

Company No : 419232-K

TA ANN HOLDINGS BERHAD

Notes to the interim financial report

1 Basis of Preparation

The interim financial report has been prepared in accordance with FRS 134: *Interim Financial Reporting* and paragraph 9.22 of Listing Requirements of the Bursa Malaysia Securities Berhad.

The preparation of an interim financial report in conformity with FRS 134, *Interim Financial Reporting*, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2014. It contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the year ended 31 December 2014. The condensed consolidated interim financial report and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Financial Reporting Standards (FRSs).

The statutory financial statements for the year ended 31 December 2014 are available from the Company's registered office.

2 Significant Accounting Policies

2.1 Change in accounting policies

The significant accounting policies adopted in the preparation of this interim financial report are consistent with those in the audited financial statements for the year ended 31 December 2014, except for the adoption of the following standards, amendments and interpretations:

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements to FRSs 2011-2013 Cycle)*
- Amendments to FRS 3, *Business Combinations (Annual Improvements to FRSs 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 8, *Operating Segments (Annual Improvements to FRSs 2010-2012 Cycle)*
- Amendments to FRS 13, *Fair Value Measurement (Annual Improvements to FRSs 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements to FRSs 2010-2012 Cycle)*
- Amendments to FRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to FRS 124, *Related Party Disclosures (Annual Improvements to FRSs 2010-2012 Cycle)*
- Amendments to FRS 138, *Intangible Assets (Annual Improvements to FRSs 2010-2012 Cycle)*
- Amendments to FRS 140, *Investment Property (Annual Improvements to FRSs 2011-2013 Cycle)*

The adoption of the new and revised FRSs, IC Interpretations and Amendments has no material impact to the Group's consolidated financial statements of the current quarter or the comparative consolidated financial statements of the prior financial year.

2.2 Malaysian Financial Reporting Standards (MFRS) Framework

On 2 September 2014, MASB has announced that transitioning entities shall be required to apply Malaysian Financial Reporting Standard (MFRS) for annual period beginning on or after 1 January 2017.

Given that certain group entities are transitioning entities, the financial statements of the Group will continue to be prepared in compliance with FRS for the financial year ending 31 December 2015 and 31

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December 2016. They will be prepared in compliance with MFRS from the financial year beginning on 1 January 2017.

3 Auditors' Report on Preceding Annual Financial Statements

The auditors have expressed an unqualified opinion on the audited financial statements for the year ended 31 December 2014 in their report dated 9 April 2015.

4 Seasonality or Cyclicity of Operations

The Group's operations were not subject to any seasonal or cyclical changes for the current quarter under review.

5 Unusual Items

There are no unusual items that have any material impact on the interim financial report.

6 Changes in Estimates

There were no changes in estimates that have had a material effect on the current quarter and financial year-to-date results.

7 Debt and Equity Securities, Share Buy-back

There were no issuances or repayment of debt or equity securities during the financial quarter under review.

As at 30 June 2015, the number of ordinary shares repurchased in an earlier period and retained as treasury shares is 199,400 shares.

8 Dividend

An interim single-tier ordinary dividend of 10 sen per ordinary share for the financial year ended 31 December 2015, amounting to RM37,053,708 was paid on 17 August 2015 to depositors registered in the Record of Depositors at the close of business on 20 July 2015.

No dividend has been proposed by the Directors for the financial quarter under review (corresponding period in Year 2014: nil).

9 Segmental Reporting

	Revenue from external customers		Profit before tax	
	6 months ended 30 June			
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Timber products	267,637	283,750	66,883	53,609
Oil palm	211,364	173,804	12,640	24,863
Reforestation	34	30	(308)	57
Property development	-	-	(107)	(212)
	479,035	457,584	79,108	78,317

10 Valuation of Property, Plant and Equipment

The valuations of buildings, wharf and jetty have been brought forward, without amendment from the previous audited financial statements.

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11 Subsequent Events

There were no significant events that have occurred during the interval between the end of the current quarter and the date of this announcement.

12 Changes in Composition of the Group

There were no changes in the composition of the Group during the financial quarter under review.

13 Contingent Liabilities or Assets

There were no material changes in the contingent liabilities or assets since the last annual reporting date.

14 Trade and Other Receivables

	As At 30 June 2015 RM'000	As At 31 December 2014 RM'000
Current assets		
Trade receivables	48,605	37,302
Interest receivable	107	254
Other receivables	4,206	1,648
Deposits	2,099	2,075
Prepayments		
-Plant and machinery	3,556	6,291
-Land premium	5,978	5,978
-Others	14,593	8,346
Advance to a log supplier	90	90
Other advances	702	535
	<hr/> <hr/>	<hr/> <hr/>
	79,936	62,519

15 Capital Commitments

	As At 30 June 2015 RM'000
Property, plant and equipment	
- Contracted but not provided for	1,477
- Authorised but not contracted for	34,945
- Authorised and contracted for	229
	<hr/>
	36,651
Plantation development expenditure	
- Authorised but not contracted for	20,282
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Leasehold land held for subsidiaries' use	
- Approved and contracted for	15,130
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	72,063

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16 Review of Performance

- (a) For the quarter under review, a revenue of RM256.89 million was achieved compared to RM245.77 million of the corresponding quarter of 2014. Profit before tax and net profit for the quarter were RM45.43 million and RM32.98 million, 15% and 16% higher compared to RM39.35 million and RM28.37 million of the corresponding quarter in 2014 respectively.

