

**EXPLANATORY NOTES FOR INTERIM FINANCIAL STATEMENTS FOR THE  
FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

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:

<b>FRSs and Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
FRS 4: Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
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.

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 Main Market Listing Requirements of Bursa Securities 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 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**

There was no additional share bought back from the open market during the quarter ended 30 September 2009. The cumulative shares bought back are currently held as treasury shares.

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

	<b>No. of shares</b>	<b>Amount (RM)</b>
Balance as at 1 July 2009	4,596,100	5,352,483
Add : Purchase of treasury shares	-	-
	4,596,100	5,352,483
Less : Sale of treasury shares	-	-
Balance as at 30 September 2009	4,596,100	5,352,483

There were no movement of issued and fully paid-up ordinary shares of the Company during the quarter ended 30 September 2009.

**8. Dividends paid**

There was a dividend paid on 22 July 2009 which was declared and approved on 21 May 2009, in respect of the financial year ended 31 December 2008 being first and final single tier dividend of 5 sen per ordinary shares on 409,063,163 ordinary shares of RM0.50 each, amounting to RM20.4 million.

## 9. Segmental information

### i) Business segments

Cumulative Quarter ended 30 September 2009				
	Palm & Bio- Integration RM'000	Wood product manufacturing & forestation RM'000	Cocoa manufacturing RM'000	Consolidated RM'000
<b>SEGMENT REVENUE</b>	538,193	52,705	105,468	696,366
<b>SEGMENT RESULTS</b>	63,455	2,039	4,458	69,952
Unallocated expenses				(9,481)
Foreign exchange translation gains				11,826
Finance costs				(11,726)
Share of profit of an associate				947
Share of profit of jointly controlled entities				614
Profit before taxation				62,132
Income taxes				(5,719)
Cumulative profit up to 30 September 2009				56,413
<b>OTHER INFORMATION</b>				
<b>SEGMENTS ASSETS</b>	981,966	299,277	133,775	1,415,018
Investment in jointly controlled entities				61,551
Investment in associate				24,095
Unallocated assets				86,310
Consolidated total assets				1,586,974
<b>SEGMENT LIABILITIES</b>	623,320	64,591	75,010	762,921
Unallocated liabilities				34,409
Consolidated total liabilities				797,331
<b>OTHER SEGMENT INFORMATION</b>				
Capital expenditure	150,508	9,871	12	160,391
Depreciation	15,167	4,498	678	20,343
Amortisation	3,341	100	21	3,462

### ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000	Capital Expenditure RM'000
Malaysia	467,683	1,069,528	61,290
Europe	104,173	26,963	12
United States of America	16,185	6,110	-
Indonesia	87,235	482,957	99,089
Middle East	7,196	-	-
South West Pacific	5,222	-	-
Others	8,672	1,416	-
	696,366	1,586,974	160,391

**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**

There were no material changes in the composition of the Group for the current quarter and financial period ended 30 September 2009, other than the incorporation of a wholly-owned subsidiary namely PTLin Holdings Pte Ltd in the Republic of Singapore on 13 July 2009 with the paid up capital of SGD10,000. The Company is currently dormant.

**12. Discontinued operation**

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

**13. Capital commitments**

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

	As at 30.09.2009	As at 31.12.2008
	RM'000	RM'000
Approved and contracted for	87,522	97,714
Approved but not contracted for	4,598	13,703
	<u>92,120</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**

Further to the announcement on 4 June 2008, 23 September 2009 and 29 October 2009, the Company advised that the acquisition of 100 ordinary shares of USD1.00 representing 100% equity interest in Martinique Cove Pte Ltd has been completed upon fulfilment of all condition precedents by the vendor, Cova International Pte Ltd, and Martinique Cove Pte Ltd and its subsidiary, PT Mitra Jaya Cemerlang, and that the later two companies are now the subsidiary and sub-subsidiary respectively.

As announced previously, the acquisition will increase the Group's oil palm plantation land bank by 15,000 hectares.

## **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 36.8% in revenue to RM203.7 million from RM322.0 million reported in the previous year corresponding quarter. Year to date Group revenue was RM696.4 million compared with RM945.0 million recorded in preceding year corresponding period.

