



TA ANN HOLDINGS BERHAD

199701003736 (419232-K)

ANNUAL REPORT 2019



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TOGETHER
WE ARE

STRONGER

23rd Annual General Meeting

Venue | Igan Room, Level 1, Tanahmas Hotel, Lot 277, Block 5, Jalan Kampong Nyabor, 96000 Sibu, Sarawak, Malaysia.
Date | 30 July 2020
Time | 11.00 a.m.

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Together We Are Stronger

Everything we do is driven by the power of togetherness. With our leaders, with our staff members, we come together, we stay together and we work together to manage change and overcome challenges to produce better results leading to business sustainability.

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, through research and development, Ta Ann has also developed improved tree planting material, Acacia mangium superbulk which has higher yield and suited for plywood manufacturing. Such an initiative is in line with the Group's plan to diversify into plantation-based timber resources.

The Group is constantly reviewing its best practices as a part of its absolute commitment towards sustainable development and environmental safeguarding. Due diligence assessments are carried out prior to the commencement of ground operations to ensure that any areas containing high conservation values ('HCV') are identified and protected. In addition, the Group has also implemented environmentally friendly reduced impact logging (RIL) methodologies and post-logging enrichment planting using indigenous species, kelampayan in our forest concessions.

Since 2000, Ta Ann has diversified progressively and substantially into oil palm plantations. As at 31 December 2019, the Group has 13 oil palm estates across Sarawak with total planted area of over 49,000 hectares and operates three (3) crude palm oil ('CPO') mills with a combined annual processing capacity of 1.5 million tonnes of fresh fruit bunches.

In tandem with the goal to pursue its corporate objectives in harmony with the environment and commitment to sustainability for the benefit of future generations, the Group is actively undertaking 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 STATEMENT

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

MISSION STATEMENT

CORPORATE MISSION

- To enhance stakeholder value by producing good quality, price competitive and environmental 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

OUR MANAGEMENT POLICY DEFINE OUR PRINCIPLES TO EVERYTHING THAT WE DO



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.

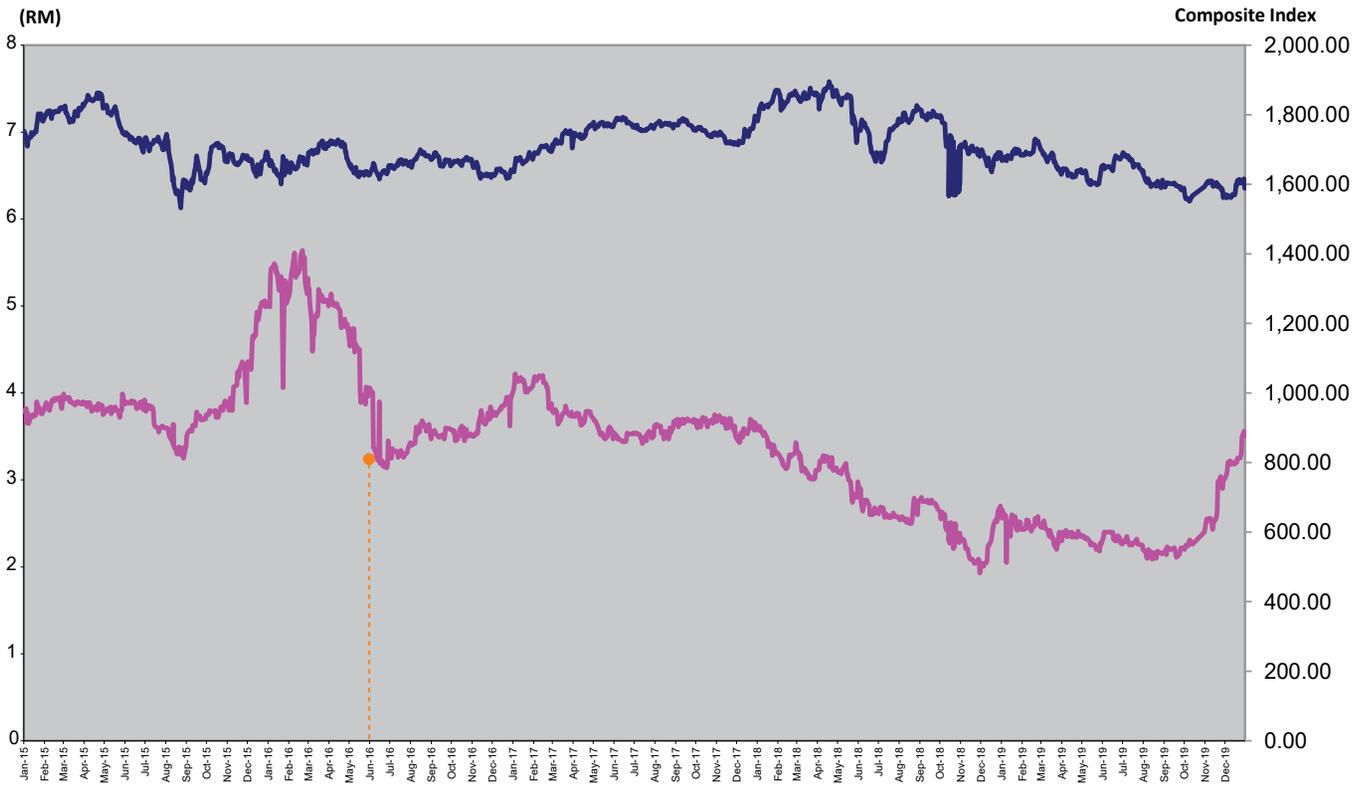
5-YEAR FINANCIAL HIGHLIGHTS

	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
GROUP REVENUE & PROFIT					
Revenue	1,048,285	1,147,793	1,178,677	967,225	945,692
EBITDA	346,573	288,400	308,362	202,568	202,201
Profit Before Tax (exclude fair value adjustment)	234,160	175,710	191,602	89,353	80,485
Profit Before Taxation	254,878	215,316	162,703	113,118	102,455
Net Profit for the Year	207,241	165,207	120,364	88,227	70,261
GROUP ASSETS & BORROWINGS					
Total Assets	2,030,083	2,162,641	2,394,822	2,434,628	2,504,929
Cash & Cash Equivalents	319,027	345,941	272,859	128,429	109,979
Other Investments	4,500	16,921	14,610	-	-
Total Borrowings	455,171	417,639	546,205	576,919	542,144
EQUITY ATTRIBUTABLE TO OWNERS					
Share Capital	370,736	444,844	444,844	444,844	444,844
Reserves	851,223	893,127	938,581	952,082	1,004,136
Equity Attributable To Owners	1,221,959	1,337,971	1,383,425	1,396,926	1,448,980
FINANCIAL RATIOS					
Basic Earnings per Share (sen)	54.55	33.99	22.87	17.05	12.21
Gross Dividend per Share (sen)	20	10	10	10	5*
Return on Equity Attributable to Owners (%)	16.5%	11.3%	7.3%	5.4%	3.7%
Net Gearing (%)	10.8%	4.1%	18.7%	32.1%	30.5%
Net Assets Per Share (RM)	3.30	3.01	3.11	3.14	3.26

* a first interim ordinary dividend of 5 sen per ordinary share was declared on 28 February 2020 and paid on 13 April 2020.

5-YEAR FINANCIAL HIGHLIGHTS (cont'd)

Composite Index & Ta Ann Share Prices (2015 - 2019)



FINANCIAL CALENDAR

FINANCIAL YEAR

1 January 2019 – 31 December 2019

RESULTS

First Quarter	Announced on 28 May 2019
Second Quarter	Announced on 28 August 2019
Third Quarter	Announced on 20 November 2019
Fourth Quarter	Announced on 28 February 2020

ANNUAL GENERAL MEETING

To be held on Thursday, 30 July 2020

DIVIDENDS

Interim Single Tier Dividend	5 sen	Announced on 28 February 2020 Entitlement date: 16 March 2020 Paid on 13 April 2020
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COPROPRATE STRUCTURE



TA ANN HOLDINGS BERHAD (199701003736 (419232-K))



TIMBER SECTOR

LOGGING DIVISION

- 100% ↻ BORLIN SDN. BHD.
- 100% ↻ HARIWOOD SDN. BHD.
- 100% ↻ PASIN SDN. BHD.
- 100% ↻ QUESTATE SDN. BHD.
- 100% ↻ RAPLEX SDN. BHD.
- 100% ↻ TANJONG MANIS HOLDINGS SDN. BHD.
- 100% ↻ WOODLEY SDN. BHD. *(In Member's Voluntary Winding-up)*

PLYWOOD DIVISION

- 100% ↻ TA ANN PLYWOOD SDN. BHD.
- 100% ↻ TA ANN TASMANIA PTY. LTD.

SAWMILLING DIVISION

- 100% ↻ LIK SHEN SAWMILL SDN. BHD.

REFORESTATION DIVISION

- 61% ↻ BORNEO TREE SEEDS & SEEDLINGS SUPPLIES SDN. BHD.
- 100% ↻ ZUMIDA SDN. BHD.

- Logging Division
- Reforestation Division
- Oil Palm Division



PALM OIL SECTOR

PLANTATION

- 100% ↻ AGROGREEN VENTURES SDN. BHD.
- 85% ↻ EUROPALM SDN. BHD.
- 100% ↻ MEGA BUMIMAS SDN. BHD.
- 85% ↻ MULTI MAXIMUM SDN. BHD.
- 67.82% ↻ PELITAMA SDN. BHD.
- 60% ↻ TA ANN PELITA ASSAN PLANTATION SDN. BHD.
- 60% ↻ TA ANN PELITA BALEH SDN. BHD.
- 60% ↻ TA ANN PELITA DURIN PLANTATION SDN. BHD.
- 60% ↻ TA ANN PELITA IGAN PLANTATION SDN. BHD.
- 60% ↻ TA ANN PELITA NGEMAH SDN. BHD.
- 60% ↻ TA ANN PELITA SILAS PLANTATION SDN. BHD.
- 100% ↻ TA ANN PLANTATION SDN. BHD.
- 85% ↻ ZUMIDA OIL PALM SDN. BHD.

OIL MILL

- 60% ↻ IGAN OIL MILL SDN. BHD.
- 100% ↻ MANIS OIL SDN. BHD.
- 55% ↻ TBS OIL MILL SDN. BHD.

