Company No : 419232-K

TA ANN HOLDINGS BERHAD

Notes to the interim financial report

1 Basis of Preparation

The interim financial report has been prepared in compliance with FRS 134, Interim Financial Reporting, issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements.

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

This interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2008. It contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the year ended 31 December 2008. The condensed consolidated interim financial report and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with FRSs.

The statutory financial statements for the year ended 31 December 2008 are available from the Company's registered office.

2 Impending Change of Accounting Policies

The Group and the Company have not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRS / Interpretation	Effective date
FRS 8, *Operating Segments*	1 July 2009
Amendments to FRS 1 and FRS 127, *First-time Adoption of Financial Reporting Standards* and *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	1 January 2010
Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*	1 January 2010
FRS 4, *Insurance Contracts*	1 January 2010
FRS 7, *Financial Instruments: Disclosures*	1 January 2010
FRS 123, *Borrowing Costs*	1 January 2010
FRS 139 and Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*	1 January 2010
Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*, FRS 7, *Financial Instruments: Disclosures* and IC Interpretation 9, *Reassessment of Embedded Derivatives*	1 January 2010
Amendments to FRS 101, *Presentation of Financial Statements*	1 January 2010
IC Interpretation 9, *Reassessment of Embedded Derivatives*	1 January 2010
IC Interpretation 10, *Interim Financial Reporting and Impairment*	1 January 2010
IC Interpretation 11 - *FRS 2, Group and Treasury Share Transactions*	1 January 2010
IC Interpretation 13, *Customer Loyalty Programmes*	1 January 2010
IC Interpretation 14 - *FRS 119, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	1 January 2010
FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)	1 July 2010
FRS 3, *Business Combinations* (revised)	1 July 2010
FRS 127, *Consolidated and Separate Financial Statements* (revised)	1 July 2010
Amendments to FRS 2, *Share-based Payment*	1 July 2010

Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*	1 July 2010
Amendments to FRS 138, *Intangible Assets*	1 July 2010
Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*	1 July 2010
IC Interpretation 12, *Service Concession Agreements*	1 July 2010
IC Interpretation 15, *Agreements for the Construction of Real Estate*	1 July 2010
IC Interpretation 16, *Hedges of Net Investment in Foreign Operation*	1 July 2010
IC Interpretation 17, *Distribution of Non-cash Assets to Owners*	1 July 2010

The Group and the Company plan to apply:

- From the annual period beginning on 1 January 2010 those standards, amendments and interpretations as listed above that are effective for annual periods beginning on or before 1 January 2010, except for Amendments to FRS 1 and FRS 127, Amendments to FRS 2, Amendments to FRS 4, IC Interpretations (ICI) 9 and ICI 13 which are not applicable to them; and

- From the annual period beginning on 1 January 2011 those standards, amendments and interpretations as listed above that are effective for annual periods beginning on or after 1 July 2010, except for FRS 1 (revised), Amendments to FRS 2, Amendments to FRS 5, Amendments to ICI 9, ICI 12, ICI 16 and ICI 17 which are not applicable to them.

The initial application of a standard, an amendment or an interpretation, which is to be applied prospectively, is not expected to have any financial impacts to the financial statements for the current and prior periods upon their first adoption.

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30 (b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemption given in the respective FRSs.

FRS 8, which replaces FRS 114, *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. As the Group's operating segments, namely timber products, oil palms and property development, are the same as the business segments on which the Group currently presents segment information, the adoption of FRS 8 is not expected to have a material impact on the Group.

FRS 101 aims to improve user's ability to analyse and compare the information given in financial statements. It requires information in financial statements to be aggregated on the basis of shared characteristics to enable readers to analyse transactions between the Company and shareholders separately from transactions with external parties. FRS 101 also changes the titles of the financial statements to reflect their functions more clearly, for example, balance sheet is renamed as statement of financial position, amongst others.

FRS 123 (revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset and removes the option of immediately recognising the borrowing costs as an expense. As the Company's current capitalisation policy for borrowing costs is consistent with FRS 123 (revised), the adoption thereof is not expected to have a material impact on the Company.

