



**TA ANN HOLDINGS BERHAD**  
(419232-K)



**2018**  
ANNUAL REPORT

**TOWARDS SUSTAINABLE MANAGEMENT**

# 22<sup>nd</sup>

## Annual General Meeting

Venue : Igan Room, Level 1, Tanahmas Hotel, Lot 277,  
Block 5, Jalan Kampong Nyabor,  
96000 Sibul, Sarawak, Malaysia.  
Date : 28 May 2019  
Time : 11.30 a.m.

Corporate Profile	1	Financial Review by Chief Financial Officer	44
Vision & Mission Statements	2	Sustainability Statement	50
Management Policy	3	Awards & Recognition	64
Financial Calendar	4	Corporate Event Highlights	69
5-Year Financial Highlights	5	Corporate Governance Overview Statement	79
Corporate Structure	8	Additional Compliance Information Disclosures	89
Corporate Information	9	Statement on Directors' Responsibilities	90
Directors' Profile	10	Audit Committee Report	91
Profile of Key Senior Management	19	Statement on Risk Management and Internal Control	95
Message from The Executive Chairman	23	Financial Statements	98
Management Review & Analysis of Group Operation by Group Managing Director	26	Recurrent Related Party Transactions	236
• Logging Division	31	Properties of the Group	239
• Plywood Division	34	Statistics on Shareholdings	245
• Sawmilling Division	36	Notice of Annual General Meeting	249
• Oil Palm Division	38	Form of Proxy	
• Reforestation Division	40		
• Action Plans & Prospects	42		



## Towards Sustainable Management

“Development that meets the needs of the present and future generations” has been the key driver for the Group's efforts for the long-term success in its businesses. As a resource-based company, the Group ensures that its resources are being sustainably managed in compliance with various sustainability standards and certifications. As depicted in the cover the sapling implies the continuous and synergistic multisectoral growth of the Group in a coherent sustainable manner.

## CORPORATE PROFILE

### Ta Ann at A Glance...

In the mid 1980's, a group of enterprising businessmen led by Datuk Wahab Bin Haji Dolah, Datuk Amar Abdul Hamed Bin Haji Sepawi and Dato Wong Kuo Hea, formed a small trading company. Growing from strength to strength, the company expanded from logging operations into shipping, downstream timber processing, forest plantation, oil palm plantation and milling of crude palm oil. The pioneering spirit and exemplary inter-racial cooperation of its founders had laid a strong foundation for growth. In February 1997, Ta Ann Holdings Berhad was incorporated as a holding company and listed on the Main Market of Bursa Securities on 23 November 1999.

The principal activities of resource-based Ta Ann are centred around sustainable use of timber resources and value adding downstream activities such as the manufacturing of veneer, plywood, coated plywood, eco plywood, laminated veneer lumber, film face plywood, bracing plywood, floor base, sawn timber as well as laminated moulding products.

Ta Ann is one of the pioneers in forest plantation in Sarawak and actively operates its forest plantation programmes which the Group places a strong emphasis. From the commitment to ensure the sustainability of its forest resources, Ta Ann has embarked on research and development programmes to produce improved tree planting materials such as Acacia Mangium Superbulk which has higher yields for veneer production. Such an initiative is in line with the Group's plan to gradually shift to plantation-based resources.

The Group is constantly reviewing its best practices as a part of its absolute commitment towards sustainable development and environmental safeguarding. Due diligence surveys are carried out by independent consultants prior to the commencement of ground operations to ensure that any areas containing high conservation values ('HCV') are protected. In addition, the Group has also implemented an environmentally friendly terrace/zebra tree planting and logging methodologies where the natural vegetation between terraces are left undisturbed to minimise ground disturbance.

Since 2000, Ta Ann has diversified progressively and substantially into oil palm plantations. As at 31 December 2018, the Group has 13 oil palm estates across Sarawak with total planted area of over 47,000 hectares and operates two (2) crude palm oil ('CPO') mills with a combined annual processing capacity of 1.3 million tonnes of fresh fruit bunches.

In tandem with the goal to pursue its corporate objectives in harmony with the environment for the sake of future generations and commitment to sustainability, the Group has initiated Malaysian Sustainable Palm Oil ('MSPO') certification of its oil palm estates and CPO mills as well as sustainable forest management certification of its forests under PEFC-MTCS.

# VISION & MISSION STATEMENTS

## CORPORATE VISION

- To be a major player in the resource-based industries
- To be one of the leading players in the oil palm and tree plantation industries by adopting sustainable resource management practices
- To produce quality and price competitive products
- To be a responsible corporate citizen in support of National Development Objectives

## CORPORATE MISSION

- To enhance stakeholder value by producing good quality, price competitive and environmentally friendly products
- To constantly refine our practices as part of our absolute commitment towards sustainability
- To integrate Corporate Social Responsibility into our business practices and culture in partnership with our stakeholders to create shared value

# MANAGEMENT POLICY

- **Together with Our Customers**

We think and act from the customers' perspective. We listen to our customers and improve our products and services to meet their present and future needs.

- **Together with Our Shareholders and Investors**

We aim to enhance our corporate value by generating profits and good return on investments for our shareholders and investors and by conducting business activities in an honest and responsible fashion.

- **Together with Society**

As a good corporate citizen, we fulfil our responsibility by taking proactive approaches to the social contribution activities and the conservation of our natural environment. We hold ourselves to the highest standard of ethical conduct through fair, transparent and accountable corporate activities and adopt operational procedures and practices that are consistent with the principles of good corporate governance in order to create a better society and friendly environment.

- **Together with Staff Members**

We work towards creating a corporate culture of integrity and respect, and care for environment, and demonstrate the value we place on all staff members through fair compensation, strong benefits, and opportunities for learning, growth, and advancement.

## FINANCIAL CALENDAR

**FINANCIAL YEAR** 1 January 2018 – 31 December 2018

### RESULTS

First Quarter	Announced on 24 May 2018
Second Quarter	Announced on 29 August 2018
Third Quarter	Announced on 23 November 2018
Fourth Quarter	Announced on 28 February 2019

**ANNUAL GENERAL MEETING** To be held on 28 May 2019

### DIVIDENDS

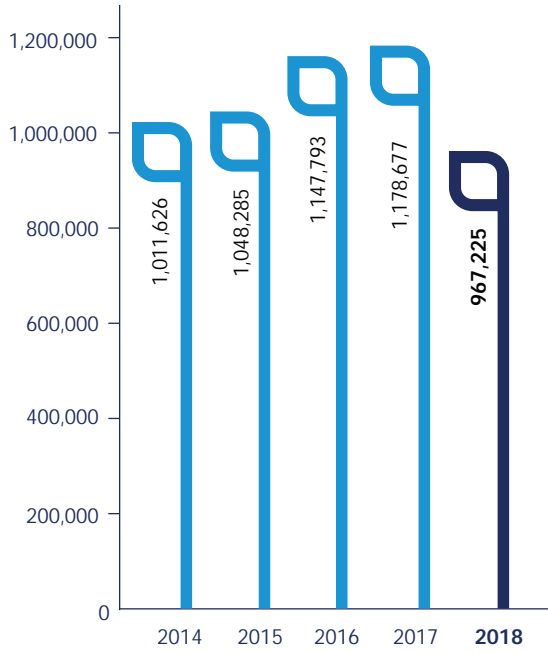
Interim Single Tier Dividend	5 sen	Announced on 24 May 2018 Entitlement date: 8 June 2018 Paid on 29 June 2018
Second Interim Single Tier Dividend	5 sen	Announced on 23 November 2018 Entitlement date: 10 December 2018 Paid on 24 December 2018

## 5-YEAR FINANCIAL HIGHLIGHTS

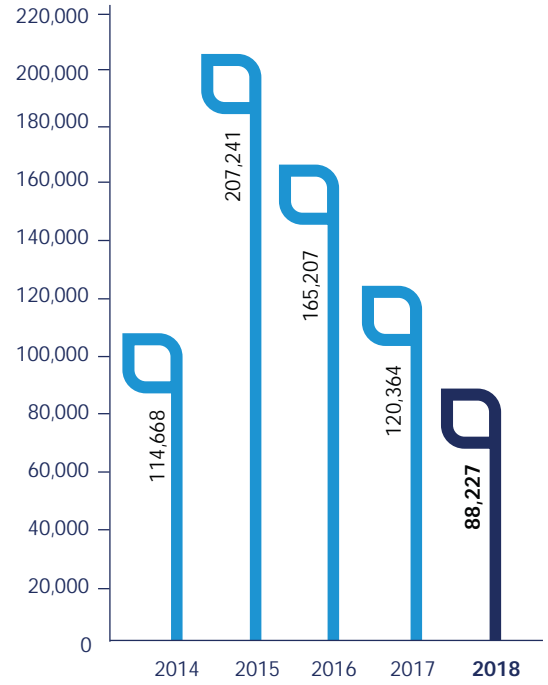
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
<b>GROUP REVENUE &amp; PROFIT</b>					
Revenue	1,011,626	1,048,285	1,147,793	1,178,677	967,225
EBITDA	281,044	346,573	288,400	308,362	202,568
Profit Before Taxation (exclude fair value adjustment)	168,396	234,160	175,710	190,602	89,353
Profit Before Taxation	154,224	254,878	215,316	162,703	113,118
Profit for the Year	114,668	207,241	165,207	120,364	88,227
<b>GROUP ASSETS &amp; BORROWINGS</b>					
Total Assets	1,920,382	2,030,083	2,162,641	2,394,822	2,434,628
Cash & Cash Equivalents	319,649	323,527	362,862	287,469	128,429
Total Borrowings	516,412	455,171	417,639	546,205	576,919
<b>EQUITY ATTRIBUTABLE TO OWNERS</b>					
Share Capital	370,736	370,736	444,844	444,844	444,844
Reserves	711,353	851,223	893,127	938,581	952,082
Equity Attributable To Owners	1,082,089	1,221,959	1,337,971	1,383,425	1,396,926
<b>FINANCIAL RATIOS</b>					
Basic Earnings per Ordinary Share (sen)	30.73	54.55	33.99	22.87	17.05
Dividend per Share (sen)	20	20	10	10	10
Return on Equity Attributable to Owners (%)	10.5%	16.5%	11.3%	7.3%	5.4%
Net Gearing (%)	18.2%	10.8%	4.1%	18.7%	32.1%
Net Assets Per Share (RM)	2.92	3.30	3.01	3.11	3.14

5-YEAR FINANCIAL HIGHLIGHTS (cont'd)

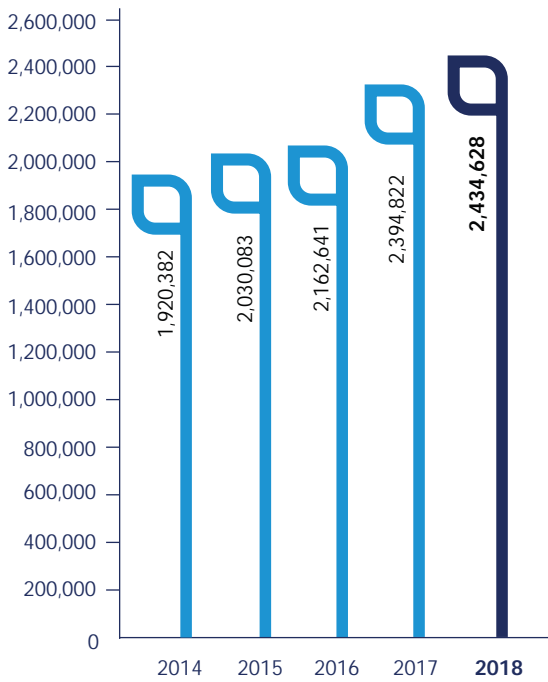
REVENUE  
(RM'000)



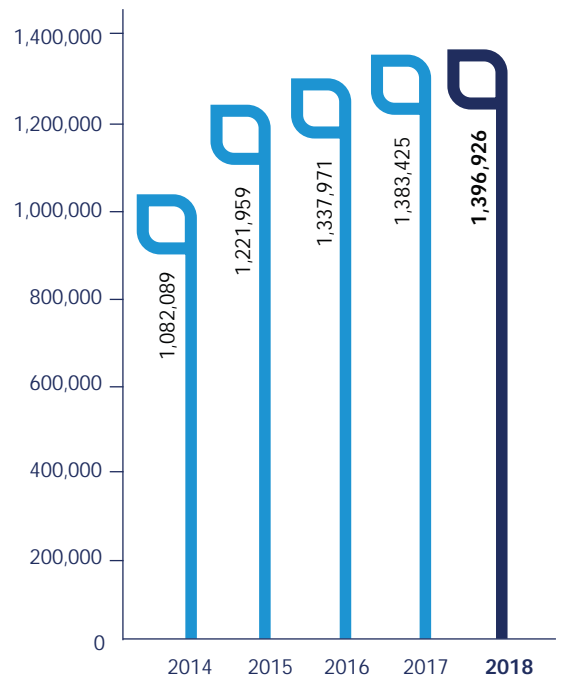
PROFIT FOR THE YEAR  
(RM'000)



TOTAL ASSETS  
(RM'000)



