>	<b>(3,488)</b>	<b>(22,663)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Net increase / (decrease)	15,434	(21,235)
At beginning of year	46,931	68,985
<b>At end of period</b>	<b>62,365</b>	<b>47,750</b>

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**A. Information Required by Financial Reporting Standards 134**

**(1) Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the Financial Reporting Standards (“FRSs”) no: 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2013. The following notes explain the events and transactions that are significant for understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

**(2) Significant Accounting Policies**

The significant accounting policies are consistent with those adopted in the audited financial statements for year ended 31 December 2013, except for the new FRSs, revised FRSs, Amendments to FRSs and Issues Committee Interpretations (“IC Interpretation”), if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to FRS 132: <i>Offsetting Financial Assets And Financial Liabilities</i>	1 January 2014
Amendments to FRS 10, FRS 12 and FRS 127: <i>Investment Entities</i>	1 January 2014
Amendments to FRS 136: <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to FRS 139: <i>Novation of Derivatives And Continuation of Hedge Accounting</i>	1 January 2014
Amendments to FRS 2: <i>(Annual Improvements to FRS 2010-2012 Cycle)</i>	1 July 2014
Amendments to FRS 3: <i>(Annual Improvements to FRS 2011-2013 Cycle)</i>	1 July 2014
Amendments to FRS 13: <i>(Annual Improvements to FRS 2011-2013 Cycle)</i>	1 July 2014
Amendments to FRS 116: <i>(Annual Improvements to FRS 2010-2012 Cycle)</i>	1 July 2014
Amendments to FRS 124: <i>(Annual improvements to FRS 2010-2012 Cycle)</i>	1 July 2014
Amendments to FRS 140: <i>(Annual Improvements to FRS 2011-2013 Cycle)</i>	1 July 2014
IC Interpretation 21 Levies	1 January 2014
FRS 9: Financial Instruments	1 January 2015



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The adoptions did not result in significant changes in the accounting policies and presentation of the financial results of the Group.

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

The MFRS Framework has been 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 and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer (herein called “**Transitioning Entities**”).

Transitioning Entities would be allowed to defer adoption of the new MFRS framework for additional three years. MFRS will therefore be mandated for all companies for annual period beginning on or after 1 January 2015.

The Group falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2015. 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.

**(3) Auditors’ Report on Preceding Annual Financial Statements**

The auditors have expressed an unqualified opinion on the Group’s preceding annual financial statements.

**(4) Seasonal or Cyclical Factors**

The harvest of Fresh Fruit Bunch (“**FFB**”) in our plantation estates tends to increase in the second half of the year as a result of rainfall patterns in Malaysia which typically leads to a greater supply of Crude Palm Oil (“**CPO**”) and Palm Kernel (“**PK**”) as FFB is processed following its harvest.

The Group’s property development business generally moves in tandem with the economy, whereby strong economic growth coupled with fiscal stimulus by the Government would spur the growth of the property development business.

**(5) Unusual Items Due to Their Nature, Size or Incidence**

There were no unusual items affecting liabilities, equity, net income, or cash flow in the period under review.

**(6) Changes in Estimates**

There were no changes in estimated amounts that have a material effect on the current financial period results.

**(7) Debt and Equity Securities: Issuances, cancellations, repurchases, resale and/or repayments of debt and equity securities**

There were no cancellations, repurchase, resale and repayment of debt and equity securities in the quarter under review.

**(8) Dividends Paid**

No dividend was paid in the quarter under review.





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**(9) Segmental Information**

Segmental information is presented in respect of the Group's business segments. The reportable segments for the current financial period have been identified as follows:

- Plantation – Plantation segment activities including cultivation of oil palms, sales of FFB and other related products, and its ancillary activities comprising the operation of a palm oil mill and a compost plant.
- Property Development - Property development segment activities including sales of residential and commercial properties, trading materials, and mineral extraction activities.

No geographical segmental information is presented as the Group activities are carried out in Malaysia.

