TANAH MAKMUR BERHAD (841938-U)

Quarterly Report on Consolidated Results for the Fourth Quarter Ended 31.12.2016

TMB
Tanah Makmur Berhad
(841938-U)

TANAH MAKMUR BERHAD (841938-U)

Condensed Consolidated Statement of Comprehensive Income

	Current quarter		Cumulative quarter	
	(unaudited)	*(audited)*	*(unaudited)*	*(audited)*
	3 months ended		*Year ended*	
	31 Dec		*31 Dec*	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	80,746	130,535	321,376	404,668
Other income	13,505	824	18,377	3,844
	94,251	131,359	339,753	408,512
Operational costs	(73,679)	(98,771)	(254,247)	(294,145)
Depreciation and amortisation	(3,038)	(3,156)	(11,335)	(11,079)
Profit from operations	17,534	29,432	74,171	103,288
Finance costs	*(479)*	*(572)*	*(2,209)*	*(2,416)*
Profit before taxation	17,055	28,860	71,962	100,872
Taxation	(6,114)	(10,366)	(19,146)	(27,848)
Profit for the period	10,941	18,494	52,816	73,024
Other comprehensive income:				
Net (loss) / gain on re-measurement of defined benefit liability	-	159	-	159
Total comprehensive income for the period/year	**10,941**	**18,653**	**52,816**	**73,183**
Profit attributable to:				
Equity holders of the company	12,203	13,290	45,802	53,851
Non-controlling interests	(1,262)	5,204	7,014	19,173
	10,941	18,494	52,816	73,024
Total comprehensive income attributable to:				
Equity holders of the company	12,203	13,449	45,802	54,010
Non-controlling interests	(1,262)	5,204	7,014	19,173
	10,941	18,653	52,816	73,183
Earnings per share attributable to equity holders of the company (sen):				
Basic **(Note B15)**	3.06	3.34	11.50	13.53

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

	(unaudited) As at 31/12/2016 RM'000	*(audited)* As at 31/12/2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	154,034	151,137
Investment Property	387	395
Biological assets	133,769	114,899
Land use rights	38,294	38,871
Land held for property development	27,023	27,605
Other investment	5	5
	353,512	**332,912**
Current assets		
Property development costs	111,596	80,458
Inventories	8,508	26,128
Trade and other receivables	58,076	67,003
Other current assets	43,724	25,923
Marketable securities	1,553	1,713
Tax recoverable	5,423	3,561
Derivative	-	252
Cash and bank balances	51,779	70,688
	280,659	**275,726**
TOTAL ASSETS	**634,171**	**608,638**
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	199,080	199,080
Reserves	274,152	225,167
	473,232	**424,247**
Non-controlling interests	26,958	23,239
Total equity	**500,190**	**447,486**
Non-current liabilities		
Loans and borrowings	24,173	31,212
Staff benefit liabilities	3,675	3,830
Deferred tax liabilities	30,795	29,964
	58,643	**65,006**
Current liabilities		
Loans and borrowings	14,581	15,162
Trade and other payables	56,070	77,078
Other current liabilities	1,991	1,616
Tax payable	2,696	2,290
	75,338	**96,146**
TOTAL LIABILITIES	**133,981**	**161,152**
TOTAL EQUITY AND LIABILITIES	**634,171**	**608,638**
Net assets per share attributable to equity holders of the Company (RM)	1.19	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 year ended 31/12/2016

	<---Non-distributable				--->	<Distributable>			
	Share capital	**Share premium**	**Capital redemption reserves**	**Other Reserve**	**Foreign currency translation Reserve**	**Retained profit**	**Total**	**Non-controlling interests**	**TOTAL EQUITY**
	RM'000	**RM'000**	**RM'000**	**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	-	-	-	-	-	45,802	45,802	7,014	52,816
Acquisition of minority interest	-	-	-	-	-	-	-	(300)	(300)
Foreign currency translation reserve	-	-	-	-	3,183	-	3,183	-	3,183
Dividend paid to minority interest	-	-	-	-	-	-	-	(2,995)	(2,995)
At 31.12.2016	**199,080**	**38,478**	**1,750**	**3,544**	**3,183**	**227,197**	**473,232**	**26,958**	**500,190**

	<---Non-distributable				--->	<Distributable>			
	Share capital	**Share premium**	**Capital redemption reserves**	**Other reserve**	**Foreign currency translation reserve**	**Retained profit**	**Total**	**Non-controlling interests**	**TOTAL EQUITY**
	RM'000	**RM'000**	**RM'000**	**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 Year Ended 31 December 2016