FRS 3 (revised), which is to be applied retrospectively, incorporates the following changes to the existing FRS 3:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
- Transaction costs, other than share and debts issue costs, will be expensed as incurred.

- Any pre-existing interest in the acquire will be measured at fair value with the gain or loss recognised in profit or loss.
- Any minority (will be known as non-controlling) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquire, on a transaction-by-transaction basis.

The amendments to FRS 127 require changes in group composition to be accounted for as equity transactions between the group and its minority (will be known as non-controlling) interest holders.

The amendments to FRS 127 further require all losses attributable to minority interest to be absorbed by minority interest i.e., the excess and any further losses exceeding the minority interest in the equity of a subsidiary are no longer charged against the Group's interest.

The above changes to FRS 127 are not expected to have material impacts to the Group.

The amendments to FRS 138, to be applied retrospectively, clarify, inter-alia, that other amortisation methods, apart from the straight line method, may be used for intangible assets with finite useful lives. The adoption of any of the amendments to FRS 138 will result in a change in accounting policy.

IC Interpretation 10 prohibits the reversal of an impairment loss recognised in an interim period during the financial year in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IC Interpretation 10 applies prospectively from the date the Group and the Company first applied the measurement criteria of FRS 136, *Impairment of Assets* and FRS 139 respectively. The adoption of IC Interpretation 10 does not have any impact to the financial statements.

IC Interpretation 11 clarifies how share-based payment transactions involving its own or another entity's instruments in the same group are to be treated and that cancellations by parties other than the entity are to be treated in the same way as cancellations by the entity.

IC Interpretation 14 addresses how entities should determine the limit placed on the amount of a surplus in a pension plan they can recognise as an asset. Also, it addresses how a minimum funding requirement affects that limit and when a minimum funding requirement creates an onerous obligation that should be recognised as a liability in addition to that otherwise recognised under IAS 19.

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes. These amendments are not expected to have a material impact to the Company.

ICI 15 replaces the existing FRS 201_{2004}, *Property Development Activities* and provides guidance on how to account for revenue from construction of real estate. The adoption of IC Interpretation 15 by the Group for the year ending 31 December 2011, to be applied retrospectively, will result in a change in accounting policy in that the recognition of revenue from the property development activities will change from the percentage of completion method to the completed method.

Financial Reporting Standards will be fully converged with International Financial Reporting Standards by 1 January 2012. The financial impact and effects on disclosures and measurement consequent on such convergence are dependent on the issuance of such new or revised standards, amendments and interpretations by Malaysian Accounting Standards Board as are necessary to effectuate the full convergence.

3 Auditors' Report on Preceding Annual Financial Statements

The auditors have expressed an unqualified opinion on the audited financial statements for the year ended 31 December 2008 in their report dated 6 April 2009.

4 Seasonality or Cyclicality of Operations

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

5 Unusual Items

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

6 Changes in Estimates

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

7 Debt and Equity Securities, Share Buy-back

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

As at 31 December 2009, the number of shares repurchased and retained as treasury shares are 199,400 shares.

8 Dividend

A third interim franked dividend of 5 sen per ordinary share less tax at 25% amounting to RM8,041,189 in respect of the year ended 31 December 2008 was paid on 23 January 2009.

An interim franked dividend of 3 sen per ordinary share less tax at 25% for the financial year ended 31 December 2009 amounting to RM4,824,714 was paid on 2 October 2009 to depositors registered in the Record of Depositors at the close of business on 11 September 2009.

No dividend has been proposed by the Directors for the financial quarter under review.

9 Segmental Reporting

	Revenue from external customers		**Profit before tax**	
	Year ended 31 December			
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Timber products	473,834	541,992	54,847	8,288
Oil palm	177,925	184,435	38,488	36,155
Reforestation	897	1,475	193	(84)
Property development	9,574	12,237	1,458	3,342
	662,230	740,139	94,986	47,701

10 Valuation of property, plant and equipment

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

11 Subsequent Events

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

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Notes to the interim financial report

12 Changes in Composition of the Group

On 29 December 2009, a subsidiary of the Company, Multi Maximum Sdn Bhd (‘MM’) entered into a sale and purchase agreement for the acquisition of 2 million ordinary shares of RM1.00 each representing the entire issued and paid-up capital, in Europalm Sdn Bhd (‘EPSM’) at a total purchase consideration of RM20,500,000.00.