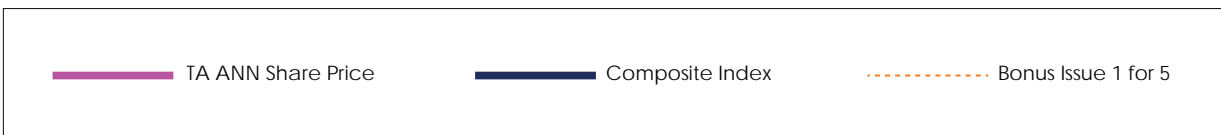
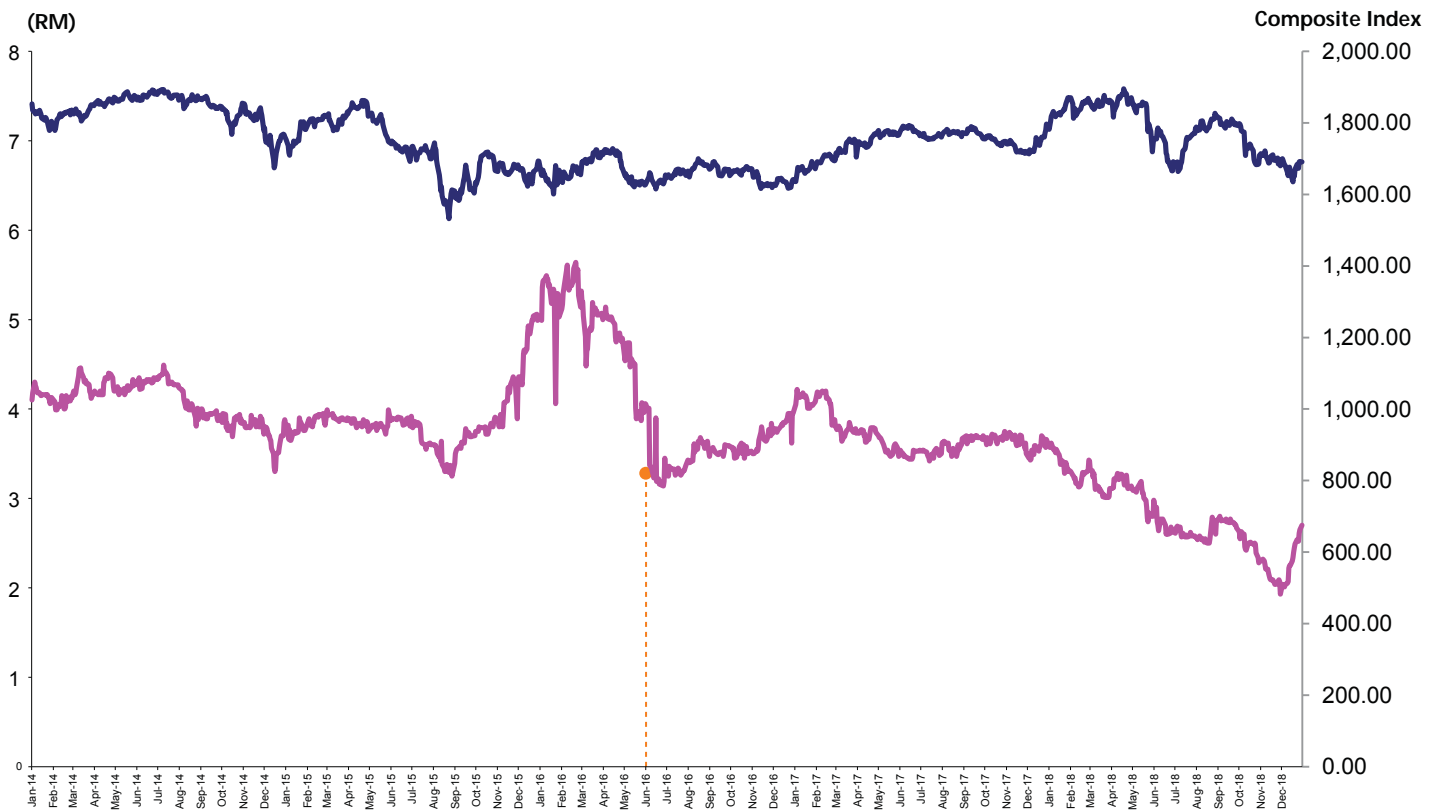
EQUITY ATTRIBUTABLE TO OWNERS  
(RM'000)





5-YEAR FINANCIAL HIGHLIGHTS (cont'd)

Composite Index & Ta Ann Share Prices (2014 - 2018)



# COPRORATE STRUCTURE

## TIMBER SECTOR

### LOGGING DIVISION

- 100% ➔ BORLIN SDN. BHD. (156715-A)
- 100% ➔ HARIWOOD SDN. BHD. (158727-H)
- 100% ➔ PASIN SDN. BHD. (73540-K)
- 100% ➔ QUESTATE SDN. BHD. (253941-W)
- 100% ➔ RAPLEX SDN. BHD. (32618-V)
- 100% ➔ TANJONG MANIS HOLDINGS SDN. BHD. (219965-X)
- 100% ➔ WOODLEY SDN. BHD. (182700-V)

### PLYWOOD DIVISION

- 100% ➔ TA ANN PLYWOOD SDN. BHD. (208737-T) ●●●
- 45% ➔ M.J.WOOD CO.LTD. (0106-01-030837)
- 90.52% ➔ TA ANN TASMANIA PTY.LTD. (ACN 115743345)

### SAWMILLING DIVISION

- 100% ➔ LIK SHEN SAWMILL SDN. BHD. (189461-H)

### REFORESTATION DIVISION

- 61% ➔ BORNEO TREE SEEDS & SEEDLINGS SUPPLIES SDN. BHD. (422257-W)
- 100% ➔ ZUMIDA SDN. BHD. (177917-V)

- Logging Division
- Reforestation Division
- Oil Palm Division

## PALM OIL SECTOR

### PLANTATION

- 100% ➔ AGROGREEN VENTURES SDN. BHD. (828645-P)
- 85% ➔ EUROPALM SDN. BHD. (776848-V)
- 100% ➔ MEGA BUMIMAS SDN. BHD. (663918-V)
- 85% ➔ MULTI MAXIMUM SDN. BHD. (468359-T)
- 67.82% ➔ PELITAMA SDN. BHD. (923846-U)
- 60% ➔ TA ANN PELITA ASSAN PLANTATION SDN. BHD. (643183-V)
- 60% ➔ TA ANN PELITA BALEH SDN. BHD. (838362-V)
- 60% ➔ TA ANN PELITA DURIN PLANTATION SDN. BHD. (814814-H)
- 60% ➔ TA ANN PELITA IGAN PLANTATION SDN. BHD. (705373-U)
- 60% ➔ TA ANN PELITA NGEMAH SDN. BHD. (1040134-A)
- 60% ➔ TA ANN PELITA SILAS PLANTATION SDN. BHD. (481461-D)
- 100% ➔ TA ANN PLANTATION SDN. BHD. (371843-X)
- 85% ➔ ZUMIDA OIL PALM SDN. BHD. (501264-X)

### OIL MILL

- 60% ➔ IGAN OIL MILL SDN. BHD. (846083-X)
- 100% ➔ MANIS OIL SDN. BHD. (479761-A)
- 55% ➔ TBS OIL MILL SDN. BHD. (1220614-U)

## OTHERS

### PROPERTY DIVISION

- 100% ➔ TANAHEAD SDN. BHD. (546404-U)

### ENERGY DIVISION

- 100% ➔ TABES SDN. BHD. (440268-T)

### OTHERS

- 60% ➔ EAGLE FOREST SDN. BHD. (918885-W)
- 100% ➔ IRONHEAD SDN. BHD. (1009785-V)
- 80% ➔ PLANTABEEF SDN. BHD. (643182-U)
- 100% ➔ PEKAN SEMANGAT SDN. BHD. (641647-P)
- 55% ➔ TA ANN PELITA SEBUYAU SDN. BHD. (1040136-M) (DORMANT)
- 100% ➔ ALDEHYDE CHEMICALS SDN. BHD. (448607-A) (DORMANT)
- 85% ➔ DARO OIL MILL SDN. BHD. (845929-P) (DORMANT)
- 100% ➔ KUCHING EDIBLE OIL SDN. BHD. (1230160-D) (DORMANT)



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Datuk Amar Abdul Hamed  
Bin Haji Sepawi**  
Executive Chairman

**Dato Wong Kuo Hea**  
Managing Director/  
Chief Executive Officer

**Sa'id Bin Haji Dolah**  
Executive Director

**Wong Siik Onn**  
Executive Director

**Datuk Abang Haji Abdul Karim  
Bin Tun Abang Haji Openg**  
Director

**Dato' Awang Beme  
Bin Awang Ali Basah**  
Director

**Chia Chu Fatt**  
Director

**Ting Lina @ Ding Lina**  
Director

**Datuk Ambrose Blikau  
Anak Enturan**  
Director

### CORPORATE HEADQUARTERS/ REGISTERED OFFICE

No. 6, Jalan Rawang  
96000 Sibu, Sarawak  
Tel: 6 084-320 200  
Fax: 6 084-313 328  
Email: tahb@taann.com.my  
tagcs@taann.com.my

### CORPORATE OFFICE

6th Floor, Wisma Naim  
2½ Mile, Jalan Rock  
93200 Kuching, Sarawak  
Tel: 6 082-237 533  
Fax: 6 082-237 977  
Email: tahb1@taann.com.my

### SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd  
(formerly known as Symphony Share  
Registrars Sdn Bhd)  
Block D13, Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor  
Tel : 6 03-7849 0777  
Fax : 6 03-7841 8151

### SENIOR INDEPENDENT DIRECTOR

Datuk Abang Haji Abdul Karim  
Bin Tun Abang Haji Openg  
Email: inddirector@taann.com.my

### COMPANY SECRETARIES

Wong Hung Ming  
(MAICSA No. 7032880)

Alexander Tong Jia Jien  
(MIA No. 36614)

Voon Jan Moi  
(MAICSA No. 7021367)

### AUDITORS

KPMG PLT  
Chartered Accountants  
Level 2, Lee Onn Building  
Jalan Lapangan Terbang  
93250 Kuching, Sarawak

### PRINCIPAL BANKERS

AmBank (M) Berhad  
RHB Bank Berhad  
OCBC Bank (Malaysia) Berhad  
UOB (Malaysia) Berhad  
Malayan Banking Berhad

### WEBSITE

[www.taann.com.my](http://www.taann.com.my)

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad

### STOCK NAME

TAANN

### STOCK CODE

5012

## DIRECTORS' PROFILE



### DATUK AMAR ABDUL HAMED BIN HAJI SEPAWI

*Malaysian, Age 69, Male  
Non-Independent Executive Chairman*

Datuk Amar Abdul Hamed was appointed as the Executive Chairman of Ta Ann Holdings Berhad since 2 October 1999. He is a qualified and experienced forester with more than 31 years of experience in his field. In the past 24 years, he has been involved in activities relating to forest plantations in Australia and Sarawak. After graduating with a Bachelor of Science degree from University of Malaya, Malaysia, he pursued another Science degree majoring in Forestry from Australian National University and later obtained a Master's degree in Forest Products Utilisation from Oregon State University, United States.

He is also the Chairman of Naim Holdings Berhad and Sarawak Plantation Berhad, companies listed on the Main Market of Bursa Malaysia. His extensive experiences gained as a Board member of the other public listed companies have enabled him to provide highly valued advice and support to the executive management team of the Company.

He was awarded The BrandLaureate "Man of the Year" Brand ICON Leadership Award 2015, Sarawak State Outstanding Entrepreneurship Award 2014 and Sarawak Entrepreneur of the Year 2004/2005.

Except for his interest in Mountex Sdn. Bhd., a major shareholder of the Company, he has no family relationship with any director of the Company. He is deemed interested in the transactions entered into with the related parties, which are carried out in the ordinary course of business, as detailed in the note to the account and breakdown of recurrent related party transactions. Except as disclosed therein, he has no personal interest in any other business arrangement with the Company.

Job Function:

Executive Chairman

*in charge of corporate affairs and corporate development*

Board Committee:

ESOS Committee Chairman

Risk Management Committee Chairman

## DIRECTORS' PROFILE (cont'd)



### **DATO WONG KUO HEA**

*Malaysian, Age 67, Male  
Non-Independent  
Group Managing Director  
and Chief Executive Officer*

Dato Wong Kuo Hea was appointed as the Managing Director and Chief Executive Officer of Ta Ann Holdings Berhad since 2 October 1999. He has been one of the entrepreneurs instrumental for expanding the Group's business focus from a small trading company into timber and oil palm plantation company and spearheaded the commitment of the Group towards sustainable business growth. He has 45 years of working experience in the timber industry. Other than corporate management, he has consistently involved himself in a multitude of industries and markets, forest management, timber harvesting, wood processing and oil palm plantation. Over the years under his leadership and stewardship, he has built up a strong management system within the Group and developed an effective communication platform and good business relationship with buyers and business associate. He is continuously advancing his skills and knowledge to adapt to the ever-changing business environment. His leadership and entrepreneurial vision have been and will continue to be crucial in leading the Group into the future. He was named one of the best CEOs by Focus Malaysia in their weekly issues in December 2016.

He also sits on the Board of Sarawak Plantation Berhad, a company listed on the Main Market of Bursa Malaysia.

He is the father of Mr. Wong Siik Onn, an Executive Director of the Company. He is interested in Mountex Sdn. Bhd., a major shareholder of the Company. He is deemed interested in the transactions with the related parties, which are carried out in the ordinary course of business, as detailed in the note to the account and breakdown of recurrent related party transactions. Except as disclosed therein, he has no personal interest in other business arrangement involving the Company.

Job Function:

Group Managing Director and Chief Executive Officer  
*in charge of operation*

Board Committee:

ESOS Committee Member  
Remuneration Committee Member  
Risk Management Committee Member

## DIRECTORS' PROFILE (cont'd)



### SA'ID BIN HAJI DOLAH

*Malaysian, Age 56, Male  
Non-Independent  
Executive Director*

Encik Sa'id Bin Haji Dolah graduated with a Bachelor of Civil Engineering (Hons) degree from University of Malaya and a Master's degree in Business Administration from Edith Cowan University, Western Australia. He was appointed to the Board of Ta Ann Holdings Berhad on 2 October 1999 and has since been holding the position of an Executive Director undertaking several management and technical functions particularly in housing and construction work.

He is the brother of Datuk Wahab Bin Haji Dolah, a major shareholder of the Company. He is deemed interested in the transactions entered into with related parties which are carried out in the ordinary course of business as detailed in the note to the account and breakdown of recurrent related party transactions. Except as disclosed therein, he has no personal interest in any other business arrangement with the Company.

Job Function:

Executive Director  
*in charge of infrastructure and engineering work*

Board Committee:

ESOS Committee Member

DIRECTORS' PROFILE (cont'd)

**WONG SIIK ONN**

*Malaysian, Age 42, Male  
Executive Director*



Mr. Wong Siik Onn was appointed as an Executive Director of Ta Ann Holdings Berhad on 16 November 2016. After graduating with a Bachelor of Electrical and Electronics Engineering from University of Western Australia, Perth, he pursued Master of Science majoring in Computer Science from University of Kent at Canterbury, UK. He later obtained a Master's in Business Administration from Curtin University, Perth, Australia.

He has been with the Palmhead Group, a Sarawak based palm oil group, as the executive director since 2008. He is also the founder and technical director of Intuitive Systems Sdn. Bhd., a software service provider, specializing in the development of web-based enterprise resource planning ('ERP') system and estate management system ('EMS') for oil palm plantation.

He is the son of Dato Wong Kuo Hea, the Group Managing Director and Chief Executive Officer of the Company. He is deemed interested in the transactions entered into with related parties which are carried out in the ordinary course of business as detailed in the note to the account and breakdown of recurrent related party transactions. Except as disclosed therein, he has no personal interest in any other business arrangement with the Company.

Job Function:

Executive Director  
*involved in palm oil operation and finance*

## DIRECTORS' PROFILE (cont'd)



### **DATUK ABANG HAJI ABDUL KARIM BIN TUN ABANG HAJI OPENG**

*Malaysian, Age 72, Male  
Senior Independent Non-Executive Director*

Datuk Abang Haji Abdul Karim was appointed as the Senior Independent Non-Executive Director of Ta Ann Holdings Berhad since 2 October 1999. He graduated with a Bachelor of Economics (Hons) degree from University of Malaya, Malaysia and later obtained a Master's degree in Management from Asian Institute of Management, Philippines.

