

**EXPLANATORY NOTES FOR INTERIM FINANCIAL STATEMENTS FOR THE  
FINANCIAL PERIOD ENDED 30 SEPTEMBER 2008**

**PART A – EXPLANATORY NOTES PURSUANT TO FRS 134**

**1. Basis of preparation**

The interim financial statements have been prepared under the historical cost convention.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

**2. Adoption of revised Financial Reporting Standards (FRSs)**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following revised FRSs and new Interpretations effective for financial periods beginning on or after 1 January 2008:

FRS 107	:	Cash Flow Statements
FRS 111	:	Construction Contracts
FRS 112	:	Income Taxes
FRS 118	:	Revenue
FRS 120	:	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	:	Interim Financial Reporting
FRS 137	:	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	:	The effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 1	:	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	:	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	:	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	:	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	:	Applying the Restatement Approach under FRS 129 <sub>2004</sub> - Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	:	Scope of FRS 2

The adoption of the abovementioned FRSs does not result in significant changes in accounting policies of the Group.

### 3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2007 was not qualified.

### 4. Comments on seasonal or cyclical factors

The effects of seasonal or cyclical fluctuations, if any, are explained under Paragraphs 1 and 2 of Part B i.e. Explanatory Notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia below.

### 5. Unusual items due to their nature, size of incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 30 September 2008.

### 6. Changes in estimates

There were no changes in estimates that have had a material impact in the current quarter results.

### 7. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities except for the following:

#### **Treasury shares**

No share was bought from the open market during the quarter ended 30 September 2008. The cumulative shares are currently held as treasury shares.

The number of treasury shares held as at 30 September 2008 is as follows:

	No. of shares	Amount (RM)
Balance as at 1 July 2008	227,400	441,269
Add : Purchase of treasury shares	1,000	2,785
	228,400	444,054
Less : Sale of treasury shares	-	-
Balance as at 30 September 2008	228,400	444,054

The movement of the issued and fully paid-up ordinary shares of the Company during the quarter ended 30 September 2008 are as follows:

Particulars	Par value (RM)	No. of shares	Cumulative number of shares
Balance as at 1 July 2008	0.50	-	413,218,263
Exercise of ESOS <sup>1</sup>	0.50	315,000	413,533,263

<sup>1</sup> Exercise price of ESOS is at RM0.62, RM1.33, RM1.35, RM1.49, RM1.56 and RM1.69.

## 8. Dividends paid

Dividends paid on 22 July 2008 were declared and approved on 22 May 2008, in respect of the financial year ended 31 December 2007 being first and final single tier dividend of 6.5 sen per ordinary share on 412,709,863 ordinary shares of RM0.50 each, amounting to RM26.8 million.

## 9. Segmental information

### i) Business segments

	Cumulative Quarter ended 30 September 2008				
	Palm & Bio-Integration	Wood product manufacturing & trading & forestation	Cocoa manufacturing & trading	Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>SEGMENT REVENUE</b>	701,494	103,123	140,411	-	945,028
<b>SEGMENT RESULTS</b>	84,083	8,223	16,267	-	108,573
Unallocated expenses					(8,670)
Finance costs					(9,167)
Interest income					988
Share of profit of an associate					290
Share of pre-tax profits of jointly controlled entities					26,238
Profit before taxation					118,252
Income taxes					(18,061)
Share of income taxes of jointly controlled entities					(6,349)
Cumulative profit up to 30 September 2008					93,842
<b>OTHER INFORMATION</b>					
<b>SEGMENTS ASSETS</b>	778,662	308,173	240,429		1,327,264
Investment in jointly controlled entities					64,801
Investment in associate					22,838
Unallocated assets					42,243
Consolidated total assets					1,457,146
<b>SEGMENT LIABILITIES</b>	352,365	90,983	130,212		573,560
Unallocated liabilities					96,111
Consolidated total liabilities					669,671
<b>OTHER SEGMENT INFORMATION</b>					
Capital expenditure	106,421	11,052	6,923	3,044	127,440
Depreciation	11,719	4,125	1,922	484	18,250
Amortisation	2,902	167	13	-	3,082

## 9. Segmental information (cont'd)

### ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000	Capital Expenditure RM'000
Malaysia	819,384	1,232,702	74,601
Europe	36,604	38,786	1
United States of America	5,254	8,509	-
Indonesia	83,786	177,149	52,838
	945,028	1,457,146	127,440

## 10. Carrying amount of revalued assets

Valuations of land, buildings and plantations of the Group have been brought forward without amendment from the financial statements for the year ended 31 December 2007. The land, buildings and plantations of the Group were valued by the Directors in 1993 and 1998 based on professional appraisals by independent valuers using open market values on an existing use basis.

## 11. Changes in composition of the Group

Save as disclosed below, there were no other changes in the composition of the Group during the quarter ended 30 September 2008:

As announced, the Company has on 28 August 2008 acquired additional 12,500,000 new ordinary shares of RM1.00 each in Sinora Industries Berhad at the price of RM1.00 per new ordinary share via a restricted issue. With the acquisition, the Company's stake in Sinora Industries Berhad has increased from 10% to 20% comprising of 22,500,000 ordinary shares of RM1.00 each. The acquisition was funded entirely from the Company's internal sources.