	(unaudited) 31/12/2016 RM'000	*(audited)* 31/12/2015 RM'000
OPERATING ACTIVITIES		
Profit before tax	**71,962**	**100,872**
Adjustments for :		
Depreciation / amortisation	11,335	11,079
Gain on disposal of property plant and equipment	(165)	(79)
Property, plant & equipment written off	-	22
Inventories written down	383	30
Loss on sale of livestocks	39	97
Bad debts written off	7	99
Pension costs - defined benefit plan	456	278
Interest expense	2,209	2,416
Interest income	(1,097)	(2,345)
Net unrealised/realised foreign exchange gain	(2,506)	(129)
Fair value gain/loss on derivative	-	(252)
Fair value changes of financial assets at fair value through profit or loss	160	470
Total adjustments	**10,821**	**11,686**
Operating profit before changes in working capital	**82,783**	**112,558**
Changes in working capital :		
- Property development costs and land held for development	(30,555)	5,237
- Trade and other receivables	11,512	(35,251)
- Other current assets	(17,800)	(1,130)
- Inventories	17,281	(10,359)
- Derivatives	252	(252)
- Trade and other payables	(21,008)	24,873
- Other current liabilities	375	(12,653)
Total changes in working capital	**(39,943)**	**(29,535)**
Cash generated from operations	**42,840**	**83,023**
Income taxes refund	801	1,052
Income taxes paid	(20,573)	(28,107)
Retirement benefit paid	(610)	(244)
Net cash flows from operating activities	**22,458**	**55,724**

TANAH MAKMUR BERHAD (841938-U)

Condensed Consolidated Statement of Cash Flow
For the Year Ended 31 December 2016

	(unaudited)	*(audited)*
	31/12/2016	**31/12/2015**
	RM'000	**RM'000**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9,551)	(7,514)
Purchase of biological assets	(22,701)	(26,676)
Proceeds from sales of livestocks	177	189
Proceeds from disposal of property, plant and equipment	327	375
Purchase of livestocks	(211)	(184)
Interest income received	1,097	2,345
Acquisition of minority interest	(300)	-
Net cash used in investing activities	**(31,162)**	**(31,465)**
FINANCING ACTIVITIES		
Proceeds from borrowings	-	10,000
Repayment of borrowings	(8,184)	(6,383)
Dividends paid to equity holders of the company	-	(47,779)
Dividend paid to non-controlling interest	(2,995)	(18,232)
Interest paid	(2,209)	(2,416)
Net cash used in financing activities	**(13,388)**	**(64,810)**
CASH AND CASH EQUIVALENTS		
Net increase / (decrease)	(22,092)	(40,551)
Effects of foreign currency exchange rate changes	3,183	-
At beginning of year	70,688	111,239
At end of year	**51,779**	**70,688**

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

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: *Offsetting Financial Assets And Financial Liabilities*	1 January 2014
Amendments to FRS 10, FRS 12 and FRS 127: *Investment Entities*	1 January 2014
Amendments to FRS 136: *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to FRS 139: *Novation of Derivatives And Continuation of Hedge Accounting*	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to FRS 119: *Defined Benefit Plans: Employee Contributions*	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: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 11: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 127: *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 101 : *Disclosure Initiatives*	1 January 2016

Description	Effective for annual periods beginning on or after
Amendments to FRS 10, FRS 12 and FRS 128: *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 14: *Regulatory Deferral Accounts*	1 January 2016
FRS 9: *Financial Instruments*	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 year under review.

(6) Changes in Estimates

There were no changes in estimated amounts that have a material effect on the current financial year 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 31 Dec 2016			
Revenue			
Total revenue	74,584	24,068	98,652
Less : Inter-segment revenue	(15,362)	(2,544)	(17,906)
External revenue	59,222	21,524	80,746
Segment result (external)	6,636	10,419	17,055
Profit before tax			17,055
3 months ended 31 Dec 2015			
Revenue			
Total revenue	64,933	83,333	148,266
Less : Inter-segment revenue	(14,218)	(3,513)	(17,731)
External revenue	50,715	79,820	130,535
Segment result (external)	7,738	21,122	28,860
Profit before tax			28,860

	PLANTATION	PROPERTY DEVELOPMENT	GROUP
	RM'000	RM'000	RM'000
Year ended 31 Dec 2016			
Revenue			
Total revenue	234,481	150,353	384,834
Less : Inter-segment revenue	(48,085)	(15,373)	(63,458)
External revenue	186,396	134,980	321,376
Segment result (external)	32,001	39,961	71,962
Profit before tax			71,962

	PLANTATION	PROPERTY DEVELOPMENT	GROUP
	RM'000	RM'000	RM'000
Year ended 31 Dec 2015			
Revenue			
Total revenue	225,502	229,626	455,128
Less : Inter-segment revenue	(37,710)	(12,750)	(50,460)
External revenue	187,792	216,876	404,668
Segment result (external)	30,834	70,038	100,872
Profit before tax			100,872

(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 31 December 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.

