

**EXPLANATORY NOTES FOR INTERIM FINANCIAL STATEMENTS FOR THE
FINANCIAL PERIOD ENDED 30 JUNE 2009**

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 2008. 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 2008.

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 2008.

At the date of authorisation of these interim financial statements, the following FRSs and Interpretations were issued but not yet effective and have not been applied by the Group:

FRSs and Interpretations	Effective for financial periods beginning on or after
FRS 4: Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9 : Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 : Interim Financial Reporting and Impairment	1 January 2010

The new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

3. Auditors’ report on preceding annual financial statements

The auditors’ report on the financial statements for the year ended 31 December 2008 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 June 2009.

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 1,000 ordinary shares were repurchased from the open market for a total considerations of RM1,800 for the current financial quarter. The shares purchased are being held as treasury shares.

The number of treasury shares held as at 30 June 2009 is as follows:

	No. of shares	Amount (RM)
Balance as at 1 April 2009	4,595,100	5,350,683
Add : Purchase of treasury shares	1,000	1,800
	4,596,100	5,352,483
Less : Sale of treasury shares	-	-
Balance as at 30 June 2009	4,596,100	5,352,483

The movement of the issued and fully paid-up ordinary shares of the Company during the quarter ended 30 June 2009 are as follows:

Particulars	Par value (RM)	No. of shares	Cumulative number of shares
Balance as at 1 April 2009	0.50	-	413,592,263
Exercise of ESOS ¹	0.50	67,000	413,659,263

¹Exercise price of ESOS is at RM1.24, RM1.49, RM1.56 and RM1.69.

8. Dividends paid

There were no dividends paid in respect of the quarter ended 30 June 2009.

9. Segmental information

i) Business segments

Cumulative Quarter ended 30 June 2009

	Palm & Bio- Integration RM'000	Wood product manufacturing & forestation RM'000	Cocoa manufacturing RM'000	Consolidated RM'000
SEGMENT REVENUE	379,558	36,350	76,789	492,697
SEGMENT RESULTS	41,872	(500)	2,422	43,794
Unallocated expenses				(7,618)
Foreign exchange translation gains				3,752
Finance costs				(6,552)
Interest income				740
Share of profit of an associate				448
Share of pre-tax profit of jointly controlled entities				934
Profit before taxation				35,498
Income taxes				(3,720)
Share of income taxes of jointly controlled entities				(243)
Cumulative profit up to 30 June 2009				31,535
OTHER INFORMATION				
SEGMENTS ASSETS	930,279	302,608	138,036	1,370,923
Investment in jointly controlled entities				61,629
Investment in associate				23,596
Unallocated assets				91,695
Consolidated total assets				1,547,843
SEGMENT LIABILITIES	576,992	72,106	81,502	730,600
Unallocated liabilities				35,094
Consolidated total liabilities				765,694
OTHER SEGMENT INFORMATION				
Capital expenditure	87,865	7,225	5	95,095
Depreciation	12,584	2,908	463	15,955
Amortisation	2,398	71	10	2,479

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000	Capital Expenditure RM'000
Malaysia	336,435	1,067,411	43,771
Europe	76,814	28,697	12
United States of America	8,130	6,951	-
Indonesia	58,367	443,368	51,312
Middle East	5,001	-	-
South West Pacific	3,077	-	-
Others	4,873	1,416	-
	492,697	1,547,843	95,095

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 2008. 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 June 2009:

As announced, Bioworld Enterprise Sdn Bhd, a wholly-owned subsidiary of TSH Resources Berhad had on 15 April 2009 acquired 100,000 ordinary shares of RM1 each, representing 100% equity interest in Bisa Jaya Sdn Bhd for a purchase consideration of RM1.00 and assumed its liabilities amounted to RM21,532,368.

12. Discontinued operation

There was no discontinued operation during the quarter ended 30 June 2009.

13. Capital commitments

The amount of commitments for capital expenditure as at 30 June 2009 is as follows:

	As at 30.06.2009 RM'000	As at 31.12.2008 RM'000
Approved and contracted for	92,331	97,714
Approved but not contracted for	3,647	13,703
	<u>95,978</u>	<u>111,417</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 2008.

15. Subsequent events

On 13 July 2009, TSH Resources Berhad had incorporated a wholly owned subsidiary, namely PTLin Holdings Pte Ltd in the Republic of Singapore with the paid up capital of SGD10,000. The Company is currently dormant.

