Company No : 419232-K

TA ANN HOLDINGS BERHAD

Notes to the interim financial report

1 Basis of Preparation

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

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

This interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2009. 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 2009. The condensed consolidated interim financial report and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Financial Reporting Standards (FRSs).

The statutory financial statements for the year ended 31 December 2009 are available from the Company's registered office.

2 Significant Accounting Policies
2.1 Change in accounting policies

The significant accounting policies adopted in the preparation of this interim financial report are consistent with those of the audited financial statements for the year ended 31 December 2009, except for the adoption of the following standards, amendments and interpretations:

- FRS 7*, Financial Instruments: Disclosures*
- FRS 8, *Operating Segments*
- FRS 101, *Presentation of Financial Statements (revised)*
- FRS 123, *Borrowing Costs*
- FRS 139 and Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 101, *Presentation of Financial Statements*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- Improvements to FRSs (2009)

The principal effects of the changes in presentation, changes or methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and amendments are set out below.

FRS 139, *Financial Instruments: Recognition and Measurement*
The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments and the new accounting policies are as follows:

I) Initial recognition and measurement
A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

Financial instrument categories and subsequent measurement
The Group categorises financial instruments as follows:

Financial assets

a) Financial assets at fair value through profit or loss
Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) of financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

b) Held-to-maturity investments
Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group has the positive intention and ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

c) Loans and receivables
Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

d) Available-for-sale financial assets
Available-for-sale category comprises investments in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at fair values with the gain or loss recognised in profit or loss.

Regular way purchase or sale of financial assets
A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting relates to:
a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Trade receivables
Prior to the adoption of FRS 139, trade receivables were initially recognised at their cost and subsequently stated at cost less allowance for doubtful debts. With the adoption of FRS 139, trade receivables are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Interest income is recognised in the profit or loss using the effective interest method.

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

Effects of Application of New Policies
The application of the above new policies has the following effects:

Group	**Retained earnings**	
	2010	**2009**
	RM'000	**RM'000**
At 1 January, as previously stated	485,613	416,044
Adjustments arising from adoption of FRS 139:		
- Remeasurement of trade receivables	(516)	-
At 1 January, as restated	485,097	416,044

2.2 Standards, Amendments and Interpretations yet to be adopted

The Group has not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board but are only effective for annual periods beginning on or after the respective dates indicated herein.

FRS / Interpretation	**Effective date**
Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Right Issues*	1 March 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 16, *Hedges of Net Investment in Foreign Operation*	1 July 2010
IC Interpretation 17, *Distribution of Non-cash Assets to Owners*	1 July 2010
Amendments to FRS 1, *First-time adoption of Financial Reporting Standards*	1 January 2011
- *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*	
- *Additional Exemption for First-time Adopters*	
Amendments to FRS 7, *Improving Disclosures about Financial Instruments*	1 January 2011
Amendments to FRS 2, *Group Cash-settled Share-based Payments Transactions*	1 January 2011
Improvements to FRSs (2010)	1 January 2011
IC Interpretation 4, *Determining whether an Arrangement Contains a Lease*	1 January 2011
IC Interpretation 18, *Transfer of Assets from Customers*	1 January 2011
IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2011
Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*	1 July 2011
IC Interpretation 15, *Agreements for the Construction of Real Estate*	1 January 2012
FRS 124, *Related Party Disclosures*	1 January 2012

The Group plans to apply:

- 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 before 1 January 2011, except for FRS 1 (revised), Amendments to FRS 2, Amendments to FRS 5, Amendments to FRS 132, Amendments to ICI 9, ICI 12, ICI 16, ICI 17 and ICI 18 which are not applicable to the Group.
- From the annual period beginning on 1 January 2012 those standards, amendments and interpretations as listed above that are effective for annual periods beginning after 1 January 2011.

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.

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 acquiree 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 acquiree, 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.

ICI 4 provides guidance for determining whether certain arrangements are, or contain, leases that are required to be accounted for in accordance with FRS 117, *Leases*. Where an arrangement is within the scope of FRS 117, the Group applies FRS 117 in determining whether the arrangement is a finance or an operating lease. The adoption of ICI 4 will result in a change in accounting policy.

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 2012, 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.

The revised FRS 124 simplifies the definition of related party, clarifies its intended meaning and eliminates inconsistencies from the definition. The changes from current practice among others include a partial exemption from disclosures for government-related entities. It requires disclosure of related party transactions between government-related entities only if the transactions are individually or collectively significant.

Prior to the issuance of the revised FRS 124, no disclosure is required in financial statements of state-controlled entities of transactions with other state-controlled entities. The partial exemption from disclosures for government-related activities as permitted in the revised FRS 124 is intended to put users on notice that such related party transactions have occurred and to give an indication of their extent.