	<b>PLANTATION</b>	<b>PROPERTY DEVELOPMENT</b>	<b>GROUP</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>3 months ended</b>			
<b>30 June 2014</b>			
<b>Revenue</b>			
Total revenue	69,672	53,596	123,268
Less : Inter-segment revenue	(35,053)	(6,906)	(41,959)
External revenue	<u>34,619</u>	<u>46,690</u>	<u>81,309</u>
Segment result (external)	8,817	14,970	<u>23,787</u>
Profit before tax			<u>23,787</u>
<b>3 months ended</b>			
<b>30 June 2013</b>			
<b>Revenue</b>			
Total revenue	40,183	20,998	61,181
Less : Inter-segment revenue	(14,551)	-	(14,551)
External revenue	<u>25,632</u>	<u>20,998</u>	<u>46,630</u>
Segment result (external)	6,789	5,848	<u>12,637</u>
Profit before tax			<u>12,637</u>



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	<b>PLANTATION</b>	<b>PROPERTY DEVELOPMENT</b>	<b>GROUP</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cumulative 6 months ended</b>			
<b>30 June 2014</b>			
<b>Revenue</b>			
Total revenue	138,260	76,836	215,096
Less : Inter-segment revenue	(35,053)	(6,906)	(41,959)
External revenue	<u>103,207</u>	<u>69,930</u>	<u>173,137</u>
Segment result (external)	21,079	18,987	<u>40,066</u>
Profit before tax			<u>40,066</u>
<b>Cumulative 6 months ended</b>			
<b>30 June 2013</b>			
<b>Revenue</b>			
Total revenue	84,412	35,138	119,550
Less : Inter-segment revenue	(14,552)	-	(14,552)
External revenue	<u>69,860</u>	<u>35,138</u>	<u>104,998</u>
Segment result (external)	15,838	7,438	<u>23,276</u>
Profit before tax			<u>23,276</u>

**(10) Carrying Amount of Revalued Assets**

The carrying amounts of property, plant and equipment, biological assets and leasehold land have been brought forward without amendment from the audited financial statements for the year ended 31 December 2013. Our last revaluation was made in year 2010.

**(11) Subsequent Event**

There is no material event subsequent to the end of the current quarter except as stated in Note B10.

**(12) Change in Composition of the Group**

There is no change in composition of the Group in the current quarter.

**(13) Contingent Liabilities and/or Contingent Assets**

As at 30 June 2014 there is no contingent liability / asset which upon becoming enforceable may have a material effect on the net assets, profits or financial position of our Group.



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**(14) Capital Commitments**

The amount of commitments for the purchase of property, plant and equipment and for biological assets not provided for in the financial statements as at 30 June 2014 is as follow:

	<b>As at 30/06/2014 RM'000</b>
<b>Property, plant and equipment:</b>	
- Authorised but not contracted	26,720
- Contracted but not provided in the financial statements	255
	<b>26,975</b>
<b>Biological asset:</b>	
- Authorised but not contracted	28,500
- Contracted but not provided in the financial statements	2,642
	<b>31,142</b>



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**B. Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.**

**1. REVIEW OF PERFORMANCE**

**Current quarter – Q2 2014 Versus Q2 2013**

For the 2<sup>nd</sup> quarter ended 30 June 2014, the Group's revenue increased by 74.37% to RM81.31 million from RM46.63 million in the previous year's corresponding period.

Profit before tax increased by 88.24% to RM23.78 million recorded in the 2<sup>nd</sup> Quarter 2014, from RM12.64 million in the previous year's corresponding period. Similarly, the Group's total comprehensive income attributable to equity holders of the company also increased to RM12.55 million in the 2<sup>nd</sup> Quarter 2014, from RM6.92 million in the previous year's corresponding period, an increase of 81.36%.

	<b>Q2-2014</b>	<b>Q2-2013</b>	<b>Variance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
<b>Revenue</b>			
Plantation	34,619	25,632	35.07%
Property development	46,690	20,998	122.36%
<b>Total</b>	<b>81,309</b>	<b>46,630</b>	<b>74.37%</b>
<b>Profit Before Tax</b>			
Plantation	8,817	6,789	29.88%
Property development	14,970	5,848	155.99%
<b>Total</b>	<b>23,787</b>	<b>12,637</b>	<b>88.24%</b>

**Plantation segment**

Revenue from plantation segment increased by 35.07 % due to FFB production and higher CPO and PK prices as compared to the same quarter last year.