He is a prominent corporate figure in Sarawak. He held various positions including President of the Sarawak Chamber of Commerce and Industry (SCCI) and is the founding President of the Sarawak Business Federation (SBF). He is also a founding Director of BIMP-EAGA Business Council (BEBC) and BIMP-EAGA Malaysian Business Council (BEMBC) Sarawak Chapter First Chairman. He sits on the Board of Employees Provident Fund (EPF) and Permodalan Satok Berhad. He is the Chairman of Brooke Dockyard and Engineering Works Corporation as well as a member of Lembaga Baitulmal and Wakaf Sarawak. He is a Co-Chairman with the State Secretary of the Sarawak State Pemudah Task Force, official member of the Malaysian International Chamber of Commerce and Industry (MICCI) general committee representing Sarawak, member of the Board of the Malaysian Productivity Corporation as well as Deputy Chairman of Sarawak Convention Bureau.

His extensive commercial experience and broad knowledge in the public sector enable him to provide a different perspective and independent view to the Board.

He has no family relationship with any director or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company.

Job Function:

Senior Independent Non-Executive Director

Board Committee:

Audit Committee Chairman  
Nomination Committee Chairman  
Remuneration Committee Member  
Risk Management Committee Member



## DIRECTORS' PROFILE (cont'd)

### **DATO' AWANG BEMEE BIN AWANG ALI BASAH**

*Malaysian, Age 59, Male  
Independent Non-Executive Director*



Dato' Awang Beme was appointed as an Independent Non-Executive Director of Ta Ann Holdings Berhad since 2 October 1999. He obtained his Bachelor of Laws (Hons) degree from University of Malaya. He is an advocate and solicitor of the High Court of Borneo Sarawak. He set up Awang, Lai and Co. and is the managing partner of the legal firm since 1993. He is also a member of the Sarawak Advocates Association, the Chairman of Kuching Port Authority and a former Sarawak State Council Negeri member.

His strong knowledge and extensive experience in legal practice enable him to contribute significantly to the Board.

He has no family relationship with any director or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company.

Job Function:

Independent Non-Executive Director

Board Committee:

Remuneration Committee Chairman

Audit Committee Member

Nomination Committee Member

Risk Management Committee Member

## DIRECTORS' PROFILE (cont'd)



### CHIA CHU FATT

*Malaysian, Age 64, Male  
Independent Non-Executive Director*

Mr. Chia Chu Fatt was appointed as an Independent Non-Executive Director of Ta Ann Holdings Berhad since 1 June 2008.

An accountant by profession, Mr. Chia is a Fellow of the Chartered Association of Certified Accountants (UK), a member of the Malaysian Institute of Accountants and a member of Chartered Tax Institute of Malaysia. He is also the proprietor of Andy Chia & Co., a chartered accountants firm which he established in 1987 and has 41 years of working experience in chartered accountants' firms, of which about four (4) years were with a medium size firm in London, England. Mr. Chia has vast accounting and risk management experience, enabling him to provide invaluable input to the Board, Audit Committee and Risk Management Committee.

He was formerly a councilor of Miri Municipal Council for 11 years. He served in various capacities as a Board Member of Sarawak Land Development Board from 2008 to 2017, a former Chairman of Miri Basketball Association and a former Sarawak State Legislative Council Assemblyman. Currently, he serves as a secretary of Piasau Camp Miri Nature Park Society.

He was conferred the honorary Johan Bintang Sarawak (JBS) and Ahli Bintang Sarawak (ABS) by T.Y.T Yang DiPertua Negeri Sarawak in 2010 and 1994 respectively.

He has no family relationship with any director and major shareholder of the Company, nor any personal interest in any business arrangement involving the Company.

Job Function:

Independent Non-Executive Director

Board Committee:

Audit Committee Member

Risk Management Committee Member

## DIRECTORS' PROFILE (cont'd)

### TING LINA @ DING LINA

*Malaysian, Age 62, Female  
Non-Independent  
Non-Executive Director*



Ms Lina Ding was appointed to the Board of Ta Ann Holdings Berhad as a Non-Independent Non-Executive Director on 15 April 2013. She first joined the Group in 1986 as a director of multiple subsidiary companies.

She graduated from University of San Francisco in 1977 with a Bachelor of Arts Degree (Liberal Arts) in 1977. Since then, Ms Lina has been actively involved in overseeing operations at her family controlled companies in the fields of timber business, real estate developments and investments in the last 40 years. She is the Chief Executive Officer of Multiplex Realty Sdn Bhd since 2001, specializing in high-end and niche property investments. Her exposure and knowledge in real estate investments also extend internationally through her involvement in Delta Overseas Investments Pte Ltd, which she is also a Director.

She also sit on the Board of PanSar Group, in Pan Sarawak Sdn Bhd and Pan Sarawak Holdings Sdn Bhd, which is a hardware, marine engineering and heavy equipment conglomerate.

She is also actively engaged in the Oil Palm Industries in the last 20 years and she sit on the Board of Palmhead Group of Companies, Sebuyau Sdn Bhd & Empire Plantations Sdn Bhd.

In year 2017 she started Sunrich Awesome Sdn Bhd, an indoor Urban Vertical Farming using induced temperate environment to grow "greens" for the local markets.

Ms Lina Ding has no family relationship with any Director or major shareholder of the Company. She is deemed interested in transactions with related parties, which are carried out in the ordinary course of business, as detailed in the notes to the account and breakdown of recurrent related party transactions. Except as disclosed therein, she has no personal interest in any other business arrangements involving the Company.

Job Function:

Non-Independent Non-Executive Director

Board Committee

Remuneration Committee Member

Nomination Committee Member

## DIRECTORS' PROFILE (cont'd)



### **DATUK AMBROSE BLIKAU ANAK ENTURAN**

*Malaysian, Age 65, Male  
Independent Non-Executive Director*

Datuk Ambrose Blikau Anak Enturan was appointed to the Board of Ta Ann Holdings Berhad as an Independent Non-Executive Director on 25 February 2015.

He holds a Masters in Business Administration from Harriot Wat University, Scotland, UK. He is the State Legislative Assemblyman for Katibas Constituency since 1991. He previously served in the state cabinet as Assistant Minister of Resource Planning and Assistant Minister of Finance from 2001 to 2006 and as Assistant Minister of Rural Development and Public Utilities from 2006 to 2009.

He sits on the board of Amanah Saham Sarawak Berhad (ASSAR).

He has no family relationship with any director or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company.

Job Function:  
Independent Non-Executive Director

Note: None of the Directors has had any conviction for any offence within the past 5 years.

## PROFILE OF KEY SENIOR MANAGEMENT

### **Lim Hong Hin**

*Malaysian, Age 63, Male  
Chief Operating Officer*

---

Mr. Lim graduated with a Bachelor of Science degree in Mathematics, Computing – Leicester Polytechnics, UK.

He began his career in 1981 with Standard Chartered Bank and held a senior position in Corporate Banking Division in Sarawak and Sabah before he moved to a Sarawak based public listed group, involved in timber and oil palm operations where he worked for 3 years as a Senior Business Coordinating Manager. Mr. Lim joined Ta Ann Holdings Berhad on 01 January 2012 as the Chief Operating Officer (Palm Oil Sector), overseeing the plantations and palm oil mills. Since 02 April 2018, he was delegated with the new job portfolio to oversee the timber section of the Group which covers Logging, Plywood, Sawmilling and Reforestation Divisions.

Mr. Lim is also a director of several subsidiaries of Ta Ann Holdings Berhad.

He has no family relationship with any director or major shareholder of Ta Ann Holdings Berhad nor has he any conflict of interests with the Company.

### **Marianne Cheng Wei Wei**

*Malaysian, Age 47, Female  
Chief Financial Officer*

---

Ms. Marianne Cheng holds a degree in Bachelor of Commerce and Administration (Accountancy and Commercial Law) from Victoria University of Wellington, New Zealand graduating in 1995.

Ms. Marianne Cheng began her career in 1996 as an audit senior with an audit firm in Sibuluan. Prior to joining Ta Ann Holdings Berhad in December 2003 as corporate accountant, Ms. Cheng worked in several companies in Sibuluan, in various capacities including accounts executive and finance executive.

In September 2008, she was appointed as the Personal Assistant to the CEO cum senior corporate manager of Ta Ann Group, where she had gained exposure in both timber and oil palm sectors with extensive networking, and analytical skill as well as the compliance requirements at the listed company. Currently, she is the Chief Financial Officer of Ta Ann Holdings Berhad, a position she assumed since 16 November 2016.

She has no family relationship with any director or major shareholder of Ta Ann Holdings Berhad nor has she any conflict of interests with the Company.

## PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

### **Wong Hung Ming**

*Malaysian, Age 44, Female  
Company Secretary*

---

Ms. Wong graduated with a Diploma in Commerce (Business Management) from Tunku Abdul Rahman University College in 1998. She has the Institute of Chartered Secretaries and Administrators qualifications and is an associate member of Malaysian Institute of Chartered Secretaries and Administrators.

Ms. Wong joined Ta Ann Group in December 2017. Prior to joining Ta Ann Group, she was a secretarial executive of a listed company in Sarawak.

She has no family relationship with any director or major shareholder of Ta Ann Holdings Berhad nor has she any conflict of interests with the Company.

### **Tie Feng Nee**

*Malaysian, Age 41, Female  
Group Accounts Manager*

---

Ms. Tie graduated with a Bachelor of Arts degree in Business Administration, from University of Hertfordshire, UK in 1998.

Upon graduation, she joined Ta Ann Group in May 1999 as an Accounts Assistant. She served in various positions in the Group, including accounts manager, assistant senior accounts manager and senior manager in charge of group accounts before her appointment as the Group Accounts Manager on 01 July 2011.

She has no family relationship with any director or major shareholder of Ta Ann Holdings Berhad nor has she any conflict of interests with the Company.

### **Cheng Ah Teck**

*Malaysian, Age 64, Male  
Head of Corporate Planning and Development*

---

Mr. Cheng Ah Teck graduated with a B.A. (Hons) Economics degree from the University of Coventry in 1980.

He had previously worked at Standard Chartered Bank, Malaysia in 1981 and served in many branches before moving on to become a Senior Accounts Relationship Manager in 1987. He joined HSBC Bank (Malaysia) Berhad in 1991 as Corporate Business Development Manager for Sarawak Region in Malaysia.

He left the banking sector in 1993 to become the Chief Operating Officer of Earthmovers Solomon Limited in Solomon Islands, South Pacific until December 1996.

Mr. Cheng joined Ta Ann Holdings Berhad in January 1997 as Chief Operating Officer, and subsequently re-designated to Head of Corporate Planning and Development, responsible for corporate communications and investor relations.

He has no family relationship with any director or major shareholder of Ta Ann Holdings Berhad nor has he any conflict of interests with the Company.

## PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

### **Nicholas Ting Kang Hwa**

*Malaysian, Age 64, Male*

*Senior General Manager, Resource Planning*

---

Mr. Nicholas Ting joined Robert Holts & Sons Ltd in New Zealand in 1977, specializing in farm forestry as part of his extra curriculum. Upon graduating from Canterbury University with a Bachelor of Forestry Science, he joined New Zealand Forest Services in conducting surveys on animal population of Kaweka State Forest Park. After 1980, he gained experience in tropical forest inventory survey of Belait/ Tutong Inter-Riverine Forests, Brunei with Anderson & Marsden Forestry Consultants Ltd.

His working experience in Malaysia from 1982 to 2003, included timber camp based executive forester, operation manager in logging operation and 17 years as senior manager in forest operation planning and implementation with a Sarawak based listed group.

Mr. Ting joined Ta Ann Group in 2003, as senior manager in charge of resource planning, overseeing activities such as timber harvesting, ecological restoration and management of protected areas.

He is currently the Senior General Manager of Resource Planning, a position held since 01 October 2012.

He has no family relationship with any director or major shareholder of Ta Ann Holdings Berhad nor has he any conflict of interests with the Company.

### **Shannon Yii Chong Hee**

*Malaysian, Age 48, Male*

*General Manager, Risk & Compliance*

---

Mr. Shannon Yii holds a degree in Bachelor of Business Administration with cum laude honors from Wichita State University, Kansas, USA in 1995. Upon obtaining his degree, he pursued further studies and obtained a Master of Business Administration from University of Central Oklahoma, Edmond, Oklahoma, USA.

Mr. Shannon Yii began his career in 1998 with a Malaysian group which core business was in timber operation. He was subsequently appointed as the Deputy General Director of a timber operation in Russia under the same group.

Mr. Yii joined Ta Ann Holdings Berhad in May 2004 as Personal Assistant to the CEO. He was also the General Manager of certain oil palm plantations, one of which was the first joint venture NCR oil palm development project of the group. Currently, he is the Risk & Compliance General Manager, a position which he assumed since 01 October 2015. Mr. Yii also plays an active role in corporate relations and stakeholder engagement which is a core component of the group's business and sustainability strategies.

He has no family relationship with any director or major shareholder of Ta Ann Holdings Berhad nor has he any conflict of interests with the Company.

## PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

### **Wong Hieng Ging**

*Malaysian, Age 62, Male*

*Senior General Manager, Oil Palm Division for Bintulu Region*

---

Mr. Wong has over 41 years of working experience, 30 years of which were with the Malaysian Army. When he retired from the Army in 2007, he held the rank of Major.

Mr. Wong joined Ta Ann Group in 2007 as a General Affair Coordinator for one of the oil palm plantation companies. Prior to his appointment as the Senior General Manager on 01 May 2016, he served in various positions in the oil palm plantations of the Group, including operation manager, senior operation manager and general manager.

He has no family relationship with any director or major shareholder of Ta Ann Holdings Berhad nor has he any conflict of interests with the Company.

### **Ling Yu Kiong**

*Malaysian, Age 37, Male*

*Senior General Manager, Oil Palm Division for Sibul & Kapit Region*

---

Mr. Ling graduated with a Bachelor of Arts (Hons) Accounting and Finance Degree from University of East London and later obtained an industrial Executive Diploma in Plantation Management & Agribusiness from Open University Malaysia. He gained auditing experience from his 2 years' stint with a medium size audit firm in Kuala Lumpur. He joined the Group in 2005 as an internal auditor.

In 2011, he was appointed as the Junior General Manager of the Group's oil palm plantations in Bintulu and promoted to the position of General Manager of another oil palm plantation of the Group. He was appointed as the Senior General Manager of Oil Palm Division for Sibul & Kapit Region since 01 May 2016.