OTHERS

PROPERTY DIVISION

- 100% ↻ TANAHEAD SDN. BHD.

ENERGY DIVISION

- 100% ↻ TABES SDN. BHD.

OTHERS

- 60% ↻ EAGLE FOREST SDN. BHD.
- 100% ↻ IRONHEAD SDN. BHD.
- 80% ↻ PLANTABEEF SDN. BHD.
- 100% ↻ TA ANN AGRO SDN. BHD.
- 100% ↻ TABM SDN. BHD.
- 100% ↻ PEKAN SEMANGAT SDN. BHD. (DORMANT)
- 55% ↻ TA ANN PELITA SEBUYAU SDN. BHD. (DORMANT)
- 100% ↻ ALDEHYDE CHEMICALS SDN. BHD. (DORMANT)
- 85% ↻ DARO OIL MILL SDN. BHD. (DORMANT)
- 100% ↻ KUCHING EDIBLE OIL SDN. BHD. (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 cum Chief Operating Officer
Datuk Abang Haji Abdul Karim Bin Tun Abang Haji Openg	Director
Dato' Awang Bemee 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 Sibul, 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 : taco@taann.com.my

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim,
Seksyen 13, 46200 Petaling Jaya,
Selangor Darul Ehsan
Malaysia
Tel : 6 03-7890 4700
Fax : 6 03-7890 4670

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)

Voon Jan Moi
(MAICSA No. 7021367)

Alexander Tong Jia Jien
(MIA No. 36614)

AUDITORS

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

PRINCIPAL BANKERS

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

WEBSITE

www.taann.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia

STOCK NAME

TAANN

STOCK CODE

5012

DIRECTORS' PROFILE



DATUK AMAR ABDUL HAMED BIN HAJI SEPAWI

*Malaysian, Age 70, 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 32 years of experience in his field. In the past 25 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 68, 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 46 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 inspiring and dynamic 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 57, 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 43, Male
Executive Director cum Chief Operating Officer*



Mr. Wong Siik Onn was appointed as an Executive Director of Ta Ann Holdings Berhad on 16 November 2016. On 1 April 2018, he was redesignated as Executive Director Cum Chief Operating Officer of the Company to oversee the Group's Oil Palm Sector. 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 cum Chief Operating Officer
involved in palm oil operation and finance*

DIRECTORS' PROFILE (cont'd)



DATUK ABANG HAJI ABDUL KARIM BIN TUN ABANG HAJI OPENG

*Malaysian, Age 73, 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 sits on the Board of Permodalan Satok Berhad. 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 the founding Director of BIMP-EAGA Business Council (BEBC) and BIMP-EAGA Malaysian Business Council (BEMBC) Sarawak Chapter First Chairman. He is the Chairman of Brooke Dockyard and Engineering Works Corporation, a member of Lembaga Baitulmal and Wakaf Sarawak. He is a Co-Chairman with the State Secretary of the Sarawak State Pemudah Task Force, a member of the Board of the Malaysian Productivity Corporation and 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 60, Male
Independent Non-Executive Director*



Dato' Awang Bemee 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 and a partner of the legal firm, Awang, Lai and Co. He is also the Chairman of Kuching Port Authority and a former member of the Sarawak State Assembly.

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 65, 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 42 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 63 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). 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 41 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 21 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 66, 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

ADDITIONAL INFORMATION:

- *Save as disclosed in the Directors' Profile, none of the Directors has any conflict of interest with Ta Ann.*
- *None of the Directors of Ta Ann has been convicted of any offence (other than traffic offences) within the past five (5) years and there was no public sanction and penalty imposed by the relevant regulatory bodies during the financial year.*

PROFILE OF KEY SENIOR MANAGEMENT

Marianne Cheng Wei Wei

*Malaysian, Age 48, 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 graduated in 1995.

Ms. Marianne Cheng began her career in 1996 as an audit senior with an audit firm in Sibul.

Prior to joining Ta Ann Holdings Berhad in December 2003 as corporate accountant, Ms. Marianne Cheng worked in several companies in Sibul, 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.

Wong Hung Ming

*Malaysian, Age 45, 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 pursued a career in a listed company in Sarawak. She has more than 15 years of experience in the field of secretarial.

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 42, 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.

PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

Cheng Ah Teck

Malaysian, Age 65, 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 strategic planning 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.

Shannon Yii Chong Hee

Malaysian, Age 49, 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 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. He also plays an active role in corporate relations and stakeholder engagement for the Group.

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 63, Male

Senior General Manager, Oil Palm Division for Kapit Region

Mr. Wong has over 42 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 38, Male

Senior General Manager, Oil Palm Division for Sibü 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.

He joined Ta Ann Group in 2011 as the Junior General Manager for oil palm plantations in Bintulu and subsequently 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 Sibü & Kapit Region on 01 May 2016. He was reoriented as the Senior General Manager of Oil Palm Division focusing in Sibü Region on 11 June 2020. He also involved in palm kernel shell trading and mixed farming activities of the Group.

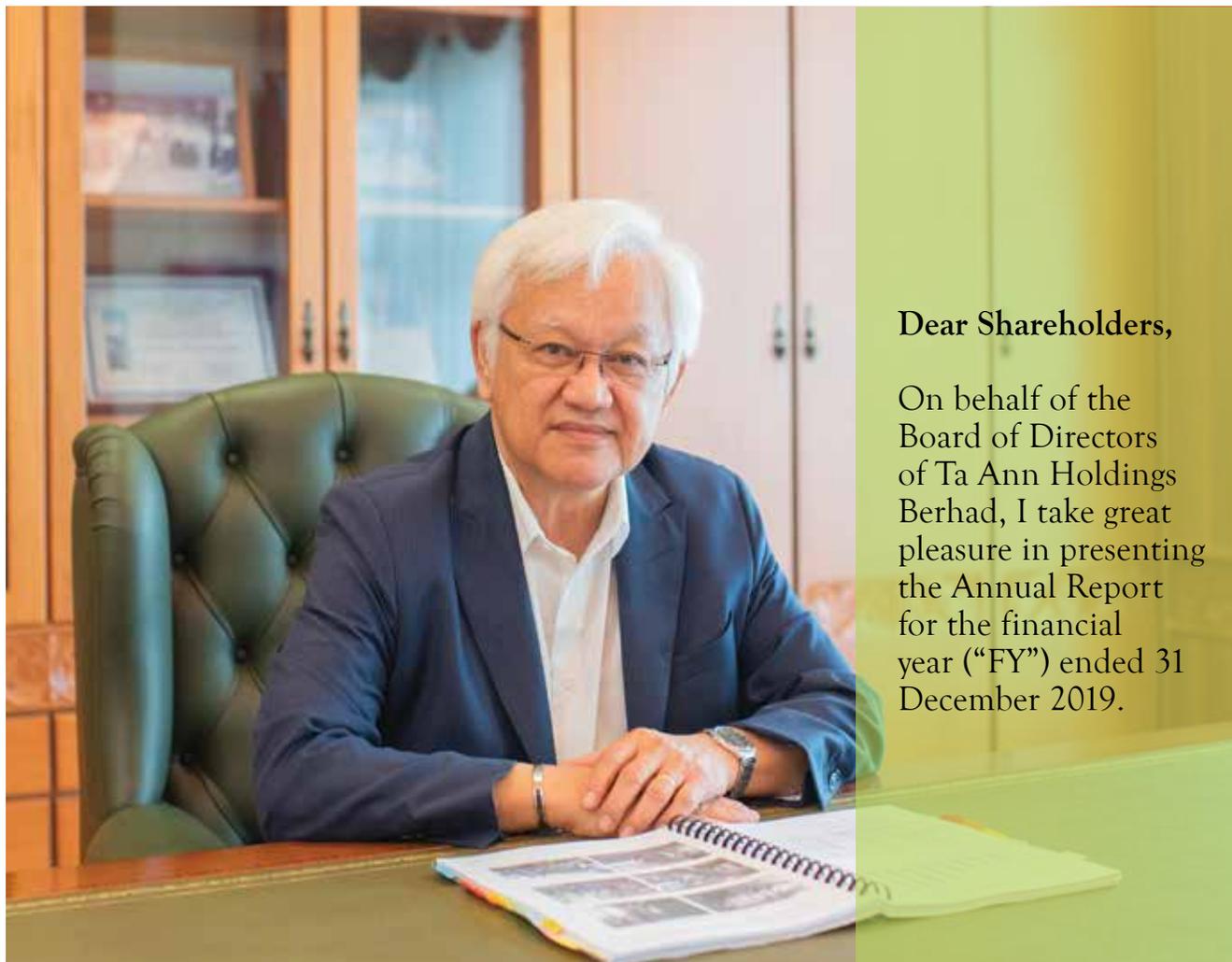
He has no family relationship with any director or major shareholder of Ta Ann Holdings Berhad nor has he any conflict of interests with the Company.

ADDITIONAL INFORMATION:

None of the Key Senior Management has:

- (i) any directorship in public companies and listed issuers;
- (ii) been convicted of any offence (other than traffic offences) within the past five (5) years; and
- (iii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

MESSAGE FROM THE EXECUTIVE CHAIRMAN



Dear Shareholders,

On behalf of the Board of Directors of Ta Ann Holdings Berhad, I take great pleasure in presenting the Annual Report for the financial year (“FY”) ended 31 December 2019.

FINANCIAL REVIEW

2019 presented itself as a challenging year for us in view of the unfavourable market conditions for the commodity prices. Soft market conditions prevailed during the year as weaker average selling prices were registered for the export logs, plywood products, FFB and CPO by 29%, 4%, 9%, and 8% respectively compared to the previous year. Despite the lower timber and CPO prices, the Group continued to deliver a respectable performance amidst facing similar challenging markets that are faced by other timber and plantation companies.

The Group has posted a revenue of RM945.69 million and a net profit of RM70.26 million in FY2019 against FY2018’s RM967.23 million and RM88.23 million respectively. This result was made possible mainly attributable to an increase in the export logs quota granted under the forest certification mechanism as regulated by the state government as well as the progress made in our continual proactive cost-saving measures and efforts in raising our operation productivity in enhancing our profitability.

