TSH RESOURCES BERHAD (49548-D)
(Incorporated in Malaysia)

EXPLANATORY NOTES FOR INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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:

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 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 31 December 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 RM1,780 for the current financial quarter. The cumulative shares bought back are currently held as treasury shares.

The number of treasury shares held as at 31 December 2009 is as follows:

	No. of shares	Amount (RM)
Balance as at 1 October 2009	4,596,100	5,352,483
Add : Purchase of treasury shares	1,000	1,780
	4,597,100	5,354,263
Less : Sale of treasury shares	-	-
Balance as at 31 December 2009	4,597,100	5,354,263

The movement of the issued and fully paid-up ordinary shares of the Company during the quarter ended 31 December 2009 are as follows:

Particulars	Par value (RM)	No. of shares	Cumulative number of shares
Balance as at 1 October 2009	0.50	-	413,659,263
Exercise of ESOS[1]	0.50	70,000	413,729,263

[1] Exercise price of ESOS is at RM1.24, RM1.33, RM1.49, RM1.56 and RM1.69.

8. Dividends paid

There were no dividends paid in respect of the quarter ended 31 December 2009.

9. Segmental information

i) Business segments

Cumulative Quarter ended 31 December 2009

	Palm & Bio-Integration RM'000	Wood product manufacturing & forestation RM'000	Cocoa manufacturing RM'000	Consolidated RM'000
SEGMENT REVENUE	790,808	68,361	129,493	988,662
SEGMENT RESULTS	95,567	2,496	1,890	99,953
Unallocated expenses				(10,611)
Foreign exchange translation gains				18,373
Finance costs				(18,042)
Share of profit of an associate				1,200
Share of profit of jointly controlled entities				1,340
Profit before taxation				92,213
Income taxes				(10,085)
Cumulative profit up to 31 December 2009				82,128
OTHER INFORMATION				
SEGMENTS ASSETS	1,125,988	297,863	160,939	1,584,790
Investment in jointly controlled entities				47,278
Investment in associate				24,348
Unallocated assets				81,317
Consolidated total assets				1,737,733
SEGMENT LIABILITIES	706,946	59,683	103,780	870,409
Unallocated liabilities				50,463
Consolidated total liabilities				920,872
OTHER SEGMENT INFORMATION				
Capital expenditure	206,243	12,722	16	218,981
Depreciation	20,508	6,039	901	27,448
Amortisation	4,492	135	21	4,648

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000	Capital Expenditure RM'000
Malaysia	684,890	1,156,113	100,183
Europe	118,741	25,415	12
United States of America	28,087	5,842	-
Indonesia	125,536	548,958	118,786
Middle East	12,952	-	-
South West Pacific	6,396	-	-
Others	12,060	1,405	-
	988,662	1,737,733	218,981

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 31 December 2009:

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.

12. Discontinued operation

There was no discontinued operation during the quarter ended 31 December 2009.

13. Capital commitments

The amount of commitments for capital expenditure as at 31 December 2009 is as follows:

	As at 31.12.2009 RM'000	As at 31.12.2008 RM'000
Approved and contracted for	70,857	97,714
Approved but not contracted for	4,662	13,703
	75,519	111,417

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 7 January 2010, the Company had entered into Conditional Share Sale Agreement to acquire 500 ordinary shares of Rp1 million each, representing 100% equity interest in PT Bulungan Citra Agro Persada ("PTBCAP") for a total purchase consideration of USD5.0 million (approximately RM17.0 million based on an exchange rate of USD1.00 for RM3.40) inclusive of liabilities to be assumed ("Proposed Acquisition").

PTBCAP was incorporated in the Republic of Indonesia on 15 February 2005 as a limited liability company established and existing under the Laws of the Republic of Indonesia with an authorized capital of Rp2 billion comprising 2,000 ordinary shares of Rp1 million each of which 500 ordinary shares have been issued and fully paid up.

PTBCAP owns 20,000 hectares of land located at Desa Tanah Kuning, Mangkupadi, Kecamatan Tanjung Palas Timur, Kabupaten Bulungan, Propinsi Kalimantan Timur, Indonesia with "ijin lokasi" and "ijin usaha perkebunan" status of which approximately 1,200 hectares have been planted with oil palm since 2007.

The Proposed Acquisition is subject to the fulfilment of certain conditions precedent, inter-alia, the approval of the Indonesian Investment Co-ordinating Board ("BKPM") for the conversion of PTBCAP into a foreign investment component, a satisfactory legal and financial due diligence and the approval of Bank Negara Malaysia for payment and remittance of the purchase consideration.