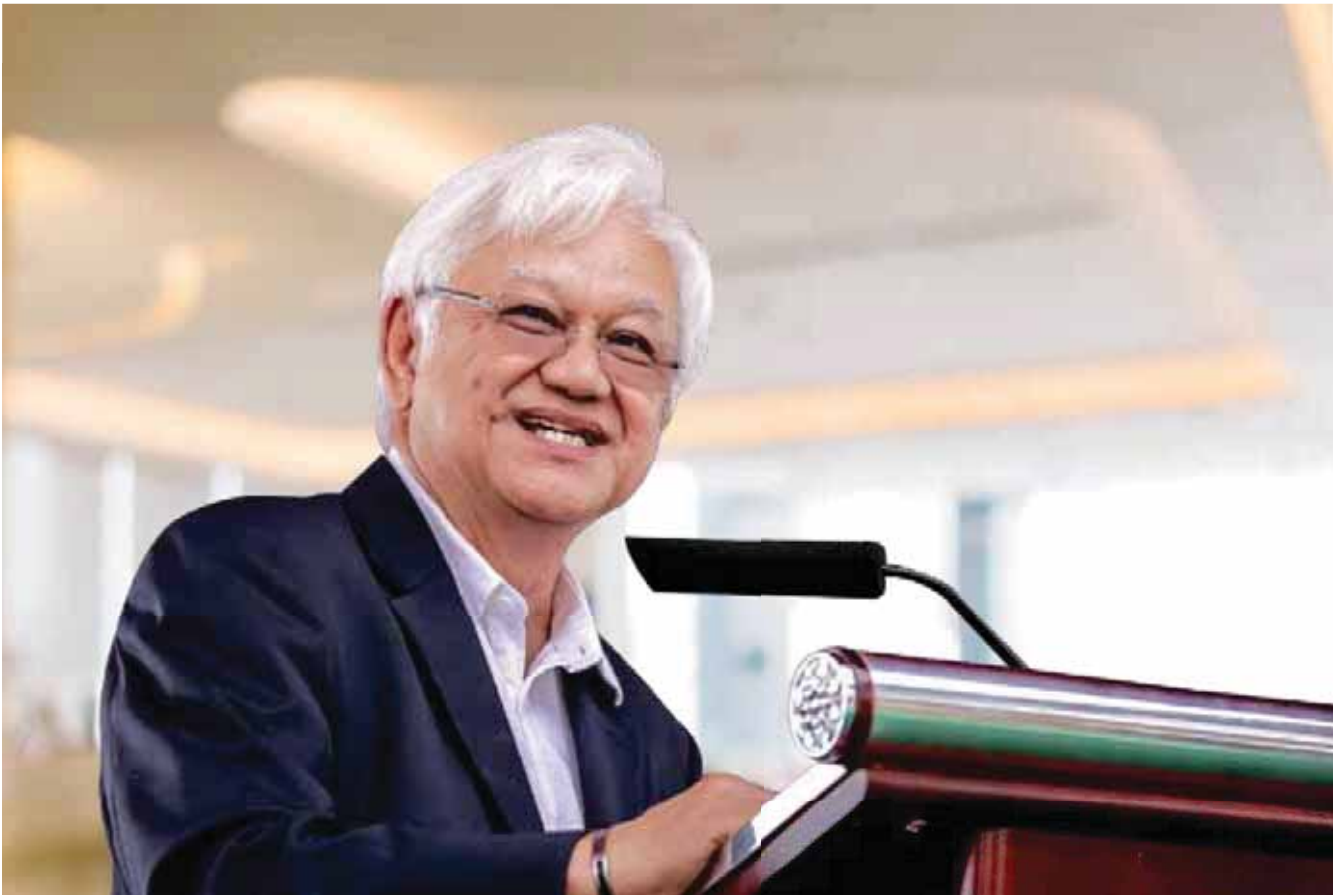
He has no family relationship with any director or major shareholder of Ta Ann Holdings Berhad nor has he any conflict of interests with the Company.

---

Note: None of the key senior management has had any conviction for any offence within the past 5 years.



## MESSAGE FROM THE EXECUTIVE CHAIRMAN



**Dear Shareholders,**

On behalf of the Board of Directors, I present to you Ta Ann's Annual Report for the financial year ("FY") ended 31 December 2018.

### FINANCIAL REVIEW

The Group's revenue for the FY2018 was RM967.23 million. Profit before tax was RM113.12 million, lowered by 30% from RM162.70 million in FY2017, while net profit after tax came in at RM88.23 million, translating to earnings per share of 17.05 sen.

Shareholders' funds for the FY2018 stood at RM1.48 billion, a growth of 1.4% as compared to RM1.46 billion in the previous year while return on equity for the year under review was 5%.

### DIVIDENDS

Our Group will continue to achieve a balance between providing reasonable return to shareholders whilst retaining funds for new investment opportunities critical to long term growth.

For FY2018, the Group had declared dividend of 10 sen per share. This amounted to a total payout of RM44.43 million, representing a net dividend payout ratio of 50%.

## MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

### PERFORMANCE REVIEW

The Group's operation profit for FY2018 was RM109.35 million. Although oil palm prices had declined to an average of RM2,128 per tonne in 2018 from 2017's average of RM2,741 per tonne, our oil palm division have contributed 95% or RM84.62 million to the overall Group profit in FY2018.

Timber Division's profit was higher by 50%, at RM4.93 million compared to RM3.29 million in FY2017. The Group has gone through the adjustment and consolidation of logs production in 2018 in line with the forest management certification undertaken to ensure long term sustainable logs production. The average selling price for export logs improved noticeably at 8% to RM1,264 per cubic meter in 2018.



*5 years old Kelampayan Tree*

### CORPORATE GOVERNANCE

The Group places great emphasis on corporate governance to ensure an enhanced management which is responsive and transparent. The transparent corporate structure is used to direct and manage the business affairs of our Group towards promoting business prosperity and corporate accountability with ultimate objective of realising long-term shareholders' value. We have also put in place measures including stringent risk management and internal control procedures to ensure transparency, accountability, integrity and sustainability requirements are attained in managing the Group's businesses.

In addition to that, the Group has established a highly competent, informed and diverse Board of Directors that oversees the Management's performance to ensure long-term success of the Group and delivery of sustainable value to its stakeholders by ensuing best practices.



*Fresh Fruit Bunches sampling for grading purpose*

## MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

### PROSPECTS

Despite improved outlook, we remain guarded against the global geopolitical scenario such as trade war between China and US, slowing external demand, rising borrowing costs which are expected to continue to weight on global economy as well as Malaysia in 2019. World Bank forecasted Malaysia's economy to grow at 4.7 per cent this year.

With the current consolidation in timber production in tandem with sustainable forest management certification, strategies to improve the production yield, creative solutions in developing and promoting value-added products in downstream activities in line with government initiatives will remain a main focus. The longer-term economic outlook in India, our key logs market looks promising on the back of growing affluence. We are positive that demand from India will improve. Plywood sector remains challenging and more focus on PEFC products. Sawn timber market remains competitive while our marketing strategy is to concentrate on market which appreciate the value of the hardwood instead of competing directly with softwood.



*Loading of Fresh Fruit Bunches to bin*

The push by governments across the world for environmental friendly fuel as alternative sources of renewable energy, is being translated into legislated or mandatory use of bio-fuel. The expected incremental use of crude palm oil for energy is expected to be the dominant factor in setting new price levels for demand-supply equilibrium in year 2019. The Oil Palm division's prospect appears positive in the coming year as our FFB production is expected to increase further in 2019 attributing from the increasing matured areas and their current prime age profile of palms. The Oil Palm Division will remain our major contributor to Group earnings over the next few years.

Barring unforeseen circumstances, the Group is confident of a satisfactory performance for the year 2019.

### ACKNOWLEDGEMENTS

My heartfelt thanks to the Board of Directors, our Chief Executive Officer for their invaluable advice and support, and I express my utmost appreciation to the Management team and staff for their commitment, hard work and contribution towards the continuing growth and performance of our Group.

On behalf of the Board, I also wish to express my sincerest appreciation and gratitude to all our business associates, government agencies, financial institutions and other stakeholders for their continued support to the Group.

My warmest thanks is also extended to all of you, our valued shareholders, who have demonstrated great confidence in us and our abilities to continue delivering growth and greater shareholder value for you.

**Datuk Amar Abdul Hamed Bin Haji Sepawi**  
Executive Chairman

## MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION BY GROUP MANAGING DIRECTOR



### REVIEW OF FINANCIAL PERFORMANCE

The purpose of this review is to highlight and provide brief insights on key financial and operating information at Group level. A more detailed commentary on operating performance is covered under the respective division reports.

### PERFORMANCE REVIEW BY DIVISIONS

#### Logging Division

All long-term forest timber license areas in Sarawak must obtain Forest Management Certification by 2022 as part of government's commitment to ensure that forests and their resources are managed in a sustainable manner and meeting international requirements.

Production volume and export sales in FY2018 were lowered by 10% and 29% respectively compared with FY2017 hence overall contribution to Group earnings reduced to 8% from 12% in FY 2017. This was due to the Group forest timber licenses being consolidated in order to ensure all our timber produced and exports are meeting the international sustainability standards. However, we are expecting stable and sustainable logs production from 2019 onwards.

In 2018, the Group has obtained MTCS-PEFC endorsed forest management certification on a total area of 149,756 hectares ("ha") in Kapit Forest Management Unit (FMU). We are aiming Raplex and Pasin FMUs with total area size of 196,187 ha to be certified by 2019 and 2020 respectively.

The longer-term economic outlook in India, being our key market outlook is promising on the back of growing affluence and demand is expected to rebound this year. We are confident that sustainable forest management is the future of timber industry.

## MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION BY GROUP MANAGING DIRECTOR (cont'd)

### Plywood Division

The Plywood Division recorded a loss of RM5.67 million in FY2018 compare with RM24.80 million loss in FY2017.

The production volume in FY2018 was 127,661m<sup>3</sup> compared to 148,087m<sup>3</sup> in FY2017, lower by 14%. Sales volume has also reduced by 17% in FY2018 as compared to previous year of 151,094m<sup>3</sup>. The impact of drop in sales volumes has been offset by the increased average selling price by 14% to RM2,240/m<sup>3</sup>.

In view of the increase of minimum wage which took effect this year, the Group has innovated a semi-automated processing system to reduce workers dependency while maintaining the existing productivity level like veneer grading line and plywood sanding line.

Stringent quality control and immediate remedial actions on daily basis are continuing to maintain mill production efficiency. Marketing division is focusing and promoting MTCS PEFC floor base to our buyers. We expect minimal impact on our demand from Japan, even though their market is facing an oversupply due to increasing volume of export from Indonesia. The management is prudent in managing cost and able to maintain competitiveness of our products for the Japan market.

As the production of timber from natural forests is being consolidated, it has been highlighted that innovation is key to the sustainability of the timber industry. Moving forward, developing and promoting value-added products in downstream activities will remain the focus to be in line with government initiatives and changing market conditions.



*Plywood Grading*

## MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION BY GROUP MANAGING DIRECTOR (cont'd)

### Oil Palm Division

Revenue for Oil Palm Division in FY2018 stood at RM579 million, a reduction of 24% from FY2017. Pre-tax profit recorded at RM84.62 million, which is 55% lower compared to the RM186.84 million in FY2017. The lower profit was a predominantly result of the lower selling prices of Fresh Fruit Bunches ("FFB") and Crude Palm Oil ("CPO"). However, we manage to maintain our operation efficiency in terms of yields and oil extraction rates (OER).

During the financial year under review, the Group has 13 estates which comprises of a total mature area of 44,179 ha in representing 92% of total planted area. Total planted area increased by 1,156 ha or 2% compared to 46,682 ha in FY2017. The Group overall FFB production declined slightly to 741,489 metric tonnes compared to 754,711 metric tonnes in FY2017. Most of our palm is at mature stage i.e. 4-19 years. FFB yield per hectare is at 17.26 metric tonne per hectare compared to 17.42 metric tonne per hectare in FY2017.

The Group milling operations is undertaken by two palm oil mills i.e. Manis Oil Mill and Igan Oil Mill. Manis Oil Mill has a throughput capacity of 90 mt/hour and Igan Oil Mill has a capacity ranging from 90 mt/hour to 120 mt/hour. We are expecting our new mill, TBS Oil Mill to commence its operation by 2019. The mills produced 203,905 tonnes of CPO in 2018, with the improvement in average OER at 20.22% (2017: 19.95%).

The Group is currently focusing on mechanization programs towards improving the productivity in view of labour shortage on foreign workers.

We are committed to Malaysian Sustainable Palm Oil (MSPO) certification. As at 28 March 2019, 9 out of our 13 estates and 2 CPO mills have obtained MSPO certification. The Group will endeavor to speed up the process of obtaining MSPO certificate for the remaining 4 estates by 2019 with the full certification is expected to be completed by 2019.

### Outlook

Based on the current operating environment coupled with uncertainties of global economy, the Group is aware of the challenges that year 2019 will bring. However, the Group is committed to continue to deliver greater share value to its shareholders.

Our Oil Palm Division will continue to be the main contributor to the Group profitability. We anticipate higher FFB production due to increase in matured planted areas. Demand in key export market is expected to rise this year largely driven by India and China.

Focusing on cost efficiencies and improving productivity will therefore continue as a vital part of sustaining our profitability. Labour shortages will remain one of our main challenges whereby we are taking positive steps to meet this challenge. Special attention will also be on mechanization to lower cost of production and reduce dependency on labour at plantation operations.

The mandatory implementation of biodiesel programme in both the transportation sector by February this year and industry sector starting July 2019 is expected to have a positive impact on the average CPO price.

Our Timber Division is going through a challenging period, mainly due to rising production cost, emergence of substitute products and stiff competition from timber producing countries like Indonesia and Vietnam. The Group will also continue to review its product mix with the usage of plantation logs to produce other value added products.

In view of the above, and with the current prevailing prices of oil palm and timber products, the Group views the coming year as challenging.

## MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION BY GROUP MANAGING DIRECTOR (cont'd)

### ANTICIPATED OR KNOWN RISKS

The Group is exposed to a number of risks which could impact the Group's business and operating performance.

General shortage of workers remains the principal risk that may have material impact to the Group operation. The Group has target to achieve high workers retention and low staff turnover rate. The Group is also working closely with the government in looking at alternate source of worker recruitment. Alternate harvesting mechanism has been pursued intensively to reduce dependency on foreign workers.

New policies and initiatives rolled out by the government are also significant factors to the Group business operation. Any changes in government policy pertaining to minimum wages, foreign workers levy and others will substantially impact the Group operation cost. The Board and the Risk Management Committee have monitored closely and continue to review these risks and ensure prompt actions are taken to minimize the risk.