Main contributing factors to the better performance were:

- (i) Increase in Group's oil palm estates' fresh fruit bunch ('FFB') production by 27% and crude palm oil ('CPO') sales by 34% ; and
- (ii) Higher average selling prices of export logs by 29% and plywood products by 7%.
- (b) For the first half year of 2015, the revenue and net profit were RM479.04 million and RM57.92 million, compared to RM457.58 million and RM57.12 million respectively of the corresponding period in 2014.

Higher FFB and CPO sales volumes and better timber and timber products average selling prices mainly contributed to the higher revenue. However, weaker FFB and CPO average selling prices, by 18% and 15% respectively, resulted in a net profit only marginally higher than the corresponding period in 2014.

17 Variation of Results as compared to the Preceding Quarter

Revenue in the quarter under review increased by 16% from RM222.15 million of the preceding quarter to RM256.90 million. Profit before tax for the quarter increased by 35% from RM33.68 million of the preceding quarter to RM45.43 million and net profit for the quarter also rose by 32% from RM24.94 million to RM32.98 million.

Increased sales volume, especially of FFB and CPO, which jumped by 33% and 48% respectively, and better average selling prices of export logs and plywood products accounted for the higher revenue and profit for the quarter under review.

18 Current Year Prospects

In the coming third quarter FFB peak crop season, higher revenue and profit contributions are anticipated from the palm oil sector.

Timber sector performance is expected to be sustained with firm demand for timber and timber products from buyer countries and exchange rates favouring export sector.

Barring unforeseen circumstances, the Directors are confident of a satisfactory performance for the current year.

19 Profit Forecast

Not applicable as the Group did not publish any profit forecast.

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20 Profit for the period

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Finance income	1,902	1,834	3,747	3,058
Finance costs	(6,255)	(5,832)	(11,213)	(10,269)
Depreciation and amortisation	(20,125)	(21,121)	(39,991)	(38,779)
Gain on disposal of property, plant and equipment	159	245	145	259
Property, plant and equipment written off	(165)	(163)	(247)	(184)
Foreign exchange gain/ (loss)				
- realised	1,993	448	2,584	1,589
- unrealised	605	106	1,577	(243)

Save as disclosed above, the other items required to be disclosed under Appendix 9B, Part A(16) of the Bursa Listing Requirements are not applicable.

21 Tax Expense

The taxation charges of the Group for the period under review are as follows:

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current tax expense				
- Current year	12,925	10,366	22,079	19,602
- Prior years	(128)	-	(128)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	12,797	10,366	21,951	19,602
Deferred tax (income)/ expense				
- Current year	(352)	610	(761)	1,599
Total tax expense	<hr/>	<hr/>	<hr/>	<hr/>
	12,445	10,976	21,190	21,201

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21 Tax Expense (continued)

Reconciliation of tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit for the period	32,981	28,371	57,918	57,116
Total tax expense	12,445	10,976	21,190	21,201
Profit excluding tax	<u>45,426</u>	<u>39,347</u>	<u>79,108</u>	<u>78,317</u>
Tax calculated using Malaysian tax rate of 25%				
- Prima facie income tax expense	11,356	9,836	19,777	19,579
- Non-deductible expenses	2,625	2,873	4,489	4,871
- Double deduction for certain expenses	(1,536)	(1,733)	(3,076)	(3,249)
Tax expense for the period	<u>12,445</u>	<u>10,976</u>	<u>21,190</u>	<u>21,201</u>

22 Cash and Cash Equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

	As at 30 June 2015 RM'000	As at 30 June 2014 RM'000
Cash in hand	38	39
Cash at banks	215,375	116,633
Fixed deposits with original maturities not exceeding three months	111,513	156,470
	<u>326,926</u>	<u>273,142</u>

23 Other Investments

	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
Fixed deposits with original maturities exceeding three months	8,500	20,950
Fixed deposits pledged to banks	1,562	837
	<u>10,062</u>	<u>21,787</u>

Fixed deposits of subsidiaries amounting to RM1,562,327 (2014: RM837,271) are pledged to licensed banks for bank facilities granted thereto.

24 Unquoted Investment and Properties

There was no sale of unquoted investments and/or properties during the financial quarter under review.

25 Quoted Investments

There was no purchase or disposal of quoted securities during the financial quarter under review.

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26 Status of Corporate Proposal

There were no corporate proposals announced or pending completion as at the date of this announcement.

