

Company No: 419232-K

TA ANN HOLDINGS BERHAD
(Incorporated in Malaysia)

Condensed consolidated statement of financial position
As at 31 December 2018 - unaudited

	Note	31 December 2018	31 December 2017 (Restated)	1 January 2017 (Restated)
		RM'000	RM'000	RM'000
Assets				
Property, plant and equipment		1,024,278	1,023,400	909,163
Prepaid lease payments		3,168	3,456	3,763
Plantation development expenditure		506,324	508,613	344,170
Biological assets	2.2	62,404	58,775	55,375
Investment in associate		197,883	-	-
Deferred tax assets		31,669	26,858	13,407
Timber concessions		16,981	19,398	23,293
Goodwill		88,400	89,074	10,058
Other intangible assets		5,278	5,964	5,487
Total non-current assets		1,936,385	1,735,538	1,364,716
Inventories		178,254	169,289	168,061
Biological assets	2.2	35,223	38,603	59,654
Property development costs		1,443	1,441	1,441
Trade and other receivables	14	76,180	74,205	110,663
Current tax recoverable		862	628	1,998
Cash and cash equivalents	22	128,429	272,859	345,941
Other investments	23	-	14,610	16,921
Total current assets		420,391	571,635	704,679
Total assets		2,356,776	2,307,173	2,069,395
Financed by:				
Capital and reserves				
Share capital		444,844	444,844	444,844
Treasury shares		(8,450)	(904)	(904)
Foreign exchange translation reserve		8,377	18,728	23,745
Retained earnings		889,804	856,035	802,501
Total equity attributable to owners of the Company		1,334,575	1,318,703	1,270,186
Non-controlling interests		84,762	76,128	50,393
Total equity		1,419,337	1,394,831	1,320,579
Liabilities				
Deferred tax liabilities		156,924	153,554	91,777
Deferred income		32,285	37,438	40,987
Borrowings	27	330,029	261,540	251,470
Employee benefits		38,840	34,286	25,584
Total non-current liabilities		558,078	486,818	409,818
Trade and other payables		114,256	118,602	152,918
Deferred income		2,362	2,554	2,616
Borrowings	27	247,198	284,665	166,169
Employee benefits		2,550	3,557	2,550
Current tax payable		12,995	16,146	14,745
Total current liabilities		379,361	425,524	338,998
Total liabilities		937,439	912,342	748,816
Total equity and liabilities		2,356,776	2,307,173	2,069,395
Net assets per share (RM)		3.00	2.96	2.86

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

Condensed consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2018 - unaudited

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter Ended 31 December 2018 RM'000	Preceding Year Corresponding Quarter Ended 31 December 2017 (Restated) RM'000	Current Year Ended 31 December 2018 RM'000	Preceding Year Ended 31 December 2017 (Restated) RM'000
Revenue	9	237,652	290,744	962,220	1,170,847
Cost of sales		(184,204)	(226,015)	(748,906)	(838,061)
Gross profit		53,448	64,729	213,314	332,786
Finance income		1,356	2,858	5,273	9,332
Other operating income		3,250	5,379	17,223	20,977
Unrealised loss in foreign exchange		(6,173)	(980)	(6,152)	(1,337)
Distribution costs		(15,251)	(17,260)	(61,777)	(71,831)
Administrative expenses		(10,259)	(21,018)	(42,809)	(57,612)
Other expenses		(264)	(16)	(9,250)	(15,261)
Profit from operations		26,107	33,692	115,822	217,054
Finance costs		(6,093)	(6,690)	(25,087)	(25,560)
Share of profit of equity-accounted investee, net of tax		27,526	-	31,040	-
Profit before tax	9	47,540	27,002	121,775	191,494
Tax expense	21	(10,497)	1,549	(27,751)	(49,221)
Profit after tax		37,043	28,551	94,024	142,273
Change in fair value of biological assets	2.2	(5,504)	(5,856)	(2,726)	(17,628)
Profit after change in fair value of biological assets		31,539	22,695	91,298	124,645
Other comprehensive loss, net of tax					
Item that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability		-	(6,734)	-	(6,734)
Item that is or may be reclassified subsequently to profit or loss					
Foreign exchange translation differences for foreign operations		(3,085)	(5,878)	(10,351)	(5,017)
Other comprehensive loss for the period / year, net of tax		(3,085)	(12,612)	(10,351)	(11,751)
Total comprehensive income for the period / year		28,454	10,083	80,947	112,894
Profit attributable to:					
Owners of the Company		25,674	18,110	78,198	104,732
Non-controlling interests		5,865	4,585	13,100	19,913
Profit after change in fair value of biological assets		31,539	22,695	91,298	124,645
Total comprehensive income attributable to:					
Owners of the Company		22,589	5,498	67,847	92,981
Non-controlling interests		5,865	4,585	13,100	19,913
Total comprehensive income for the period / year		28,454	10,083	80,947	112,894
Earnings per share attributable to owners of the Company :					
Basic/Diluted earnings per ordinary share (sen)	31	5.78	4.07	17.59	23.55

The unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed consolidated statement of changes in equity
For the year ended 31 December 2018- unaudited

	← Attributable to owners of the Company →				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Foreign exchange translation reserve RM'000	Distributable Retained earnings RM'000			
Balance at 1 January 2018, as previously reported	444,844	(904)	18,728	875,188	1,337,856	71,418	1,409,274
Adjustment from adoption of MFRS 141 (net of tax)	-	-	-	(19,153)	(19,153)	4,710	(14,443)
Restated balance at 1 January 2018	444,844	(904)	18,728	856,035	1,318,703	76,128	1,394,831
Remeasurement of defined benefit liability	-	-	-	-	-	-	-
Foreign exchange translation differences	-	-	(10,351)	-	(10,351)	-	(10,351)
Total other comprehensive income for the pyear	-	-	(10,351)	-	(10,351)	-	(10,351)
Profit after change in fair value of biological assets	-	-	-	78,198	78,198	13,100	91,298
Total comprehensive income for the year	-	-	(10,351)	78,198	67,847	13,100	80,947
<i>Contributions by and distributions to owners of the Company</i>							
- Dividends to owners of the Company	-	-	-	(44,429)	(44,429)	-	(44,429)
- Dividends to non-controlling interests	-	-	-	-	-	(10,066)	(10,066)
Total transactions with owners of the Company	-	-	-	(44,429)	(44,429)	(10,066)	(54,495)
Treasury shares purchased	-	(7,546)	-	-	(7,546)	-	(7,546)
Subscription of shares by non-controlling interests	-	-	-	-	-	5,600	5,600
At 31 December 2018	444,844	(8,450)	8,377	889,804	1,334,575	84,762	1,419,337
Balance at 1 January 2017, as previously reported	444,844	(904)	23,745	806,888	1,274,573	42,821	1,317,394
Adjustment from adoption of MFRS 141 (net of tax)	-	-	-	(4,387)	(4,387)	7,572	3,185
Restated balance at 1 January 2017	444,844	(904)	23,745	802,501	1,270,186	50,393	1,320,579
Remeasurement of defined benefit liability	-	-	-	(6,734)	(6,734)	-	(6,734)
Foreign exchange translation differences	-	-	(5,017)	-	(5,017)	-	(5,017)
Total other comprehensive income for the year	-	-	(5,017)	(6,734)	(11,751)	-	(11,751)
Profit after change in fair value of biological assets	-	-	-	104,732	104,732	19,913	124,645
Total comprehensive income for the year	-	-	(5,017)	97,998	92,981	19,913	112,894
<i>Contributions by and distributions to owners of the Company</i>							
- Dividends to owners of the Company	-	-	-	(44,464)	(44,464)	-	(44,464)
- Dividends to non-controlling interests	-	-	-	-	-	(3,800)	(3,800)
Total transactions with owners of the Company	-	-	-	(44,464)	(44,464)	(3,800)	(48,264)
Subscription of shares by non-controlling interests	-	-	-	-	-	9,622	9,622
At 31 December 2017	444,844	(904)	18,728	856,035	1,318,703	76,128	1,394,831