Furthermore, the profitability of the milling operations had improved in view of higher selling prices of CPO and PK, improved oil extraction rates and lower processing costs from higher quantity of FFB processed.

The following table sets forth some of the statistics of our plantations business:

	Unaudited	
	For the 3 months ended 30 June	
	2014	2013
Average CPO selling price (RM/mt)	2,577	2,324
Average FFB selling price (RM/mt)	624	530
FFB production (mt)	49,434	48,297
FFB processed (mt)	60,182	23,143

**Property development segment**

During the quarter, the property development segment registered a higher profit of RM14.97 million or 155.99% as compared to the previous year's quarter profit before tax of RM5.84 million as a result of new launchings of residential units in KotaSAS namely, Precint 3, Lakeside and increase in the sales of trading material volumes as compared to the previous year's corresponding period. Furthermore, mining of bauxite deposits as part of property development segment which commenced in April 2014 contributed to the higher revenue and profit in the 2<sup>nd</sup> Quarter 2014 by RM20.77 million and RM4.83 million respectively.



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**Cumulative period – 6 months 2014 Versus 6 months 2013**

For the 6 months period ended 30 June 2014, the Group's revenue increased by 64.90% to RM173.13 million from RM104.99 million in the previous year's corresponding period.

Profit before tax increased by 72.14% to RM40.06 million recorded in the 1<sup>st</sup> half year 2014, from RM23.27 million in the previous year's corresponding period. Similarly, the Group's total comprehensive income attributable to equity holders of the company also increased to RM24.63 million in the 1<sup>st</sup> half year 2014, from RM14.26 million in the previous year's corresponding period, an increase of 72.72%.

	<b>6 months ended 30 June 2014</b>	<b>6 months ended 30 June 2013</b>	<b>Variance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
<b>Revenue</b>			
Plantation	103,207	69,860	47.74%
Property development	69,930	35,138	99.02%
<b>Total</b>	<b>173,137</b>	<b>104,998</b>	<b>64.90%</b>
<b>Profit Before Tax</b>			
Plantation	21,079	15,838	33.10%
Property development	18,987	7,438	155.27%
<b>Total</b>	<b>40,066</b>	<b>23,276</b>	<b>72.14%</b>

**Plantation segment**

Revenue from plantation segment increased by 47.74 % due to higher CPO and PK prices for the 1<sup>st</sup> half year 2014 as compared to the same period last year.

Furthermore, the profitability of the milling operations had improved in view of the higher CPO and PK prices, improved oil extraction rates and lower processing costs from higher quantity of FFB processed.

The following table sets forth some of the statistics of our plantations business:

	Unaudited	
	For the 6 months ended 30 June	
	2014	2013
Average CPO selling price (RM/mt)	2,627	2,323
Average FFB selling price (RM/mt)	635	528
FFB production (mt)	92,078	99,505
FFB processed (mt)	113,719	54,050

**Property development segment**

During the 1<sup>st</sup> half year 2014, the property development segment registered a higher profit of RM18.99 million or 155.27% as compared to the same period last year profit before tax of RM7.43 million as a result of new launchings of residential units in KotaSAS namely, Precint 3, Lakeside and increase in the sales of trading material volumes as compared to the previous year's corresponding period. Furthermore, mining of bauxite deposits as part of property development segment which commenced in April 2014 contribute to the higher revenue and profit during the 1<sup>st</sup> half year 2014 by RM20.77 million and RM3.56 million respectively.



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**2. MATERIAL CHANGES IN QUARTERLY RESULTS IN COMPARISON WITH THE PRECEDING QUARTER**

The Group posted higher profit before taxation and net profit for the current quarter ended 30 June 2014 as compared to the preceding quarter ended 31 March 2014 mainly due to:

- (i) higher contribution from property development activities, including mining of bauxite minerals activities by RM10.95 million (272.67%);
- (ii) higher FFB production by 6,791 metric tonnes (15.93%); and
- (iii) higher FFB processed by 6,646 metric tonnes (12.42%).

**3. PROSPECTS**

The results of our operations for the year ending 31 December 2014 are expected to continue to be primarily influenced by the following factors, in addition to the factors included in risk factors and significant factors affecting our results of operations in Section 5 and 12.2.2 of our Company's Prospectus dated 26 June 2014 respectively:

- CPO price and supply of global edible oils;
- Our ability to maintain our market share and grow our sales;
- The state of the Malaysian and global economy and expectations on growth; and
- Our ability to manage our operating costs.