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

1. Performance review

For the current quarter, the Group recorded a decrease of 29.7% in revenue to RM238.1 million from RM338.9 million reported in the previous corresponding quarter. Group revenue for the half year was RM492.7 million compared with RM623.0 million recorded in preceding year corresponding period.

The Group posted a profit before taxation of RM30.6 million as compared to RM43.7 million in the previous corresponding quarter. For the half year, profit before taxation was RM35.5 million compared with RM83.8 million registered in last year.

The unfavourable result was mainly attributed to the lower average price of CPO in our Palm and Bio-Integration business segment. Unfavourable results were also noted in our Cocoa Manufacturing segment due to unfavourable movement of its commodity prices. The current global economic downturn continued to affect our Wood Products segment resulting in lower sales.

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 RM238.1 million for the quarter under review was 6.5% lower than the immediate preceding quarter of RM254.6 million. The Group posted a profit before taxation of RM30.6 million, a significant increase from RM4.9 million in the immediate preceding quarter.

Profitability of Palm and Bio-Integration segment improved mainly due to favourable CPO prices during the quarter under review. Cocoa Manufacturing business segment also improved due to higher throughput. With the improving outlook of the global economy condition, the Wood Products segment performance has also improved.

The current quarter results improved further from an unrealised foreign exchange translation gain of RM9.4 million against a loss of RM5.6 million in the immediate preceding quarter due to strengthening of the regional currency.

3. Commentary on the prospects

Due to the current global economic downturn, the Group expects the business environment to remain challenging.

However, we see some tentative sign that the global economy has passed its worst and will likely head towards recovery in the quarters ahead, though the recovery is likely to be slow and uneven. This would also apply to the Malaysia economy as well. With the current trend of CPO prices, the general consensus is that the current CPO prices will sustain in the coming quarter given the strong fundamentals going forward. Hence, the Group is expected to achieve reasonable level of profitability.

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 30.06.2009 <u>RM'000</u>	Year to date 30.06.2008 <u>RM'000</u>
Current tax:		
Malaysian income tax	4,607	7,525
Foreign tax	2,636	-
Over provision in prior year		
Malaysian income tax	(4)	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(3,519)	4,072
Share of taxation of jointly controlled entities	243	4,059
	<u>3,963</u>	<u>15,656</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, 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.

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 30.06.2009 RM'000	As at 31.12.2008 RM'000
Total Group borrowings		
- secured	309,948	213,169
- unsecured	211,060	254,565
Short term borrowings		
- secured	61,788	92,382
- unsecured	156,927	202,760
Long term borrowings		
- secured	248,160	120,787
- unsecured	54,133	51,805

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	1,450	5,108
PT Laras Internusa	11,680	41,143
PT Sarana Prima Multi Niaga	22,000	77,495
Jatoba International Pte Ltd	13,000	45,792
Total	<u>48,130</u>	<u>169,538</u>

11. Off balance sheet financial instruments

The Group had entered into the following forward foreign exchange and commodity futures contracts maturing within 1 year to hedge trade receivables and anticipated sales respectively.

	Notional amount as at	
	30.06.2009	31.12.2008
	<u>RM'000</u>	<u>RM'000</u>
Forward foreign exchange contracts	62,096	102,431
Commodity futures contracts	<u>118,749</u>	<u>107,907</u>
	<u>180,845</u>	<u>210,338</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 June 2009.

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</u>		<u>YTD ended</u>	
	<u>30 June</u>		<u>30 June</u>	
	2009	2008	2009	2008
Net profit for the period/quarter (RM'000)	22,701	29,538	28,407	60,300
Weighted average number of ordinary shares in issue ('000)	409,031	412,880	409,031	412,880
Basic earnings per ordinary share (sen)	5.55	7.15	6.94	14.60

13. Earnings per share (cont'd)

(b) Diluted earnings per share

	<u>Quarter ended</u>		<u>YTD ended</u>	
	<u>30 June</u>		<u>30 June</u>	
	2009	2008	2009	2008
Net profit for the period/quarter (RM'000)	22,701	29,538	28,407	60,300
Weighted average no. of ordinary shares in issue ('000)	409,031	412,880	409,031	412,880
Effect of ESOS ('000)	3,378	2,409	3,378	2,409
Weighted average no. of ordinary shares in issue ('000)	412,409	415,289	412,409	415,289
Diluted earnings per ordinary share (sen)	5.50	7.11	6.89	14.52

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 6 August 2009.