27 Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2015 were as follows: -

		As at 30 June 2015
		RM'000
<u>Current</u>		
<i>Denominated in Ringgit Malaysia</i>		
Unsecured -	Bankers' acceptances/ Export Credit Refinancing	20,736
	Revolving Credits	76,000
	Term loans	
	- Conventional	30,382
	- Islamic	10,500
Secured -	Finance lease liabilities	13,396
		<hr/>
		151,014
<u>Non-current</u>		
<i>Denominated in Ringgit Malaysia</i>		
Unsecured -	Term loans	
	- Conventional	132,693
	- Islamic	189,500
Secured -	Term loans	16,189
	Finance lease liabilities	12,655
		<hr/>
		351,037
		<hr/>
		502,051

28 Material Litigation

There are no pending material litigations as at the date of this announcement other than the following:

- (a) The High Court delivered a ruling on 11 July 2014 allowing claim in a suit action filed by certain inhabitants of long houses and settlements situated at Sg. Bakumah, Igan within the provisional lease of the state land described as Lot 550 Kabang Land District held by a subsidiary company, Ta Ann Pelita Igan Plantation Sdn. Bhd. covering roughly 450 hectares, the writ of Summons of which was filed on 16 February 2012 collectively against the subsidiary and four other defendants.

A Notice of Application for Stay of Execution was filed on 30 October 2014, and the Court of Appeal fixed case management on 17 March 2015, which has been postponed to 11 December 2015.

- (b) On 26 August 2014, certain natives claiming to be inhabitants of Melanau and Iban communities and villages situated at Kampung Kebuaw Lama, Kampung Baru Sungai Sah, Kebuaw and Sungai Ilas Batang Igan within the provisional lease of the state land known as Lot 2 Block 3 Lassa Land District held by a subsidiary company, Ta Ann Pelita Igan Plantation Sdn. Bhd. filed a writ of Summons against the subsidiary and four other defendants. The plaintiffs claimed various orders, relief and damages including a declaration that the issuance of the said provisional lease covering the plaintiffs' claimed areas of approximately 719 hectares was unlawful, unconstitutional, null and void.

At the pre-trial case management hearing for this suit in March 2015, the plaintiffs' claim was struck out by the Court with liberty to file afresh due to non-compliance with pre-trial directions.

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29 Significant Related Party Transactions

The Group entered into the following transactions with related parties, other than compensations to Directors and other key management personnel (see Note 30), during the current financial period:

	6 months ended 30 June	
	2015	2014
	RM'000	RM'000
Transactions with an associate		
Sales of logs and timber products	(3,463)	(6,547)
Transactions with companies connected to certain Directors of the Company and its subsidiaries		
Contract fees and fuel surcharge	25,637	32,932
Food ration expenses	1,797	1,739
Handling fees, transportation & freight charges	10,522	11,974
Hiring of equipment	2	142
Insurance premium	2,042	1,917
Purchase of fresh fruit bunches	-	554
Purchase of property, plant and equipment	141	8
Rental of premises paid	25	22
Purchase of spare parts, fertilizer & consumables	10,164	8,054
Purchase of logs and timber products	1,324	-
Security charges	43	42
Repair and maintenance	2	-
Computer hardware & software development fees	583	141
Purchase of diesel and lubricants	9,741	10,697
Road toll received	(80)	(98)
Sales of logs and timber products	(5,369)	(4,903)
Sales of fresh fruit bunches	(18,334)	(19,577)
Sales of spare parts, fertilizer & consumables	(57)	-
Empty bunch subsidised	(5)	(2)
Hiring income	(21)	(27)
Income from rental of premises	(70)	(66)
Handling fee received	(1,180)	(1,326)
Transport subsidised	(634)	(504)
	=====	=====

30 Key Management Personnel Compensation

Compensations to key management personnel are as follows:

	6 months ended 30 June	
	2015	2014
	RM'000	RM'000
Directors		
- Fees	536	369
- Remunerations	3,700	1,826
- Other short-term employee benefits	644	368
	<u>4,880</u>	<u>2,563</u>
Other key management personnel		
- Fees	60	61
- Remunerations	3,235	2,317
- Other short-term employee benefits	369	276
	<u>3,664</u>	<u>2,654</u>
Total	<u>8,544</u>	<u>5,217</u>

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31 Earnings Per Share

	3 months ended 30 June 2015	6 months ended 30 June 2015
(a) Basic		
Net profit attributable to ordinary owners of the Company ('000)	<u>RM33,449</u>	<u>RM60,530</u>
Weighted average number of ordinary shares in issue ('000)	<u>370,537</u>	<u>370,537</u>
Basic earnings per ordinary share (sen)	<u>9.03</u>	<u>16.34</u>
(b) Diluted	<u>9.03</u>	<u>16.34</u>

32 Gain/Losses arising from Fair Value Changes of Financial Liabilities

There were no gains or losses arising from fair value changes of financial liabilities for the current quarter ended 30 June 2015.

33 Realised and Unrealised Profits Disclosure

The retained earnings is analysed as follows:

	As at 30 June 2015 RM'000	As at 30 June 2014 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	1,044,441	936,089
- Unrealised	<u>(83,086)</u>	<u>(83,338)</u>
	961,355	852,751
Less: Consolidation adjustments	<u>(218,048)</u>	<u>(198,334)</u>
Total Group retained earnings as per consolidated accounts	<u>743,307</u>	<u>654,417</u>

34 Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 August 2015.