*Field Day visit to Ta Ann Pelita Silas Plantation Sdn Bhd*



**DETAILS OF OUR OPERATING UNITS' PERFORMANCE  
FOR THE YEAR UNDER REVIEW:**

**LOGGING DIVISION**  
Page 31

**PLYWOOD DIVISION**  
Page 34

**SAWMILLING DIVISION**  
Page 36

**OIL PALM DIVISION**  
Page 38

**REFORESTATION DIVISION**  
Page 40



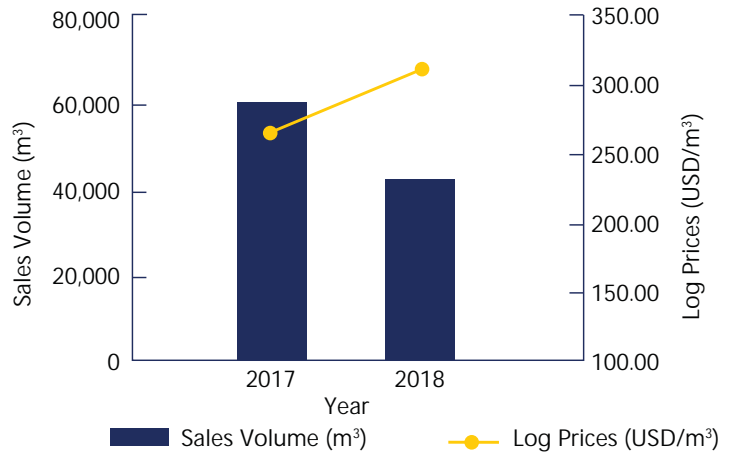
MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION  
BY GROUP MANAGING DIRECTOR (cont'd)

**LOGGING DIVISION**



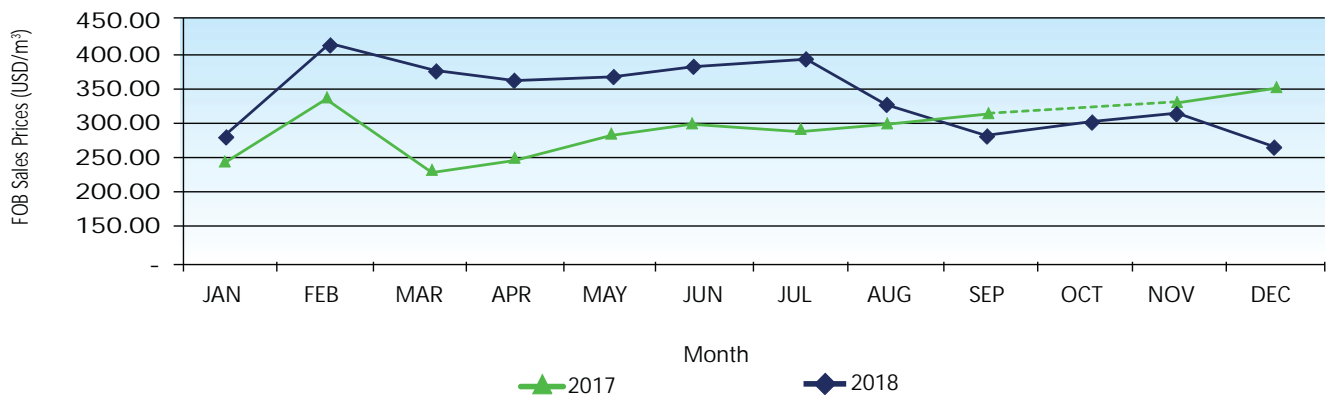
*Tree enumeration*

**EXPORT LOGS SALES VOLUME AND PRICE  
(2018 vs 2017)**



*Sustainable Forest Management team doing assessment and training*

**AVERAGE EXPORT LOGS PRICE MOVEMENT  
(2018 vs 2017)**



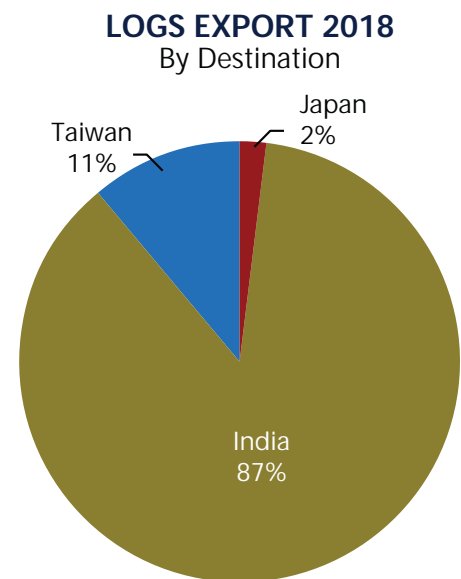
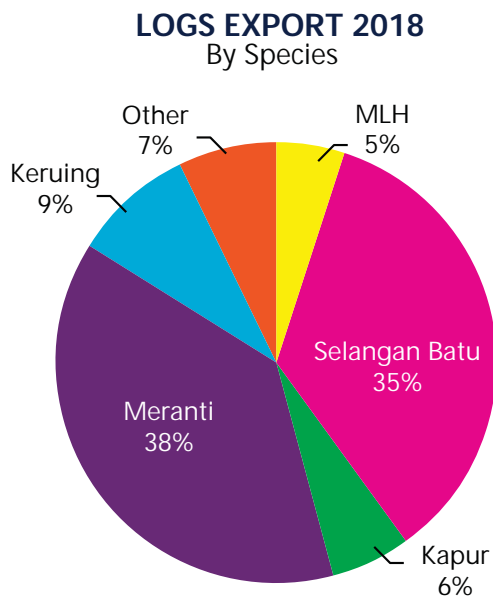
MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION  
BY GROUP MANAGING DIRECTOR (cont'd)

**LOGS PRODUCTION VOLUME**

	Year 2018 (m <sup>3</sup> )	Year 2017 (m <sup>3</sup> )	Change %
Natural Forest	179,016	211,492	-15
Planted Forest	51,317	44,826	+14
<b>Total</b>	<b>230,333</b>	<b>256,318</b>	<b>-10</b>

**LOGS SALES VOLUME**

	Year 2018 (m <sup>3</sup> )	Year 2017 (m <sup>3</sup> )	Change %
Natural Forest Export Logs	43,040	60,545	-29
Milling Logs	129,891	162,967	-20
Planted Forest Milling Logs	44,471	40,452	+10
<b>Total</b>	<b>217,402</b>	<b>263,964</b>	<b>-18</b>



## MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION BY GROUP MANAGING DIRECTOR (cont'd)



*Raplex FMU participation in the 2<sup>nd</sup> batch Pilot Project for Environment Compliance Audit.*



*Kapit FMU successfully certified under MC&I Natural Forest Management in 2018*



*Honorary Wildlife Rangers meeting and wildlife patrolling*

MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION  
BY GROUP MANAGING DIRECTOR (cont'd)

**PLYWOOD DIVISION**

**MALAYSIA OPERATION**

Plywood Line	Year 2018 (m <sup>3</sup> )	Year 2017 (m <sup>3</sup> )	Change %
Production Volume	127,661	148,087	-14
Sales Volume	125,954	151,094	-17

**PLYWOOD SALES CONTRIBUTION**

Product Sales	Year 2018 (RM'000)	Year 2017 (RM'000)	Change %
Malaysian plywood	188,481	229,197	-18
PEFC Certified Eco Plywood	87,638	60,254	+45
<b>Total</b>	<b>276,119</b>	<b>289,451</b>	<b>-5</b>

**TASMANIA OPERATION**

Veneer Line	Year 2018 (m <sup>3</sup> )	Year 2017 (m <sup>3</sup> )	Change %
Production Volume	88,313	84,753	+4
Sales Volume	70,782	85,145	-17

MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION  
BY GROUP MANAGING DIRECTOR (cont'd)

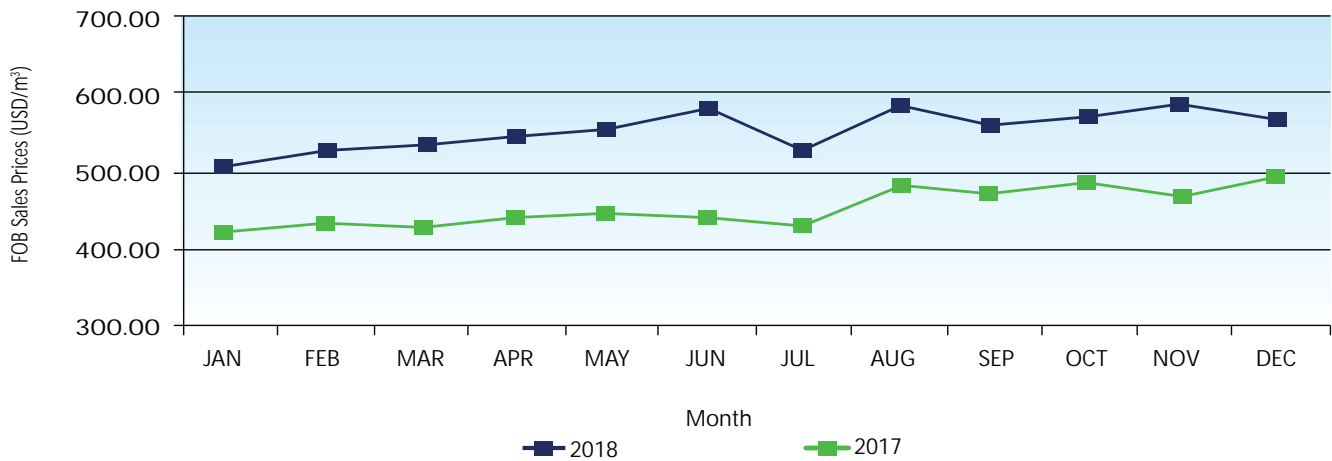


Veneer Drying

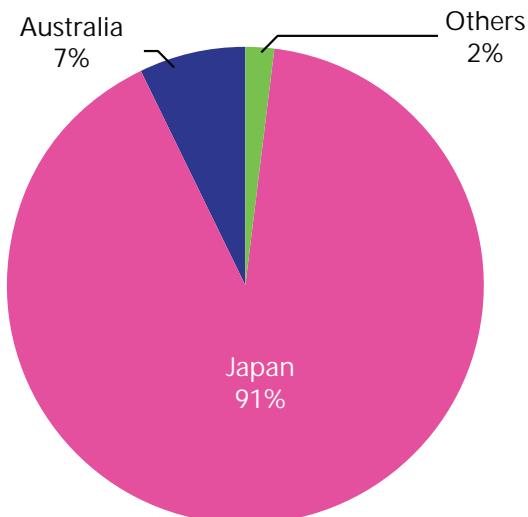


Coated Concrete Panel (CCP) Grading

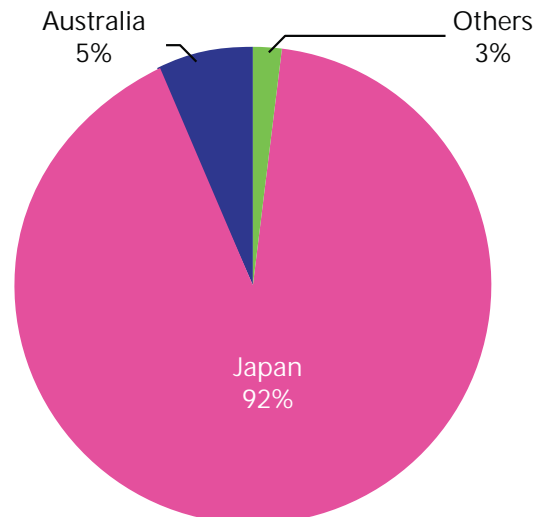
AVERAGE EXPORT PLYWOOD PRICE MOVEMENT  
(2018 vs 2017)



PLYWOOD EXPORT 2018  
By Destination



PLYWOOD EXPORT 2017  
By Destination



MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION  
BY GROUP MANAGING DIRECTOR (cont'd)

**SAWMILLING DIVISION**

**PRODUCTION VOLUME**

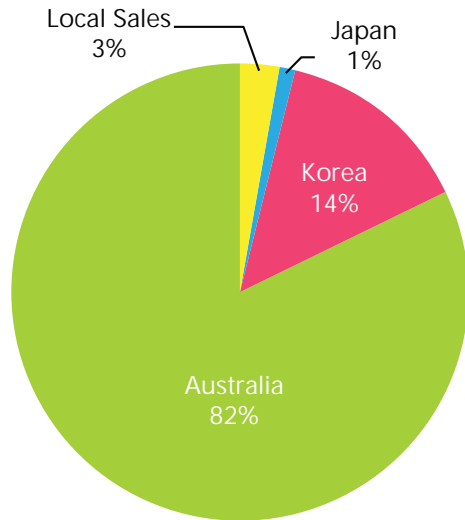
Green Mill	Year 2018 (m <sup>3</sup> )	Year 2017 (m <sup>3</sup> )	Change %
Sawn Timber	8,944	8,784	+2

Dry Mill	Year 2018 (m <sup>3</sup> )	Year 2017 (m <sup>3</sup> )	Change %
Dress Sawn and Sangi	4,583	4,692	-2
Moulding Products	1,475	1,618	-9
<b>Total</b>	<b>6,058</b>	<b>6,310</b>	<b>-4</b>

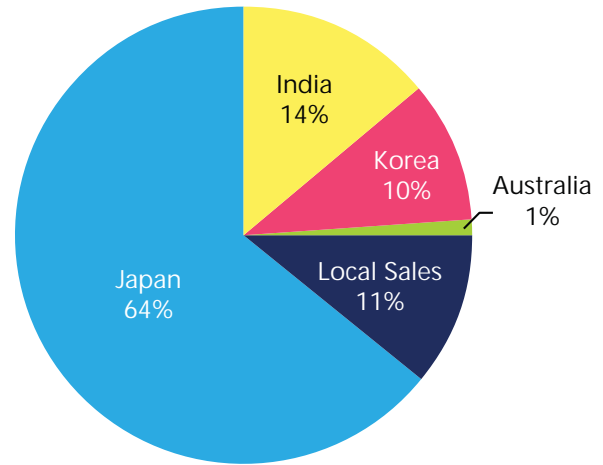
Sales Volume	Year 2018 (m <sup>3</sup> )	Year 2017 (m <sup>3</sup> )	Change %
Sawn Timber	1,804	1,896	-5
Dress Sawn and Sangi	3,187	3,361	-5
Moulding Products	1,451	1,599	-9
<b>Total</b>	<b>6,442</b>	<b>6,856</b>	<b>-6</b>

## MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION BY GROUP MANAGING DIRECTOR (cont'd)

**MOULDING SALES 2018**  
By Destination



**SAWN TIMBER SALES 2018**  
By Destination



*Arau Natural Round Table Set with Epoxy Paint*

MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION  
BY GROUP MANAGING DIRECTOR (cont'd)

**OIL PALM DIVISION**

**OIL PALM ESTATES**

	Year 2018	Year 2017	Change %
<b>Land Bank Gross Area (ha)</b>	<b>95,499</b>	<b>92,736</b>	<b>+3</b>
<b>Planted Area (ha)</b>	<b>47,838</b>	<b>46,682</b>	<b>+2</b>
Mature (4 <sup>th</sup> – 19 <sup>th</sup> Year)	44,178	43,458	+2
Immature (2 <sup>nd</sup> – 3 <sup>rd</sup> Year)	1,115	2,273	-51
Young (1 <sup>st</sup> Year)	2,545	951	+>100
<b>FFB Production (mt)</b>	<b>741,489</b>	<b>754,711</b>	<b>-2</b>



*Terus Estate Awarded "Anugerah Industri Sawit Malaysia 2017/2018"*



MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION  
BY GROUP MANAGING DIRECTOR (cont'd)