The Group posted a profit before taxation of RM26.9 million as compared to RM32.1 million in the previous year corresponding quarter. Profit before taxation for the nine-months ended 30 September 2009 was RM62.1 million compared with RM111.9 million registered in the previous year corresponding period.

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 lower demand from the continuous effect of the global economic downturn. Despite improving outlook of the global economy condition currently, the effects of the downturn continue to affect our Wood Products segment resulting in lower sales albeit a lower loss for this 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 RM203.7 million for the quarter under review was 14.5% lower than the immediate preceding quarter of RM238.1 million. The Group posted a profit before taxation of RM26.9 million which was 10.1% lower than RM29.9 million achieved in the immediate preceding quarter.

Profitability of Palm and Bio-Integration segment was slightly lower mainly due to lower average price of CPO during the quarter under review. The lower demand in cocoa butter has affected our Cocoa Manufacturing business segment beside lower throughput. With the improving outlook of the global economy condition, the Wood Products business segment performance fared slightly better than the immediate preceding quarter.

The reduction in the current quarter results was also attributed to higher interest expenses and lower profit from the Jointly Controlled Entities.

### **3. Commentary on the prospects**

Sign of global and local economic recovery are gaining momentum and are more apparent as compared to the previous quarters. However, due to the severity of the downturn since the beginning, the recovery will likely to be gradual and uneven. The Group's businesses are not absolved of its effect.

However, given the current trend of CPO prices and its strong fundamentals going forward, the Group is expected to achieve a 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 30.09.2009 <u>RM'000</u>	Year to date 30.09.2008 <u>RM'000</u>
Current tax:		
Malaysian income tax	6,598	10,315
Foreign tax	5,527	5,236
Over provision in prior year		
Malaysian income tax	(4,640)	-
Foreign tax	(4)	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(1,762)	2,510
	<u>5,719</u>	<u>18,061</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**

There was no corporate proposal announced but not completed in the interval from the date of the last report and the date of this announcement.

**9. Group Borrowings and Debt Securities**

Comprised :

	As at 30.09.2009 RM'000	As at 31.12.2008 RM'000
<b>Total Group borrowings</b>		
- secured	341,718	213,169
- unsecured	213,770	254,565
<b>Short term borrowings</b>		
- secured	124,912	92,382
- unsecured	161,356	202,760
<b>Long term borrowings</b>		
- secured	216,806	120,787
- unsecured	52,414	51,805

## 9. Group Borrowings and Debt Securities (cont'd)

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

<b>Subsidiaries</b>	<b>USD'000</b>	<b>RM'000 Equivalent</b>
PT Andalas Agro Industri	832	2,890
PT Laras Internusa	11,680	40,582
PT Sarana Prima Multi Niaga	22,000	76,439
Jatoba International Pte Ltd	13,000	45,169
Total	<u>47,512</u>	<u>165,080</u>

## 10. 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.

	<b>Notional amount as at</b>	
	<b>30.09.2009</b>	<b>31.12.2008</b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
Forward foreign exchange contracts	71,008	102,431
Commodity futures contracts	<u>123,720</u>	<u>107,907</u>
	<u>194,728</u>	<u>210,338</u>

## 11. 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.

## 12. Proposed Dividend

The Company did not declare any interim dividend for the current quarter ended 30 September 2009.

### 13. 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>30 September</u>		<u>YTD ended</u> <u>30 September</u>	
	2009	2008	2009	2008
Net profit for the period/quarter (RM'000)	23,433	24,604	51,840	84,903
Weighted average number of ordinary shares in issue ('000)	409,031	413,022	409,031	413,022
Basic earnings per ordinary share (sen)	5.73	5.96	12.67	20.56

#### (b) Diluted earnings per share

	<u>Quarter ended</u> <u>30 September</u>		<u>YTD ended</u> <u>30 September</u>	
	2009	2008	2009	2008
Net profit for the period/quarter (RM'000)	23,433	24,604	51,840	84,903
Weighted average no. of ordinary shares in issue ('000)	409,031	413,022	409,031	413,022
Effect of ESOS ('000)	3,378	2,110	3,378	2,110
Weighted average no. of ordinary shares in issue ('000)	412,409	415,132	412,409	415,132
Diluted earnings per ordinary share (sen)	5.68	5.93	12.57	20.45

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 5 November 2009.