Oil palm division had remained the prime net profit driver for the Group which attributable to the stable FFB production and the commencement of operation of the Group’s third palm oil mill, TBS oil mill, which raises the Group’s total capacity to 255 mt per hour during the year.

The shareholders’ funds for FY2019 stood at RM1.55 billion, showing a growth of 5% compared to RM1.48 billion registered in the preceding year while the return on equity for the year under review was recorded at 3.7%.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

DIVIDENDS

The Group is committed to achieving a balance between rewarding shareholders and maintaining adequate reserves for long-term growth objective. The quantum of dividends will be determined after taking into account, inter alia, the level of available funds, the amount of retained earnings, capital expenditure commitments and other investment planning requirements.

In respect of FY2019, a single-tier interim dividend of 5 sen per share was paid on 13 April 2020 totaling RM22.02 million. This represents a net dividend payout ratio of 41%.

PROSPECTS

The Global Coronavirus (Covid-19) pandemic has severely affected the general global economy since March 2020 and will continue to affect the worldwide economy, both the regional and domestic economies.

As such, our Group is expecting the palm oil commodity prices to be negatively affected by a slowdown of the market demand in the short and possibly medium term. The recent historic low world crude oil prices had led to a drastic drop in the demand for biodiesel which will consequently affect the CPO consumption inevitably. Therefore, it is anticipated that the recovery of the CPO price will take a longer time.

Nevertheless, CPO being a commodity that is being used heavily for consumer products, energy as well as the industrial sectors, its prices shall recover progressively in tandem with the gradual recovery of the regional economy.

At the time of writing as end of May 2020, CPO price has risen from its base of RM2,000/mt to RM2,200/mt, and we maintain our positive outlook for the sustainability of the Group's profit performance.



Electrostatic precipitator (ESP) for Boiler Flue Gas Filtration at TBS Oil Mill



Aerial View of TBS Oil Mill



Acacia mangium Superbulk

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

Notwithstanding the challenging short-term economic outlooks as a direct result of the onslaught of the Covid-19 pandemic, we remain resilient to external variable factors, and will continue to move forward towards achieving growth in our business and corporate values.



Anthracoceros malayanus (Black Hornbill)



Field Operation Briefing for Site Admin

ACKNOWLEDGMENTS

My heartfelt thanks to the Board of Directors for their invaluable advice and support, and I express my utmost gratitude and appreciation to our Group Managing Director/Chief Executive Officer and his Management team and staff members for their commitments, hard work, and contribution towards the continuing sound performance and growth of the 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 continuing supports to the Group.

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

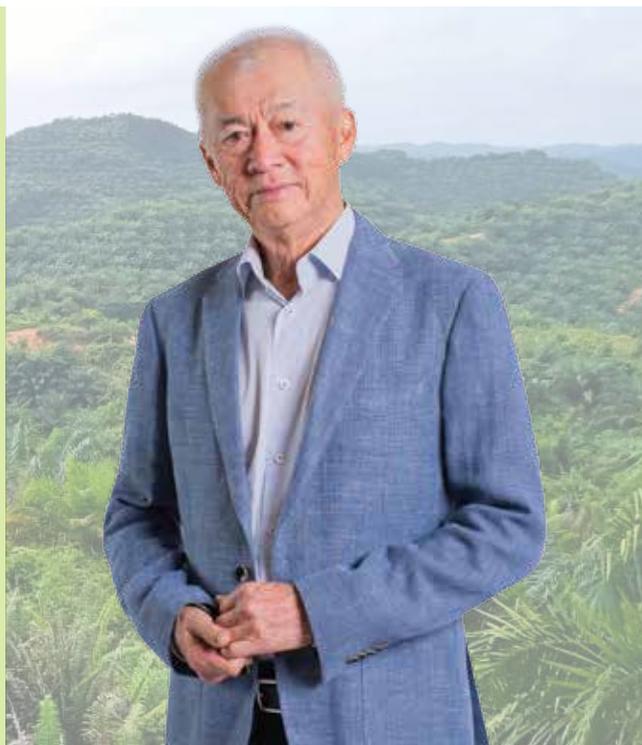
Datuk Amar Abdul Hamed Bin Haji Sepawi

Executive Chairman

MANAGEMENT REVIEW & ANALYSIS OF GROUP OPERATION BY GROUP MANAGING DIRECTOR

CORPORATE BACKGROUND

Ta Ann Holdings Berhad (“Ta Ann”) is an investment holding company listed on the Main Market of Bursa Malaysia Securities Berhad. Ta Ann commenced operations as a small trading company in the mid 1980’s and expanded from logging operations into shipping, downstream timber processing, forest plantation, oil palm plantation and milling of crude palm oil (“CPO”). Today, Ta Ann becomes a diversified group with a market capitalisation of RM1.56 billion and total assets of RM2.50 billion reported on the balance sheet as at 31 December 2019.



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.

During the financial year, the Group was in the process of winding-up one of its dormant subsidiary, namely Woodley Sdn Bhd via a Members’ Voluntary Winding-up. The deconsolidation of this subsidiary will not bear any material effect on the Group’s operations, earnings, net assets and gearing for FY2019.

For the financial year under review, the Group achieved a revenue of RM945.69 million and a net profit at RM70.26 million against FY2018 of RM967.23 million and RM88.23 million respectively. This was mainly due to the overall weakened average selling price for export logs, plywood products, fresh fruit bunches (“FFB”) and CPO resulting from the global economy uncertainty and commodity price volatility.

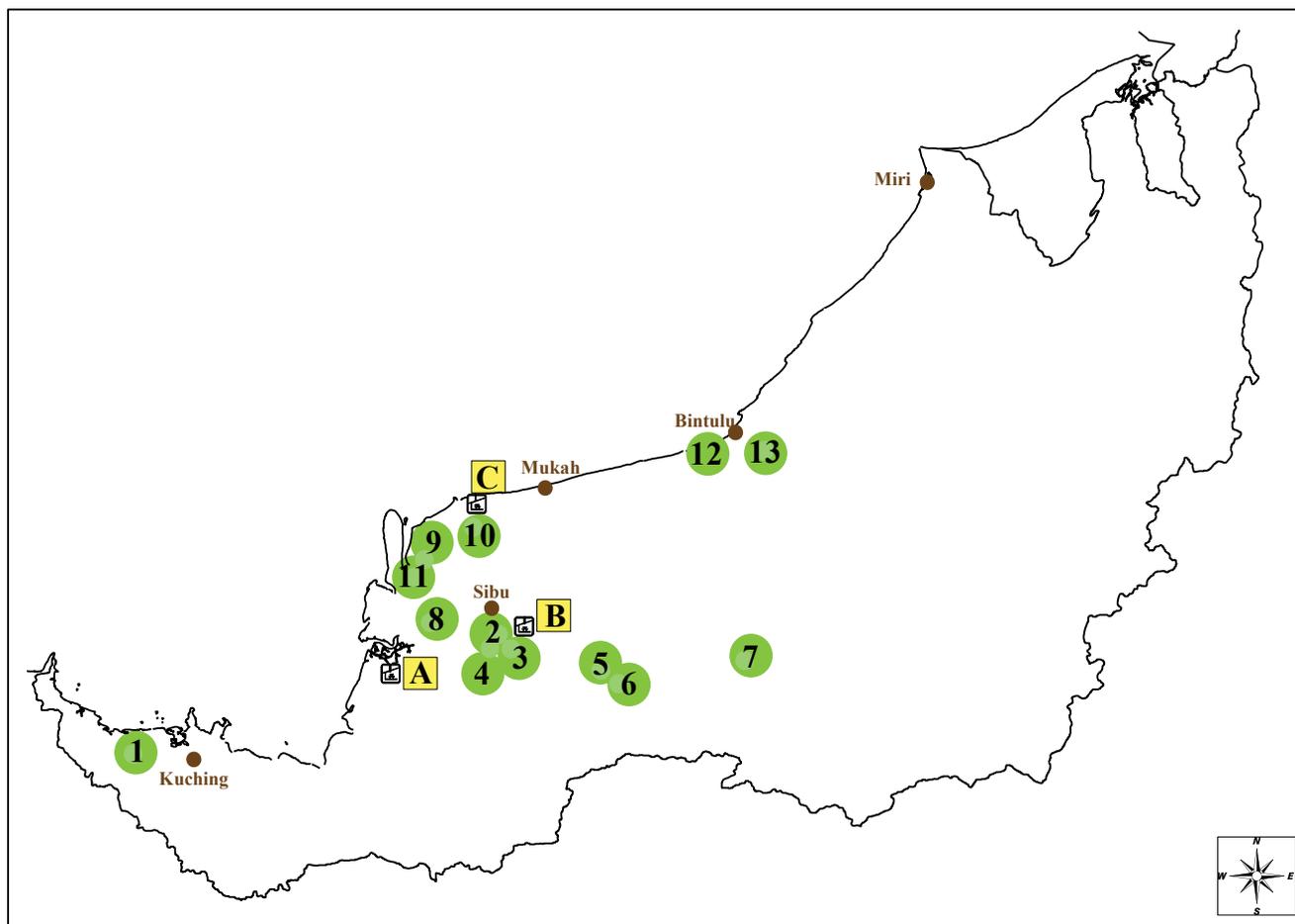
Further details on the Group’s financial performance are explained in the “Financial Review by Chief Financial Officer” section on pages 41 to 46.

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

PERFORMANCE REVIEW BY DIVISIONS

OIL PALM DIVISION

Oil palm division was the main revenue driver for the Group, contributing 68.7% of revenue and 93.5% of profit before tax for the Group in FY2019. It involves cultivation of oil palm, processing of FFB into CPO and palm kernel and trading of palm products. The Group owns 13 oil palm estates with a total plantation landbank of 95,371 hectares and 3 CPO mills located across Sarawak. To date, 10 out of our 13 estates and 2 CPO mills have obtained Malaysian Sustainable Palm Oil certification. All estates adhered to a strict 'zero-burning policy' for all its replanting and new planting activities, where the old palms are felled, chipped and left to decompose on site rather than burned.



