



TANAH MAKMUR BERHAD (841938-U)

**Quarterly Report on Consolidated Results for the
Second Quarter Ended 30.06.2016**



TANAH MAKMUR BERHAD (841938-U)

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>	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Revenue	88,698	101,398	150,674	183,211
Other income	2,129	1,142	3,564	2,119
	90,827	102,540	154,238	185,330
Operational costs	(66,644)	(75,905)	(115,716)	(131,867)
Depreciation and amortisation	(2,765)	(2,659)	(5,528)	(5,257)
Profit from operations	21,418	23,976	32,994	48,206
<i>Finance costs</i>	<i>(627)</i>	<i>(613)</i>	<i>(1,195)</i>	<i>(1,244)</i>
Profit before taxation	20,791	23,363	31,799	46,962
Taxation	(5,125)	(5,812)	(7,698)	(10,877)
Profit for the period	15,666	17,551	24,101	36,085
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	15,666	17,551	24,101	36,085
<i>Profit attributable to:</i>				
Equity holders of the company	12,052	13,248	19,017	26,390
Non-controlling interests	3,614	4,303	5,084	9,695
	15,666	17,551	24,101	36,085
<i>Total comprehensive income attributable to:</i>				
Equity holders of the company	12,052	13,248	19,017	26,390
Non-controlling interests	3,614	4,303	5,084	9,695
	15,666	17,551	24,101	36,085
Earnings per share attributable to equity holders of the company (sen):				
Basic (Note B15)	3.03	3.33	4.77	6.63

This interim financial report should be read in conjunction with the audited financial statements of Tanah Makmur Berhad (“**Tanah Makmur**” or “**Company**”) and its subsidiaries (“**Tanah Makmur Group**” or “**Group**”) for the year ended 31 December 2015.



TANAH MAKMUR BERHAD (841938-U)

Condensed Consolidated Statement of Financial Position

	<i>(unaudited)</i>	<i>(audited)</i>
	As at 30/06/2016	As at 31/12/2015
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	149,908	151,137
Investment Property	381	395
Biological assets	124,263	114,899
Land use rights	38,583	38,871
Land held for property development	27,267	27,605
Other investment	5	5
	340,407	332,912
Current assets		
Property development costs	101,611	80,458
Inventories	21,482	26,128
Trade and other receivables	55,281	67,003
Other current assets	33,535	25,923
Marketable securities	1,713	1,713
Tax recoverable	4,668	3,561
Derivative	252	252
Cash and bank balances	53,263	70,688
	271,805	275,726
TOTAL ASSETS	612,212	608,638
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	199,080	199,080
Reserves	244,184	225,167
	443,264	424,247
Non-controlling interests	26,928	23,239
Total equity	470,192	447,486
Non-current liabilities		
Loans and borrowings	27,310	31,212
Staff benefit liabilities	3,777	3,830
Deferred tax liabilities	29,754	29,964
	60,841	65,006
Current liabilities		
Loans and borrowings	15,144	15,162
Trade and other payables	61,304	77,078
Other current liabilities	1,236	1,616
Tax payable	3,495	2,290
	81,179	96,146
TOTAL LIABILITIES	142,020	161,152
TOTAL EQUITY AND LIABILITIES	612,212	608,638
Net assets per share attributable to equity holders of the Company (RM)	1.11	1.07

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015.



TANAH MAKMUR BERHAD (841938-U)

**Condensed Consolidated Statements of Changes in Equity
for the period ended 30/06/2016**

	<-----Non-distributable----->				<Distributable>		Non-controlling interests	TOTAL EQUITY
	Share capital	Share premium	Capital redemption reserves	Other Reserve	Retained profit	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
At 1.1.2016	199,080	38,478	1,750	3,544	181,395	424,247	23,239	447,486
Total comprehensive income	-	-	-	-	19,017	19,017	5,084	24,101
Dividend paid to minority interest	-	-	-	-	-	-	(1,395)	(1,395)
At 30.06.2016	199,080	38,478	1,750	3,544	200,412	443,264	26,928	470,192

	<-----Non-distributable----->				<Distributable>		Non-controlling interests	TOTAL EQUITY
	Share capital	Share premium	Capital redemption reserves	Other reserve	Retained profit	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
At 1.1.2015	199,080	38,478	1,750	3,544	175,164	418,016	22,298	440,314
Total comprehensive income	-	-	-	-	53,851	53,851	19,173	73,024
Dividend paid to minority interest	-	-	-	-	-	-	(18,232)	(18,232)
Other comprehensive income	-	-	-	-	159	159	-	159
Dividend	-	-	-	-	(47,779)	(47,779)	-	(47,779)
At 31.12.2015	199,080	38,478	1,750	3,544	181,395	424,247	23,239	447,486

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015.