Except as disclosed above and in risk factors and significant factors affecting our results of operations in Section 5 and 12.2.2 of the abovementioned Prospectus respectively, our Board confirms that there are no other known trends, factors, demands, commitments, events or uncertainties that are reasonably likely to have a material effect on our financial condition and results of operations. Subject to the factors described in this section of the abovementioned Prospectus, our Board expects the result of our operations for the year ending 31 December 2014 to be satisfactory.

**4. PROFIT FORECASTS AND/OR PROFIT GUARANTEE**

Profit forecast

There was no profit forecast issued for Tanah Makmur Group in the period under review.

Profit guarantee

The profit guarantee received by Tanah Makmur Group in the period under review is as follows:-

Our wholly-owned Subsidiary, KotaSAS Sdn Bhd ("**KotaSAS**") entered into a shareholders' agreement dated 1 April 2013 which was subsequently substituted by the amended restated shareholders' agreement dated 12 May 2014 ("**Shareholders' Agreement**") with Tanah Makmur Perkasa Sdn Bhd ("**Tanah Makmur Perkasa**") to govern the relationships of both parties as shareholders of Tanah Makmur KotaSAS Sdn Bhd ("**Tanah Makmur KotaSAS**"), the entity that carries out the development project on certain portion of all those parcels of 99-year leasehold land located in Bukit Goh, Kuantan, Pahang measuring in total approximately 1,500 acres that has yet to be developed ("**Development Project**").

Subsequently, KotaSAS and Tanah Makmur KotaSAS had entered into a development agreement dated 8 January 2014 which was subsequently substituted by the amended restated development agreement dated 12 May 2014 ("**Development Agreement**") to formalise the arrangement of the Development Project.

Tanah Makmur KotaSAS shall complete the launching of the Development Project within a period of five years only from 1 April 2013. Tanah Makmur Perkasa had demonstrated its commitment to the Development Project by granting an irrevocable guarantee to KotaSAS that the aggregate of the cost of the development land for the purpose of the Development Project and 60% of the development profit that shall be attributable to KotaSAS for five financial years commencing from 1 January 2013 until 31 December 2017 shall not be less than RM110,000,000 ("**Minimum Guarantee**"), subject to the yearly tranche below.



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<u>Financial year ended 31 December</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
	<u>RM million</u>					
Yearly minimum guaranteed entitlement comprising the following:						
Land cost <sup>(1)</sup>	1.21	4.20	7.90	12.46	19.00	44.77
60% of profit before tax <sup>(2)</sup>	0.91	10.10	14.42	18.97	20.83	65.23
Total	2.12	14.30	22.32	31.43	39.83	110.00

**Notes:**

- (1) The land cost as set out in the table above is the capped amount in so far as it concerns the determination of whether the yearly minimum guaranteed entitlement is met (“**Land Cost**”). Any amount actually recognised by KotaSAS and Tanah Makmur KotaSAS as Land Cost in any financial year which is in excess of the yearly guaranteed Land Cost will be ignored and shall not be used to determine whether the yearly minimum guarantee entitlement is met.
- (2) The 60% of profit before tax (“**Landowner’s Portion**”) as set out in the table above shall refer to the profit before tax disclosed in the audited financial statements of Tanah Makmur KotaSAS for each of the financial years. The Landowner’s Portion is the minimum amount in so far as it concerns the determination of whether yearly minimum guaranteed entitlement is met. In determining whether the yearly minimum guaranteed entitlement is met, if:
- (i) the Landowner’s Portion in any financial year is in excess of the yearly minimum guaranteed Landowner’s Portion as set out in the table above for that year; and
  - (ii) the Land Cost actually recognised by KotaSAS in that year is lesser than the yearly guaranteed Land Cost as set out in the table above for that year,

then, any amount in excess of the yearly minimum guaranteed Landowner’s Portion for that year can be used to top up the deficiency in the Land Cost actually recognised by KotaSAS and Tanah Makmur KotaSAS in that year.