IC Interpretation 19 provides guidance on accounting for debt for equity swaps. Equity instruments issued to a creditor to extinguish all or a part of a financial liability would be "consideration paid" in accordance with paragraph 41 of FRS 139. The equity instruments would be measured initially at the fair value of those equity instruments unless that fair value cannot be reliably measured, in which case the equity instruments should be measured to reflect the fair value of the financial liability extinguished. Any difference between the carrying amount of the financial liability and the initial measurement of the equity instruments would be recognised as gain or loss in profit or loss.

The adoption of IC Interpretation 19 will result in a change in accounting policy which will be applied retrospectively in accordance with FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors.*

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.

The potential impacts on the financial statements for the year ended 31 December 2010 and 31 December 2009 on initial application of ICI 15 are summarized as follows:

31 December 2010	**As currently stated DR/(CR) RM'000**	**Effects on adoption of IC Interpretation 15 DR/(CR) RM'000**	**If restated DR/(CR) RM'000**
Statement of financial position			
Property development costs	2,605	-	2,605
Inventories	175,554	-	175,554
Accrued billings	34	-	34
Deferred tax assets	631	-	631
Retained earnings	(545,917)	-	(545,917)

	As currently stated RM'000	**Effects on adoption of IC Interpretation 15 RM'000**	**If restated RM'000**
Statement of comprehensive income			
Revenue	827,915	-	827,915
Cost of sales	620,171	-	620,171
Profit before tax	107,414	-	107,414
Tax expense	31,801	-	31,801
Profit for the year	75,613	-	75,613

* Property development project completed in FY2009.

31 December 2009	**As currently stated DR/(CR) RM'000**	**Effects on adoption of IC Interpretation 15 DR/(CR) RM'000**	**If restated DR/(CR) RM'000**
Statement of financial position			
Property development costs	2,448	-	2,448
Inventories	196,806	-	196,806
Deferred tax assets	631	-	631
Retained earnings	(485,613)	-	(485,613)

	As currently stated RM'000	**Effects on adoption of IC Interpretation 15 RM'000**	**If restated RM'000**
Statement of comprehensive income			
Revenue	666,635	2,257	668,892
Cost of sales	496,769	1,993	498,762
Profit before tax	96,189	264	96,453
Tax expense	23,211	66	23,277
Profit for the year	72,978	198	73,176

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 2009 in their report dated 14 April 2010.

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 2010, the number of ordinary shares repurchased and retained as treasury shares are 199,400 shares.

8 Dividend

An interim franked dividend of 3 sen per ordinary share less tax at 25% for the financial year ended 31 December 2010 amounting to RM4,824,714 was paid on 15 July 2010 to depositors registered in the Record of Depositors at the close of business on 30 June 2010.

A second interim ordinary dividend of 5 sen per ordinary share made up of 2 sen per ordinary share less tax at 25% and 3 sen per ordinary share tax-exempt for the financial year ended 31 December 2010, amounting to RM11,579,312 was paid on 14 January 2011 to depositors registered in the Record of Depositors at the close of business on 22 December 2010.

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			
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Timber products	558,515	478,133	21,963	57,613
Oil palm	264,630	177,901	84,150	37,205
Reforestation	1,023	1,027	43	62
Property development	3,747	9,574	1,258	1,309
	827,915	666,635	107,414	96,189

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.

12 Changes in Composition of the Group

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

13 Contingent Liabilities or Assets

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

14 Trade and Other Receivables

	As At 31 December 2010 RM'000	As At 31 December 2009 RM'000
Non-current assets		
Trade receivables	2,533	5,442
Current assets		
Trade receivables	23,396	17,196
Interest receivable	28	16
Other receivables	781	1,421
Deposits	856	1,083
Prepayments		
-Plant & machinery	5,909	217
-Land premium	9,650	5,294
-Others	7,177	5,308
Advance to a log supplier	170	950
Advances to sub-contractors	1,741	1,741
Other advances	-	3
Deposit paid for acquisition of a subsidiary	-	2,050
	49,708	35,279
	52,241	40,721

'Advances to sub-contractor' is the balance of unsecured, interest-free advances previously made to a logging sub-contractor to finance the purchase of machinery and equipment. The advances will be off-set against the cost of acquisition of the right to use a road owned by the sub-contractor.

15 Capital Commitments

	As At 31 December 2010 RM'000
Property, plant and equipment	
- Contracted but not provided for in the financial statements	-
- Authorised but not contracted for	103,103
- Authorised and contracted for	-
	103,103
Plantation Development Expenditure	
- Authorised but not contracted for	101,990
- Authorised and contracted for	-
Leasehold land held for subsidiaries use	
- Approved and contracted for	11,589
	216,682

16 Review of Performance

For the quarter under review, Group revenue was higher by 15% or RM29.09 million at RM220.19 million compared to RM191.10 million in the corresponding quarter of 2009. Profit before tax was up by 81% at RM41.33 million as against RM22.82 million reported in the corresponding quarter of 2009.

Revenue contribution from timber sector remained at the same level, but increased production of fresh fruit bunches from the growing mature oil palms and sales of crude palm oil ('CPO') at higher prices accounted for the higher revenue and better profit.