TANAH MAKMUR BERHAD (841938-U)

**Condensed Consolidated Statement of Cash Flow
For the Period Ended 30 June 2016**

	<i>(unaudited)</i> 30/06/2016 RM'000	<i>(unaudited)</i> 30/06/2015 RM'000
OPERATING ACTIVITIES		
Profit before tax	31,799	46,962
<u>Adjustments for :</u>		
Depreciation / amortisation	5,528	5,257
Gain on disposal of property plant and equipment	(19)	(189)
Property, plant & equipment written off	-	25
Inventories written down	247	53
Loss on sale of livestock	3	34
Pension costs - defined benefit plan	(53)	(206)
Interest expense	1,195	1,244
Interest income	(372)	(1,355)
Net realised foreign exchange gain	(2,581)	-
Total adjustments	3,948	4,863
Operating profit before changes in working capital	35,747	51,825
<u>Changes in working capital :</u>		
- Property development costs and land held for development	(20,805)	(4,080)
- Trade and other receivables	11,213	(10,702)
- Inventories	4,399	(3,689)
- Trade and other payables	(20,607)	(1,007)
Total changes in working capital	(25,800)	(19,478)
Cash generated from operations	9,947	32,347
Income taxes paid	(8,613)	(11,363)
Income tax refund	801	144
Net cash flows from operating activities	2,135	21,128



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**Condensed Consolidated Statement of Cash Flow
For the Period Ended 30 June 2016**

	<i>(unaudited)</i> 30/06/2016 RM'000	<i>(unaudited)</i> 30/06/2015 RM'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,198)	(4,239)
Purchase of biological assets	(11,262)	(12,869)
Proceeds from sales of livestocks	112	143
Purchase of livestocks	(74)	(86)
Interest income received	372	1,355
Net cash used in investing activities	(13,050)	(15,696)
FINANCING ACTIVITIES		
Proceeds from borrowings	-	10,000
Repayment of borrowings	(3,920)	(2,791)
Dividends paid to equity holders of the company	-	(23,890)
Dividend paid to non-controlling interest	(1,395)	(4,026)
Interest paid	(1,195)	(1,244)
Net cash used in financing activities	(6,510)	(21,951)
CASH AND CASH EQUIVALENTS		
Net increase / (decrease)	(17,425)	(16,519)
At beginning of year	70,688	111,239
At end of period	53,263	94,720

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015.



TANAH MAKMUR BERHAD (841938-U)

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 2015. 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 2015.

(2) Significant Accounting Policies

The significant accounting policies are consistent with those adopted in the audited financial statements for year ended 31 December 2015, 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
IC Interpretation 21 Levies	1 January 2014
Amendments to FRS 119: <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Annual Improvements to FRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to FRSs 2011-2013 Cycle	1 July 2014
Annual Improvements to FRSs 2012-2014 Cycle	1 January 2016
Amendments to FRS 116 and FRS 138: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 11: <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to FRS 127: <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRS 101 : <i>Disclosure Initiatives</i>	1 January 2016



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Description	Effective for annual periods beginning on or after
Amendments to FRS 10, FRS 12 and FRS 128: <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
FRS 14: <i>Regulatory Deferral Accounts</i>	1 January 2016
FRS 9: <i>Financial Instruments</i>	1 January 2016

The adoptions did not and will 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**”).

In September 2015, the effective date of MFRS 15 Revenue from Contracts with Customers will be deferred to annual periods beginning on or after 1 January 2018. As a result, the effective date for Transitioning Entities (TEs) to apply the MFRS will also be deferred to annual periods beginning on or after 1 January 2018.

The TEs are entities within the scope of MFRS 141 Agriculture and/or IC interpretation 15 Agreements for the Construction of Real Estate, including their parents, significant investors and joint ventures. Generally, the TEs are entities in the real estate and agriculture industries that have been given the option to continue applying the Financial Reporting Standards Framework, the predecessor or the MFRSs Framework.

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 2018. 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.

The Group has not completed its quantification of the financial effects on the financial statements of the differences arising from the changes from FRS to MFRS at this stage.

(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 fluctuate according to seasonal rainfall patterns in Malaysia.

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



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(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) Dividend

There is no dividend paid in the quarter under review.

(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.