The Minimum Guarantee provided by Tanah Makmur Perkasa shall be backed by the personal guarantees of the two existing Directors and shareholders of Tanah Makmur Perkasa, namely, YM Tengku Dato’ Ahmad Faisal bin Tengku Ibrahim and YH Dato’ Azizan bin Jaafar, in favour of KotaSAS and shall survive the termination of the Development Agreement and Shareholders’ Agreement, and the yearly minimum guaranteed entitlement for the five financial years shall continue until all guarantees thereunder are met and fully settled notwithstanding termination of the Development Agreement and Shareholders’ Agreement.

A yearly update on the Minimum Guarantee will be disclosed under a sub-header within our Chairman’s statement in our annual report.



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**5. PROFIT BEFORE TAX**

Profit before tax is arrived at after charging/(crediting):

	<i>(unaudited)</i>	<i>(unaudited)</i>
	<b>current period</b>	<b>Preceding year</b>
	<b>30/06/2014</b>	<b>corresponding</b>
	<b>RM'000</b>	<b>period</b>
		<b>30/06/2013</b>
		<b>RM'000</b>
Depreciation / amortisation	5,093	4,925
Inventories written down	-	632
Bad debt written off	161	-
Provision for doubtful debt	246	-
Loss on sale of live stock	40	9
Pension costs – defined benefit plan	-	152
Interest on term loan	1,039	1,452
Interest on hire purchase	28	30
Interest income	(401)	(552)
Unwinding discounts of the redeemable preference shares	<u>2,056</u>	<u>1,126</u>

There is no other item to be disclosed other than those highlighted above.

**6. TAXATION**

	<b>RM'000</b>
<b>Taxation comprises of:</b>	
Current provision	10,661
Previous year overprovided	(56)
Deferred taxation	(436)
	<u>10,169</u>

The effective corporate tax rate is lower than the statutory tax rate due to utilisation of the plantation allowances.

**7. SALE OF PROPERTIES AND UNQUOTED INVESTMENT**

There is no sale of property and unquoted investment in the current quarter save for properties sold under the property development segment.

**8. QUOTED SECURITIES**

There is no quoted security that matured in the current quarter.

**9. FOREIGN EXCHANGE GAIN OR LOSS**

The Group does not have any foreign exchange gain or loss for the current quarter and cumulative quarter ended 30 June 2014.





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**10. STATUS OF CORPORATE PROPOSALS**

On 16 May 2014 the Securities Commission had approved the Company's application for the initial public offering ("IPO") of 101,590,000 ordinary shares of RM0.50 each in Tanah Makmur ("IPO Shares") in conjunction with the listing of and quotation for the entire ordinary shares of RM0.50 each in Tanah Makmur on the Main Market of Bursa Malaysia Securities Berhad comprising an offer for sale of 49,450,000 existing shares and a public issue of 52,140,000 new shares ("Public Issue") in the following manner:

- (i) institutional offering of 75,184,000 IPO Shares to Malaysian institutional and selected investors at RM1.25 per IPO Share; and
- (ii) retail offering of 26,406,000 IPO Shares to the eligible directors and employees, and eligible persons who have contributed to the success of Tanah Makmur and its subsidiaries, and the Malaysian public, at RM1.25 per IPO Share payable in full upon application.

Prior to the implementation of the IPO and the listing, our Company had undertaken and had completed the pre-IPO restructuring which comprised the following:

- (i) subdivision of all the existing 173,009,796 ordinary shares with a par value of RM1.00 each in our Company to 346,019,592 ordinary shares with a par value of RM0.50 each on 30 May 2014; and
- (ii) full redemption of all 7,000,487 RPS with a par value of RM0.10 each in our Company held by Lembaga Kemajuan Perusahaan Pertanian Negeri Pahang in cash at its issue price of RM1.00 each, at a total cash of RM7,000,487.00 on 30 May 2014.