Location of the Group's Oil Palm Estates and CPO Mills

Plantations

- | | |
|------------------------|------------------------|
| 1 Agrogreen (5,280 ha) | 8 Zumida (1,214 ha) |
| 2 Naman (13,280 ha) | 9 Daro (5,640 ha) |
| 3 Durin (6,200 ha) | 10 Igan (8,679 ha) |
| 4 Assan (5,410 ha) | 11 Seredeng (3,623 ha) |
| 5 Ngemah (17,017 ha) | 12 Terus (2,670 ha) |
| 6 Katibas (7,540 ha) | 13 Silas (7,640 ha) |
| 7 Baleh (11,178 ha) | |

CPO Mills

- | |
|------------------|
| A TBS Oil Mill |
| B Manis Oil Mill |
| C Igan Oil Mill |

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

The average FFB yield for overall estates has improved by 2% to 17.39 mt/ha. The highest yield was achieved by Terus Estate which is 29.46 mt/ha followed by Durin Estate with 24.85 mt/ha.

Plantation Performance	Year 2019	Year 2018	Change %
FFB Production Volume (mt)	748,035	741,332	1%
FFB Sales Volume	733,028	727,882	1%
FFB Yield (mt/ha)	17.39	17.11	2%

Oil Palm Age Profile	Year 2019 (ha)	Year 2018 (ha)	Change %
Mature (4 th – 20 th year)	43,841*	44,179	-1%
Immature (2 nd – 3 rd year)	2,219	1,115	99%
Young (1 st year)	2,968	2,545	17%
Total Planted Area	49,028	47,839	2%

* Excluded 771 hectares replanted in FY2019

The Group's CPO production volume in FY2019 achieved a significant increase by 24% to 253,049 mt from 203,905 mt in the previous financial year. The main contributing factor was the commencement of the Group's third CPO mill, TBS palm oil mill in the second half of FY2019 with a throughput capacity of 45 mt/hour.

CPO Mills Performance	Year 2019	Year 2018	Change %
Manis Palm Oil Mill			
Crude Palm Oil Production (mt)	117,672	122,380	-4%
Palm Kernel Production (mt)	25,667	27,218	-6%
TP Palm Oil Mill			
Crude Palm Oil Production (mt)	101,266	81,525	24%
Palm Kernel Production (mt)	19,771	16,299	21%
TBS Palm Oil Mill			
Crude Palm Oil Production (mt)	34,111	-	-
Palm Kernel Production (mt)	7,264	-	-
Total			
Crude Palm Oil Production (mt)	253,049	203,905	24%
Palm Kernel Production (mt)	52,702	43,517	21%
Average Oil Extraction Rate			
Crude Palm Oil (%)	20.00	20.22	-1%
Palm Kernel (%)	4.17	4.32	-3%
Average Selling Price			
Crude Palm Oil (RM/mt)	2,044	2,128	-4%
Palm Kernel (RM/mt)	1,135	1,642	-31%

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

LOGGING DIVISION

The Group has three active forest management units ("FMUs"), namely Kapit FMU, Raplex FMU and Pasin FMU which are located in Rejang region, Sarawak, covering a total area of 345,900 hectares. The Group recognizes the importance of sustainable forest management and is committed to ensuring that all FMUs are managed on a sustainable basis.

In line with the Sarawak government's policy whereby all long-term forest timber license areas in Sarawak must obtain forest management certification by 2022 to ensure that forests and their resources are managed sustainably and meeting international requirements, the Group has since 2016 started its preparation for sustainable forest management certification exercise.

To date, all the Group's three active FMUs, namely Kapit FMU covering an area of 149,756 hectares, Raplex FMU covering an area of 63,993 hectares and Pasin FMU covering an area of 132,151 hectares have been awarded the forest management certification under the Malaysia Timber Certification Scheme (MTCS) - Programme for the Endorsement of Forest Certification (PEFC) schemes, with Pasin FMU obtained its certification recently on 16 March 2020. With Certification, the benefits and log supply sustainability are guaranteed and realized over a long-term license tenure of 60 years.



Nesting trees are conserved and protected from harvesting activities to ensure biological diversity of forest is being protected



Sustainably Managed Forest



Koopassia Excelsa, Tapang



Pasin FMU Stage I audit - Inspection of RIL operation

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

For FY2019, the Group achieved logs production volume of 268,911 m³ from the natural forest, an increase of 50% compared to FY2018. Correspondingly, export logs sales doubled from 43,040 m³ in FY2018 to 94,495 m³ in FY2019. This was attributed to the 40% export volume quota and special export volume of 36,000 m³ awarded by the state government in recognition of our attainment of forest management certification coupled with overall improved logging efficiency following the revised log harvesting methodology undertaken by the Group which gear towards sustainable forest management.

Logs Production Volume	Year 2019 (m ³)	Year 2018 (m ³)	Change %
Natural Forest	268,911	179,016	50%
Planted Forest	21,122	51,317	-59%
Total	290,033	230,333	26%

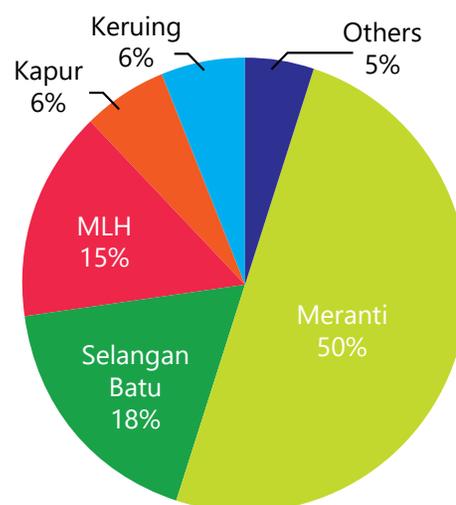
Logs Sales Volume	Year 2019 (m ³)	Year 2018 (m ³)	Change %
Natural Forest			
Export Logs	94,495	43,040	> 100%
Milling Logs	156,176	129,890	20%
Planted Forest			
Milling Logs	29,014	44,471	-35%
Total	279,685	217,402	29%

India remains as our major buyer which constituted 90% of our logs export market followed by Taiwan and Vietnam.

LOGS EXPORT 2019
By Destination

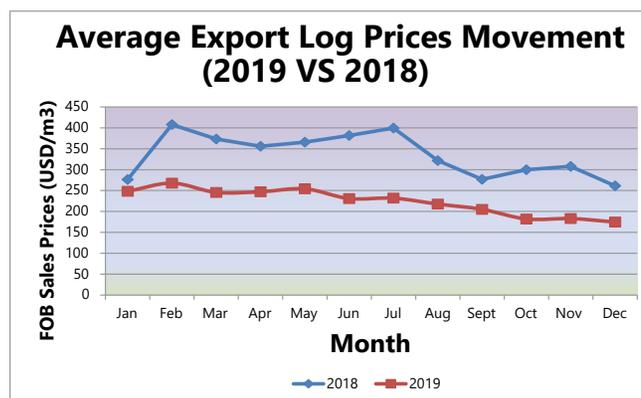
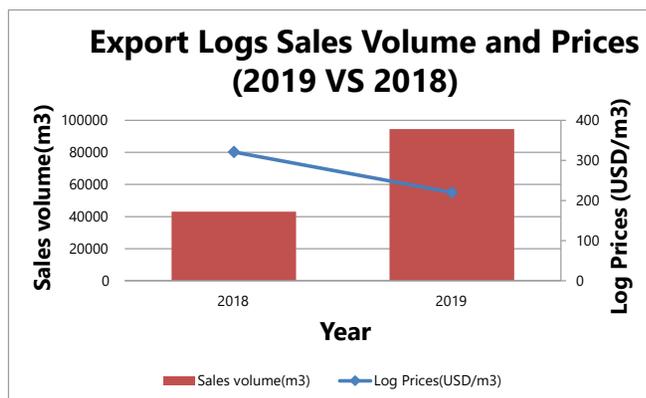


LOGS EXPORT 2019
By Species



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

Average export logs selling price of the Group in FY2019 dropped by 31% from USD321/m³ in FY2018 to USD220/m³ which was mainly due to various species mix being shipped and the competition from Suriname and Solomon whom were willing to compromise to lower prices offered by the Indian buyers. Nevertheless, the overall performance of logging division has been supported by higher logs export volume in FY2019.



PLYWOOD DIVISION

Plywood division has three manufacturing sites which are located in Sibu and Bintulu, Sarawak, Malaysia and in Tasmania, Australia.

Plywood division had been hit with more substitute products in market coupled with competition from Japanese domestic plywood supply. Alongside the dropped market demand, plywood division had to tussle with unsettled Japanese market turmoil resulting from the port congestion. Nevertheless, our plywood products will not be replaced totally whereby we are continuously developing and exploiting our plywood market.

Plywood division has prudently revised its production programme in FY2019 and continues to safeguard the quality of our products to stay competitive whereby our timber certification has added on our strengths.

MALAYSIA OPERATION

Plywood Line	Year 2019 (m ³)	Year 2018 (m ³)	Change %
Production Volume	103,260	127,661	-19%
Sales Volume	81,800	125,954	-35%

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

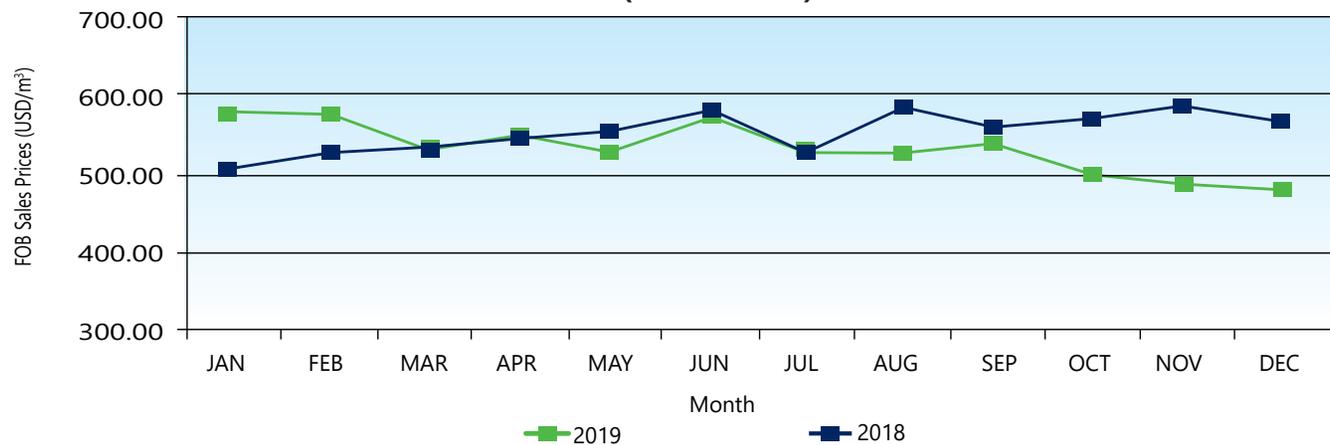
PLYWOOD SALES CONTRIBUTION

Product	Year 2019 (RM'000)	Year 2018 (RM'000)	Change %
Malaysian plywood	154,570	188,481	-18%
PEFC Certified Eco Plywood	21,786	87,638	-75%
Total	176,356	276,119	-36%