	PLANTATION	PROPERTY DEVELOPMENT	GROUP
	RM'000	RM'000	RM'000
3 months ended			
30 June 2016			
Revenue			
Total revenue	53,886	53,109	106,995
Less : Inter-segment revenue	(11,769)	(6,528)	(18,297)
External revenue	<u>42,117</u>	<u>46,581</u>	<u>88,698</u>
Segment result (external)	7,948	12,843	<u>20,791</u>
Profit before tax			<u>20,791</u>
3 months ended			
30 June 2015			
Revenue			
Total revenue	65,104	48,004	113,108
Less : Inter-segment revenue	(7,795)	(3,915)	(11,710)
External revenue	<u>57,309</u>	<u>44,089</u>	<u>101,398</u>
Segment result (external)	6,779	16,584	<u>23,363</u>
Profit before tax			<u>23,363</u>



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	PLANTATION	PROPERTY DEVELOPMENT	GROUP
	RM'000	RM'000	RM'000
Cumulative 6 months ended			
30 June 2016			
Revenue			
Total revenue	97,303	84,558	181,861
Less : Inter-segment revenue	(20,419)	(10,768)	(31,187)
External revenue	76,884	73,790	150,674
Segment result (external)	12,949	18,850	31,799
Profit before tax			31,799
Cumulative 6 months ended			
30 June 2015			
Revenue			
Total revenue	104,073	99,522	203,595
Less : Inter-segment revenue	(13,797)	(6,587)	(20,384)
External revenue	90,276	92,935	183,211
Segment result (external)	13,102	33,860	46,962
Profit before tax			46,962

(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 2015.

(11) Subsequent Event

Save as disclosed in note **B10**, there is no material event subsequent to the end of the current quarter.

(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 2016 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 2016 is as follow:

Property, plant and equipment:

- Authorised but not contracted
- Contracted but not provided in the financial statements

Biological asset:

- Authorised but not contracted
- Contracted but not provided in the financial statements

As at 30/06/2016 RM'000
13,113
-
13,113
11,879
-
11,879



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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 2016 Versus Q2 2015

For the 2nd quarter ended 30 June 2016, the Group’s revenue decreased by 12.52% to RM88.70 million from RM101.40 million in the previous year’s corresponding period.

Profit before tax decreased by 11.01% to RM20.79 million in the 2nd quarter of 2016, from RM23.36 million in the previous year’s corresponding period. Similarly, the Group’s total comprehensive income attributable to equity holders of the company decreased by 9.06% to RM12.05 million in the 2nd quarter 2016, from RM13.25 million in the previous year’s corresponding period.

	Q2-2016	Q2-2015	Variance
	RM’000	RM’000	%
Revenue			
Plantation	42,117	57,309	(26.51%)
Property development	46,581	44,089	5.65%
Total	88,698	101,398	(12.52%)
Profit Before Tax			
Plantation	7,948	6,779	17.24%
Property development	12,843	16,584	(22.56%)
Total	20,791	23,363	(11.01%)

Plantation segment

Revenue from plantation segment decreased by 26.51 % following lower FFB production and lower FFB processed despite higher average selling prices of CPO and PK as compared to the same quarter last year.

The profit before tax had increased by 17.24% to RM7.95 million due to:-

- (a) higher average CPO and PK price per metric tonne by RM403 and RM853 respectively and ;
- (b) decrease in upkeep and cultivation by RM1.78 million to RM5.97 million in the current reporting period as compared to the previous year’s corresponding period.

However, the above was offset by corporate expenses of RM0.66 million and higher Zakat payments of RM1.09 million.

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

	unaudited	
	For the 3 months ended 30 June	
	2016	2015
Average CPO selling price (RM/mt)	2,602	2,199
Average PK selling price (RM/mt)	2,420	1,567
Average FFB selling price (RM/mt)	646	525
FFB production (mt)	44,213	53,251
Intake of FFB processed (mt):		
Our Group’s plantation estates	21,027	17,303
Third Party plantation owners and traders	14,604	52,831
	<u>35,631</u>	<u>70,134</u>



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Property development segment

During the quarter, the property development segment registered a higher turnover of RM46.58 million or 5.65% as a result of higher sales of affordable homes and trading / engineering support activities. However, the property development segment registered a lower profit before tax of RM12.84 million or 22.56% as compared to the previous year's quarter as a result of :

- a) higher proportion of revenue from sales of affordable homes which have lower margin and ;
- b) lower margin contribution from trading / engineering support activities.

The mineral extraction activity (bauxite - as part of property development segment) had contributed to lower revenue and profit in the 2nd quarter 2016 by RM16.67 million or 56.32% and RM5.13 million or 48.08% respectively as compared to the previous year's quarter. The revenue from mining is only arising from sales of remaining inventory. There is no further mining activity as a result of the moratorium imposed by federal government on bauxite mining since early January 2016.