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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TA ANN HOLDINGS BERHAD
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Condensed consolidated statement of cash flows
For the year ended 31 December 2018 - unaudited

	1 January 2018 to 31 December 2018	1 January 2017 to 31 December 2017
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	121,775	191,494
<i>Adjustments for:</i>		
Amortisation of plantation development expenditure	24,515	23,523
Amortisation of prepaid lease payments	281	306
Amortisation of goodwill	674	649
Amortisation of other intangible assets and timber concessions	2,417	2,417
Depreciation of property, plant and equipment	65,342	74,891
Deferred income recognised as income	(2,437)	(2,690)
Finance costs	25,087	25,560
Finance income	(5,273)	(9,332)
Gain on disposal of property, plant and equipment	(2,623)	(350)
Property, plant and equipment written off	885	3,319
Property, plant and equipment expensed off	-	2
Impairment of plantation development expenditure	-	990
Unrealised foreign exchange loss	6,152	1,337
Employee benefits	4,909	3,833
Share of profit of equity-accounted investee, net of tax	(31,040)	-
Operating profit before changes in working capital	<u>210,664</u>	<u>315,949</u>
Changes in working capital:		
Inventories	(10,160)	(4,291)
Employee benefits	-	(6)
Trade and other receivables, prepayments and other assets	(1,868)	37,106
Trade and other payables	1,572	(101,395)
Cash generated from operations	<u>200,208</u>	<u>247,363</u>
Interest paid	(9,946)	(7,180)
Income tax paid	(32,132)	(40,765)
Employee benefits paid	(1,708)	(935)
Net cash from operating activities	<u>156,422</u>	<u>198,483</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(69,949)	(48,480)
Proceeds from disposal of property, plant and equipment	4,512	1,646
Proceeds from issuance of shares to non-controlling interests	5,600	5,443
Plantation development expenditure incurred	(28,138)	(26,346)
Acquisition of new associate	(166,843)	-
Acquisition of new subsidiary (net of cash acquired)	-	(207,034)
Upliftment of fixed deposits with original maturities exceeding three months	14,610	2,311
Interest received	5,273	9,332
Net cash used in investing activities	<u>(234,935)</u>	<u>(263,128)</u>
Cash flows from financing activities		
Purchase of treasury shares	(7,546)	-
Dividends paid to owners of the Company	(44,429)	(44,464)
Dividends to non-controlling interests	(10,066)	(3,800)
Proceeds from borrowings/trade financing	26,720	78,903
Repayment of finance lease liabilities	(12,072)	(18,290)
Placement of pledged deposits	(12)	(11)
Finance lease interest paid	(914)	(1,006)
Term loan interest/profit paid	(16,159)	(18,428)
Net cash used in financing activities	<u>(64,478)</u>	<u>(7,096)</u>
Net decrease in cash and cash equivalents	(142,991)	(71,742)
Effect of exchange rate fluctuations on cash held	(1,451)	(1,350)
Cash and cash equivalents at 1 January	<u>271,939</u>	<u>345,031</u>
Cash and cash equivalents at 31 December (Note 22)	<u>127,497</u>	<u>271,939</u>

The unaudited condensed statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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Notes to the interim financial report

1 Basis of Preparation

The interim financial report has been prepared in accordance with MFRS 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 MFRS 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 2017. 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 2017. 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 Malaysian Financial Reporting Standards (MFRS).

The statutory financial statements for the year ended 31 December 2017 are available from the Company's registered office.

The Group has adopted MFRS framework with effect from 1 January 2018. The financial effects of convergence to the MFRS framework as a result of the convergence are discussed in note 2.

2 Significant Accounting Policies

2.1 Change in accounting policies

This interim financial report are for part of the period covered by the Group's first annual financial statements prepared under the MFRS framework. Accordingly, the Group have applied MFRS 1: *First-time Adoption of Malaysian Financial Reporting Standards* in their transition to the MFRS framework on 1 January 2018.

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 2017, except for the adoption of the following standards, amendments and interpretations:

- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture: Bearer Plants*
- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property - Transfers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

Except for the application of Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture: Bearer Plants*, the adoption of the new and revised MFRSs, 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.