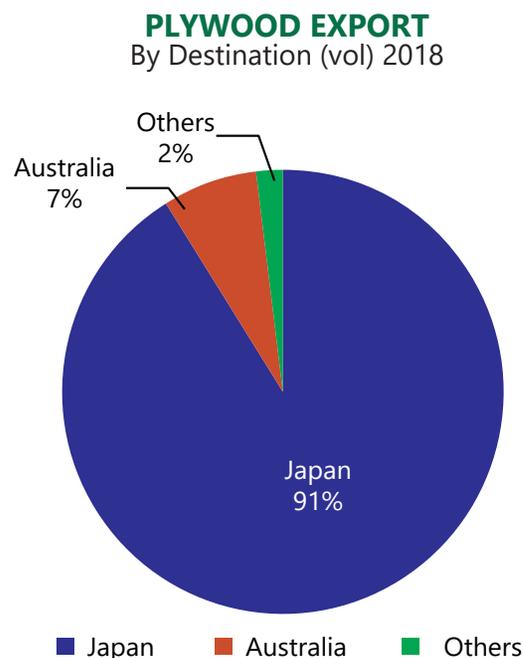
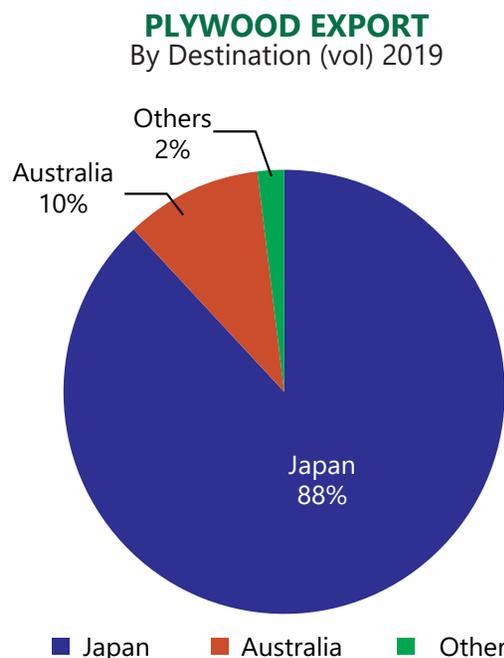
TASMANIA OPERATION

Veneer Line	Year 2019 (m ³)	Year 2018 (m ³)	Change %
Production Volume	50,478	88,313	-18%
Sales Volume	52,698	70,782	-26%

AVERAGE EXPORT PLYWOOD PRICE MOVEMENT (2019 vs 2018)



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



The certification of the Group's FMUs has played a vital role which enables the Group to further increase its production of certified plywood products. On a positive development, the Tokyo Metropolitan Government has officially announced to use certified materials for public projects. Some of the developers in Japan have given directives in their procurement policy to use certified materials only for their projects. To this, we anticipated a surge in demand for our certified plywood products.

SAWMILLING DIVISION

Global economy uncertainties caused by the unsettled trade war between the US and China have affected market demand for sawn products in the construction industry. Sawmill division has thus adjusted and slowed down in its production by 13% and sales volume by 16% to match the market requirement.

PRODUCTION VOLUME

Green Mill	Year 2019 (m ³)	Year 2018 (m ³)	Change %
Sawn Timber	8,219	8,944	-8%

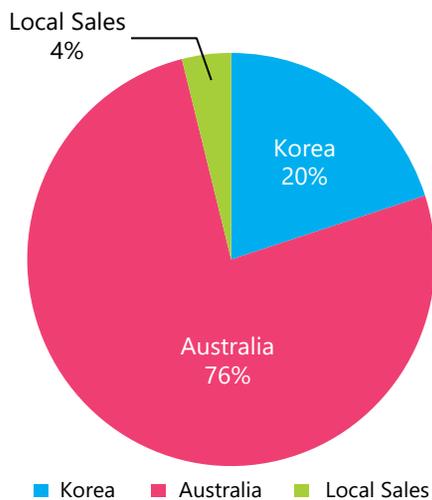
Dry Mill	Year 2019 (m ³)	Year 2018 (m ³)	Change %
Dress Sawn and Sangi	4,113	4,583	-10%
Moulding Products	1,140	1,475	-23%
Total	5,253	6,058	-13%

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

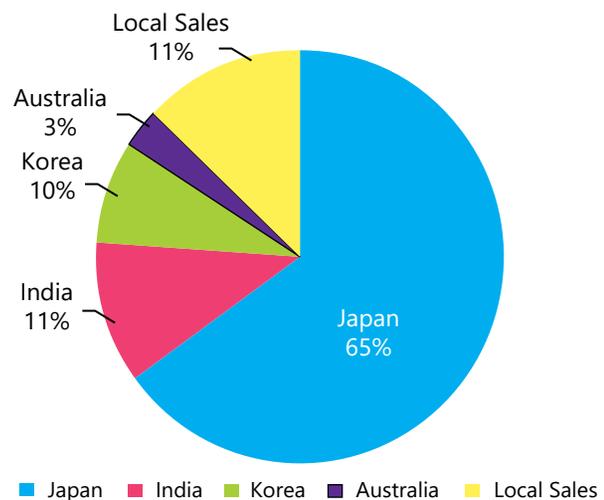
SALES VOLUME

	Year 2019 (m ³)	Year 2018 (m ³)	Change %
Sawn Timber	1,443	1,804	-20%
Dress Sawn and Sangi	2,846	3,187	-11%
Moulding Products	1,147	1,451	-21%
Total	5,436	6,442	-16%

**MOULDING SALES
2019
DESTINATION
(BY VOLUME)**



**SAWN TIMBER SALES
2019
DESTINATION
(BY VOLUME)**



REFORESTATION DIVISION

The Group is one of the pioneers in forest plantation in Sarawak and actively operates its forest plantation programmes with the aim of establishing a renewable forest resource base to meet the raw material requirements of the Group's downstream processing activities using fast growing plantation timber species.

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

Tree species planted are as follows:

Reforestation Unit	Area Planted To-date 31 December 2019 (ha)			Total Area Planted (ha)
	Acacia	Other Species (Kelampayan/Sawi/ Benuang/ Engkabang)	Zebra Planting Kelampayan	
First rotation *				
Woodley	4,970	697	-	5,667
Pasin	8,724	463	75	9,262
Rejang Trading	4,762	-	-	4,762
Raplex	5,008	138	-	5,146
Melekun	330	-	15	345
Zumida	2,957	21	-	2,978
Sub-Total	26,751	1,319	90	28,160
Second rotation				
Woodley	237	-	-	237
Pasin	1,023	-	-	1,023
Rejang Trading	1,025	-	-	1,025
Zumida	525	-	-	525
Sub-Total	2,810	-	-	2,810
Total	29,561	1,319	90	30,970

* After offsetting harvested 1st rotation areas.

Acacia mangium second rotation planting was carried out after harvesting of first rotation Acacia plantation. For FY2019, 650 hectares of *Acacia mangium* replanting was completed.

Kelampayan planting in natural forest FMUs areas achieved 149 hectares with emphasis on quality planting, increasing stocking per hectare, in efforts to rehabilitate and enhance forest stocking after sustainable forest harvesting. Kelampayan trees were also planted along the roadside of our oil palm estates to create additional timber resources.

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	172,284
Pelita Assan	33,111
Pelita Durin	29,015
Zumida Oil Palm	2,153
Mega Bumimas	3,489
Raplex Sawmill	2,138
Total	242,190



4 year old roadside kelampayan – oil palm intercropping in Naman, Sibul



4.7 years old kelampayan at Naman estate, Sibul

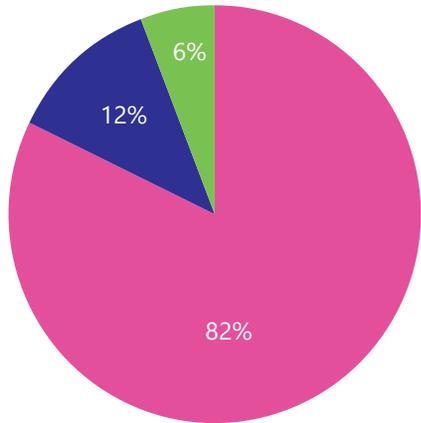
Age profile of planted tree at LPF/0002, LPF/0010 & LPF/0040 as at 31/12/19

	(ha) *	%
Mature Area (≥ 10 years old)	25,432	82
Immature Area (4 - 9 years old)	3,800	12
Young Area (1 - 3 years old)	1,738	6
Total Planted	30,970	100

* 1st and 2nd rotations combined.

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

AGE PROFILE OF PLANTED TREES



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



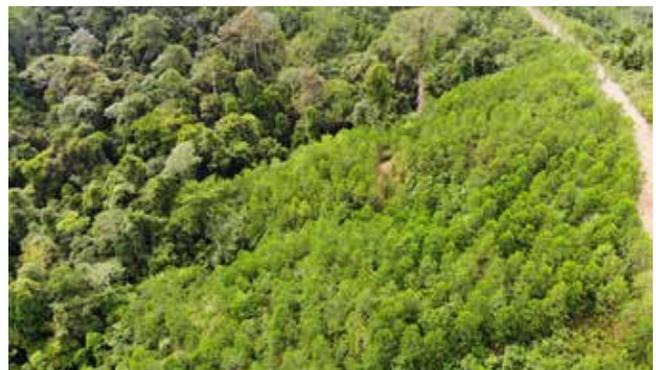
Planting Acacia logs harvested from Song region



Acacia Hybrid seedlings production at BTSSS, Bintulu



Acacia mangium Superbulk seedlings production



2 years old 2nd rotation Acacia mangium plantation at Song region

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

ANTICIPATED OR KNOWN RISK

The Group is exposed to various risks affecting the Group's businesses and operating performance. As such, the management is constantly assessing and putting in place plans or measures to mitigate controllable and uncontrollable risks.