(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 31 December 2016 is as follow:

	As at 31/12/2016 RM'000
Property, plant and equipment:	
- Authorised but not contracted	8,816
- Contracted but not provided in the financial statements	-
	8,816
Biological asset:	
- Authorised but not contracted	1,333
- Contracted but not provided in the financial statements	-
	1,333

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

1. REVIEW OF PERFORMANCE

Current quarter – Q4 2016 Versus Q4 2015

For the 4th quarter ended 31 December 2016, the Group's revenue decreased by 38.14% to RM80.75 million from RM130.54 million in the previous year's corresponding period.

Profit before tax decreased by 40.90% to RM17.05 million in the 4th quarter of 2016, from RM28.86 million in the previous year's corresponding period. The Group's total comprehensive income attributable to equity holders of the company decrease by 8.20% to RM12.20 million in the 4th quarter 2016, from RM13.29 million in the previous year's corresponding period.

	Q4-2016	Q4-2015	Variance
	RM'000	RM'000	%
Revenue			
Plantation	59,222	50,715	16.77%
Property development	21,524	79,820	(73.03%)
Total	**80,746**	**130,535**	**(38.14%)**
Profit Before Tax			
Plantation	6,636	7,738	(14.24%)
Property development	10,419	21,122	(50.67%)
Total	**17,055**	**28,860**	**(40.90%)**

Plantation segment

Revenue from plantation segment increased by 16.77% 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 decreased by 14.24% to RM6.64 million due to:-

(a) Provision for doubtful debts of RM2.47 million at mill ; and

(b) SCR expenses of RM2.52 million in the current reporting period as compared to the previous year's corresponding period.

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

	unaudited	
	For the 3 months ended 31 Dec	
	2016	2015
Average CPO selling price (RM/mt)	2,936	2,166
Average PK selling price (RM/mt)	3,049	1,696
Average FFB selling price (RM/mt)	729	524
FFB production (mt)	46,027	54,809
Intake of FFB processed (mt):		
Our Group's plantation estates	24,296	29,915
Third Party plantation owners and traders	28,239	32,771
	52,535	62,686

Property development segment

During the quarter, the property development segment registered a lower turnover of RM21.52 million or 73.03% as a result of lower sales of affordable homes and trading / engineering support activities. The property development segment registered a lower profit before tax of RM10.42 million or 50.67% as compared to the previous year's quarter as a result of :

a) lower revenue from sales homes;

b) lower margin contribution from trading / engineering support activities; and

c) profit guarantee from a related party amounted RM13.44 million (refer Note B4 for details).

The mineral extraction activity (bauxite - as part of property development segment) had contributed to lower revenue and profit in the 4th quarter 2016 by RM29.08 million or 97.71% and RM18.45 million or 164.83% 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 – 12 months 2016 Versus 12 months 2015

For the year ended 31 December 2016, the Group's revenue decreased by 20.58% to RM321.38 million from RM404.67 million in the previous year.

Profit before tax decreased by 28.66% to RM71.96 million in the year 2016, from RM100.87 million in the previous year's corresponding period. The Group's total comprehensive income attributable to equity holders of the company decreased by 14.95% to RM45.80 million in the year 2016, from RM53.85 million in the previous year.

	Year ended 31 Dec 2016	**Year ended 31 Dec 2015**	**Variance**
	RM'000	**RM'000**	**%**
Revenue			
Plantation	186,396	187,792	(0.74%)
Property development	134,980	216,876	(37.76%)
Total	**321,376**	**404,668**	**(20.58%)**
Profit Before Tax			
Plantation	32,001	30,834	3.78%
Property development	39,961	70,038	(42.94%)
Total	**71,962**	**100,872**	**(28.66%)**

Plantation segment

Revenue from plantation segment decreased by 0.74 % 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.