**CPO MILLS PERFORMANCE**

	Year 2018	Year 2017	Change %
<b>Manis Palm Oil Mill</b>			
Crude Palm Oil Production (mt)	122,380	115,241	+6
Palm Kernel Production (mt)	27,218	27,105	-
<b>TP Palm Oil Mill</b>			
Crude Palm Oil Production (mt)	81,525	91,182	-11
Palm Kernel Production (mt)	16,299	17,414	-6
<b>Total</b>			
Crude Palm Oil Production (mt)	203,905	206,423	-1
Palm Kernel Production (mt)	43,517	44,519	-2
<b>Average Oil Extraction Rate</b>			
Crude Palm Oil (%)	20.22	19.95	+1
Palm Kernel (%)	4.32	4.30	-
<b>Average Selling Price</b>			
Crude Palm Oil (RM/mt)	2,128	2,741	-22
Palm Kernel (RM/mt)	1,642	2,355	-30



**IPP TASK  
BLK 110 P2  
TASK - 1B & 2B  
0.54HA / 80 PALMS  
(SINCE AUG 2018)**

*Igan Platform Project (IPP)*

MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION  
BY GROUP MANAGING DIRECTOR (cont'd)

**REFORESTATION DIVISION**



*Debarked plantation logs*



*Kelampayan Veneer*

Tree species planted are as follows:

Reforestation Unit	Area Planted To-date (ha) December 2018			Total Area Planted To-date (ha)
	Acacia	Other Species (Kelampayan/Sawi/ Benuang/ Engkabang)	Zebra Planting Kelampayan	
<b>First rotation</b>				
Woodley	5,209	697	-	5,906
Pasin	8,724	463	75	9,262
Rejang Trading	4,869	-	-	4,869
Raplex	5,008	138	-	5,146
Melekun	330	-	15	345
Zumida	3,088	21	-	3,109
<b>Sub-Total</b>	<b>27,228</b>	<b>1,319</b>	<b>90</b>	<b>28,637</b>
<b>Second rotation</b>				
Woodley	93	-	-	93
Pasin	1,023	-	-	1,023
Rejang Trading	683	-	-	683
Zumida	360	-	-	360
<b>Sub-Total</b>	<b>2,159</b>	<b>-</b>	<b>-</b>	<b>2,159</b>
<b>Total</b>	<b>29,387</b>	<b>1,319</b>	<b>90</b>	<b>30,796</b>

\* After offsetting harvested 1<sup>st</sup> rotation areas.

MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION  
BY GROUP MANAGING DIRECTOR (cont'd)

**Kelampayan planting in oil palm estates:**

Estate	Number of Kelampayan trees planted
Naman	138,285
Pelita Assan	31,885
Pelita Durin	22,212
Zumida Oil Palm	1,953
Mega Bumimas	1,213
<b>Total</b>	<b>195,548</b>

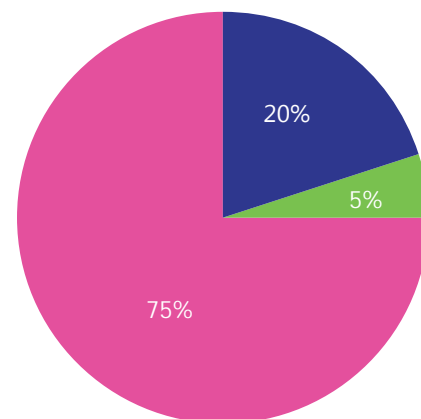
**Age Profile for Planted Tree at LPF/0002, LPF/0010 & LPF/0040**

Age profile of planted tree as at 31/12/18		
	(ha)	%
Mature Area (≥ 10 years old)	22,900	75%
Immature Area (4 - 9 years old)	6,268	20%
Young Area (1 - 3 years old)	1,628	5%
<b>Total Planted</b>	<b>30,796</b>	<b>100%</b>



*Kelampayan logs*

**AGE PROFILE OF PLANTED TREES**



- Mature Area (≥ 10 years old)
- Immature Area (4-9 years old)
- Young Area (1-3 years old)

## MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION BY GROUP MANAGING DIRECTOR (cont'd)

### ACTION PLANS FOR YEAR 2019

#### Logging Division

- To expedite the remaining certification processes in our logging operation for the remaining two FMU, namely Raplex and Pasin against the Malaysian Timber Certification Scheme MC&I, and target to complete the exercise in Year 2019.
- To emphasize on sustainability, environmental protection and prioritise workers safety.
- To continuously foster a good relationship with the local community.

#### Plywood Division

- To maintain product quality as per customer requirements.
- To automate and innovate processes to increase productivity while reducing labour cost.
- To enhance cost saving measures and recovery rate.
- To maximize utilisation of PEFC logs to further penetrate PEFC products into the Japan market which aims to increase our market share.

#### Sawmilling Division

- To train and educate workers on multi-tasking at the production line.
- To explore automated production in order to minimize labour usage.
- To promote Hardwood Sawn Timber to India market.
- To focus on niche market product.

#### Oil Palm Division

- To deliver our vision of a long term top-tier financial performance by integrating sustainability into our business strategy.
- To increase the productivity while protecting the environment.
- To invest in machinery fleet to promote mechanisation for harvesting, manuring, weeding and pest & disease activities in oil palm plantations with the aim to raise workers' productivity.
- To provide better living and working environment.
- To recruit more landowners for participation in the on-going NCR projects.
- To continue fine-tuning of oil mill processes for optimum OER & KER performance.

#### Reforestation Division

- To increase Acacia harvesting and 2<sup>nd</sup> rotation planting for consistent sustainable planted timber supply.
- To enhance R&D on 2<sup>nd</sup> rotation plant nutrition, growth performance and Pests & Disease (P&D) for Acacia re-planting.
- To continue kelampayan enrichment planting and rehabilitation in post-logging blocks in the natural forest FMUs.
- To increase kelampayan intercropping in peatland oil palm plantations in Ta Ann Group.
- To enhance of R&D on planting kelampayan on peatland.

## MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION BY GROUP MANAGING DIRECTOR (cont'd)

### PROSPECT FOR YEAR 2019

#### Logging Division

- Anticipated a stable and sustainable logs production going forward and better selling price.

#### Plywood Division

- Demand for certified plywood product in Japan is increasing.
- Emphasis on the plywood product quality and its sustainable supply quantity to market.

#### Sawmilling Division

- Concentrate on markets which appreciate the value of hardwood, and in the meanwhile explore new products for new markets whereby we are aiming to increase the market share in Japan, Australia and India.

#### Oil Palm Division

- Increment of FFB and CPO production are anticipated with the growing maturity of palms.
- Continuous fine tuning of the processes to drive the operational efficiency and determine the most efficient and economical operational cost for profit maximation.
- Continues to implement Good Agricultural Practices (GAP).
- Continually seeking for opportunity in expanding the land bank through acquisition or joint venture development.

#### Reforestation Division

- Increase harvesting of 1<sup>st</sup> rotation Acacia to gradually replace the raw material for own plywood production.
- Better application of manpower for intensive crop management and improve the productivity for 2<sup>nd</sup> rotation planting.
- Higher production and higher density of kelampayan intercropping with oil palm at LPF/0010 Naman Division, giving diversity and dual crops production to provide better economic values for the Group.

## FINANCIAL REVIEW BY CHIEF FINANCIAL OFFICER

### (1) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR FINANCIAL YEAR 2018

Particular	Note	2018 RM'000	2017 RM'000	Change %
Revenue	1.1	967,225	1,178,677	-18
Cost of sales		(747,155)	(838,061)	-11
Gross profit		220,070	340,616	-35
Other operating income		7,065	11,423	-38
Distribution expenses		(63,333)	(71,831)	-12
Administrative expenses		(43,812)	(58,117)	-25
Other operating expenses		(10,639)	(15,261)	-30
Profit from operation		109,351	206,830	-47
Finance income		5,539	9,332	-41
Finance costs		(25,537)	(25,560)	0
Profit before taxation (exclude fair value adjustment)	1.2	89,353	190,602	-53
Change in fair value less costs to sell of biological assets		(7,275)	(27,899)	-74
Share of profit of equity-accounted associate, net of tax		31,040	-	>100
Profit before taxation		113,118	162,703	-30
Taxation		(24,891)	(42,339)	-41
Profit for the year		88,227	120,364	-27
Gross profit margin		23%	29%	-21
Profit before taxation margin		12%	14%	-15
Net profit margin		9%	10%	-11

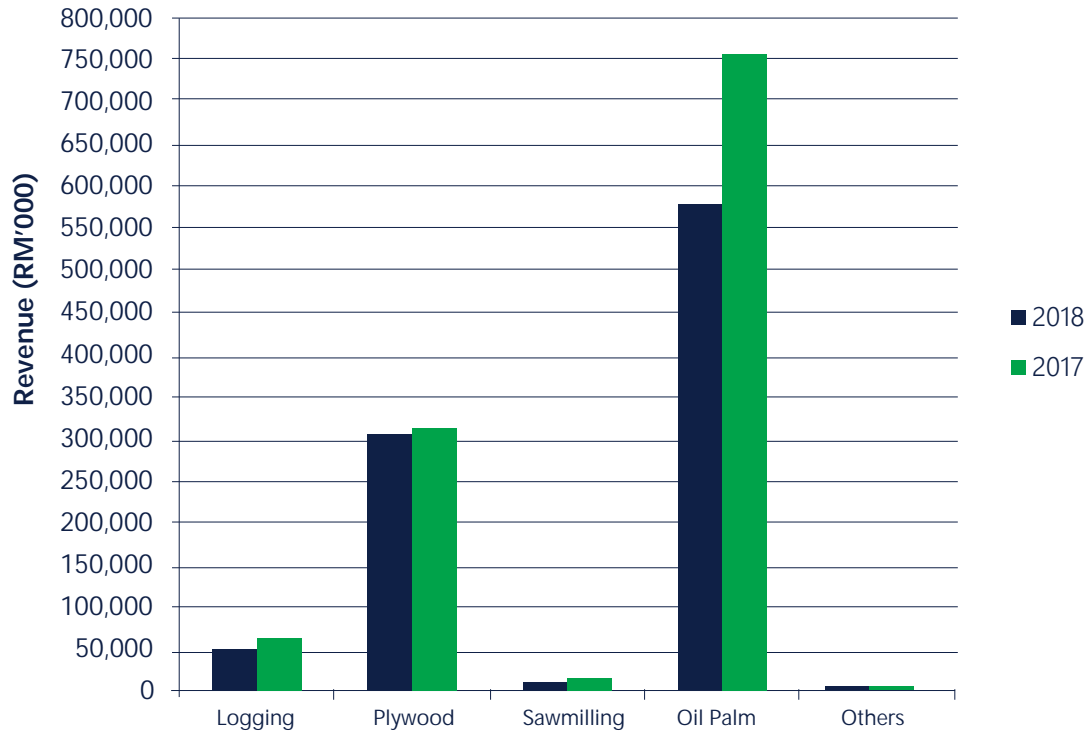
FINANCIAL REVIEW BY CHIEF FINANCIAL OFFICER (cont'd)

(1) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR FINANCIAL YEAR 2018 (cont'd)

NOTE:

1.1 Revenue Contribution by Division

REVENUE CONTRIBUTION BY DIVISION  
(2018 vs 2017)



	2018 RM'000	Percentage Contribution %	2017 RM'000	Change %
a) Logging Division	55,007	6	71,604	-23
b) Plywood Division	308,309	32	323,936	-5
c) Sawmilling Division	19,102	2	19,133	-
d) Oil Palm Division	578,991	60	759,265	-24
e) Others	5,816	0	4,739	23
<b>Total</b>	<b>967,225</b>	<b>100</b>	<b>1,178,677</b>	<b>-18</b>

Lower average selling price for crude palm oil ('CPO') and fresh fruit bunches ('FFB') attributed to the drop in revenue.

## FINANCIAL REVIEW BY CHIEF FINANCIAL OFFICER (cont'd)

### (1) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR FINANCIAL YEAR 2018 (cont'd)

#### 1.2 Profit Before Tax Contribution by Division (exclude fair value adjustment)

	2018 RM'000	Percentage Contribution %	2017 RM'000	Change %
a) Logging Division	7,152	8	23,306	-69
b) Plywood Division	(5,669)	-6	(24,798)	77
c) Sawmilling Division	3,448	4	4,785	-28
d) Oil Palm Division	84,615	95	186,836	-55
e) Tree Planting	(363)	-1	(98)	>-100
f) Others	170	0	571	-70
<b>Total</b>	<b>89,353</b>	<b>100</b>	<b>190,602</b>	<b>-53</b>

Lower profit margin in FY2018 was mainly due to unfavourable market sentiment and this has attributed to lower CPO and PK average pricings which were accounted for the drop in revenue and profit. Nevertheless, the higher average achieved selling price - timber products enabled the setting off of the negative effect while contributed positively towards the profit bottomline.

### (2) STATEMENTS OF FINANCIAL POSITION

#### Analysis of Major Items

##### 2.1 Total Assets

Asset Type	Note	2018 RM'000	2017 RM'000	Change %
Property, plant and equipment	2.1.1	1,044,730	1,046,940	0
Prepaid lease payments		3,150	3,456	-9
Bearer plants	2.1.2	509,145	508,613	0
Biological assets		165,511	170,130	-3
Investment in associates	2.1.3	197,883	-	>100
Deferred tax assets		32,162	26,858	20
Other intangible assets		24,417	27,571	-11
Goodwill		79,664	79,664	0
Inventories	2.1.4	170,913	169,289	1
Trade and other receivables		57,758	54,628	6
Prepayments and other assets		20,352	19,576	4
Other investments		-	14,610	-100
Cash and cash equivalents		128,429	272,859	-53
Others		514	628	-18
<b>Total</b>		<b>2,434,628</b>	<b>2,394,822</b>	<b>2</b>



FINANCIAL REVIEW BY CHIEF FINANCIAL OFFICER (cont'd)

(2) STATEMENTS OF FINANCIAL POSITION (cont'd)

Analysis of Major Items (cont'd)

2.1 Total Assets (cont'd)

NOTE:

2.1.1 Property, plant and equipment

Net movement of property, plant and equipment ('PPE') were mainly in respect of the followings:

	RM'million
<b>Oil palm division</b>	62
<b>Logging division</b>	18
<b>Plywood division</b>	2
<b>Total fixed assets additions for the year</b>	<u>82</u>
<i>LESS: Annual depreciation</i>	(66)
<i>LESS: Exchange rate translation difference</i>	(15)
<i>LESS: Disposals/ write offs</i>	(3)
<b>Net movement</b>	<u><u>(2)</u></u>

2.1.2 Bearer plants

Net movement of bearer plants were mainly in respect of the following:

	RM'million
Additions for the year	25
<i>LESS: Annual amortisation</i>	(24)
<b>Net movement</b>	<u><u>1</u></u>

2.1.3 Investment in associates

During the year, the Company entered into a conditional share sale agreement with Ceramat Ceria Sdn. Bhd. to acquire 84,968,024 ordinary shares in Sarawak Plantation Berhad ("SPB"), representing approximately 30.39% equity interest in SPB, for a total cash consideration of RM169,936,048 or RM2.00 per share. The acquisition was completed on 28 March 2018.