The Proposed Acquisition will increase the Group's oil palm plantation area in Indonesia.

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.

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 increase of 77.2% in revenue to RM292.3 million from RM164.9 million reported in the previous year corresponding quarter. During the same period, the Group posted a profit before taxation of RM30.1 million as compared to a loss before taxation of RM29.6 million in the previous year corresponding quarter. The overall favourable results were mainly attributed to higher CPO production and higher average price of CPO in our Palm and Bio-Integration business segment. Lower demand of its products continues to affect the revenue of the Cocoa Manufacturing segment. Similarly, our Wood Products segment was also affected due to the continuous effect of the downturn.

Profit before taxation for the year ended 31 December 2009 registered a 12% increase at RM92.2 million compared with RM82.3 million registered in the previous year corresponding period. For the same period, Group revenue was slightly lower at RM988.7 million as compared with RM1.1 billion recorded in preceding year corresponding period. This was mainly attributed to lower average CPO price in 2009 despite higher CPO / PK production as compared with 2008 in our Palm and Bio-Integration business segment.

The current quarter and financial year results improved further from unrealised foreign exchange translation gain of RM6.5 million and RM18.4 million against loss of RM18.4 million and RM21.0 million in the preceding year corresponding quarter and period respectively due to strengthening of the regional currency.

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 RM292.3 million for the quarter under review was 43.5% higher than the immediate preceding quarter of RM203.7 million. The Group posted a profit before taxation of RM30.1 million which was 11.9% higher than RM26.9 million achieved in the immediate preceding quarter. Palm and Bio-Integration segment continue to perform favourably due to higher CPO / PK production during the quarter under review. Lower demand in cocoa butter has affected our Cocoa Manufacturing business segment. The performance in the Wood Products segment continues to be affected by the slow economic recovery.

3. Commentary on the prospects

The overall financial and economic outlook in 2010 look promising with the continuing global and local economic recovery despite the fiscal concern in certain countries in Europe lately. As expected, recovery will likely to be gradual and uneven.

Palm oil prices are currently traded at reasonably good level and with its strong fundamentals going forward, the Group is expected to achieve a satisfactory 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 31.12.2009 RM'000	Year to date 31.12.2008 RM'000
Current tax:		
Malaysian income tax	5,705	13,244
Foreign tax	8,079	1,784
(Over)/under provision in prior year		
Malaysian income tax	(4,640)	1,324
Foreign tax	(4)	(9)
Deferred tax:		
Relating to origination and reversal of temporary differences	945	1,343
Relating to changes in tax rates	-	(341)
Under provision in prior years	-	871
	10,085	18,216

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 31.12.2009 RM'000	As at 31.12.2008 RM'000
Total Group borrowings		
- secured	362,941	213,169
- unsecured	242,824	254,565
Short term borrowings		
- secured	102,740	92,382
- unsecured	196,421	202,760
Long term borrowings		
- secured	260,201	120,787
- unsecured	46,403	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	214	733
PT Laras Internusa	11,680	39,998
PT Sarana Prima Multi Niaga	22,000	75,339
Jatoba International Pte Ltd	13,000	44,519
Total	46,894	160,589

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.

	Notional amount as at	
	31.12.2009 RM'000	**31.12.2008 RM'000**
Forward foreign exchange contracts	55,713	102,431
Commodity futures contracts	140,690	107,907
	196,403	210,338

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

A first and final single tier dividend of 5.0 sen per ordinary share in respect of the financial year ended 31 December 2009, 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.

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.

	Quarter ended 31 December		YTD ended 31 December	
	2009	2008	2009	2008
Net profit/(loss) for the period/quarter (RM'000)	22,367	(24,903)	74,207	60,000
Weighted average number of ordinary shares in issue ('000)	409,049	412,370	409,049	412,370
Basic earnings per ordinary share (sen)	5.47	(6.04)	18.14	14.55

(b) Diluted earnings per share

	Quarter ended 31 December		YTD ended 31 December	
	2009	2008	2009	2008
Net profit/(loss) for the period/quarter (RM'000)	22,367	(24,903)	74,207	60,000
Weighted average no. of ordinary shares in issue ('000)	409,049	412,370	409,049	412,370
Effect of ESOS ('000)	2,673	549	2,673	549
Weighted average no. of ordinary shares in issue ('000)	411,722	412,919	411,722	412,919
Diluted earnings per ordinary share (sen)	5.43	(6.03)	18.02	14.53

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 2010.