During the year ended 31 December 2016, the profit before tax had increased by 3.78% to RM32 million due to :

(a) higher average selling prices of CPO, PK and FFB by RM490, RM980 and RM143 per metric tonne respectively as compared to the previous year's corresponding period;

(b) decrease in harvesting and collection by RM1.25 million to RM14.60 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.

However, the above was offset by SCR expenses of RM3.32 million, provision for doubtful debts of RM2.47 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 year ended 31 Dec	
	2016	2015
Average CPO selling price (RM/mt)	2,649	2,159
Average PK selling price (RM/mt)	2,578	1,598
Average FFB selling price (RM/mt)	653	510
FFB production (mt)	171,232	207,063
Intake of FFB processed (mt):		
Our Group's plantation estates	82,534	82,567
Third Party plantation owners and traders	92,138	145,915
	174,672	228,482

Property development segment

During the year 2016, the property development segment registered a lower turnover of RM134.98 million or 37.76% mainly due to the decrease in bauxite mining activity. The property development segment registered a lower profit before tax of RM39.96 million or 42.94% as compared to the previous year's as a result of :

a) lower revenue from sales homes;

b) lower margin contribution from trading / engineering support activities; and

c) profit guarantee from a related party amounted RM13.44 million (refer Note B4 for details).

The mineral extraction activity (bauxite - as part of property development segment) had contributed to lower revenue and profit during the year 2016 by RM75.83 million or 74.39% and RM34.24 million or 89.36% 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 lower profit before taxation for the current quarter ended 31 December 2016 as compared to the preceding quarter ended 30 September 2016 mainly due to :-

(a) provision for doubtful debts of RM2.47 million from mills;

(b) higher SCR expenses by RM2.39 million;

(c) lower profit from mining extraction activity by RM11.934 million (255.14%); and

(d) profit guarantee from a related party amounted RM13.44 million (refer Note B4 for details).

3. PROSPECTS

The performance of the plantations segment will be satisfactory following higher prices of CPO and PK. However, it may be affected by lower FFB production yield as a result of unfavorable weather conditions since the past year. 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 forthcoming year to be satisfactory.

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.

	2013	**2014**	**2015**	**2016**	**2017**	**Total**
Financial year ended 31 December			**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.

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 positions of both (1) and (2) have been reviewed by the Board and an amount of RM13.44 million has been included in the financial statements for the year ended 31 December 2016.

5. PROFIT BEFORE TAX

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

	(unaudited)	*(audited)*
	current year	**Preceding year**
	31/12/2016	**31/12/2015**
	RM'000	**RM'000**
Depreciation / amortisation	11,335	11,079
Inventories written down	383	30
Loss on sale of livestocks	39	97
Bad debts written off	7	99
Interest expense	2,209	2,416
Pension costs – defined benefit plan	456	278
Gain on disposal of property, plant and equipment	(165)	(79)
Interest income	(1,097)	(2,345)
Net unrealised/realised foreign exchange gain	(2,506)	(129)
Fair value changes of financial assets at fair value through profit or loss	160	470
Rental income	(268)	(284)
Auditors' remuneration	248	248
Director' remuneration	3,165	2,936
Rental expenses	322	77
Realised foreign exchange losses	3,074	2,618
Provision for doubtful debts	2,475	-
Miscellaneous	(796)	(754)
Bad debt recovery	(107)	-
Profit guarantee from a related party	(13,438)	-
Fair value gain/loss on derivative	-	(252)
Property, plant and equipment written off	-	22

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

6. TAXATION

	RM'000
Taxation comprises of:	
Current provision	17,271
Previous year over/under provided	240
Net effect of income/expenses subject to tax	2,073
Deferred taxation	(438)
	19,146

The effective tax rate of the Group for the current financial year ended 31 December 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 31 December 2016.

10. STATUS OF CORPORATE PROPOSALS

SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE ("SCR")

On 25 April 2016, the Board of Directors announced that they have received a letter from KDYMM Tengku Abdullah Al-Haj Ibni Sultan Haji Ahmad Shah Al-Musta'in Billah (the "**Offeror**"), a major shareholder of Tanah Makmur Berhad ("**Tanah Makmur**" or "**Company**"), requesting the Company to undertake a SCR under section 64 of the Companies Act, 1965 (**"Act"**) ("**SCR Offer Letter**"). The 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 (as defined in the Company's circular dated 27 October 2016), had deliberated on the contents of the SCR Offer Letter and had resolved to table the SCR to the shareholders of the Company for their consideration.