EPSB is a plantation company and holder of a piece of plantation land containing an area of 1,500 hectares at Jemoreng Land District, Sarawak and has been awarded another piece of plantation land at Seredeng Land District of area 1,113 hectares.

Payment of purchase consideration is as follows:
(a) RM2,050,000.00 is payable upon the execution of the S&P; and
(b) The balance of RM18,450,000.00 is payable within 6 months from the date of S&P.

13 Contingent Liabilities or Assets

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

14 Trade and Other Receivables

	As At 31 December 2009 RM’000	As At 31 December 2008 RM’000
Non-current assets		
Advances to sub-contractors	549	3,103
Current assets		
Trade receivables	22,152	18,885
Income tax recoverable	2,575	4,424
Interest receivable	19	17
Other receivables	1,141	4,280
Deposits	995	1,006
Prepayments		
-Plant & machinery	467	373
-Land premium	5,887	5,445
-Others	6,849	6,671
Advance to a log supplier	950	950
Advances to sub-contractors	633	573
	41,668	42,624
	42,217	45,727

‘Advances to sub-contractors’ are the balance of unsecured and interest-free advances to sub-contractors made to allow the sub-contractors to finance the purchase of machinery and equipment. The advances are progressively off-set against subsequent contract fees payable to the sub-contractors.

15 Capital Commitments

	As At 31 December 2009 RM’000
Property, plant and equipment	
-Contracted but not provided for in the financial statements	3,156
-Authorised but not contracted for	80,935
	84,091

Plantation Development Expenditure	
-Contracted but not provided for in the financial statements	-
-Authorised but not contracted for	100,056
Acquisition of a subsidiary	
-Authorised and contracted but not provided for in the financial statements	18,450
	202,597

16 Review of Performance

For the quarter under review, Group revenue increased by RM25.3 million from RM161.39 million in the corresponding quarter of 2008 to RM186.69 million. Profit before tax was RM21.62 million compared to a loss of RM23.61 million reported in the corresponding quarter of 2008. Profit after tax also recovered from a loss of RM17.75 million in 2008 to a profit of RM13.81 million.

For the year 2009, profit before tax increased by RM47.29 million or 99% to RM94.99 million while profit after tax increased by RM31.52 million or 81% at RM70.27 million, despite a lower revenue of RM662.23 million.

Increased volume of export log and crude palm oil sales at higher average prices coupled with unrealised exchange gain accounted for the better profit.

17 Variation of Results as compared to the Preceding Quarter

Compared to the preceding quarter, Group revenue in the quarter under review increased by RM9.48 million or 5% to RM186.69 million whereas profit before tax decreased by RM7.83 million to RM21.62 million.

18 Current Year Prospects

Plywood price for Japanese market showed sign of improvement in the first quarter of 2010 as demand for eco-products increased due to low plywood inventories in Japan. For 2010, plywood division will focus on the production of certified eco-products which have been well received by the Japanese and European markets.

Logging and oil palm divisions are anticipated to continue as the main revenue and profit contributors for year 2010. Increased contribution, in particular, is expected from oil palm estates with more palms maturing and growing palm maturity. The Group will commence constructing of its second CPO mill in Igan this year to process the fresh fruit bunches for Igan estate and surrounding estates.

Barring unforeseen circumstances, the Board expects the performance of year 2010 to be satisfactory.

