

**EXPLANATORY NOTES FOR INTERIM FINANCIAL STATEMENTS FOR THE
FINANCIAL PERIOD ENDED 31 DECEMBER 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 ₂₀₀₄ - 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 31 December 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

A total of 4,365,700 ordinary shares were repurchased from the open market for a total considerations of RM4,905,213 for the current financial quarter. The shares purchased are being held as treasury shares.

The number of treasury shares held as at 31 December 2008 is as follows:

	No. of shares	Amount (RM)
Balance as at 1 October 2008	228,400	444,054
Add : Purchase of treasury shares	4,365,700	4,905,213
	4,594,100	5,349,267
Less : Sale of treasury shares	-	-
Balance as at 31 December 2008	4,594,100	5,349,267

The movement of the issued and fully paid-up ordinary shares of the Company during the quarter ended 31 December 2008 are as follows:

Particulars	Par value (RM)	No. of shares	Cumulative number of shares
Balance as at 1 October 2008	0.50	-	413,533,263
Exercise of ESOS ¹	0.50	59,000	413,592,263

¹ Exercise price of ESOS is at RM1.24, RM1.49 and RM1.56.

8. Dividends paid

There were no dividends paid in respect of the quarter ended 31 December 2008.

9. Segmental information

i) Business segments

	Cumulative Quarter ended 31 December 2008				
	Palm & Bio-Integration	Wood product manufacturing & trading & forestation	Cocoa manufacturing & trading	Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
SEGMENT REVENUE	825,288	123,829	172,110	-	1,121,227
SEGMENT RESULTS	102,458	3,868	22,103	-	128,429
Unallocated expenses					(12,151)
Foreign exchange translation loss					(34,624)
Finance costs					(14,954)
Interest income					930
Share of profit of an associate					173
Share of pre-tax profits of jointly controlled entities					20,693
Profit before taxation					88,496
Income taxes					(14,642)
Share of income taxes of jointly controlled entities					(4,667)
Cumulative profit up to 31 December 2008					69,187
OTHER INFORMATION					
SEGMENTS ASSETS	814,332	302,289	220,964		1,337,585
Investment in jointly controlled entities					60,938
Investment in associate					22,721
Unallocated assets					40,415
Consolidated total assets					1,461,659
SEGMENT LIABILITIES	340,093	84,484	155,070		579,647
Unallocated liabilities					120,093
Consolidated total liabilities					699,740
OTHER SEGMENT INFORMATION					
Capital expenditure	151,383	16,243	7,679	3,775	179,080
Depreciation	15,287	5,356	1,894	1,755	24,292
Amortisation	5,406	225	16	-	5,647

9. Segmental information (cont'd)

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000	Capital Expenditure RM'000
Malaysia	981,920	1,070,165	103,737
Europe	26,856	28,632	93
United States of America	10,742	9,082	-
Indonesia	101,709	353,780	75,250
	1,121,227	1,461,659	179,080

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 31 December 2008:

TSH had on 19 June 2007 announced that the Company had agreed in principal 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 ("the Sale Shares") (approximately RM16,205,474 using an exchange rate of USD1.00 for RM3.42973) from Sharecorp Limited.

Pursuant to paragraph 9.19(45) of the Bursa Malaysia Listing Requirements, TSH had on 26 December 2008 announced that the vendor for the disposal of shares in Elaeis has changed from Sharecorp Limited to Portvest Pte. Ltd. ("Portvest") and both TSH and Portvest had on 26 December 2008 agreed to the variation of several terms, amongst which includes:-

- i) The purchase consideration for the Sale Shares shall be reduced to USD4,540,513 less liabilities to be assumed;
- ii) PT Farinda Bersaudara ("PT Farinda") had on 20 October 2005 obtained "Izin Lokasi" for 17,085 hectares of land located in Kabupaten Kutai Barat, Propinsi Kalimantan Timur ("the Land"). Following the completion of "Survei Kadasteral" on the Land on 12 December 2008 by "Badan Pertanahan Nasional", the Land area for processing of "Hak Guna Usaha" ("HGU") thereto is affirmed at 13,303 hectares;
- iii) the purchase price and liabilities to be assumed shall be paid progressively in instalments subject to mutual agreement of Portvest and TSH.

The reduction in purchase price is to reflect the actual land area arising from the completion of "Survei Kadasteral"

11. Changes in composition of the Group (Cont'd)

The variation of terms will not have any effect on the share capital and shareholding structure of TSH. Further, it will not have any material effect on the net assets and earnings of the TSH Group the financial year ending 31 December 200. All condition precedents had been complied with by both parties. In that relation, the acquisition of Elaeis is completed and is now a subsidiary of TSH.

12. Discontinued operation

There was no discontinued operation during the quarter ended 31 December 2008.

13. Capital commitments

The amount of commitments for capital expenditure as at 31 December 2008 is as follows:

	As At 31.12.2008 RM'000	As at 31.12.2007 RM'000
Commitments in respect of capital expenditure:		
Approved and contracted for	91,686	70,808
Approved but not contracted for	13,703	132,723
	<u>105,389</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 decreased by 27.6% to RM176.2 million from RM243.3 million for the preceding year corresponding quarter. Group revenue for year ended 31 December 2008 was RM1,121.2 million compared with RM861.5 million recorded in preceding year corresponding period.