## FINANCIAL REVIEW BY CHIEF FINANCIAL OFFICER (cont'd)

### (2) STATEMENTS OF FINANCIAL POSITION (cont'd)

#### Analysis of Major Items (cont'd)

#### 2.1 Total Assets (cont'd)

##### NOTE:

##### 2.1.4 Inventories

Inventories breakdown by division was as follows:

	2018 RM'000	2017 RM'000	Change %
a) Logging Division	8,832	4,550	94
b) Plywood Division	134,511	136,425	-1
c) Sawmilling Division	4,875	4,772	2
d) Oil Palm Division	21,412	22,476	-5
e) Others	1,283	1,066	20
<b>Total</b>	<b>170,913</b>	<b>169,289</b>	<b>1</b>

#### 2.2 Equity

Equity comprises the followings:

	2018 RM'000	2017 RM'000	Change %
Share capital	444,844	444,844	0
Foreign exchange translation reserve	8,429	18,728	-55
Retained earnings	952,103	920,758	3
Non-controlling interests	85,951	77,963	10
Treasury shares	(8,450)	(905)	>-100
<b>Total</b>	<b>1,482,877</b>	<b>1,461,388</b>	<b>1</b>

## FINANCIAL REVIEW BY CHIEF FINANCIAL OFFICER (cont'd)

### (2) STATEMENTS OF FINANCIAL POSITION (cont'd)

#### Analysis of Major Items (cont'd)

#### 2.3 Borrowings

By type of facility	2018 RM'000	2017 RM'000	Change %
Finance leases	21,605	17,611	23
<i>Conventional</i>	10,017	6,497	54
<i>Islamic</i>	11,588	11,114	4
Term loans	313,888	399,667	-21
<i>Conventional</i>	170,888	157,667	8
<i>Islamic</i>	143,000	242,000	-41
Bankers' acceptances	547	3,526	-84
Revolving credits	220,000	107,000	>100
Export credit refinancing	20,879	18,401	13
<b>Total</b>	<b>576,919</b>	<b>546,205</b>	<b>6</b>

### (3) RATIO ANALYSIS

	2018	2017
Liquidity		
• Current Ratio	1.14	1.37
Leverage		
• Net Gearing	32.1%	18.7%
Profitability		
• ROA	3.1%	4.2%
• ROE	5.4%	7.3%
• EPS	17 sen	23 sen
Dividend		
• Dividend per share	10 sen	10 sen
• Dividend yield	3.70%	2.73%
• Share price as at 31 Dec	RM2.70	RM3.66
Net assets per share	RM3.14	RM3.11

### (4) CONCLUSION

KPMG PLT, had rendered an unqualified opinion on the financial statements for the financial year ended 31 December 2018. The Group's financial position continues to remain sound with a total asset stood at RM2.43 billion, and a positive shareholders' equity of RM1.48 billion. Net debt increased by 25% or RM163 million, mainly due to the investment in associate, Sarawak Plantation Berhad. Correspondingly, the Group had reported a current ratio of 1.14 times which indicated its ability to meet its short term commitment.

As at 31 December 2018, the Group's cash position stood at RM128 million with a net gearing ratio of 0.32 times which is well below the loan covenant of 1 time. The Group is financially viable and will continue to make appropriate dividend distributions in order to meet the shareholders' expectation as long as its financial liquidity is permissible.

Continuous fine tuning and cost saving measures beside strategies employed in raising its production efficiency through effective processes coupled with semi automation of the processes in mitigating the adverse impact from the market forces.

The Group is poised in a strong position with its achieved certifications for sustainable plantation and operational activities to move forward.

# SUSTAINABILITY STATEMENT

## OUR COMMITMENT

At Ta Ann Holdings Berhad (“Ta Ann”), we believe in sustainable growth. We embed sustainable practices into our business processes and operations to enhance our shared Economic, Environmental and Social (“EES”) wellbeing.

Our main priority is not only to maximize shareholders returns, but also place a strong emphasis on human capital development and a wide range of activities that focus on developing a portfolio of businesses that deliver superior and sustainable returns for all our stakeholders – our shareholders, customers, partners, employees and the communities. We continue to establish roadmaps in addressing sustainability matters that are uniquely material to our organisation with priorities on balancing economic with environment and social considerations to create positive impact for our stakeholders and communities within which we operate.

## SCOPE OF SUSTAINABILITY STATEMENT

The scope of this sustainability statement is applicable for the financial year ended 31<sup>st</sup> December 2018 to Ta Ann and all its subsidiaries (“Ta Ann Group” or “the Group”), directors and employees of the Group.

## SUSTAINABILITY GOVERNANCE

We believe a strong governance structure and a clear line of accountability enable the Group to deliver its commitment to sustainability.

The Board of Directors has delegated a special unit to assist the Board in fulfilling its corporate governance responsibility by formulating, monitoring and reviewing the Group’s sustainability strategies and policies. The head of this unit reports directly to the Group Managing Director and is responsible to cascade the sustainability strategies down to each divisional unit and embedded into our business operations by implementing relevant business decisions in areas such as product quality and innovation, resources management, employee engagement, operations and supply chain.

## IDENTIFYING OUR MATERIAL SUSTAINABILITY MATTERS

We are currently reviewing the sustainability matters that are material to the group and to identify their degree of materiality, from the business perspective and with inputs from identified key stakeholders. This allows us to align our strategy and action plans accordingly and develop action plans that will guide the management in monitoring and reporting sustainability matters for the group.

For the purpose of reporting for the FY2018 Annual report, we will be focusing on the following sustainable values:



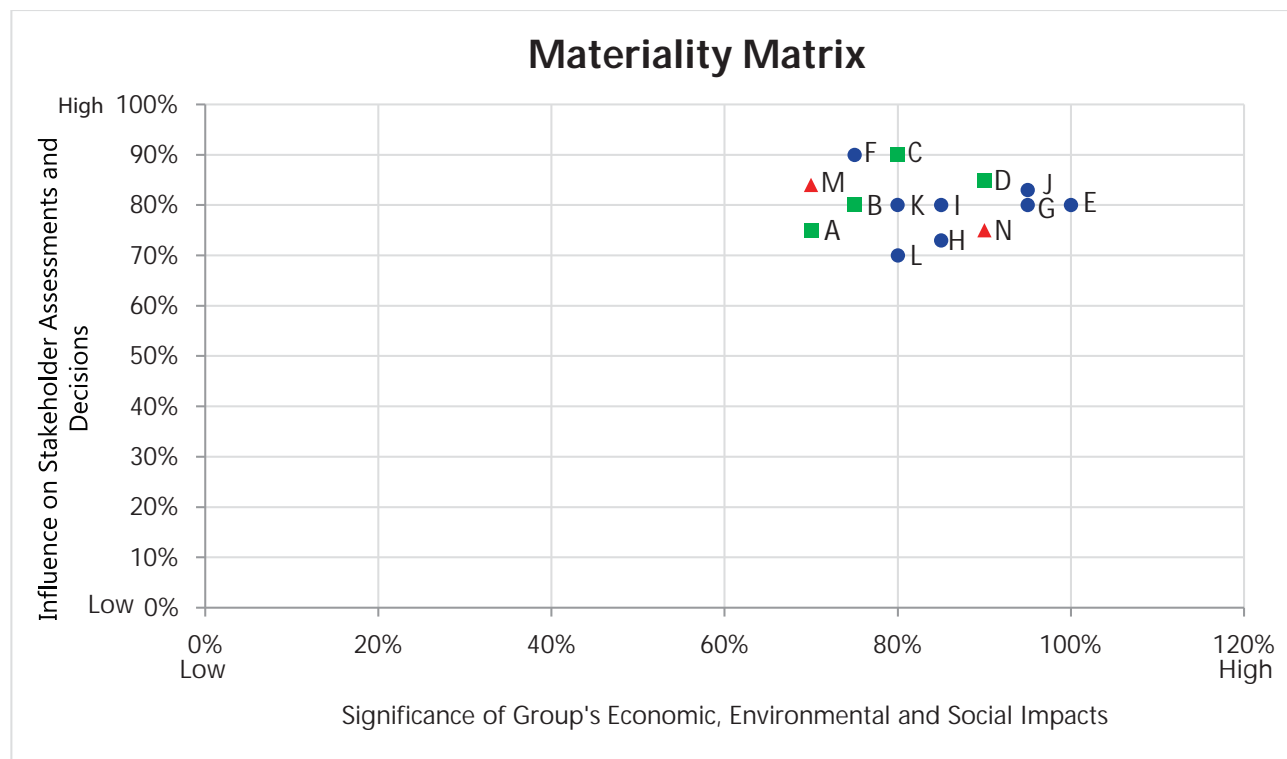
## SUSTAINABILITY STATEMENT (cont'd)

### MATERIALITY MATRIX

How our Material Issues Relate to the United Nations Sustainable Development Goals (“SDGs”)

For this sustainability statement, we conducted an in-house materiality assessment. The group senior management has reviewed the key Economic, Environment and Social Impacts (“EESI”), and their influence on the assessments and decisions of stakeholders.

As a result of the above-mentioned exercise and evaluation of the Group Sustainability Risk and Opportunities, the Material Matrix depicts 14 key material issues identified having an effect on our activities or those of our stakeholders.



### SUMMARY OF MATERIALITY MATTERS

#### ■ Economic Performance

- A Employee Recruitment
- B Manpower Shortage
- C Performance Oriented
- D Employee Engagement

#### ● Social Aspects

- M Community Contributors
- N Social Care & Workers Welfare

#### ▲ Environmental Issues

- E Product Certification
- F Health & Safety
- G Fire & Haze Management
- H Fertilizer & Pesticide Usage
- I Water Management
- J Peat Land Management
- K Waste Management
- L Carbon Footprint

## SUSTAINABILITY STATEMENT (cont'd)

### STAKEHOLDERS ENGAGEMENT

With stakeholders' engagement as one of Ta Ann Group's cornerstones of sustainability approach, periodic and scheduled timeline were set to actively meet, communicate, consult and work with various stakeholders to address areas of shared interests and concerns.

Stakeholder Groups and Key Management Conducted in FY2018

Stakeholder Group	Engagement Methods	Outcomes
<b>Investors, Bankers &amp; Analysts</b>	<ul style="list-style-type: none"> <li>Formal and informal briefings and meetings</li> <li>AGMs</li> <li>Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>Provide insight into our sustainable and business progress and performance</li> <li>Good relationship with shareholders</li> </ul>
<b>Local communities &amp; smallholders</b>	<ul style="list-style-type: none"> <li>Meetings, engagements and dialogues</li> <li>Joint exercises and training</li> <li>Opportunity of employment</li> </ul>	<ul style="list-style-type: none"> <li>Amicable solutions to conflicts and grievances</li> <li>Community activities such as "gotong-royong" and festive celebrations</li> <li>Employment for qualified and eligible locals</li> </ul>
<b>Certification Bodies</b>	<ul style="list-style-type: none"> <li>Meetings, engagement and dialogues</li> <li>Regular reporting and meetings</li> <li>Visitation and inspection</li> <li>Constructive partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Audit and certification</li> <li>Compliance with polices and latest changes in standards</li> </ul>
<b>Government (Ministries, Agencies, Regulators, Industry Associations)</b>	<ul style="list-style-type: none"> <li>Meetings, engagement and dialogues</li> <li>Compliance with legal requirements</li> <li>Support government transformation policies and initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Development and implementation of shared initiatives</li> <li>Compliance with regulations and latest changes in laws</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Formal and informal briefings and meetings</li> <li>Site visits</li> <li>Quality of products</li> <li>Compliance with sustainability standards</li> </ul>	<ul style="list-style-type: none"> <li>Increased market share</li> <li>Customer retention</li> <li>Create awareness of Ta Ann policy and commitments to sustainable business</li> </ul>
<b>Suppliers &amp; Contractors</b>	<ul style="list-style-type: none"> <li>Formal and informal briefings and meetings</li> <li>Surveys</li> </ul>	<ul style="list-style-type: none"> <li>Create awareness of company policy and commitment to sustainable palm oil production and their role in it</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Employee engagement</li> <li>Remuneration package</li> <li>Health and safety</li> <li>Communication of company policies and practices</li> <li>Training programmes</li> <li>Annual appraisal</li> </ul>	<ul style="list-style-type: none"> <li>Awareness of company policy, culture and core values</li> <li>Promote teamwork, create better working environment and work toward shared goal</li> <li>Improve awareness of our commitment to sustainable practices</li> </ul>

SUSTAINABILITY STATEMENT (cont'd)

**HOW OUR MATERIAL ISSUES RELATE TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)**

On 1 January 2016, the 17 SDGs of the 2030 Agenda for Sustainable Development – adopted by world leaders in September 2015 at an historic UN summit – officially came into force. These 17 goals seek to abolish extreme poverty, to reduce inequality and injustice and to solve the global climate crisis.

In support of our commitment to contribute to sustainable development, we have performed a review and evaluation on how our diverse businesses can contribute to SDGs and have since prioritized 8 SDGs that are considered most relevant to the Group and incorporated them into our Sustainability Framework.

GOAL	SDGS RELEVANT TO OUR MATERIAL ISSUES
Economic	 
Environmental	  
Social	  

## SUSTAINABILITY STATEMENT (cont'd)

### ECONOMIC

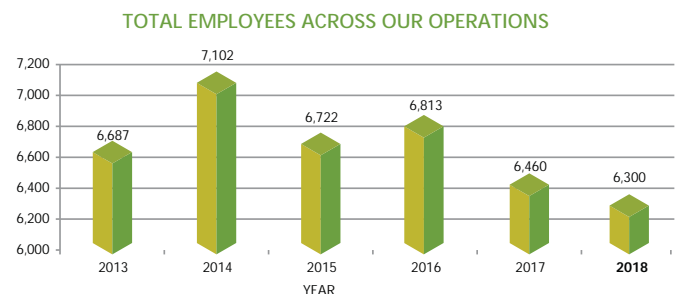
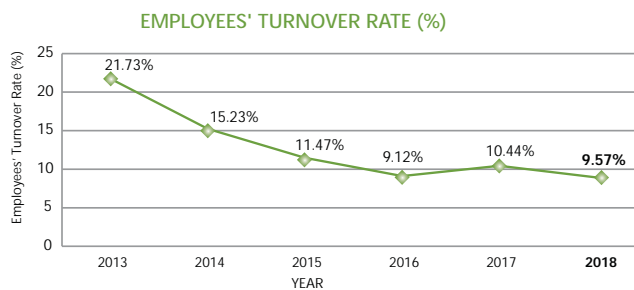


#### Transformation and Growth on Workforce Development

The Group has over the years transformed progressively and grown in size from a small logs trading firm into a resource group, engaging in both timber and oil palm upstream planting and downstream processing activities. Surging forward, we are sustaining our foundation of success and pursuing new milestones in the industry under the capable leadership of the Board of Directors, supported by our employees as well as our stakeholders.