Cumulative period – 6 months 2016 Versus 6 months 2015

For the 6 months period ended 30 June 2016, the Group's revenue decreased by 17.76% to RM150.67 million from RM183.21 million in the previous year.

Profit before tax decreased by 32.29% to RM31.80 million in the 6 months year 2016, from RM46.96 million in the previous year's corresponding period. Similarly, the Group's total comprehensive income attributable to equity holders of the company decreased by 27.93% to RM19.02 million in the 6 months year 2016, from RM26.39 million in the previous year.

	6 months ended 30 June 2016	6 months ended 30 June 2015	Variance
	RM'000	RM'000	%
Revenue			
Plantation	76,884	90,276	(14.83%)
Property development	73,790	92,935	(20.60%)
Total	150,674	183,211	(17.76%)
Profit Before Tax			
Plantation	12,949	13,102	(1.17%)
Property development	18,850	33,860	(44.33%)
Total	31,799	46,962	(32.29%)

Plantation segment

Revenue from plantation segment decreased by 14.83 % following lower FFB production and lower FFB processed despite higher average selling prices of CPO and PK as compared to the same quarter last year.

For the period ended 30 June 2016, the profit before tax had decreased by 1.17% to RM12.95 million due to higher loss from milling operations of RM0.4 million, corporate expenses of RM0.66 million and higher Zakat payments of RM1.09 million. However, this was offset by:

- (a) higher average CPO and PK price per metric tonne by RM291 and RM589 respectively and ;
- (b) decrease in upkeep and cultivation by RM0.82 million to RM10.64 million in the current reporting period as compared to the previous year's corresponding period.



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

	unaudited	
	For the 6 months ended 30 June	
	2016	2015
Average CPO selling price (RM/mt)	2,519	2,228
Average PK selling price (RM/mt)	2,272	1,683
Average FFB selling price (RM/mt)	623	537
FFB production (mt)	78,931	90,745
Intake of FFB processed (mt):		
Our Group's plantation estates	36,028	28,740
Third Party plantation owners and traders	37,966	77,666
	73,994	106,406

Property development segment

During the 6 months period year 2016, the property development segment registered a lower turnover of RM73.79 million or 20.60% mainly due to the decrease in bauxite mining activity. Similarly, the property development segment registered a lower profit before tax of RM18.85 million or 44.33% as compared to the previous year's as a result of :

- a) higher proportion of revenue from sales of affordable homes which have lower margin and ;
- b) lower margin contribution from trading / engineering support activities.

The mineral extraction activity (bauxite - as part of property development segment) had contributed to lower revenue and profit during the 6 months period year 2016 by RM38.32 million or 74.77% and RM12.30 million or 64.87% respectively as compared to the previous year. The revenue from mining is arising only from sales of remaining inventory. There is no further mining activity as a result of the moratorium imposed by federal government on bauxite mining since early January 2016.

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

The Group posted higher profit before taxation for the current quarter ended 30 June 2016 as compared to the preceding quarter ended 31 March 2016 mainly due to :-

- (a) higher contribution from property development activities, and mining of bauxite minerals activities by RM6.835 million (113.76%);
- (b) higher FFB production by 9,496 mt (26.35%) and;
- (c) higher average CPO and PK price per metric tonne by RM187 and RM330 respectively.

3. PROSPECTS

The performance of the plantations segment will be satisfactory following a slow but expected recovery in CPO prices. Property development segment revenue is expected to increase in tandem with the timing and anticipated positive response of new launchings. Mining's contribution is expected to be significantly decreased because of the moratorium imposed by the government since January 2016.

Our Board expects the result of our group's operations for the year ending 31 December 2016 to be satisfactory.



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4. PROFIT FORECASTS AND/OR PROFIT GUARANTEE

Profit forecast

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

Profit guarantee

The profit guarantee received by Tanah Makmur Group in the year 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.

Financial year ended 31 December	2013	2014	2015	2016	2017	Total
	RM million					
Yearly minimum guaranteed entitlement comprising the following:						
Land cost ⁽¹⁾	1.21	4.20	7.90	12.46	19.00	44.77
60% of profit before tax ⁽²⁾	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.



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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' Sri 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.

For the year ending 31 December 2016, the Board expects that there will be no shortfall in both (1) and (2).