The Group is exposed to general business risks as well as risks inherent in the timber and plantation industry, for example, the Group may be affected by a general downturn in the global, regional and national economy, entry of new competitors, constraints in labour supply, shortage and rising cost of raw material, changes in the law and tax legislation affecting the industry, increased production costs, fluctuations in foreign exchange rates and changes in business and credit conditions.

Various effective measures have been taken to mitigate these risks through, inter-alia, maintaining good business relationships with its major customers and suppliers, implementing efficient cost control measures and expansion/diversification of its products.

General shortage of workers remains the principal risk that may have a material impact on the Group's operation. The Group has targeted to achieve high workers' retention and low turnover rate. The Group has also worked with the government looking at alternate sources of worker recruitment. An alternate harvesting mechanism has been pursued intensively to reduce dependency on foreign workers.

Government policies and initiatives rolled out by the government are also significant factors to the Group business operation. Any changes in government policy on minimum wages, foreign workers levy and others will substantially impact 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.

OUTLOOK

The year 2020 started off on a challenging note with a widespread of the Coronavirus (Covid-19) in East Asian Region especially in China, South Korea, and Japan. The Covid-19 pandemic was then announced by the World Health Organisation (WHO) on 11th March 2020 to be a world-wide health problem. In order to prevent the spread of the virus in Malaysia, our government had introduced a Movement Control Order ("MCO") effective from 18th March 2020 until 12th May 2020 which was subsequently extended to 9th June 2020 with Conditional Movement Control Order ("CMCO").

The lockdown and restrictive movement controls were being implemented in most countries over the last few months and this had hit hard on the global economy. The immediate market impact would be a widespread of high unemployment rate and a slow-down in consumption and other general demand in the economy.

While the pandemic crisis appears to be under control in many countries such as East Asia, ASEAN and Australia Oceania, it is however still plaguing certain major western economies like USA, UK and Russia whom we do not have trading relationship.

At the point of writing, many countries including our major trading partners like India and Japan have announced relaxing their movement control mechanisms with anticipated gradual and progressive recovery in re-opening their economies.

With the easing of the lockdown in India and Japan, general market demands are back alongside with the fight against the Covid-19 pandemic. Therefore, we are confident that the market conditions would turn around positively in the near future after the full opening of the regional economy.

Against this background, the Group's priority is to consolidate/utilise our resources to sustain our business operations and improve our operational performance in terms of cost efficiency and continue to be progressive notwithstanding the difficult prevailing and challenging business environment.

Given the challenging near-term economic outlooks as a result of the Coronavirus event, we remain resilient to external shocks in view of the sound fundamentals of sustainable business operations which are well backed up by the healthy and strong cash-flow generating capability of our core operations and will continue to move forwards to strengthen both our financial and market position as we progress.

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

OIL PALM DIVISION

ACTION PLAN FOR FY2020

- To realize our vision of a long term top-tier financial performance by integrating sustainability into our business strategy.
- To increase productivity while protecting the environment.
- To increase mechanization for more efficient harvesting, manuring and weeding.
- To continue fine-tuning of oil mill processes for optimum OER & KER performance.
- To continue with sound and scientific agricultural practices.
- To provide better living and working environment.

PROSPECT FOR FY2020

- CPO price was promising for a very short period of time at the beginning of the year before the Covid-19 pandemic struck. Global economy has since slowed down upon the heavy impact of the Covid-19 resulting a lower consumption level of CPO as well as a decline in CPO prices. Whilst it is difficult to anticipate the future price trends with the current market sentiment, we remain confident that CPO being an essential food consumption for industrial and chemical item, should recover upon the gradual re-opening of the major economies world-wide.



FFB Loading at Durin Estate



Silas Estate

LOGGING DIVISION

ACTION PLAN FOR FY2020

- To conduct more training programmes for all employees on environmental protection and safety awareness in line with the standards and requirements for forest management certification under the Malaysian Timber Certification Scheme (MTCS).
- To conduct more social training programmes for local communities in all 3 FMUs so as to instill knowledge awareness and garner more supports on sustainable forest management.
- To diversify logs export market.

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

PROSPECT FOR FY2020

- With 3 FMUs giving a total of 345,900 hectares of forest land which are now fully certified under MTCS, the Group can make our logs operation sustainable in terms of the supply of MTCS-PEFC certified logs to both our plywood mills and sawmills as well as for logs export market.
- The full certification of our forests will place the group in a much stronger position in terms of market competitiveness.

PLYWOOD DIVISION

ACTION PLAN FOR FY2020

- Continuously finding ways to enhance the products quality controls in meeting customers' requirements.
- To modify/upgrade the existing machinery with emphasis on efficiency improvement and employing more automation processes
- To enhance cost-saving measures and recovery rate.
- To value add on the waste veneer into saleable/ valuable products.
- To focus on increasing the PEFC certified CCP plywood production volume given the underlying upward demand for certified products in the Japanese market.

PROSPECT FOR FY2020

- Given the current market under the pandemic scenario, we have taken proactive action in adjusting our production in order to cater for the market demand volume so as to avoid an overstocking position.
- Working closely with buyers in Japan to promote our certified plywood products to enlarge the market share.
- Anticipate a flat year for 2020

SAWMILLING DIVISION

ACTION PLAN FOR FY2020

- To promote PEFC products to overseas markets.
- To promote hardwood sawn timber products such as Ubah & Keranji species to India market.

PROSPECT FOR FY2020

- Enhance our workers' technical skills and also to diversify into semi finished and finished solid wood furniture.

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

REFORESTATION DIVISION

ACTION PLAN FOR FY2020

- To increase the Acacia harvesting and the 2nd rotation planting
- To enhance R&D on 2nd rotation plant nutrition, growth performance and Pests & Disease for Acacia re-planting.
- To continue kelampayan enrichment planting and rehabilitation in natural forest FMUs.
- To raise the kelampayan intercropping in the peatland oil palm plantations within the Group.
- To continue on R&D on planting kelampayan on peatland.
- To continue the awareness knowledge and training programmes for forest management certification at LPF areas.
- To collaborate with government agencies and tertiary institutions in enhancing the performance of our planted forest.

PROSPECT FOR FY2020

- Improved harvesting on the 1st rotation of the Acacia forests so as to supplement logs input material for the production of the plywood products.
- Creating additional future timber resources through kelampayan inter-cropping in oil palm estates of the Group.



A New Product Launched in 2019 Natural Slab Meeting Table with Arrogant Designed Legs

FINANCIAL REVIEW BY CHIEF FINANCIAL OFFICER

(1) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR FINANCIAL YEAR 2019

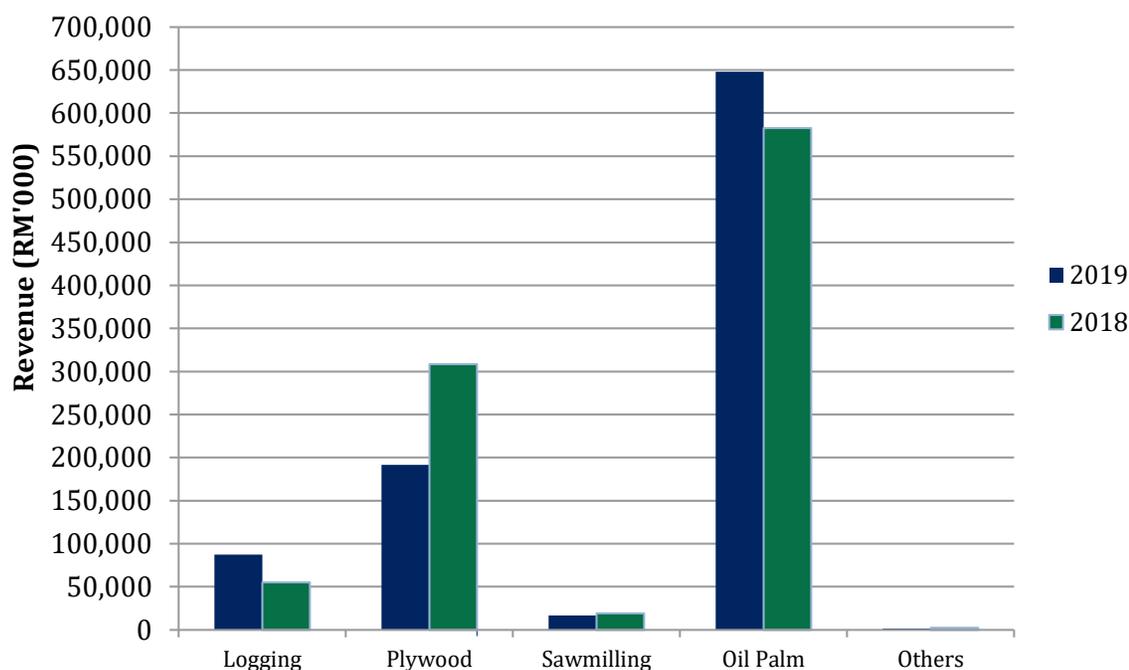
Particular	Note	2019 RM'000	2018 RM'000	Change %
Revenue	1.1	945,692	967,225	-2
Cost of sales		(732,320)	(747,155)	-2
Gross profit		213,372	220,070	-3
Other operating income	1.2	49,837	7,065	>100
Distribution expenses		(56,955)	(63,333)	-10
Administrative expenses		(53,387)	(43,812)	22
Other operating expenses	1.3	(52,878)	(10,639)	>-100
Profit from operation		99,989	109,351	-9
Finance income		2,813	5,539	-49
Finance costs		(22,317)	(25,537)	-13
Profit before taxation (exclude fair value adjustment)	1.4	80,485	89,353	-10
Change in fair value less costs to sell of biological assets		14,246	(7,275)	>100
Share of profit of equity-accounted associate, net of tax		7,724	31,040	-75
Profit before taxation		102,455	113,118	-9
Taxation		(32,194)	(24,891)	29
Profit for the year		70,261	88,227	-20
Gross profit margin		23%	23%	-1
Profit before taxation margin		11%	12%	-7
Net profit margin		7%	9%	-19

FINANCIAL REVIEW BY CHIEF FINANCIAL OFFICER (cont'd)

(1) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR FINANCIAL YEAR 2019 (cont'd)

NOTE:

1.1 Revenue contribution by division

REVENUE CONTRIBUTION BY DIVISION
(2019 VS 2018)

	2019 RM'000	Percentage Contribution %	2018 RM'000	Change %
a) Logging Division	87,464	9	55,007	59
b) Plywood Division	191,717	21	308,309	-38
c) Sawmilling Division	16,779	2	19,102	-12
d) Oil Palm Division	648,143	68	582,468	11
e) Others	1,589	0	2,339	-32
Total	945,692	100	967,225	-2

The improved CPO pricing and rise in sales volume achieved for CPO and export logs had streamline the drop in revenue that attributed to the under achievement in plywood sales volume.

