



**TANAH MAKMUR BERHAD** (841938-U)

**Quarterly Report on Consolidated Results for the  
Third Quarter Ended 30.09.2016**



**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>9 months ended</i>	
	<i>30 Sep</i>		<i>30 Sep</i>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	89,956	90,922	240,630	274,133
Other income	1,308	901	4,872	3,020
	91,264	91,823	245,502	277,153
Operational costs	(64,852)	(63,507)	(180,568)	(195,374)
Depreciation and amortisation	(2,769)	(2,666)	(8,297)	(7,923)
Profit from operations	23,643	25,650	56,637	73,856
<i>Finance costs</i>	<i>(535)</i>	<i>(600)</i>	<i>(1,730)</i>	<i>(1,844)</i>
Profit before taxation	23,108	25,050	54,907	72,012
Taxation	(5,334)	(6,605)	(13,032)	(17,482)
Profit for the period	17,774	18,445	41,875	54,530
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>17,774</b>	<b>18,445</b>	<b>41,875</b>	<b>54,530</b>
<i>Profit attributable to:</i>				
Equity holders of the company	14,582	14,171	33,599	40,561
Non-controlling interests	3,192	4,274	8,276	13,969
	17,774	18,445	41,875	54,530
<i>Total comprehensive income attributable to:</i>				
Equity holders of the company	14,582	14,171	33,599	40,561
Non-controlling interests	3,192	4,274	8,276	13,969
	17,774	18,445	41,875	54,530
<b>Earnings per share attributable to equity holders of the company (sen):</b>				
Basic (Note B15)	3.66	3.56	8.44	10.19

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 30/09/2016	As at 31/12/2015
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	150,172	151,137
Investment Property	375	395
Biological assets	129,263	114,899
Land use rights	38,439	38,871
Land held for property development	27,145	27,605
Other investment	5	5
	<b>345,399</b>	<b>332,912</b>
<b>Current assets</b>		
Property development costs	108,335	80,458
Inventories	12,105	26,128
Trade and other receivables	58,526	67,003
Other current assets	31,101	25,923
Marketable securities	1,713	1,713
Tax recoverable	4,791	3,561
Derivative	252	252
Cash and bank balances	56,916	70,688
	<b>273,739</b>	<b>275,726</b>
<b>TOTAL ASSETS</b>	<b>619,138</b>	<b>608,638</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	199,080	199,080
Reserves	258,766	225,167
	<b>457,846</b>	<b>424,247</b>
<b>Non-controlling interests</b>	30,120	23,239
<b>Total equity</b>	<b>487,966</b>	<b>447,486</b>
<b>Non-current liabilities</b>		
Loans and borrowings	25,668	31,212
Staff benefit liabilities	3,891	3,830
Deferred tax liabilities	29,873	29,964
	<b>59,432</b>	<b>65,006</b>
<b>Current liabilities</b>		
Loans and borrowings	14,776	15,162
Trade and other payables	53,501	77,078
Other current liabilities	1,263	1,616
Tax payable	2,200	2,290
	<b>71,740</b>	<b>96,146</b>
<b>TOTAL LIABILITIES</b>	<b>131,172</b>	<b>161,152</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>619,138</b>	<b>608,638</b>
Net assets per share attributable to equity holders of the Company (RM)	1.15	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 30/09/2016**

	<-----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	RM'000	RM'000
<b>At 1.1.2016</b>	<b>199,080</b>	<b>38,478</b>	<b>1,750</b>	<b>3,544</b>	<b>181,395</b>	<b>424,247</b>	<b>23,239</b>	<b>447,486</b>
Total comprehensive income	-	-	-	-	33,599	33,599	8,276	41,875
Dividend paid to minority interest	-	-	-	-	-	-	(1,395)	(1,395)
<b>At 30.09.2016</b>	<b>199,080</b>	<b>38,478</b>	<b>1,750</b>	<b>3,544</b>	<b>214,994</b>	<b>457,846</b>	<b>30,120</b>	<b>487,966</b>