17 Variation of Results as compared to the Preceding Quarter

Compared to the preceding quarter, Group revenue in the quarter under review dropped by RM11.13 million or 5% to RM220.19 million. Profit before tax decreased by 6% or RM2.72 million from RM44.05 million in the preceding quarter to RM41.33 million.

For the quarter under review, a higher revenue and profit contribution came from oil palm sector. However, a drop in overall timber sector revenue and profit resulted in a lower revenue and profit.

18 Current Year Prospects

Oil palm sector is expected to continue its strong contribution to Group revenue and profit in the year 2011 as more oil palms become mature and CPO price is projected to maintain above RM3,000/mt level.

Increasing demand for timber and timber products from importing countries augurs well for the timber sector. Sales of eco products are anticipated to further pick up, as housing starts in Japan show signs of recovery and consumers are more conscious of environmentally friendly plywood products.

Barring unforeseen circumstances, the Board is confident that the performance of year 2011 will 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 2010	**31 December 2009**	**Current Year To Date 31 December 2010**	**Preceding Year Corresponding Period 31 December 2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax expense				
- Current	6,009	3,918	20,444	20,447
- Prior	-	527	370	527
Deferred tax expense	5,940	1,859	10,987	2,237
Total	11,949	6,304	31,801	23,211

21 Cash and Cash Equivalents

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

	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000
Deposits (excluding pledged deposits)	56,444	47,195
Cash and bank balances	85,374	50,160
Bank overdraft	-	(1,449)
	141,818	95,906

Fixed deposits of subsidiaries amounting to RM1,196,558 (2009: RM1,196,558) 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 2010 were as follows: -

		Repayable within 12 months	Repayable after 12 months
		RM'000	RM'000
Unsecured -	Foreign currency loans	13,956	10,350
	Bankers' acceptances/Export Credit Refinancing	79,555	-
	Revolving Credits	56,000	7,000
	Term loans	23,166	162,524
Secured -	Hire purchase loans	16,466	8,676
	Foreign currency loans	28,471	-
	Term loans	1,000	76,085
Total		218,614	264,635

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 transactions 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	
	2010	**2009**
Transactions with associates	**RM'000**	**RM'000**
Contract fees	11,051	14,100
Purchase of consumables	-	14
Handling fees, transportation & freight charges	93	120
Hiring of equipment	47	60
Purchase of property, plant and equipment	-	272
Income from rental of premises	(18)	(18)
Sale of property, plant and equipment	-	(183)
Sales of logs and timber products	(6,070)	(3,147)
Sale of consumables	-	(9)
Transactions with companies connected to certain Directors of the Company and its subsidiaries		
Contract fees and fuel surcharge	49,190	59,375
Food ration expenses	4,675	4,263
Handling fees, transportation & freight charges	22,453	20,264
Hiring of equipment	63	11
Insurance premium	3,892	3,130
Rental of premises paid	38	19
Purchase of spare parts, fertilizer & consumables	20,612	9,108
Purchase of property, plant and equipment	15	8
Security charges	84	84
Computer hardware & software development fees	943	547
Purchase of fresh fruit bunches	16,775	16,222
Purchase of diesel and lubricants	13,501	11,901
Royalty marking charges	-	3
Forklift rental expense	-	19
Service charge	-	37
Road toll received	(536)	(831)
Sales of logs and timber products	(19,948)	(17,245)
Sales of empty drum	-	(10)
Sales of kernel shell	-	(5)
Sales of seeds & seedlings	(238)	(107)
Sales of consumables	(6)	(19)
Income from rental of premises	(76)	(9)
Handling fee received	(9)	(771)

29 Key Management Personnel Compensation

Compensations to key management personnel are as follows:

	Year ended 31 December 2010 RM'000	2009 RM'000
Directors		
- Fees	1,099	678
- Remunerations	4,055	3,303
- Other short-term employee benefits	911	20
	6,065	4,001
Other Key Management Personnel:		
- Salaries, allowances and bonuses	2,929	2,630
- Other short-term employee benefits	357	32
	3,286	2,662
Total	9,351	6,663

30 Earnings Per Share

	Current quarter ended 31 December 2010	Current Year-To-Date 31 December 2010
(a) **Basic**		
Net profit attributable to ordinary owners of the Company ('000)	RM30,159	RM77,224
Weighted average number of ordinary shares in issue ('000)	257,318	257,318
Basic earnings per ordinary share (sen)	11.72	30.01
(b) **Diluted**	11.72	30.01

31 Gain/Losses arising from fair value changes of financial liabilities

There were no gains or losses arising from fair value changes of financial liabilities for the current quarter and financial year ended 31 December 2010.

32 Realised and unrealised profits disclosure

The retained earnings may be analysed as follows:

	As at end of current quarter 31 December 2010 RM'000	As at end of preceding quarter 30 September 2010 RM'000
- Realised	620,170	599,551
- Unrealised	(74,253)	(72,214)
	545,917	527,337

33 Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 February 2011.