5. PROFIT BEFORE TAX

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

	<i>(unaudited)</i> current year 30/06/2016 RM'000	<i>(unaudited)</i> Preceding year 30/06/2015 RM'000
Depreciation / amortisation	5,528	5,257
Property, plant and equipment written off	-	25
Inventories written down	247	53
Loss on sale of livestock	3	34
Interest expense	1,195	1,244
Pension costs – defined benefit plan	(53)	(206)
Gain on disposal of property, plant and equipment	(19)	(189)
Interest income	(372)	(1,355)
Net realised foreign exchange gain	(2,581)	-
	<hr/> <hr/>	<hr/> <hr/>

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

6. TAXATION

	RM'000
Taxation comprises of:	
Current provision	7,909
Deferred taxation	(211)
	<hr/> <hr/>
	7,698

The effective tax rate of the Group for the current financial period ended 30 June 2016 is approximating the Malaysian income tax rate of 24% in the year assessment 2016.

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

Save as disclosed in **Note B5**, the Group does not have any foreign exchange gain or loss for the current quarter ended 30 June 2016.



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10. STATUS OF CORPORATE PROPOSALS

(a) PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE (PROPOSED SCR)

On 25 April 2016, the Board of Directors had announced that they have received a letter from KDYTM Tengku Abdullah Al-Haj Ibni Sultan Haji Ahmad Shah Al-Musta'in Billah (the "Offeror"), a major shareholder of the Company, requesting for the Company to undertake a Proposed SCR under Section 64 of the Companies Act, 1965 ("SCR Offer Letter"). The Proposed SCR involves Tanah Makmur undertaking a selective capital reduction and repayment exercise under Section 64 of the Act, involving all shareholders of the Company other than the Non-Entitled Shareholders (as defined in the SCR Offer Letter) whose names appear in the Record of Depositors of Tanah Makmur as at the close of business on an entitlement date to be determined and announced later.

On 28 April 2016, the Board of Directors had announced that they, save for the Interested Directors, has deliberated on the contents of the SCR Offer Letter and has resolved to table the Proposed SCR to the shareholders of the Company for their consideration.

Please refer to the Announcements dated 25 April 2016 and 28 April 2016 for further details.

As of the date of this report, the corporate proposal is pending the approvals from the relevant authorities.

(b) UTILISATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING

Since its listing on 17 July 2014, the company had fully utilised the proceeds raised from the initial public offering as follow:

<u>Purpose</u>	<u>Timeframe utilisation of proceeds</u>	<u>Amount of total proceeds raised & utilised (RM)</u>
Estate development	within 24 months	28,500,000
Expansion of palm oil mill	within 24 months	5,000,000
Infrastructure work of the KotaSAS Township	within 24 months	13,000,000
Repayment of bank borrowings	within 6 months	13,075,000
Listing expenses	within 6 months	5,600,000
Total gross proceeds		65,175,000

There is no other pending corporate proposal as at the date of this report.

11. GROUP BORROWINGS

Loans and borrowings as at 30 June 2016 comprise of:

	<u>Amount</u> <u>RM'000</u>
11.1 Current loans and borrowings	
Business Financing-i (plantation)	1,932
Bai BithamanAjil Term Financing-i	1,461
Business Financing-i (property)	3,325
Term Loan-Cash Line Term Financing-i	8,015
Obligations under finance leases	411
	<u>15,144</u>
11.2 Non-current loans and borrowings	
Business Financing-i (plantation)	5,439
Bai BithamanAjil Term Financing-i	5,201
Business Financing-i (property)	15,728
Term Loan-Cash Line Term Financing-i	-
Obligations under finance leases	942
	<u>27,310</u>
Total loans and borrowings	<u>42,454</u>



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11.3 *Total loans and borrowings*

Secured:

Business Financing-i (plantation)	7,371
Bai Bithaman Ajil Term Financing-i	6,662
Bai Bithaman Ajil (property)	19,053
Term Loan-Cash Line Term Financing-i	8,015
Obligation under finance leases	1,353
Total secured loan and borrowings	42,454

Unsecured

Total unsecured loans and borrowings	-
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Total loans and borrowings	42,454
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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

For the financial year ending 31 December 2016.

No interim dividend has been declared for the financial period ended 30 June 2016.



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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>(audited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
	3 months ended		6 months ended	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Profit for the period attributable to equity holders				
of the Company (RM'000)	12,052	13,248	19,017	26,390
Weighted average number of ordinary shares in issue ('000)	398,160	398,160	398,160	398,160
Basic EPS attributable to equity holders of the Company (sen)	3.03	3.33	4.77	6.63

(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 30/06/2016 RM'000	As At 31/12/2015 RM'000
Total retained earnings of the Group		
- Realised	170,406	151,178
- Unrealised	30,006	30,217
	200,412	181,395