The Group posted a loss before taxation for the quarter under review of RM29.8 million compared with a profit of RM35.5 million for the corresponding quarter last year. For the year ended 31 December 2008, the Group's profit before taxation of RM88.5 million was 27.4% lower than last year's of RM122.0 million.

On Operating level, the Group recorded a profit of RM13.8 million despite the lower average prices of CPO. Cocoa Manufacturing and Trading segment was however affected by unfavourable movement of its commodity prices compared to the preceding year corresponding quarter. The global economic downturn has also impacted our Wood Products segment resulting in a loss for the quarter. More significantly, the overall result of the Group was exacerbated by foreign exchange translation losses.

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 RM176.2 million for the quarter under review was 45.3% lower than the immediate preceding quarter of RM322.0 million. Similarly the Group posted a loss before taxation of RM29.8 million compared with profit before taxation of RM34.4 million in the immediate preceding quarter.

The downward trend of Crude Palm Oil prices had reduced the profitability of Palm and Bio-Integration segment during the quarter under review. Cocoa Manufacturing and Trading business segment fared slightly better than the immediate preceding quarter despite lower throughput. The global economic downturn during the quarter has also resulted in lower sales and loss for our Wood Products segment. Foreign exchange translation losses have further affected the reported results of the Group.

3. Commentary on the prospects

Palm and Bio-Integration business segment will continue to be affected by the volatility in Crude Palm Oil prices. However, in view of our maturing hectareage, expected yield improvement and integrated nature of our palm business, this segment will be able to hold themselves out over the period.

With the current global economic downturn, the Cocoa and Wood Product Manufacturing business segment will remain challenging in the coming quarters.

Overall, barring further deterioration of the financial and economic crisis globally and locally, the Group's results for the coming financial year will remain satisfactory in the light of current conditions.

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 31.12.2008 <u>RM'000</u>	Year to date 31.12.2007 <u>RM'000</u>
Current tax:		
Malaysian income tax	9,328	9,699
Foreign tax	23	1,685
(Over)/Under provision in prior year	545	(940)
Malaysian income tax	(8)	1
Foreign tax		
Deferred tax:		
Relating to origination and reversal of temporary differences	4,794	3,872
Over provision in prior year	(40)	(3,830)
Share of taxation of jointly controlled entities	4,667	1,650
	<u>19,309</u>	<u>12,137</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

- a) Dealings in quoted securities for the current quarter and year to date ended 31 December 2008 are as follows:

	Current Quarter RM'000	Current Financial Year-to-date RM'000
Purchases at cost	-	12,500
Sale proceeds	-	-
Gain / (loss) on disposal	-	-

- b) The details of the investment in quoted securities as at 31 December 2008 are set out below:

	RM'000
Total investment at cost	22,500
Total investment at carrying value	22,500
Total investment at market value	<u>10,350</u>

8. Corporate Proposals

a) Status of corporate proposals

As at the date of this report, the status of corporate proposal announced but not completed is as follows:

- i) 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.

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 to date.

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.

9. Group Borrowings and Debt Securities

Comprised :

	As at 31.12.2008 RM'000	As at 31.12.2007 RM'000
Total Group borrowings		
- secured	206,325	108,508
- unsecured	262,465	152,680
Short term borrowings		
- secured	89,000	61,000
- unsecured	206,947	92,243
Long term borrowings		
- secured	117,325	47,508
- unsecured	55,518	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	2,605	9,024
PT Laras Internusa	11,680	40,460
PT Sarana Prima Multi Niaga	22,000	76,208
Jatoba International Pte Ltd	13,000	45,032
Total	<u>49,285</u>	<u>170,724</u>

8. 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>31.12.2008</u>	<u>31.12.2007</u>
	<u>RM'000</u>	<u>RM'000</u>
Forward foreign exchange contracts	2,228	4,943
Ratio forward agreements	-	1,627
	<u>2,228</u>	<u>6,570</u>

9. 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.

10. Proposed Dividend

A first and final single tier dividend of 5.0 sen per ordinary share in respect of the financial year ended 31 December 2008, will be proposed for shareholders' approval at the forthcoming Annual General Meeting to be convened at a date to be determined by the Board of Directors.

11. 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 31</u>		<u>YTD ended 31</u>	
	<u>December</u>		<u>December</u>	
	2008	2007	2008	2007
Net (loss) / profit for the period/quarter (RM'000)	(17,501)	28,506	67,403	94,881
Weighted average number of ordinary shares in issue ('000)	412,370	393,884	412,370	393,884
Basic earnings per ordinary share (sen)	(4.24)	7.24	16.35	24.09

(b) Diluted earnings per share

	<u>Quarter ended 31</u>		<u>YTD ended 31</u>	
	<u>December</u>		<u>December</u>	
	2008	2007	2008	2007
Net (loss) / profit for the period/quarter (RM'000)	(17,501)	28,506	67,403	94,881
Weighted average no. of ordinary shares in issue ('000)	412,370	393,884	412,370	393,884
Effect of ESOS ('000)	549	1,941	549	1,941
Weighted average no. of ordinary shares in issue ('000)	412,919	395,825	412,919	395,825
Diluted earnings per ordinary share (sen)	(4.24)	7.20	16.32	23.97

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.

14. 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 25 February 2009.