19 Profit forecast

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

20 Taxation

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

	Current Quarter		Cumulative Quarter	
	31 December 2009 RM'000	31 December 2008 RM'000	Current Year To Date 31 December 2009 RM'000	Preceding Year Corresponding Period 31 December 2008 RM'000
Current tax expense				
- Current	3,840	3,942	20,369	15,082
- Prior	315	(57)	315	(57)
Deferred tax expense	3,652	(9,748)	4,030	(6,078)
Total	7,807	(5,863)	24,714	8,947

21 Cash and Cash Equivalents

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

	As at 31 December 2009 RM'000	As at 31 December 2008 RM'000
Deposits (excluding pledged deposits)	39,609	32,590
Cash and bank balances	57,469	53,641
	97,078	86,231

Fixed deposits of subsidiaries amounting to RM1,168,132 (2008: RM1,168,132) are pledged to licensed banks for bank facilities granted thereto.

22 Unquoted Investment and Properties

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

23 Quoted Investments

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

24 Status of Corporate Proposal

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

25 Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2009 were as follows: -

		Repayable within 12 months	Repayable after 12 months
		RM'000	**RM'000**
Unsecured -	Foreign currency loans	34,084	36,316
	Bankers' acceptances/Export Credit Refinancing	91,878	-
	Revolving Credits	48,000	-
	Term loans	20,560	134,452
Secured -	Hire purchase loans	15,261	18,738
	Term loans	-	57,681
Total		209,783	247,187

All borrowings are denominated in Ringgit Malaysia except for the foreign currency loans which are denominated in Japanese Yen, Australian Dollar or US Dollar.

26 Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at the date of this announcement.

27 Material Litigation

There are no pending material litigations as at the date of this announcement.

28 Significant Related Party Transactions

The Group entered into the following transaction with related parties, other than compensations to Directors and other key management personnel (see Note 29), during the current financial year:

	Year ended 31 December	
	2009	**2008**
Transactions with associates	**RM'000**	**RM'000**
Contract fees	13,534	15,002
Purchase of consumables	9	177
Handling fees, transportation & freight charges	120	24
Hiring of equipment	54	46
Income from rental of premises	(18)	(18)
Sale of equipment	(183)	-
Sale of plywood	(2,919)	(1)
Sale of sawn timber	(107)	(460)
Sale of consumables	-	(1)
Transactions with companies connected to certain Directors of the Company and its subsidiaries		
Contract fees and fuel surcharge	59,353	53,271
Food ration expenses	4,263	4,768
Handling fees, transportation & freight charges	20,665	19,015
Hiring of equipment	4	86
Insurance premium	3,129	4,156
Purchase of equipment	9	-
Rental of premises paid	31	34

Purchase of spare parts, fertilizer & consumables	9,463	38,336
Purchase of logs and timber products	21,017	32,794
Purchase of waste wood	233	242
Security charges	84	84
Computer hardware & software development fees	482	146
Purchase of fresh fruit bunches	16,222	32,643
Purchase of diesel and lubricants	11,882	25,563
Repair and maintenance	-	3
Royalty marking charges	-	21
Nursery site levelling and construction of housing, culvert and bridge	-	33
Road toll received	(832)	(690)
Sales of logs and timber products	(17,011)	(17,829)
Sales of empty drum	(10)	(18)
Sales of kernel shell	(5)	-
Sales of seeds & seedlings	(107)	(98)
Sales of consumables	-	(92)
Income from rental of premises	(13)	(92)
Handling fee received	(2)	(4)

29 Key Management Personnel Compensation

Compensations to key management personnel are as follows:

	Period ended 31 December	
	2009	**2008**
	RM'000	**RM'000**
Directors		
- Fees	649	702
- Remunerations	3,118	3,862
- Other short-term employee benefits	199	420
	3,966	4,984
Other Key Management Personnel:		
- Salaries, allowances and bonuses	2,579	2,810
- Other short-term employee benefits	32	30
	2,611	2,840
Total	6,577	7,824

30 Earnings Per Share

	Current quarter ended 31 December 2009	**Current Year-To-Date 31 December 2009**
(a) **Basic**		
Net profit attributable to ordinary equity holders of the Company (RM'000)	RM18,386	RM71,729
Weighted average number of ordinary shares in issue	214,431,718	214,431,718
Basic earnings per ordinary share (sen)	8.57	33.45
(b) **Diluted**	8.57	33.45

31 Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 February 2010.