The above acquisition has no material effect on the share capital of the Company or its NTA and earnings for the financial year ending 31 December 2008.

## 12. Discontinued operation

There was no discontinued operation during the quarter ended 30 September 2008.

## 13. Capital commitments

The amount of commitments for capital expenditure as at 30 September 2008 is as follows:

	As At 30.09.2008 RM'000	As at 31.12.2007 RM'000
Commitments in respect of capital expenditure:		
Approved and contracted for	107,164	70,808
Approved but not contracted for	17,984	132,723
	<u>125,148</u>	<u>203,531</u>

**14. Changes in contingent liabilities or contingent assets**

There was no change in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2007.

**15. Subsequent events**

There were no material events subsequent to the end of the current quarter.

**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**

**1. Performance review**

For the quarter under review, revenue for the Group was increased by 35.1% to RM322.0 million from RM238.4 million for the preceding year corresponding quarter. Group revenue for the nine months ended 30 September 2008 was RM945.0 million compared with RM618.3 million recorded in preceding year corresponding period.

The Group registered a profit before taxation for the quarter under review of RM34.4 million compared with RM33.0 million for the corresponding quarter last year. For the nine months ended 30 September 2008, the Group's profit before taxation of RM118.3 million was 36.7% higher than last year's of RM86.5 million.

The significant improvement in the above performance was largely due to contributions from our Palm and Bio-Integration segment arising from higher production and higher average prices of Crude Palm Oil ("CPO"). Cocoa Manufacturing and Trading segment also contributed significantly due to improved throughput and higher cocoa butter ratio.

However, the general decline in overseas market conditions has affected our Wood Products segments resulting in lower profit for the quarter.

**2. Material changes in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter**

The Group's revenue of RM322.0 million for the quarter under review was marginally lower than the immediate preceding quarter of RM338.9 million. Similarly Profit before taxation also decreased to RM34.4 million from RM43.7 million in the immediate preceding quarter.

The decrease was mainly due to lower average CPO prices and lower contribution from our jointly controlled entities. Profit contribution from Cocoa Manufacturing and Trading business segment was affected by the increased cocoa bean prices despite a higher revenue led by higher throughput and cocoa butter ratio. The competitive overseas market conditions have affected our Wood Products segment giving rise to lower sales and profit contribution from this segment.

### 3. Commentary on the prospects

Palm and Bio-Integration business segment will be affected by the recent sharp decline in the CPO price. In the short term, we foresee the prices to remain depressed but however, in view of our efficient crop production and yield improvement, this segment will be able to hold themselves out over the period.

Cocoa Manufacturing business segment is expected to maintain its satisfactory performance in the coming quarters.

However, in view of the current poor global economic sentiments, the Wood Product manufacturing business segment will remain challenging in the coming quarters.

Barring any unforeseen circumstances, the Directors are optimistic that the Group's results will improve in the current financial year under review.

### 4. Profit forecast or profit guarantee

The Group is not involved in any profit guarantee arrangement or providing any forecast profit.

### 5. Income Tax Expense

	Year to date 30.09.2008 <u>RM'000</u>	Year to date 30.09.2007 <u>RM'000</u>
Current tax:		
Malaysian income tax	10,315	8,189
Foreign tax	5,236	1,344
Deferred tax:		
Relating to origination and reversal of temporary differences	2,510	(72)
Over provision in prior year	-	-
Share of taxation of jointly controlled entities	6,349	(803)
	<u>24,410</u>	<u>8,658</u>

### 6. Sale of unquoted investments and/or properties

There were no sales of unquoted investments and/or other properties during the financial quarter under review.

### 7. Quoted securities

There were no purchases or disposals of quoted securities during the financial quarter under review.

## 8. Corporate Proposals

### a) Status of corporate proposals

As at the date of this report, there are no other corporate proposal announced but not completed except for the following:-

- i) TSH Resources Berhad (“TSH”) had on 19 June 2007 agreed-in-principle to acquire 10,000 ordinary shares of SGD1.00 each, representing 100% of the entire issued and paid-up capital in Elaeis Oversea Pte. Ltd (“Elaeis”) for a total purchase consideration of USD4,725,000 less liabilities to be assumed (approximately RM16,205,474 using an exchange rate of USD1.00 for RM3.42973) from Sharecorp Limited (“Proposed Acquisition”). Elaeis is a private limited company incorporated in the Republic of Singapore which holds 90% equity shareholding in PT Farinda Bersaudara. PT Farinda owns approximately 15,000 hectares of land with ijin lokasi status located in Kabupaten Kutai Barat, Propinsi Kalimantan Timur. The company had completed the environmental study and obtained the necessary licence to develop the land into oil palm plantation. In addition, the vendor undertakes to convert the land to “Hak Guna Usaha” (“HGU”) at their own expense.

The Proposed Acquisition is subject to, inter alia, mutually acceptable share sale agreement to be signed, satisfactory outcome of legal and financial due diligence and the approval of Bank Negara Malaysia for payment and remittance of the purchase consideration.