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Notes to the interim financial report

2.2 Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture: Bearer Plants

The Amendments to MFRS 116 and MFRS 141 require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment in accordance with MFRS 116, *Property, Plant and Equipment*, whereas biological assets within the scope of MFRS 141 are measured at fair value less costs to sell.

The impacts of adopting Amendments to MFRS 116 and MFRS 141 on the Group's interim financial report are as follows:

(i) Statement of financial position

	As at 31 December 2017		As at 1 January 2017	
	As previously reported RM'000	Restated RM'000	As previously reported RM'000	Restated RM'000
Property, plant and equipment	1,038,792	1,023,400	924,446	909,163
Plantation development expenditure	605,217	508,613	438,663	344,170
Biological assets - non-current	-	58,775	-	55,375
Biological assets - current	-	38,603	-	59,654
Inventories	173,674	169,289	169,122	168,061
Reserves	893,011	873,859	829,728	825,342
Non-controlling interests	71,418	76,128	42,821	50,392
Deferred tax liabilities	158,115	153,554	90,770	91,777
	=====	=====	=====	=====

(ii) Statement of profit or loss and other comprehensive income

	Year ended 31 December 2017		
	As previously reported RM'000	Adjustment from adoption of MFRS 141 RM'000	Restated RM'000
Change in fair value of biological assets	-	(17,628)	(17,628)
Profit after change in fair value of biological assets	142,273	(17,628)	124,645
	=====	=====	=====

(iii) There are no material impact on the Group's interim statement of cash flows.

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 2017 in their report dated 2 April 2018.

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.

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Notes to 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 except for the share buy-back disclosed below:

In the current quarter, the Company repurchased 3,325,000 shares from the open market at an average cost RM2.27 per share. The total consideration paid for the repurchase, including the transaction cost was RM7,545,468, which was financed by internally generated funds. All the repurchased shares are retained as treasury shares.

As at 31 December 2018, the number of ordinary shares repurchased and retained as treasury shares are as follows:

	No of shares
As at 1 December 2018	199,400
Shares repurchased in December 2018	<u>3,325,000</u>
As at 31 December 2018	<u>3,524,400</u>

8 Dividend

An interim single-tier ordinary dividend of 5 sen per ordinary share for the financial year ending 31 December 2018, amounting to RM22,232,225 was paid on 29 June 2018 to depositors registered in the Record of Depositors at the close of business on 8 June 2018.

A second interim single-tier ordinary dividend of 5 sen per ordinary share for the financial year ending 31 December 2018, amounting to RM22,196,605 was paid on 24 December 2018 to depositors registered in the Record of Depositors at the close of business on 10 December 2018.

The total dividend declared to date for the financial year ended 31 December 2018 is 10 sen per ordinary share.

No dividend has been proposed by the Directors for the financial quarter under review (corresponding period in Year 2017: nil).

9 Segmental Reporting

	Revenue from external customers		Profit before tax	
	Year ended 31 December			
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Timber products	383,672	414,803	4,861	3,994
Oil palm	578,088	755,629	117,405	187,728
Reforestation	460	415	(534)	(98)
Property development	-	-	43	(130)
	<u>962,220</u>	<u>1,170,847</u>	<u>121,775</u>	<u>191,494</u>

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Notes to the interim financial report

10 Valuation of Property, Plant and Equipment

There were no valuation of property, plant and equipment of the Group during the financial quarter under review.

11 Subsequent Events

During January and February 2019, one of the veneer rotary mills under its subsidiary company, Ta Ann Tasmania Pty Ltd located at Huon in the southern part of Tasmania is experiencing disrupted operation due to bushfires. Damage to site infrastructure and loss of power to the site led to the temporary suspension of the mill operations. The plant is nevertheless fully insured and assessment is being undertaken. There is however no impact on our other veneer mill located at the North of Tasmania whereby the veneer and plywood processing is still going on smoothly.

At the date of this report, Huon mill operation remained suspended and the management of TAT is taking necessary mitigation measures and action plans after completion of a thorough assessment.