	<-----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	RM'000	RM'000
<b>At 1.1.2015</b>	<b>199,080</b>	<b>38,478</b>	<b>1,750</b>	<b>3,544</b>	<b>175,164</b>	<b>418,016</b>	<b>22,298</b>	<b>440,314</b>
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)
<b>At 31.12.2015</b>	<b>199,080</b>	<b>38,478</b>	<b>1,750</b>	<b>3,544</b>	<b>181,395</b>	<b>424,247</b>	<b>23,239</b>	<b>447,486</b>

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 September 2016**

	<i>(unaudited)</i> 30/09/2016 RM'000	<i>(unaudited)</i> 30/09/2015 RM'000
<b>OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>54,907</b>	<b>72,012</b>
<b><u>Adjustments for :</u></b>		
Depreciation / amortisation	8,297	7,923
Gain on disposal of property plant and equipment	(165)	(281)
Property, plant & equipment written off	-	18
Inventories written down	-	765
Loss on sale of livestock	2	47
Pension costs - defined benefit plan	62	(32)
Interest expense	1,730	1,844
Interest income	(659)	(1,947)
Net realised foreign exchange gain	(3,176)	-
<b>Total adjustments</b>	<b>6,091</b>	<b>8,337</b>
<b>Operating profit before changes in working capital</b>	<b>60,998</b>	<b>80,349</b>
<b><u>Changes in working capital :</u></b>		
- Property development costs and land held for development	(27,403)	(5,905)
- Trade and other receivables	7,621	(10,138)
- Inventories	14,023	(9,067)
- Trade and other payables	(24,820)	896
<b>Total changes in working capital</b>	<b>(30,579)</b>	<b>(24,214)</b>
<b>Cash generated from operations</b>	<b>30,419</b>	<b>56,135</b>
Income taxes paid	(15,246)	(20,752)
Income tax refund	801	144
<b>Net cash flows from operating activities</b>	<b>15,974</b>	<b>35,527</b>



**TANAH MAKMUR BERHAD (841938-U)**

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

	<i>(unaudited)</i> 30/09/2016 RM'000	<i>(unaudited)</i> 30/09/2015 RM'000
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(4,180)	(5,359)
Purchase of biological assets	(17,189)	(18,668)
Proceeds from sales of livestocks	151	176
Purchase of livestocks	(134)	(131)
Interest income received	659	1,947
<b>Net cash used in investing activities</b>	<b>(20,693)</b>	<b>(22,035)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from borrowings	-	10,000
Repayment of borrowings	(5,928)	(4,127)
Dividends paid to equity holders of the company	-	(47,779)
Dividend paid to non-controlling interest	(1,395)	(8,026)
Interest paid	(1,730)	(1,844)
<b>Net cash used in financing activities</b>	<b>(9,053)</b>	<b>(51,776)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Net increase / (decrease)	(13,772)	(38,284)
At beginning of year	70,688	111,239
<b>At end of period</b>	<b>56,916</b>	<b>72,955</b>

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



## TANAH MAKMUR BERHAD (841938-U)

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.





**TANAH MAKMUR BERHAD (841938-U)**

**(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.

	<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 Sep 2016</b>			
<b>Revenue</b>			
Total revenue	62,594	41,727	104,321
Less : Inter-segment revenue	(12,304)	(2,061)	(14,365)
External revenue	<u>50,290</u>	<u>39,666</u>	<u>89,956</u>
Segment result (external)	12,417	10,691	<u>23,108</u>
Profit before tax			<u>23,108</u>
<b>3 months ended</b>			
<b>30 Sep 2015</b>			
<b>Revenue</b>			
Total revenue	56,496	46,771	103,267
Less : Inter-segment revenue	(9,695)	(2,650)	(12,345)
External revenue	<u>46,801</u>	<u>44,121</u>	<u>90,922</u>
Segment result (external)	9,994	15,056	<u>25,050</u>
Profit before tax			<u>25,050</u>