The Proposed Acquisition will not have any effect on the share capital and shareholding structure of TSH.

TSH had on 29 September 2008 announced that the vendor, Sharecorp Limited has agreed to extend the completion time of the Proposed acquisition to December 2008 pending completion of legal and financial due diligence.

- ii) As announced, TSH has on 4 June 2008 entered into a Sale and Purchase Agreement to acquire 100 ordinary shares of USD1.00 each, representing 100% of the entire issued and paid-up capital in Martinique Cove Pte. Ltd. (“Martinique”) for a total purchase consideration of USD5,737,500 (approximately RM18,532,125 using an exchange rate of USD1.00 for RM3.23) from Cova International Pte. Ltd. (“the Vendor”). All liabilities of Martinique and PT Mitra shall be assumed by the Vendor.

Martinique is a private limited company incorporated in the Republic of Singapore on 26 July 2007 with an issued and paid-up share capital of USD100 comprising 100 ordinary shares of USD1.00 each. Martinique is an investment holding company whose only investment is a 90% equity shareholding in PT Mitra Jaya Cemerlang (“PT Mitra”). PT Mitra owns approximately 15,000 hectares of land with ijin lokasi status located in Desa Samba Katung, Samba Bakumpai, Telok, Petak Puti, Tewang Panjang, Tumbang Lahang, Kecamatan Katingan Tengah & Desa Tura, Tumbang Tanjung, Kecamatan Pulau Malan, Kabupaten Katingan, Provinsi Kalimantan Tengah.

## 9. Corporate Proposals (Cont'd)

### a) Status of corporate proposals (Cont'd)

PT Mitra has obtained the necessary licence to develop the land into oil palm plantation. As at the date of this report, the conversion of the land to "Hak Guna Usaha" ("HGU") and obtaining of Penanaman Modal Asing ("PMA"), which are both undertaken by the Vendor at their own expense, remain outstanding todate.

None of the Directors or substantial shareholders of TSH or any person connected to the Directors and substantial shareholders has any interest, direct or indirect, in the Proposed Acquisition.

### b) Status of utilisation of proceeds

Not applicable.

## 10. Group Borrowings and Debt Securities

Comprised :

	As at 30.09.2008 RM'000	As at 31.12.2007 RM'000
<b>Total Group borrowings</b>		
- secured	192,378	108,508
- unsecured	245,645	152,680
<b>Short term borrowings</b>		
- secured	76,000	61,000
- unsecured	181,285	92,243
<b>Long term borrowings</b>		
- secured	116,378	47,508
- unsecured	64,360	60,437

All borrowings are denominated in Ringgit Malaysia, except for the following loans in the books of the subsidiaries as follows:

Subsidiaries	USD'000	RM'000 Equivalent
PT Andalas Agro Industri	2,980	10,297
PT Laras Internusa	11,680	40,359
PT Sarana Prima Multi Niaga	22,000	76,019
Jatoba International Pte Ltd	13,000	44,920
Total	<u>49,660</u>	<u>171,595</u>



## 11. Off balance sheet financial instruments

The Group had entered into the following foreign currency derivatives maturing within 1 year to hedge trade receivables.

	<u>Notional amount as at</u>	
	<u>30.09.2008</u>	<u>31.12.2007</u>
	<u>RM'000</u>	<u>RM'000</u>
Forward foreign exchange contracts	6,840	4,943
Ratio forward agreements	-	1,627
	<u>6,840</u>	<u>6,570</u>

## 12. Changes in material litigation

The Group is not engaged in any material litigation and is not aware of any proceedings which might materially affect the Group for the current financial period.

## 13. Proposed Dividend

The Company did not declare any interim dividend for the current quarter ended 30 September 2008.

## 14. Earnings per share

### (a) Basic earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary shareholders of TSH Resources Berhad by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

	<u>Quarter ended 30</u>		<u>YTD ended 30</u>	
	<u>September</u>		<u>September</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net profit for the period/quarter (RM'000)	24,604	25,603	84,903	66,375
Weighted average number of ordinary shares in issue ('000)	413,022	387,711	413,022	387,711
Basic earnings per ordinary share (sen)	5.96	6.60	20.56	17.12

#### 14. Earnings per share (Cont'd)

##### (b) Diluted earnings per share

	<u>Quarter ended 30</u>		<u>YTD ended 30</u>	
	<u>September</u>		<u>September</u>	
	2008	2007	2008	2007
Net profit for the period/quarter (RM'000)	24,604	25,603	84,903	66,375
Weighted average no. of ordinary shares in issue ('000)	413,022	387,711	413,022	387,711
Effect of ESOS ('000)	2,110	1,819	2,110	1,819
Weighted average no. of ordinary shares in issue ('000)	415,132	389,530	415,132	389,530
Diluted earnings per ordinary share (sen)	5.93	6.57	20.45	17.04

The diluted earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

The share options was calculated based on the number of shares which would have been acquired at the market price (average annual share price of the Company's share) based on the monetary value of the subscription rights attached to the outstanding share options. No adjustment is made to the net profit attributable to the shareholders for the share options calculation.

#### 15. 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 6 November 2008.