

**EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 31
MARCH 2011**

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

1. Basis of preparation

The condensed consolidated interim financial statements 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”) and should be read in conjunction with the Group’s audited financial statement for the financial year ended 31 December 2010.

These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2010.

2. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010 except for the following Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations with effect from 1 January 2011.

FRSs, Amendments to FRSs and Interpretations

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (revised)
Amendments to FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Share-based Payment
Amendments to FRS 2	Group Cash-Settled Share-based Payment Transactions
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation (paragraphs 11, 16 97E relating to classification of Rights Issues)
Amendments to FRS 138	Intangible Assets

2. Significant accounting policies (cont'd)

FRSs, Amendments to FRSs and Interpretations (cont'd)

Amendments to FRSs and IC Interpretation 13	Improvements to FRSs (2010)
IC Interpretation 4	Determining whether an Arrangement Contains a Lease
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfer of Assets from Customers
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
Amendments to IC Interpretation 15	Agreements for the Construction of Real Estate
Technical Release 3	Guidance on Disclosure of Transition to IFRSs
Technical Release i4	Shariah Compliant Sale Contracts

The adoption of the above did not have any significant effects on the interim financial report upon their initial application.

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

FRSs, Amendments to FRSs and Interpretations	Effective date
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14)	1 July 2011
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
FRS124 Related Party Disclosures (revised)	1 January 2012

3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2010 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 March 2011.

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 31 March 2011. The cumulative shares bought back are currently held as treasury shares.

The number of treasury shares held as at 31 March 2011 is as follows:

	No. of shares	Amount (RM)
Balance as at 1 January 2011	4,599,100	5,358,603
Add : Purchase of treasury shares	-	-
	4,599,100	5,358,603
Less : Sale of treasury shares	-	-
Balance as at 31 March 2011	4,599,100	5,358,603

The movement of the issued and fully paid-up ordinary shares of the Company during the quarter ended 31 March 2011 are as follows:

Particulars	Par value (RM)	No. of shares	Cumulative number of shares
Balance as at 1 January 2011	0.50	-	414,530,263
Exercise of ESOS ¹	0.50	354,000	414,884,263

¹ Exercise price of ESOS is at RM1.24, RM1.33, RM1.35, RM1.49, RM1.56, RM1.69 and RM2.55.

8. Dividends paid

There were no dividends paid in respect of the quarter ended 31 March 2011.

9. Segmental information

i) Business segments

Cumulative Quarter ended 31 March 2011

	Palm & Bio- Integration RM'000	Wood product manufacturing & forestation RM'000	Cocoa manufacturing RM'000	Consolidated RM'000
SEGMENT REVENUE	210,792	16,802	26,753	254,347
Inter-segment	(1,748)	-	-	(1,748)
Total revenue	209,044	16,802	26,753	252,599
SEGMENT RESULTS	35,935	(415)	3,053	38,573
Unallocated expenses				(7,180)
Finance costs				(6,365)
Share of profit of an associate				131
Share of profit of jointly controlled entities				8,481
Profit before taxation				33,640
Income taxes				(7,121)
Cumulative profit up to 31 March 2011				26,519
OTHER INFORMATION				
SEGMENTS ASSETS	1,252,100	290,859	98,447	1,641,406
Investment in jointly controlled entities				69,298
Investment in associate				56,746
Unallocated assets				89,477
Consolidated total assets				1,856,927
SEGMENT LIABILITIES	777,875	48,490	43,431	869,796
Unallocated liabilities				110,998
Consolidated total liabilities				980,794

9. Segmental information (cont'd)

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000
Malaysia	171,299	1,190,129
Europe	23,857	19,538
United States of America	5,567	5,090
Indonesia	41,604	640,958
Middle East	5,971	-
South West Pacific	660	-
Others	3,641	1,212
Total	252,599	1,856,927

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 2010. 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

- (a) On 11 February 2011, the Company, via its wholly-owned subsidiary, TSH Palm Products Sdn Bhd ("TSHPP") had acquired additional 20% ordinary shares in Eko Pulp & Paper Sdn Bhd ("EPP") from Lanar Bintang Sdn Bhd for a purchase consideration of RM400,000. Following the acquisition, the TSHPP holds 98.67% of the equity interest in EPP.
- (b) On 22 February 2011, the Company disposed 1,885,762 shares in Innoprise Plantations Berhad for a total consideration of RM1,885,762. Following the disposal, the Company's equity interest reduced from 23% to 22%, comprising 42,024,237 ordinary shares of RM1.00 each.

12. Discontinued operation

There was no discontinued operation during the quarter ended 31 March 2011.

13. Capital commitments

The amount of commitments for capital expenditure as at 31 March 2011 is as follows:

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
Approved and contracted for	28,158	22,007
Approved but not contracted for	14,367	9,491
	<u>42,525</u>	<u>31,498</u>

14. Changes in contingent liabilities or contingent assets

There was no material change in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2010.

15. Material related party transactions

Significant transactions between the Group and its jointly controlled entities are as follows:

	3 months ended 31 March 2011 RM'000
Sales of crude palm oil	135,978
Sales of palm kernel	27,287

16. Subsequent events

- (a) On 6 May 2011, the Company via its wholly-owned subsidiary, TSH Plantation Sdn Bhd acquired a company known as TSH Forest Plantation Sdn Bhd ("TSHFP") at a purchase price of RM2.00 ("Acquisition"). The issued and paid-up capital of TSHFP is RM2.00 comprising 2 ordinary shares with a nominal value of RM1.00 each.
- (b) On 13 May 2011, the Company had entered into a Share Sale Agreement to acquire 2 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital in Halaman Semesta Sdn. Bhd. ("Halaman") for a total purchase consideration of USD4.2 million (approximately RM12.6 million based on an exchange rate of USD1.00 for RM3.00) from Fortrex Investments Pte. Ltd. ("Fortrex") ("Proposed Acquisition"). In accordance with the Proposed Acquisition, Halaman shall enter into a sale and purchase agreement with PT Tirta Agung Selaras and PT Teguh Aman Sentosa to purchase 90% of the entire share capital of PT Munte Waniq Jaya Perkasa ("PT Munte").