FINANCIAL REVIEW BY CHIEF FINANCIAL OFFICER (cont'd)

(1) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR FINANCIAL YEAR 2019 (cont'd)**NOTE: (cont'd)****1.2 Other Operating Income**

The increase in other operating income was mainly due to the insurance claim from the fire incident which occurred in the beginning of 2019.

The Group has recognized AUD14.4 million or equivalent to RM41.46 million of insurance claim from the fire incident which classified as other operating income.

1.3 Other Operating Expenses

The fire related costs that related to the earlier insurance claim which comprised write-off of property, plant and equipment amounted to AUD9.3 million or equivalent sum of RM26.78 million and other fire related costs of AUD4.1 million or equivalent sum of RM11.80 million.

1.4 Profits Before Tax Contribution by Division (exclude fair value adjustment)

	2019 RM'000	Percentage Contribution %	2018 RM'000	Change %
a) Logging Division	16,635	21	7,152	>100
b) Plywood Division	(12,766)	-16	(5,669)	>-100
c) Sawmilling Division	1,853	2	3,448	-46
d) Oil Palm Division	75,237	93	84,615	-11
e) Tree Planting	(176)	0	(363)	52
f) Others	(298)	0	170	>-100
Total	80,485	100	89,353	-10

(2) STATEMENTS OF FINANCIAL POSITION**Analysis of Major Items****2.1 Total Assets**

Asset Type	Note	2019 RM'000	2018 RM'000	Change %
Property, plant and equipment	2.1.1	815,371	1,044,730	-22
Prepaid lease payments		-	3,150	-100
Right of use assets		218,907	-	100
Bearer plants	2.1.2	514,573	509,145	1
Biological assets		182,570	165,511	10
Investments in associates	2.1.3	214,284	197,883	8
Deferred tax assets		25,167	32,162	-22
Other intangible assets		14,934	24,417	-39
Goodwill		79,664	79,664	0
Inventories	2.1.4	225,412	170,913	32
Trade and other receivables	2.1.5	85,717	57,758	48
Prepayments and other assets		17,752	20,352	-13
Cash and cash equivalents		109,979	128,429	-14
Others		599	514	17
Total		2,504,929	2,434,628	+3

FINANCIAL REVIEW BY CHIEF FINANCIAL OFFICER (cont'd)

(2) STATEMENTS OF FINANCIAL POSITION

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
Oil Palm Division	63
Plywood Division	1
Logging Division	9
Total fixed assets additions for the year	73
<i>LESS:</i> Annual depreciation	(61)
<i>LESS:</i> Exchange rate translation difference	(3)
<i>LESS:</i> Disposals/ Write-offs	(27)
<i>LESS:</i> Reclassification on initial application of MFRS 16	(211)
Net movement	(229)

2.1.2 Bearer plants

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

	RM'million
Additions for the year	30
<i>LESS:</i> Annual amortisation	(25)
Net movement	5

2.1.3 Investments in associates

During the year, a subsidiary of the Company entered into a conditional share sale and subscription agreement with Kuching Palm Oil Industries Sdn. Bhd. (formerly known as Assar Refinery Services Sdn. Bhd.) to acquire a total of 21,300,000 ordinary shares representing approximately 28.03% equity interest in Kuching Palm Oil Industries Sdn. Bhd., for a total cash consideration of RM12,920,001 or RM0.61 per sale share. The acquisition was completed on 25 January 2019.

2.1.4 Inventories

Inventories breakdown by division was as follows:

	2019 RM'000	2018 RM'000	Change %
a) Logging Division	12,949	8,832	47
b) Plywood Division	181,756	134,511	35
c) Sawmilling Division	4,802	4,875	-2
d) Oil Palm Division	25,006	21,412	17
e) Others	899	1,283	-30
Total	225,412	170,913	32

FINANCIAL REVIEW BY CHIEF FINANCIAL OFFICER (cont'd)

(2) STATEMENTS OF FINANCIAL POSITION

ANALYSIS OF MAJOR ITEMS (cont'd)

2.1 Total Assets (cont'd)

NOTE: (cont'd)

2.1.5 Trade and other receivables

Included in other receivables were the insurance claims receivable amounted to AUD10.5 million equivalent to RM30.11 million which related to the fire incident in Tasmania, Australia.

2.2 Equity

Equity comprises the following:

	2019 RM'000	2018 RM'000	Change %
Share capital	444,844	444,844	0
Forex exchange translation reserve	5,546	8,429	-34
Retained earnings	1,009,007	952,103	6
Non-controlling interests	99,933	85,951	16
Treasury shares	(10,417)	(8,450)	-23
Total	1,548,913	1,482,877	+4

2.3 Borrowings

By type of facility	2019 RM'000	2018 RM'000	Change %
Hire purchases financing	4,435	-	100
<i>Conventional</i>	4,002	-	100
<i>Islamic</i>	433	-	100
Finance leases	-	21,605	-100
<i>Conventional</i>	-	10,017	-100
<i>Islamic</i>	-	11,588	-100
Term loans	251,584	313,888	-20
<i>Conventional</i>	116,627	170,888	-32
<i>Islamic</i>	134,957	143,000	-6
Bankers' acceptances	6,500	547	>100
Revolving credits	254,000	220,000	15
Export credit refinancing	25,625	20,879	23
Sub total	542,144	576,919	-6
Lease liabilities*	9,542	-	100
Total	551,686	576,919	-4

* Comprise only lease liabilities due to financial institutions

FINANCIAL REVIEW BY CHIEF FINANCIAL OFFICER (cont'd)

(3) RATIO ANALYSIS

	2019	2018
Liquidity		
• Current Ratio	1.20	1.14
Leverage		
• Net Gearing	30.5%	32.1%
Profitability		
• ROA	2.1%	3.1%
• ROE	3.7%	5.4%
• EPS	12 sen	17 sen
Dividend		
• Dividend per share	5 sen*	10 sen
• Dividend yield	1.43%	3.70%
• Share price as at 31 Dec	RM3.50	RM2.70
Net assets per share	RM3.26	RM3.14

* a first interim ordinary dividend of 5 sen per ordinary share was declared on 28 February 2020 and paid on 13 April 2020.

(4) CONCLUSION

KPMG PLT had rendered an unqualified opinion on the audited financial statements for the financial year ended 31 December 2019.

The Group's financial position remained positive with its total assets standing at RM2.5 billion and its shareholders' equity of RM1.55 billion. The Group maintained the current ratio at 1.2 times which reaffirms the Group's comfortable ability to meet its short-term commitments. It had posted a ROE of 3.7% which is above the bank negara's interest rate cut recently in mitigating the potential negative effects on spending.

As at 31 December 2019, the Group's cash position stood at RM110 million where its liquidity funds were sufficient to cover the approved capex for 2020. The net gearing ratio of 0.30 time was well below the loan covenant of 1. The Group is financially viable and will barring any unforeseen circumstances, continue to make appropriate dividend distributions in order to meet the shareholders' expectation.

Under the current economic circumstance, the Group's priority is to stay and remain strong, healthy and progressive in the face of prevailing challenging and uncertain business environment.

SUSTAINABILITY STATEMENT

OUR COMMITMENT

In line with our corporate mission and core values, Ta Ann Holdings Berhad and its subsidiaries (“Ta Ann Group” or the “Group”) aspires to achieve excellence in sustainability by integrating sustainable practices into every one of its 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 impacts for our stakeholders and communities within which we operate.

SCOPE OF SUSTAINABILITY STATEMENT

The scope of this sustainability statement applies to Ta Ann Group and all the directors and employees of the Group for the financial year ended 31st December 2019.

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 of Ta Ann Holdings Berhad (“the Board”) has oversight responsibility to deliver sustainable value to stakeholders through the principles, policies, objectives and strategies of Ta Ann Group. To assist the Board in fulfilling its responsibilities, a special unit was established to formulate, monitor and review 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.