The listing on the Main Market of Bursa Malaysia Securities Berhad was completed on 17 July 2014 and the gross proceeds from the Public Issue amounted to RM65.18 million. The Company intends to utilise the gross proceeds in the following manner:

<b>Details of utilisation of proceeds</b>	<b>Timeframe utilisation of proceeds</b>	<b>Amount of total proceeds raised (RM)</b>	<b>Percentage of total proceeds raised (%)</b>
Estate development	within 24 months	28,500,000	43.73
Expansion of palm oil mill	within 24 months	5,000,000	7.67
Infrastructure work of the KotaSAS Township	within 24 months	13,000,000	19.95
Repayment of bank borrowings	within 6 months	13,075,000	20.06
Listing expenses	within 6 months	5,600,000	8.59
<b>Total gross proceeds</b>		<b>65,175,000</b>	<b>100.00</b>

*Note: The utilisation of gross proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 26 June 2014.*

Save as disclosed above, there is no pending corporate proposal.

**11. GROUP BORROWINGS**

Loans and borrowings as at 30 June 2014 comprise of:

	<u>Amount</u> <u>RM'000</u>
<b>11.1 Current loans and borrowings</b>	
Bai Bithaman Ajil	-
Business Financing-i (plantation)	996
Bai BithamanAjil Term Financing-i	2,138
Business Financing-i (property)	4,397
Obligations under finance leases	349
	<u>7,880</u>



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<b>11.2</b>	<b><i>Non-current loans and borrowings</i></b>	
	Bai Bithaman Ajil	-
	Business Financing-i (plantation)	8,930
	Bai BithamanAjil Term Financing-i	17,996
	Business Financing-i (property)	20,603
	Obligations under finance leases	817
		<u>48,346</u>
	<b>Total loans and borrowings</b>	<b><u>56,226</u></b>

<b>11.3</b>	<b><i>Total loans and borrowings</i></b>	
	<u>Secured:</u>	
	Bai Bithaman Ajil	-
	Business Financing-i (plantation)	9,926
	Bai BithamanAjil Term Financing-i	20,134
	Bai Bithaman Ajil (property)	25,000
	Obligation under finance leases	1,166
	<b>Total secured loan and borrowings</b>	<b><u>56,226</u></b>
	<u>Unsecured:</u>	
	Article 2A RPS	-
	<b>Total unsecured loans and borrowings</b>	<b><u>-</u></b>
	<b>Total loans and borrowings</b>	<b><u>56,226</u></b>

The Islamic borrowings are secured by way of first legal charge over the leasehold land, and bear profit rates of Base Finance Rate (BFR) + 1% to 1.75% per annum, while the hire purchase bear interest rates ranged from 2.34% to 5.00% per annum.

The Group does not have any borrowings in foreign currency.

**12. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS**

The Group did not enter into any contracts involving off-balance sheet financial instruments in the period under review.

**13. MATERIAL LITIGATION**

There is no litigation that have any material effect on the net tangible assets or operations of the Group.

**14. DIVIDEND PROPOSED**

**For the financial year ending 31 December 2014.**

On 25 August 2014, the Company had announced a single tier interim dividend of six (6) sen per share to be payable on 8 October 2014 to the entitled shareholders whose names appear on the record of depositor on 10 September 2014.



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**15. EARNINGS PER SHARE (“EPS”)**

**(a) Basic EPS**

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the owners of the Company by the weighted average number of ordinary shares in issue during the period:-

	Current quarter		Cumulative quarter	
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	3 months ended		6 months ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Profit for the period attributable to equity holders				
of the Company (RM'000)	12,546	6,923	24,633	14,256
Weighted average number of ordinary shares in issue ('000)	346,020	346,020*	346,020	346,020*
Basic EPS attributable to equity holders of the Company (sen)	3.63	2.00	7.12	4.12

\*Note: adjusted for subdivision of shares to RM0.50 each retrospectively as per Paragraph B10 as at 31 December 2013 for comparative purposes.

**(b) Diluted EPS**

There was no diluting factor to EPS for the current quarter and the figure is the same as basic EPS.

**16. RETAINED EARNINGS**

The retained earnings as at the end of the reporting period are analysed as follow:

	As At 30/06/2014 RM'000	As At 31/12/2013 RM'000
Total retained earnings of the Group		
- Realised	116,926	116,344
- Unrealised	28,999	29,538
	<b>145,925</b>	<b>145,882</b>

By order of the Board  
**TANAH MAKMUR BERHAD**

**SUZILAH BT. HAJI WAHID**  
Company Secretary  
Dated this: 25 August 2014