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 31 December 2018 RM'000	As At 31 December 2017 RM'000
Current assets		
Trade receivables	54,830	50,616
Interest receivable	163	228
Other receivables	1,100	3,495
Deposits	9,089	10,429
Prepayments		
-Plant and machinery	774	549
-Others	9,783	8,598
Other advances	441	290
	<u>76,180</u>	<u>74,205</u>

15 Capital Commitments

	As At 31 December 2018 RM'000
Property, plant and equipment	
- Contracted but not provided for	67,870
Leasehold land held for subsidiaries' use	
- Contracted but not provided for	41,969
	<u>109,839</u>

16 Review of Performance

- (a) For the quarter under review, the Group reported a revenue of RM237.65 million compared to RM290.74 million of the corresponding quarter in year 2017. The Group's profit before tax and net profit for the quarter were RM47.54 million and RM31.54 million respectively compared to profit before tax and net profit of RM27.00 million and RM22.70 million respectively of the corresponding quarter in year 2017.

The variation of performance was mainly contributed by the followings:

- (i) Lower average selling price for crude palm oil ('CPO') and fresh fruit bunches ('FFB') by 34% and 33% respectively despite the higher average selling price for plywood products by 18%;
- (ii) Drop in plywood product sales volume by 8% and;
- (iii) Gain in bargain purchase of the 30.39% equity interest in Sarawak Plantation Berhad amounting to RM27.19 million.

With the effect of the lower average CPO selling price registered during the quarter under review, the Group had recognised a loss arising from the changes in the fair value of the biological assets amounting to RM5.50 million during the current quarter under review as compared to a loss of RM5.86 million realised in the corresponding preceding quarter (restated).

- (b) For the year 2018, the revenue and net profit were RM962.22 million and RM91.30 million respectively compared to RM1,170.85 million and RM124.65 million respectively in 2017.

Lower CPO price achieved attributed to lower CPO and FFB average selling price by 23% and 24% respectively which accounted for the drop in revenue and profit for the current financial period.

The Group has recognised a loss arising from the changes in the fair value of the biological assets of RM2.73 million in 2018 compared to a loss of RM 17.63 million realised in 2017 (restated).

17 Variation of Results as compared to the Preceding Quarter

Revenue and net profit were reported at RM237.65 million and RM31.54 million respectively in the quarter under review compared to RM274.85 million and RM38.35 million respectively of the preceding quarter.

The variation in performance was mainly attributed to the lower CPO, FFB and logs export average selling price by 15%, 15% and 9% respectively, as well as the decrease in CPO and FFB sales volumes by 14% and 16% respectively.

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Notes to the interim financial report

18 Current Year Prospects

The Group has been embarking on sustainable forest management of its forest areas. In 2018, the Group has obtained a Forest Management Certification (FMU) on a total area of 149,756 hectares under the Kapit FMU. The other certification programme is actively being carried out to have the remaining FMUs with a combined area size of 228,467 hectares anticipated to be certified by this year.

The Group has gone through the adjustment and consolidation of logs production in 2018 in line with the forest management certification undertaking. For this year onwards, we will have a stable and sustainable logs production. Thus, the Group will benefit from higher return of export logs to maximise the value of our forest resources.

For the palm oil sector, the improving age profile and growing matured estates are expected to boost both our harvesting yield and production volume. The contribution from oil palm sector in terms of income revenue and profit is expected to increase significantly in the current year in line with higher FFB volume and the anticipated recovery of CPO prices from the two year low at RM1,800/mt in November 2018.

Barring unforeseen circumstances, the Board of Directors expects the Group to achieve a satisfactory performance for the year 2019.