Our people are the core of Ta Ann's strength as an organisation and one big family. The Board and management recognize and value the diversity of skills, perspectives and backgrounds that our employees bring to the Group. We also appreciate all the efforts and sacrifices our employees make every day for the betterment of the Group.

As of 31 December 2018, Ta Ann has 6,300 employees across our operations. The employees' turnover rate for 2018 was 9.57%.



At Ta Ann, we take pride in providing extensive learning opportunities for our employees to enhance their knowledge, expertise and professionalism through specific internal and external trainings relating to their areas of work. This is done through job attachments, cross assignments, job rotations and field excursions, committee involvements and participations in seminars / workshops to prepare them for career progressions. Equal opportunity is given to all employees for career advancements based on merits. The table below shows the training statistics for the past 3 years:

#### Training (In-House and External)

Description	2016	2017	2018
Total Seminars / Courses Attended	65	56	67
Total Employees Attended	1,609	3,125	3,827



## SUSTAINABILITY STATEMENT (cont'd)

Managing an organisation efficiently requires technical expertise and exposure. In 2018, our employees under the oil palm division have undergone training programs such as Malaysian Palm Oil Board ('MPOB') – grading course, FFB grader training, steam engineering examination course, process training, boiler operation courses to improve the knowledge and skills of talents and further enhance their professionalism. These training programs also serve as platforms for employees to update themselves with the latest technological developments in the industry.

All new recruits are given the opportunity to attend an orientation briefing which covers Group's core values, culture, organisation background and structure and code of ethics. They are placed under the guidance of the more experienced seniors for apprenticeship. The table below shows the new recruits statistics for the past 3 years:

### New Recruitment

Description	2016	2017	2018
<b>Total Number</b>	288	314	250
<b>Gender</b>			
Female	46	38	28
Male	242	276	222
<b>Age Group</b>			
<30	157	205	139
30-40	69	61	63
40-50	43	33	38
>50	19	15	10

As an employee-centric company, our human resource department strives to ensure that our practices and policies are in sync with the market forces. We benchmark ourselves against other industry players to ensure that our remuneration packages, benefits and incentives, as well as reward systems, remain competitive as a way to attract talent.

A well-established performance appraisal system is in place, whereby employees are evaluated against agreed targets. Key Performance Indicator ('KPI') is used to measure the workforce performance and productivity. This approach aims to award increment on merit, and promotion on the basis of capability. Apart from the standard benefits of annual leave, competitive salaries with performance-linked increments and regular bonuses, incentives and paid time-off plans, employees are also provided with insurances and medical coverage. We also recognise and value the commitment of our long-serving employees through our retirement benefit scheme as well as long service award.

To foster cohesiveness among our staffs, a pantry room is made available in each office floor with amenities for refreshments. We also inculcate a sense of autonomy, empowerment and ownership to secure the employees' loyalties toward the Group. We are a believer of flexi-hours and do not impose a time card to monitor the staffs' punctualities as long as they exercise self-disciplines, put in an honest day's work and deliver results.

Ta Ann strongly believes in empowering workers through proper training as it is the critical component for sustaining productive and environmentally conscious workforce. We remain committed in investing in human capital development with the aim to produce a team of high-calibre employees to support Ta Ann's growth.

## SUSTAINABILITY STATEMENT (cont'd)

### ENVIRONMENTAL & OCCUPATIONAL HEALTH AND SAFETY



Ta Ann Group remains committed to the environmental sustainability matters in each of the markets we operate in.

As part of the ongoing exercise to develop sustainability value, the followings are the environmental matters and key initiatives we have rolled out in both timber and plantation division:

### FOREST MANAGEMENT CERTIFICATION UNDER THE MALAYSIAN TIMBER CERTIFICATION SCHEME (MTCS)

MTSC is endorsed internationally by the Program for Endorsement of Forest Certification (PEFC). In 2018, the Sarawak State Government set in place a forest policy to have all long-term forest timber licenses to be certified by the year 2022.

In line with this policy, Ta Ann has established Forest Management Unit (FMU) for its respective forest license areas, namely Kapit, Raplex and Pasin. Kapit was awarded the Forest Management Certificate (FMC) by SIRIM QAS International Sdn Bhd, with a validity of three years. Kapit is Ta Ann Group first FMU and the largest in Sarawak certified under the MTCS. Ta Ann is actively preparing the remaining areas to be awarded with FMC with Raplex successfully completed Stage I assessment in November 2018 and expecting to be certified in 2019, and Pasin in 2020.



## SUSTAINABILITY STATEMENT (cont'd)

In October 2018, Tokyo 2020 Olympic Games Organising Committee has conducted due diligence study in Kapit FMU to verify that the supply chain of our timber products for the construction of their Olympic games arena is from sustainable and legal source.



Field verification on Reduced Impact Logging (RIL) and conservation activities



Local community consultation with Community Leaders and Community Representative Committee (CRC)

Ta Ann Group is committed to managing our forest timber concessions in accordance to the principles of sustainable development by keeping the balance between the three main pillars: Economic, Social and Environment.

Our FMU's is part of the Forest Department's Pilot Project Area (PPA) for growth and yield modelling using FORMIND. To ensure sustainable harvesting, rate of timber harvest is based on Forest Resource Assessment (FRA) which determines Annual Allowable Cut (AAC). Therefore, our annual volume harvested is less than or equal to the mean Commercial Annual Increment (CAI).

## SUSTAINABILITY STATEMENT (cont'd)

Ta Ann also established harvesting SOP for all its FMUs, namely Reduced Impact Logging (RIL), that improves on our harvesting efficiency as well as reducing environmental impacts on our future forest stands and minimize product wastage. The forest productive capacity is further improved through silviculture management. FMU conducts pre-harvest vine-cutting to liberate tree crown in an effort to reduce logging damage. Enrichment planting of Kelampayan (*Neolamarckia cadamba*) are carried out on suitable skid trails and landing site to supplement future crop, and at the same time to reduce soil erosion and surface run-off.

Kapit FMU has participated in the pilot project for the Environmental Compliance Audit (ECA) under the Natural Resources and Environmental (Audit) Rules, 2008. This requires the FMU to conduct audits against the Environmental Impact Assessment (EIA) Approval Term and Conditions. For 2018, Kapit FMU has undergone two successful audits in June and November with scores of over 97% compliance. All non-conformance from the audit were addressed immediately and verified by independent auditor and officers from the Natural Resources and Environment Board (NREB) Sarawak. Extending from Kapit FMU, Ta Ann has signed MoU between NREB and Sarawak Timber Association (STA) in November 2018 to participate in our 2nd ECA for Raplex FMU.

Ta Ann is committed to protect and conserve our forest diversity and its ecosystem through sound and sustainable forest management practices. An MoU between Ta Ann and UNIMAS has been signed on the collaboration to:

1. Identify rare, endangered and threatened species.
2. Monitor High Conservation Value (HCV).
3. Study local community's dependency on wildlife and natural resources.

Findings from this collaboration shall be used to formulate comprehensive conservation plan for our FMUs and training for our employees in conservation management. Beside UNIMAS, our FMUs are currently looking into collaboration with Leibniz Institute for Zoo and Wildlife Research (IZW) to set up baseline information on wildlife species using camera traps.



Sun Bear  
(*Helarctos malayanus*)



Bornean Yellow Muntjac  
(*Muntiacus atherodes*)

## SUSTAINABILITY STATEMENT (cont'd)

### Sarawak Timber Legal Verification System (STLVS)

STLVS requires the verification of timber legality by 3rd party audit. Since 2014, Ta Ann has successfully maintain the Statement of Compliance with STLVS for all our forest license areas which have not acquire FMC.

**Sustainable Palm Oil** - Apart from continuous improvement in operational efficiency, Ta Ann is committed to incorporating genuine long-term sustainable practices with strong emphasis on the measures stated below to mitigate any adverse impacts on the ecosystem:

- **Integrated Pest Management** – minimizing the usage of chemical pesticides and planting of beneficial plants to attract natural predators for the biological control of oil palm pests such as bagworms and leaf eating caterpillars.
- **Fire & Haze commitment** – enforcement of zero burning policy since 2015. Fire prevention techniques and safety guidelines are part of Ta Ann annual training for workers.
- **Fertilizer Management** – utilising cut palm fronds and empty fruit bunches ('EFB') for soil mulching and to contribute some nutrients back into the soil thus lowering the reliance on the use of inorganic fertilisers.
- **Water Management** – installed water gate at strategic locations along the drains to maintain optimum water table level for yield enhancement as well as to counter potential shortfall in rain and fire risk.
- **Peat Land Management** – maintaining water level at 55cm to 75cm at all time to minimize carbon emission.
- **Waste Management** – established Standard Operating Procedure (SOP) for waste handling and disposal. Recycling of oil palm wastes such as bunch ash, boiler ash and decanter cake (oil residues) as a fertilizer to treat the kelampayan tree planting.
- Continual improving and monitoring of **Good Agriculture Practices ('GAP')** in our oil palm plantations.
- Striving for **Malaysian Sustainable Palm Oil ('MSPO')** certification of all oil palm plantations and crude palm oil mills. Ta Ann oil palm division subscribes to standards set forth by MSPO, a national certification scheme that addresses the legal, environmental, economic and social requirements of sustainable palm oil production. Presently, eight (8) oil palm plantations and two (2) crude palm oil mills have obtained MSPO certification.

In line with Ta Ann's commitment in the sustainability in oil palm management, we have provided various in-house and external training programmes on MSPO, environmental awareness, effluent pond management and other sustainable palm oil practices for our employees in 2018.

We recognise that sustainability cannot be achieved without partners. It is in this spirit, we collaborated with stakeholders including policy makers with the aim to create and maintain a balance between economic viability, sound environmental stewardship and social responsibility in the pursuit of our corporate mission.

## SUSTAINABILITY STATEMENT (cont'd)



This award is a testament to Ta Ann's commitment in subscribing to the best estate management standard which encompasses yield enhancement, workforce management, field upkeep and maintenance, documentation control, stakeholder engagement and other best agricultural practices. The Group will constantly strive to implement the highest possible estate management standards across all its oil palm plantations

### SOCIAL



At Ta Ann, we also believe in growing our business in a responsible manner. We strive to drive positive social change in the areas where we operate in.

### COMMUNITY CONTRIBUTIONS AND DEVELOPMENT

We have always taken an active role in supporting and enriching the communities we operate in through sponsorships, donations, employees' volunteerisms and community-based activities. Our contributions reach out to different sectors of the community, irrespective of race and religion, as way to uplift welfare and living standard of the less privilege.

Through Ta Ann's oil palm joint venture projects with the native landowners and the government, not only have we transformed idled land into productive oil palm estates but also improved on their livelihood by providing employment opportunities, upgrading of infrastructures and amenities, and giving of various incentives.

SUSTAINABILITY STATEMENT (cont'd)



Sebauh Regatta Challenge 2018 at Sebauh Waterfront to celebrate 3rd Anniversary As Full District in Sarawak  
27.11.2018



Donation to Persatuan Kebajikan Islam Perubatan, Jabatan Kesihatan Negeri Sarawak, Daro



Donation to PIBG Sekolah Kebangsaan Camporan Daro

## SUSTAINABILITY STATEMENT (cont'd)

### WORKPLACE

Ta Ann has a workforce over 6,300 employees. Employees being one of our greatest assets, their welfare remains our top priority. We value our people and reward their contribution with fair remuneration, career development opportunities, scholarships and further training prospects.



Fund Contribution to Sekutan Education Fund (Bintulu)

- Education – education is fundamental to human resource development and growth in Ta Ann. We also believe in the power of education in transforming lives of the community and our people. It lays the foundation for sustained economic growth. We provide education sponsorships for less privileged yet performing students giving them the opportunities to realize their desires in pursuing higher education. Since 2010, we have set up 'Ta Ann Education Fund' assisting the young deserving Sarawakian students to pursue higher education. We hope that with proper education, the children may achieve better prospect in life and become active participants in the society.
- Leveraging sports to build future leadership – our group support sports development activities with the aim to nurture young talent by providing opportunities and financial supports.
- Employee Volunteerism – we continue to provide opportunities for and encourages our employees to volunteer their time and actively participate in various charitable and social activities.
- Boosting positivity through work-life balance – we also place a heavy emphasis on promoting health work-life balance to increase employee's morale and improve work quality with the aim to create a conducive working environment. We encourage employees to participate in various activities organised by our Ta Ann Recreational club where its committee members consist of elected representatives from various departments.
- Employee Engagement - We promote a culture of openness and feedbacks between managers and employees, as well as across different divisions through management gatherings, annual dialogue session, monthly meetings, early bird breakfast sessions and periodic corporate luncheons.

Regular meetings are held internally to foster closer interactions and strengthen synergies among the diverse business segments within the Group. Through these communication platforms, senior management and employees, colleagues and peers are able to interact, exchange ideas, share their experiences and bring out new innovative ideas. They are also provided with regular updates on the business direction and company performance as well as solutions to issues that affect their works. A review of broader human resource issues and policies is an agenda in the monthly management meeting. We continue to increase our efforts to ensure nothing is overlooked when it comes to means and measures that can enhance the capability and effectiveness of the Group's workforce.

We also have in place a whistle blowing policy to provide employees access to appropriate channels of communication to raise concerns without fear of reprisals. All concerns raised are treated fairly and properly.



## SUSTAINABILITY STATEMENT (cont'd)

- **Health & Safety** – We regard health & safety of our employees as one of our top priorities which should never be compromised. We are committed in providing a safe and healthy work environment through the implementation of Occupational Safety and Health (OSH) policy and requirements. Safe work practices and behaviours are strongly enforced and promoted throughout our group, in our upstream and downstream operations through consistence regular inspections, safety education and other measures, combined with active risk assessments.

Regular occupational safety and health workshops are conducted by experienced officers to reiterate the importance of personal safety and risk management in OSH and to enhance the employee's knowledge in OSH control. Seminars and workshops are also provided for employees and contractors personnel involved to prepare or update them on safety and hazard handlings.

In 2018, fire fighting system has been installed at all Ta Ann's palm oil mills for the prevention of fire accidents. Fire drill trainings were routinely conducted by the Bomba to our planation workers and staff in creating awareness and knowledge in action to take when fire incident occurred.

We also ensure that the staff quarters, facilities and other amenities are well maintained and clean at all times. A quarterly cleanliness campaign is held at our oil palm plantations to promote proper housekeeping practices. Stringent safety checks and quality audits are conducted on a regular basis to ensure safety guidelines and requirements complied at all levels.



Fire Drill Training

### MOVING FORWARD

Sustainability remains as a key consideration in our policy formulation and business practices as we regard this as a shared value by all our stakeholders. As a responsible corporate citizen, Ta Ann shall continue to pursue for growth while remaining in line with our EES objectives.