THE SUSTAINABILITY FRAMEWORK

Stakeholders Engagement

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

Stakeholder Groups and Key Engagement conducted in 2019 are as follows:

Stakeholder Group	Engagement Methods	Outcomes
Investors, Bankers & Analysts	<ul style="list-style-type: none"> Formal and informal briefings and meetings AGMs Corporate website Bursa LINK 	<ul style="list-style-type: none"> Provide insight into our sustainable and business progress and performance Good relationship

SUSTAINABILITY STATEMENT (cont'd)

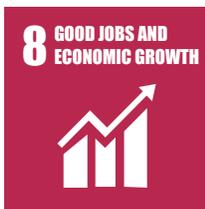
Stakeholder Group	Engagement Methods	Outcomes
Local communities & smallholders	<ul style="list-style-type: none"> Meetings, engagements and dialogues Joint exercises and training Employment opportunity Corporate social responsibilities (CSR) activities Leaflet 	<ul style="list-style-type: none"> Amicable solutions to conflicts and grievances Community activities such as "gotong-royong" and festive celebrations Employment for qualified and eligible locals CSR such as "Education Fund"
Certification Bodies	<ul style="list-style-type: none"> Meetings, engagement and dialogues Regular reporting and meetings Visitation and inspection 	<ul style="list-style-type: none"> Audit and certification Compliance with policies and latest changes in standards
Government (Ministries, Agencies, Regulators, Industry Associations)	<ul style="list-style-type: none"> Meetings, engagement and dialogues Compliance with regulatory and statutory requirements Support government transformation policies and initiatives 	<ul style="list-style-type: none"> Development and implementation of shared initiatives Compliance with regulations and the latest changes in rulings
Customers	<ul style="list-style-type: none"> Formal and informal briefings and meetings Site visits Quality of products Compliance with sustainability standards Corporate website 	<ul style="list-style-type: none"> Increased market share Customer retention Create awareness of Ta Ann policy and commitments to sustainable business
Suppliers & Contractors	<ul style="list-style-type: none"> Formal and informal briefings and meetings Corporate website 	<ul style="list-style-type: none"> Create awareness of company policy and commitment to sustainable palm oil production and their role in it
Employees	<ul style="list-style-type: none"> Employee engagement Remuneration package Health and safety Communication of company policies and practices Training programmes Annual appraisal 	<ul style="list-style-type: none"> Awareness of company policy, culture and core values Promote teamwork, create a better working environment and work towards the shared goal Improve awareness of our commitment to sustainable practices

SUSTAINABILITY STATEMENT (cont'd)

To ensure excellence sustainability performance, the Group focus on the following sustainable values:



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, supported by our employees as well as our stakeholders.

Our people are the core of Ta Ann Group'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 contributions our employees make every day for the betterment of the Group.

As of 31 December 2019, Ta Ann Group has 5,506 employees across our operations. The employees' turnover rate for 2019 was 16.93%.

SUSTAINABILITY STATEMENT (cont'd)

The Group takes pride in providing extended 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. We treasure and always cultivate our people and allow everyone's talents to flourish in Ta Ann. 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	2017	2018	2019
Total Seminars / Courses Attended	56	67	121
Total Employees Attended	3,125	3,827	5,127

Managing an organisation efficiently requires technical expertise and exposure. In 2019, 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 recruits are given the opportunity to attend an orientation briefing that covers the 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 an apprenticeship. The table below shows the recruits statistics for the past 3 years:

New Recruitment			
Description	2017	2018	2019
Total Number	314	250	252
Gender			
Female	38	28	45
Male	276	222	207
Age Group			
<30	205	139	128
30-40	61	63	67
40-50	33	38	44
>50	15	10	13

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 and retain 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 workforce performance and productivity. This approach aims to award increment on merit, and promotion based on 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 benefits scheme as well as a long service award.

SUSTAINABILITY STATEMENT (cont'd)

To foster cohesiveness among our staff, 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 in 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.

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

Moreover, Ta Ann is also taking care of employees' health through having a clean space that discourages contagious illnesses and providing Ta Ann Early Birds platform and fitness session for all employees. All employees are encouraged to maintain a healthy lifestyle through regular exercise as we believe that this will boost morale and promote an engaging culture, work quality, and drive to a productive working environment. Not only that, this platform also aims to facilitate bonding between the employees and to build employees' strong sense of self-discipline and perseverance.

Responsible Supplier

In line with the Group's corporate vision to produce quality and price competitive products, Ta Ann continuously strives towards improving our products via a motivated and innovative workforce. Our customers are important stakeholders, we have been and always work to foster long-term customer relationships and to enhance customer satisfaction.

Agriculture Intercropping

For maximum use of land resources, the Group has implemented agriculture intercropping by growing Kelampayan trees in our oil palm estates.

Environmental & Occupational Health and Safety



Ta Ann Group remains committed to 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)

In line with Sarawak State Government forest policy to have all long-term forest timber licenses in the state to be certified by the year 2022, Ta Ann's three (3) Forest Management Units (FMU) namely Kapit, Raplex and Pasin have been actively implementing the Group commitment to ensure that our forest resources are managed sustainably in compliance with the standards of MTCS, a scheme endorsed internationally by the Program for Endorsement of Forest Certification (PEFC).

Raplex FMU, the second FMU after Kapit FMU has been successfully awarded the Forest Management Certification (FMC) by SIRIM QAS International Sdn Bhd on 28 June 2019 with a validity of five years. Pasin FMU has successfully completed Stage I assessment in 10 - 14 September 2019 and Stage II assessment in 4 - 9 November 2019. At the time of reporting, Pasin FMU has been awarded the FMC with a validity of five years commencing 16 March 2020.

SUSTAINABILITY STATEMENT (cont'd)



*Verification of Log Chain-of-Custody
(Raplex FMU Stage II audit)*



*Inspection of HCV 1.4
(Raplex FMU Stage II audit)*

Ta Ann Group continues to manage our forest timber concessions in accordance to the principles of sustainable development by keeping the balance between the three main pillars of Economic viability, Social acceptance and Environmentally friendly forest operations.

In safeguarding our environment, Raplex FMU and Kapit FMU are participating in the pilot project for Environmental Compliance Audit (ECA) in collaboration with the Natural Resources and Environmental Board (NREB) and Sarawak Timber Association (STA). This requires the FMUs to conduct a series of internal and also independent external audits to verify compliance against the Environmental Impact Assessment (EIA) Approval Term and Conditions. For 2019, both Raplex and Kapit FMUs have undergone successful ECA audits achieving the desired level of compliance, with scores of over 95%.

Ta Ann timber harvesting operation is designed taking into consideration the need for the conservation of forest diversity and its ecosystem through sound and sustainable forest management practices. Our FMUs also actively collaborate with conservation organizations and regulatory authorities in ensuring that our forest management prescriptions are able to maintain the productive capacity and ecological integrity of the forests to ensure that our operation is economically viable.

Leibniz Institute for Zoo and Wildlife Research (Leibniz-IZW), Germany has conducted baseline wildlife surveys from April until October 2019 with a total of 66 cameras installed. From the preliminary data of over a period of 3,574 camera-trap nights, a total of 2,468 independent records of over 34 fauna species were collected which demonstrates the richness and diversity of species currently present within Raplex FMU.

SUSTAINABILITY STATEMENT (cont'd)

Follow up from Kapit FMU on research collaboration with UNIMAS on Bornean Medium to Large Mammal Population Ecology and Salt Licks dynamics: Distribution, Change and Utilization have been extended and replicated to Pasin and Raplex FMUs. This collaboration is critical in the identification and understanding of the behavior of Rare, Endangered and Threatened species found in FMUs, monitor High Conservation Value and study the local community's dependency on wildlife and natural resources. The UNIMAS report indicated that the extent of medium to large mammals in Kapit FMU is comparable to that of several Totally Protected Areas (TPAs) in Sarawak suggesting that sustainable forest management can go hand-in-hand with wildlife conservation.

Ta Ann Group forest operations also strive to maintain the long-term social and economic well-being of local communities living within and adjacent to our FMUs through active communication and awareness of our operation. Pasin FMU has successfully established its Community Representative Committee (CRC) and Forest Management Certification Liaison Committee (FMCLC) in August 2019 to provide a mechanism to resolve grievances raised by local communities and conflict resolution.

FMUs also conduct Social Awareness Program to disseminate up-to-date forest management information covering results of Social and Environmental Impact Assessment (SEIA), High Conservation Value (HCV), conservation of Rare, Threatened and Endangered Species and forest operation status.

Bornean Medium to Large Mammal Population Ecology and Salt Licks Dynamics: Distribution, Change, and Utilization in the Kapit FMU Logging Concession Area, Sarawak, East Malaysia

(UNIMAS Final Report submitted to Ta Ann, 2019)



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Marius Joscha Mairwald
Sim Siang Fong
Cheoh Chan Ong
Darshini Mugunam
Kang Pei Ling
Nurul Asna Hidayah
Jedeeliah Brodie



UNIMAS Final Report submitted to Ta Ann for the collaborative research at Kapit FMU



The Bornean Sun Bear (*Helarctos malayanus*, Horsfield 1825) is one of the smallest bear in the world.



Sunda Clouded Leopard (*Neofelis diardi* ssp. *borneensis*, G. Cuvier 1823) preying Bornean Yellow Muntjac (*Muntiacus atherodes*, Grooves & Grubb, 1982). Clouded Leopard on the lower right side of the first image, suggesting the clouded leopard is preying on the muntjac. Detected at Kapit FMU.

SUSTAINABILITY STATEMENT (cont'd)

Sarawak Timber Legal Verification System (STLVS)

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

Sustainable Palm Oil

Apart from continuous improvement in operational efficiency, Ta Ann Group is committed to incorporating genuine long-term sustainable practices with a 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, ten (10) oil palm plantations and two (2) crude palm oil mills have obtained MSPO certification.

In line with the Group's commitment to sustainability in oil palm management, we have provided various in-house and external training programmes on MSPO, environmental awareness, effluent pond management, first aid and other sustainable palm oil practices for our employees in 2019.

SUSTAINABILITY STATEMENT (cont'd)

SOCIAL



The Group also believes in managing and responsibly growing our business. We strive to drive positive social change in the areas where we operate.

Community Contributions and Development

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

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.



Donation of GSI Corti to Sibiu General Hospital



Donation to PIBG SK Camporan, Daro



Ta Ann give full support to Catholic High School's fund-raising run



Ta Ann strives to empower rural children through education

SUSTAINABILITY STATEMENT (cont'd)

Workplace

Ta Ann has a workforce of over 5,000 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.

- Education – education is fundamental to human resource development and growth in Ta Ann. We also believe in the power of education in transforming the 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 a better prospect in life and become active participants in society.
- Leveraging sports to build future leadership – our group supports sports development activities intending 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 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.
- Helping employees in need – we make donations to employees when they have something devastating happen as a serious illness or personal tragedy such as losing their home.
- 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 sessions, 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 whistleblowing 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 the health & safety of our employees as one of our top priorities which should never be compromised. We are committed to providing a safe and healthy work environment through the implementation of the 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 qualified and 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.

Fire fighting system has been installed at Ta Ann's palm oil and plywood 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 a 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 regularly to ensure safety guidelines and requirements complied at all levels.



Donations to our foreign worker's families and victims who suffered from floods and landslides in Southern Sulawesi, Indonesia



Fire Drill Training

Moving Forward

Sustainability remains 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 growth while remaining in line with our EES objectives.