**TANAH MAKMUR BERHAD (841938-U)**

	PLANTATION	PROPERTY DEVELOPMENT	GROUP
	RM'000	RM'000	RM'000
<b>Cumulative 9 months ended</b>			
<b>30 Sep 2016</b>			
<b>Revenue</b>			
Total revenue	159,897	126,285	286,182
Less : Inter-segment revenue	(32,723)	(12,829)	(45,552)
External revenue	127,174	113,456	240,630
Segment result (external)	25,366	29,541	54,907
Profit before tax			54,907
<b>Cumulative 9 months ended</b>			
<b>30 Sep 2015</b>			
<b>Revenue</b>			
Total revenue	160,569	146,293	306,862
Less : Inter-segment revenue	(23,492)	(9,237)	(32,729)
External revenue	137,077	137,056	274,133
Segment result (external)	23,096	48,916	72,012
Profit before tax			72,012

**(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 September 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.



**TANAH MAKMUR BERHAD (841938-U)**

**(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 September 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

<b>As at 30/09/2016 RM'000</b>
11,333
-
<b>11,333</b>
6,421
-
<b>6,421</b>



**TANAH MAKMUR BERHAD (841938-U)**

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

**1. REVIEW OF PERFORMANCE**

**Current quarter – Q3 2016 Versus Q3 2015**

For the 3<sup>rd</sup> quarter ended 30 September 2016, the Group’s revenue decreased by 1.06% to RM89.96 million from RM90.92 million in the previous year’s corresponding period.

Profit before tax decreased by 7.75% to RM23.11 million in the 3<sup>rd</sup> quarter of 2016, from RM25.05 million in the previous year’s corresponding period. However, the Group’s total comprehensive income attributable to equity holders of the company increase by 2.89% to RM14.58 million in the 3<sup>rd</sup> quarter 2016, from RM14.17 million in the previous year’s corresponding period.

	<b>Q3-2016</b>	<b>Q3-2015</b>	<b>Variance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
<b>Revenue</b>			
Plantation	50,290	46,801	7.45%
Property development	39,666	44,121	(10.10%)
<b>Total</b>	<b>89,956</b>	<b>90,922</b>	<b>(1.06%)</b>
<b>Profit Before Tax</b>			
Plantation	12,417	9,994	24.24%
Property development	10,691	15,056	(28.99%)
<b>Total</b>	<b>23,108</b>	<b>25,050</b>	<b>(7.75%)</b>

**Plantation segment**

Revenue from plantation segment increased by 7.45 % following higher average selling prices of CPO, PK and FFB despite lower FFB production and FFB processed as compared to the same quarter last year.

The profit before tax had increased by 24.24% to RM12.42 million due to:-

- (a) higher average selling prices of CPO, PK and FFB by RM555, RM1,299 and RM165 per metric tonne respectively as compared to the previous year’s corresponding period;
- (b) decrease in upkeep and cultivation by RM0.747 million to RM5.03 million in the current reporting period as compared to the previous year’s corresponding period; and
- (c) the mill’s efficiency had improved due to quality and cost control measures implemented.

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

	unaudited	
	For the 3 months ended 30 Sep	
	2016	2015
Average CPO selling price (RM/mt)	2,604	2,049
Average PK selling price (RM/mt)	2,683	1,384
Average FFB selling price (RM/mt)	648	483
FFB production (mt)	46,275	61,509
Intake of FFB processed (mt):		
Our Group’s plantation estates	22,210	23,912
Third Party plantation owners and traders	25,933	35,477
	<u>48,143</u>	<u>59,389</u>



## TANAH MAKMUR BERHAD (841938-U)

### Property development segment

During the quarter, the property development segment registered a lower turnover of RM39.67 million or 10.10% as a result of lower sales of affordable homes and trading / engineering support activities. Similarly, the property development segment registered a lower profit before tax of RM10.69 million or 28.99% 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 3<sup>rd</sup> quarter 2016 by RM8.43 million or 40.30% and RM3.50 million or 42.77% 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 – 9 months 2016 Versus 9 months 2015**

For the 9 months period ended 30 September 2016, the Group's revenue decreased by 12.22% to RM240.63 million from RM274.13 million in the previous year.

Profit before tax decreased by 23.75% to RM54.91 million in the 9 months year 2016, from RM72.01 million in the previous year's corresponding period. Similarly, the Group's total comprehensive income attributable to equity holders of the company decreased by 17.16% to RM33.60 million in the 9 months year 2016, from RM40.56 million in the previous year.