On 24 October 2016, the Securities Commission Malaysia had given its consent to the contents of the circular and the explanatory statement to the Non-Interested Shareholders (as defined in the Company's circular dated 27 October 2016), of Tanah Makmur in relation to the SCR under Practice Note 44 of the Malaysian Code on Take-Overs and Mergers 2010.

On 25 October 2016, the Board 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. The letters dated 25 October 2016 and 26 October 2016 above are collectively; referred to as the "**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 resolved to table the SCR to the shareholders for their consideration.

On 18 November 2016, the Company announced that the Non-Interested Shareholders of the Company had unanimously approved the special resolution in respect of the SCR, at the extraordinary general meeting of Tanah Makmur held on 18 November 2016.

On 15 February 2017, the Company announced that the High Court of Malaya had granted an order confirming the SCR pursuant to the section 64 of the Act. The SCR will take effect upon lodgement of an office copy of the order with the Companies Commission of Malaysia.

On 20 February 2017, the Company had announced that the entitlement date in relation to the SCR ("**Entitlement Date**") has been fixed at 5.00 p.m. on Tuesday, 7 March 2017 and accordingly, a written notice **("Notice")** for the suspension of trading of ordinary shares of RM0.20 each in the Company and the Entitlement Date has been despatched to the Company's shareholders on 21 February 2017. The payment of the SCR consideration price to the shareholders whom are entitled to the SCR will be made within ten (10) days from the Entitlement Date.

Please refer to the Company's 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, 15 February 2017, 20 February 2017, 21 February 2017, the circular to shareholders dated 27 October 2016 and the Notices for further details.

Save for the SCR, there is no other pending corporate proposal as at the date of this report.

11. GROUP BORROWINGS

Loans and borrowings as at 31 December 2016 comprise of:

		Amount **RM'000**
11.1	***Current loans and borrowings***	
	Business Financing-i (plantation)	1,990
	Bai BithamanAjil Term Financing-i	836
	Business Financing-i (property)	3,436
	Term Loan-Cash Line Term Financing-i	7,851
	Obligations under finance leases	468
		14,581
11.2	***Non-current loans and borrowings***	
	Business Financing-i (plantation)	4,430
	Bai BithamanAjil Term Financing-i	4,777
	Business Financing-i (property)	13,880
	Term Loan-Cash Line Term Financing-i	-
	Obligations under finance leases	1,086
		24,173
	Total loans and borrowings	**38,754**
11.3	***Total loans and borrowings***	
	Secured:	
	Business Financing-i (plantation)	6,420
	Bai BithamanAjil Term Financing-i	5,613
	Bai Bithaman Ajil (property)	17,316
	Term Loan-Cash Line Term Financing-i	7,851
	Obligation under finance leases	1,554
	Total secured loan and borrowings	**38,754**
	Unsecured	-
	Total unsecured loans and borrowings	-
	Total loans and borrowings	**38,754**

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 year 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 ended 31 December 2016.

No interim dividend has been declared for the financial year ended 31 December 2016.

15. EARNINGS PER SHARE ("EPS")

(a) Basic EPS

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

	Current quarter		**Cumulative quarter**	
	(unaudited)	***(audited)***	***(unaudited)***	***(audited)***
	3 months ended		**year ended**	
	31/12/2016	**31/12/2015**	**31/12/2016**	**31/12/2015**
Profit for the period attributable to equity holders of the Company (RM'000)	12,203	13,290	45,802	53,851
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)	3.06	3.34	11.50	13.53

(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 year are analysed as follow:

	As At 31/12/2016 RM'000	As At 31/12/2015 RM'000
Total retained earnings of the Group		
- Realised	193,219	151,178
- Unrealised	33,978	30,217
	227,197	**181,395**

17. PLANTATION STATISTICS

	As at 31 Dec 2016	As at 31 Dec 2015
(a) Planted areas (hectares)		
Oil palm - past prime (> 25 years)	-	130
- old mature (19 - 25 years)	2,942	2,698
- prime mature (14 - 18 years)	4,432	3,740
- prime mature (9 - 13 years)	748	1,655
- young mature (4 - 8 years)	2,753	2,492
	10,875	10,715
- immature	5,244	5,450
	16,119	16,165

	As at 31 Dec 2016	As at 31 Dec 2015
(b) Crop Production (MT)		
FFB	171,232	207,063
(c) Average Selling Prices (RM per MT)		
CPO	2,649	2,159
PK	2,578	1,598
FFB	653	510

By order of the Board

TANAH MAKMUR BERHAD

SUZILAH BINTI HAJI WAHID
Company Secretary
Dated this: 24 February 2017