19 Profit Forecast

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

Notes to the interim financial report

20 Profit after change in fair value of biological assets

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		Year ended 31 December	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit after change in fair value of biological assets is arrived at after crediting/(charging):				
Finance income	1,356	2,858	5,273	9,332
Finance costs	(6,093)	(6,690)	(25,087)	(25,560)
Depreciation and amortisation	(21,929)	(27,995)	(93,229)	(101,786)
Gain on disposal of property, plant and equipment	1,331	364	2,623	350
Property, plant and equipment written off	(196)	(1,166)	(885)	(3,319)
Foreign exchange gain/(loss)				
- realised	1,319	(519)	5,797	5,158
- unrealised	(6,173)	(980)	(6,152)	(1,337)

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/ year under review are as follows:

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		Year ended 31 December	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax expense/ (income)				
- Current year	7,107	6,698	29,580	43,749
- Prior year	-	(297)	(833)	(212)
	<u>7,107</u>	<u>6,401</u>	<u>28,747</u>	<u>43,537</u>
Deferred tax (income)/ expense				
- Current year	3,390	(8,945)	(996)	4,689
- Prior year	-	995	-	995
	<u>3,390</u>	<u>(7,950)</u>	<u>(996)</u>	<u>5,684</u>
Total tax expense	<u>10,497</u>	<u>(1,549)</u>	<u>27,751</u>	<u>49,221</u>

21 Tax Expenses (cont'd)

Reconciliation of tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		Year ended 31 December	
	2018 RM'000	2017 (Restated) RM'000	2018 RM'000	2017 (Restated) RM'000
Profit after change in fair value of biological assets	31,539	22,695	91,298	124,645
Change in fair value of biological assets	5,504	5,856	2,726	17,628
Total tax expense	10,497	(1,549)	27,751	49,221
Profit excluding tax	47,540	27,002	121,775	191,494
Tax calculated using Malaysian tax rate of 24% (2017: 24%)				
- Prima facie income tax expense	11,410	6,481	29,227	45,959
- Non-deductible expenses	4,100	2,742	9,537	9,427
- Double deduction for certain expenses	-	(10)	-	(10)
- Movements in unrecognised deferred tax assets	3,270	(1,464)	3,270	3,143
- Recognition of previously unrecognised deferred tax assets	-	(6,928)	(6,000)	(6,928)
- Crystallisation of deferred tax liabilities on realisation of revaluation reserve	-	(1,794)	-	(1,794)
- Others	(7,450)	557	(7,450)	557
- Effect of lower tax rate	-	(1,916)	-	(1,916)
- (Over)/Under provision in prior years	(833)	783	(833)	783
Tax expense for the period/year	10,497	(1,549)	27,751	49,221

TA ANN HOLDINGS BERHAD

Notes to the interim financial report

22 Cash and Cash Equivalents

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

	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Cash in hand	60	75
Cash at banks	122,028	179,462
Fixed deposits with original maturities not exceeding three months	5,409	92,402
	<u>127,497</u>	<u>271,939</u>
Fixed deposits pledged to banks	932	920
	<u>128,429</u>	<u>272,859</u>

Fixed deposits of subsidiaries amounting to RM932,375 (2017: RM920,352) are pledged to licensed banks for bank facilities granted thereto.

23 Other Investments

	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Fixed deposits with original maturities exceeding three months	-	14,610

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.

26 Status of Corporate Proposal

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

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Notes to the interim financial report

27 Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2018 were as follows: -

		As at 31 December 2018
		RM'000
<u>Current</u>		
<i>Denominated in Ringgit Malaysia</i>		
Unsecured -	Bankers' acceptances/ Export Credit	21,426
	Refinancing	
	Revolving Credits	90,000
	Term loans	
	- Conventional	40,000
	- Islamic	33,510
Secured -	Finance lease liabilities	11,463
	Revolving Credits	26,000
	Term loans	24,799
		<hr/>
		247,198
		<hr/>
<u>Non-current</u>		
<i>Denominated in Ringgit Malaysia</i>		
Unsecured -	Term loans	
	- Conventional	12,600
	- Islamic	109,490
Secured -	Finance lease liabilities	10,450
	Revolving credit	104,000
	Term loans	93,489
		<hr/>
		330,029
		<hr/>
Total		<hr/> 577,227 <hr/>

28 Material Litigation

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

On 26 August 2014, Sumen Bin Gasan and 6 others 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 TAPIPSB and four other external defendants not within the Ta Ann Group filed a claim with the Sibu High Court for 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. The maximum exposure to liabilities will be confined to the approximately 719 hectares claimed by the plaintiffs and Ta Ann is unable to determine the monetary liability impact pending the outcome of the trial.