	<b>9 months ended 30 Sep 2016</b>	<b>9 months ended 30 Sep 2015</b>	<b>Variance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
<b>Revenue</b>			
Plantation	127,174	137,077	(7.22%)
Property development	113,456	137,056	(17.22%)
<b>Total</b>	<b>240,630</b>	<b>274,133</b>	<b>(12.22%)</b>
<b>Profit Before Tax</b>			
Plantation	25,366	23,096	9.83%
Property development	29,541	48,916	(39.61%)
<b>Total</b>	<b>54,907</b>	<b>72,012</b>	<b>(23.75%)</b>

### Plantation segment

Revenue from plantation segment decreased by 7.22 % following lower FFB production and lower FFB processed despite higher average selling prices of CPO, PK and FFB as compared to the same quarter last year.

For the period ended 30 September 2016, the profit before tax had increased by 9.83% to RM25.37 million due to :

- (a) higher average selling prices of CPO, PK and FFB by RM392, RM848 and RM117 per metric tonne respectively as compared to the previous year's corresponding period;
- (b) decrease in upkeep and cultivation by RM1.56 million to RM15.67 million in the current reporting period as compared to the previous year's corresponding period; and
- (c) the mill's efficiency had improved due to quality and cost control measures implemented.



## TANAH MAKMUR BERHAD (841938-U)

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

	unaudited	
	For the 9 months ended 30 Sep	
	2016	2015
Average CPO selling price (RM/mt)	2,548	2,156
Average PK selling price (RM/mt)	2,413	1,565
Average FFB selling price (RM/mt)	632	515
FFB production (mt)	125,205	152,254
Intake of FFB processed (mt):		
Our Group's plantation estates	58,238	52,652
Third Party plantation owners and traders	63,899	113,143
	122,137	165,795

### **Property development segment**

During the 9 months period year 2016, the property development segment registered a lower turnover of RM113.46 million or 17.22% mainly due to the decrease in bauxite mining activity. Similarly, the property development segment registered a lower profit before tax of RM29.54 million or 39.61% 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 9 months period year 2016 by RM46.75 million or 64.77% and RM15.79 million or 58.21% 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 September 2016 as compared to the preceding quarter ended 30 June 2016 mainly due to :-

- (a) lower loss from milling operations by RM0.489 million (56.81%);
- (b) higher FFB production by 2,062 mt (4.66%); and
- (c) higher average selling price of PK by RM263 per metric tonne.

## **3. PROSPECTS**

The performance of the plantations segment will be satisfactory following a recovery in CPO prices, however affected by lower FFB production yield as a result of unfavorable weather conditions. Property development segment revenue is expected to be satisfactory in tandem with the timing and anticipated response of new launchings. Mining's contribution is expected to be lower 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.



## TANAH MAKMUR BERHAD (841938-U)

### 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.

<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.



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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.

The Board will be reviewing the positions of both (1) and (2) again for the preparation of the financial statements for the year ending 31 December 2016.

### 5. PROFIT BEFORE TAX

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

	<i>(unaudited)</i> current year 30/09/2016 RM'000	<i>(unaudited)</i> Preceding year 30/09/2015 RM'000
Depreciation / amortisation	8,297	7,923
Property, plant and equipment written off	-	18
Inventories written down	-	765
Loss on sale of livestocks	2	47
Interest expense	1,730	1,844
Pension costs – defined benefit plan	62	(32)
Gain on disposal of property, plant and equipment	(165)	(281)
Interest income	(659)	(1,947)
Net realised foreign exchange gain	(3,176)	-

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

### 6. TAXATION

	RM'000
<b>Taxation comprises of:</b>	
Current provision	13,124
Deferred taxation	(92)
	13,032

The effective tax rate of the Group for the current financial period ended 30 September 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 September 2016.





## TANAH MAKMUR BERHAD (841938-U)

### 10. STATUS OF CORPORATE PROPOSALS

#### **PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE (“PROPOSED SCR”)**

On 25 April 2016, the Board of Directors 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 (“**Act**”) (“**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 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.