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.

On 13 October 2015, the plaintiff refiled the Writ and Statement of Claim. The trial of the case has ended on 4 November 2016. The High Court has given directions to prepare written submissions and bundles of authorities.

During the clarification hearing on 3 February 2017, the Plaintiffs' counsel had informed the Court in light of the decision of the Federal Court case of TR Sandah (which clearly recognise the temudak and cultivated lands although rejecting the claims on pulau galau and pemakai menoa as having no force of law) that he was considering whether to proceed with the case or to concede with survey of the cleared area based on the aerial photograph of the area in question. His clients brought this matter back to their village for discussion but they have not come to a decision yet.

The Honourable Judge asked if the parties could come to an agreement or settlement perhaps to allow the Plaintiffs' claim for the temudak (cleared or cultivated lands), and agree for a survey to be done for the temudak and cleared or cultivated lands guided by the aerial photograph interpretation. This would mean that the Plaintiff will concede their claim for the pemakai menoa and pulau galau. All these will be done on without admission of liability basis.

Sibu High Court dismissed the claim on 13 February 2018.

The plaintiffs have filed a notice of appeal against the Sibu High Court's decision on 9 March 2018. The matter is now pending the service of the memorandum of appeal and record of appeal by the plaintiff.

TA ANN HOLDINGS BERHAD

Notes to the interim financial report

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 year:

	Year ended 31 December	
	2018 RM'000	2017 RM'000
Transactions with associates		
Purchase of fresh fruit bunches	6,092	-
Sales of fresh fruit bunches	(4,379)	-
Sales of logs and timber products	(1,033)	(2,392)
Contract income	(1,428)	-
Sales of property, plant and equipment	(200)	-
Hiring income	(57)	-
Transactions with companies connected to certain Directors of the Company and its subsidiaries		
Contract fees and fuel surcharge	21,299	25,107
Food ration expenses	213	243
Handling fees, transportation & freight charges	13,293	12,487
Repair and maintenance	364	217
Hiring of equipment	11	2
Insurance premium	4,167	4,197
Purchase of fresh fruit bunches	85,547	3,468
Purchase of property, plant and equipment	212	1,264
Rental of premises paid	57	69
Purchase of spare parts, fertiliser & consumables	14,236	11,456
Purchase of logs and timber products	2,951	5,166
Security charges	84	84
Advisory fee	-	16
Compensation paid	19	55
Computer hardware & software development fees	970	1,397
Purchase of diesel and lubricants	24,334	18,330
Lighterage charge	-	1,955
Sales of logs and timber products	(7,895)	(8,030)
Sales of fresh fruit bunches	(52,621)	(75,263)
Sales of palm kernel shell	(1,235)	-
Sales of spare parts, fertiliser & consumables	(16)	(28)
Sales of seeds & seedlings	(3)	-
Empty bunch subsidised	(1)	(3)
Hiring income	(192)	(21)
Income from rental of premises	(153)	(142)
Handling fee received	(3,470)	(4,727)
Transport subsidized	(1,724)	(817)
Log compensation received	-	(72)
Sales of property, plant and equipment	-	(569)
Contract income	-	(48)
	=====	=====

30 Key Management Personnel Compensation

Compensations to key management personnel are as follows:

	Year ended 31 December	
	2018	2017
	RM'000	RM'000
Directors		
- Fees	1,445	1,550
- Remunerations	9,810	15,235
	<u>11,255</u>	<u>16,785</u>
Other key management personnel		
- Remunerations	5,550	6,652
Total	<u>16,805</u>	<u>23,437</u>

31 Earnings Per Share

	3 months ended	Year ended
	31 December 2018	31 December 2018
(a) Basic		
Net profit attributable to ordinary owners of the Company ('000)	<u>RM25,674</u>	<u>RM78,198</u>
Weighted average number of ordinary shares in issue ('000)	<u>444,041</u>	<u>444,492</u>
Basic earnings per ordinary share (sen)	<u>5.78</u>	<u>17.59</u>
(b) Diluted	<u>5.78</u>	<u>17.59</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 31 December 2018.

33 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 February 2019.