On 24 October 2016, Securities Commission Malaysia had consented to the contents of the circular and the explanatory statement to the non-interested shareholders of Tanah Makmur in relation to the Proposed SCR under Practice Note 44 of the Malaysian Code on Take-Overs and Mergers 2010.

On 25 October 2016, the Board had received a letter from the Offeror to revise the SCR consideration price from RM1.80 to RM1.90 per share. Further, on 26 October 2016, the Board of Directors received a letter from the Offeror setting out certain consequential variations to facilitate the said revision to the SCR consideration price. Letter dated 25 October 2016 and 26 October 2016 above collectively, referred to as “**Revised SCR Offer Letters**”.

On 26 October 2016, the Board of Directors, save for the interested directors, deliberated on the contents of the Revised SCR Offer Letters and has resolved to table the Proposed SCR to the shareholders for their consideration.

On 18 November 2016, the Company announced that the non-interested shareholders of the Company have unanimously approved the Special Resolution in respect of the Proposed SCR, at the extraordinary general meeting of Tanah Makmur held on 18 November 2016.

Please refer to the Announcements dated 25 April 2016, 28 April 2016, 31 May 2016, 1 June 2016, 24 October 2016, 25 October 2016, 26 October 2016 and 18 November 2016 and the circular to shareholders dated 27 October 2016 for further details.

As of the date of this report, the corporate proposal is conditional upon and subject to the following conditions:

- (i) the grant of an order by the High Court of Malaya confirming the Proposed SCR;
- (ii) the consent from Tanah Makmur’s creditors/lenders, if required; and
- (iii) other relevant authorities.

The application to the High Court of Malaya for an order to confirm the Proposed SCR will be made in due course. Once the Company receives and lodges the order with the Companies Commission of Malaysia, Tanah Makmur will fix and announce the entitlement date in relation the Proposed SCR and the payment of the SCR consideration price to the shareholders who are entitled to the Proposed SCR will be made as soon as practicable.

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

## TANAH MAKMUR BERHAD (841938-U)

### 11. GROUP BORROWINGS

Loans and borrowings as at 30 September 2016 comprise of:

	<u>Amount</u> RM'000
<b>11.1</b>	<b><i>Current loans and borrowings</i></b>
	Business Financing-i (plantation) 1,961
	Bai BithamanAjil Term Financing-i 1,085
	Business Financing-i (property) 3,378
	Term Loan-Cash Line Term Financing-i 7,950
	Obligations under finance leases 402
	<b>14,776</b>
<b>11.2</b>	<b><i>Non-current loans and borrowings</i></b>
	Business Financing-i (plantation) 4,938
	Bai BithamanAjil Term Financing-i 4,991
	Business Financing-i (property) 14,890
	Term Loan-Cash Line Term Financing-i -
	Obligations under finance leases 849
	<b>25,668</b>
	<b>Total loans and borrowings</b> <b>40,444</b>
<b>11.3</b>	<b><i>Total loans and borrowings</i></b>
	<u>Secured:</u>
	Business Financing-i (plantation) 6,899
	Bai BithamanAjil Term Financing-i 6,076
	Bai Bithaman Ajil (property) 18,268
	Term Loan-Cash Line Term Financing-i 7,950
	Obligation under finance leases 1,251
	<b>Total secured loan and borrowings</b> <b>40,444</b>
	<u>Unsecured</u> -
	<b>Total unsecured loans and borrowings</b> -
	<b>Total loans and borrowings</b> <b>40,444</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

#### For the financial year ending 31 December 2016.

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



**TANAH MAKMUR BERHAD (841938-U)**

**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		9 months ended	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Profit for the period attributable to equity holders				
of the Company (RM'000)	14,582	14,171	33,599	40,561
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)	3.66	3.56	8.44	10.19

**(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 30/09/2016 RM'000	As At 31/12/2015 RM'000
Total retained earnings of the Group		
- Realised	184,869	151,178
- Unrealised	30,125	30,217
	<b>214,994</b>	<b>181,395</b>