The Proposed Acquisition is subject to the fulfillment of certain conditions precedent, inter-alia:-

- (i) the approval of the Indonesian Investment Co-ordinating Board ("BKPM") for the conversion of PT Munte into a company with Penanaman Modal Asing ("PMA") status;
- (ii) Halaman becomes the beneficial owner of 90% of the entire share capital in PT Munte;
- (iii) a satisfactory results of the legal and financial due diligence exercise on Halaman and PT Munte;
- (iv) PT Munte has obtained an extension for the Ijin Lokasi;
- (v) PT Munte has obtained and becomes the valid holder of the IUP;

16. Subsequent events (cont'd)

- (vi) Fortrex has complied with all requirements of their constitution and/or requirements of the relevant law in relation to the transfer of the sale shares;
and
- (vii) such other approvals from any other relevant bodies, persons, courts, authorities or regulatory bodies as may be necessary for the completion of the sale and purchase of the sale shares.

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

1. Performance review

For the current quarter, the Group recorded an increase of 5% in revenue to RM252.6 million as compared to RM240.5 million in the previous corresponding quarter. The Group posted a higher profit before taxation of RM33.6 million as compared to RM17.9 million in the previous corresponding quarter mainly driven by strong plantation earnings.

Overall, the Palm and Bio-Integration business segment's performance improved as a result of higher CPO prices and crop production arises mainly from higher hectareage of mature plantation field in Indonesia. The Cocoa Manufacturing segment also reported a better result due to improved margin and stable prices. However, as for the Wood Products segment whose bulk of its sale are exported, their operating environment in Europe and US remain difficult. The weak market coupled with the strengthening of the Ringgit Malaysia against the Euro and US also dented the margins.

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 RM252.6 million for the quarter under review was 2.6% higher than the immediate preceding quarter of RM246.2 million. The Group posted a profit before taxation of RM33.6 million as compared to RM42.6 million in the immediate preceding quarter.

The performance for the Palm and Bio-integration segment for the quarter is adversely affected by La Nina weather effect resulted in poor crop formation and lower FFB production yield. Cocoa Manufacturing segment also recorded lower revenue due to lower butter ratio and selling price for cocoa butter. The Wood Products segment has improved against last quarter which was affected by lower business activities during the traditional year end holiday break in Europe.

3. Commentary on the prospects

Wood Products segment is currently operating in a difficult environment with subdued consumer sentiments and spending trends over in Europe where the bulk of its products are exported to. With the current strong Ringgit Malaysia currency against the Euro and US, the contribution from this segment is not expected to be significant. For the Cocoa Manufacturing segment, performance in the coming months continues to be challenged by the volatile demand and supply of its finished products in the global market.

In the Palm and Bio-Integration business segment, palm oil prices are currently trading at reasonably good level. The rise in the palm oil inventory and supply due to better palm oil production seasons during April to October 2011 may see current palm oil prices facing downward pressure in the short term. However, implementation of a mandatory B5 Biodiesel programme would see some stock taken up. Given the aforesaid situation, palm oil prices are expected to maintain above RM3,000 and 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 31.03.2011 <u>RM'000</u>	Year to date 31.03.2010 <u>RM'000</u>
Current tax:		
Malaysian income tax	2,605	2,951
Foreign tax	4,000	1,185
Over provision in prior year		
Malaysian income tax	85	493
Foreign tax	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	584	1,093
Over provision in prior year	(153)	(191)
	<u>7,121</u>	<u>5,531</u>

The effective tax rate of the Group for the financial year to date is lower than the statutory tax rate due to utilisation of incentives.

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:

As announced, the Company had on 7 January 2010 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, including the fulfilment of the Plasma development programme.

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.

9. Group Borrowings and Debt Securities

Comprised :

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
Total Group borrowings		
- secured	367,348	367,369
- unsecured	335,362	354,154
Short term borrowings		
- secured	240,935	161,349
- unsecured	310,781	329,084
Long term borrowings		
- secured	126,413	206,020
- unsecured	24,581	25,070

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

All borrowings are denominated in Ringgit Malaysia, except for the following loans:

	Amount in foreign currencies	Amount in RM'000 Equivalent
EURO	34	146
USD	50,723	153,452
Total		<u>153,598</u>

10. Financial instruments

As a result of adoption of FRS 139: Financial instruments, Recognition and Measurement, forward foreign currency contracts and commodity futures contracts which were previously classified as off balance sheet financial instruments have now been recognized in the balance sheet as derivative instruments as follows:

Type of Derivatives	Contract / Notional amount RM'000	Fair Value RM'000
Forward Foreign Exchange Contracts - Less than 1 year	45,264	1,294
Commodity Futures Contracts - Less than 1 year	93,566	10,486

The management objectives and policies in respect of the above derivatives and its various risk management are consistent with those adopted during the last financial year ended 31 December 2010.

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 31 March 2011.

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>YTD ended</u>	
	<u>31 March</u>		<u>31 March</u>	
	2011	2010	2011	2010
Net profit for the period/quarter (RM'000)	23,954	11,261	23,954	11,261
Weighted average number of ordinary shares in issue ('000)	410,266	409,196	410,266	409,196
Basic earnings per ordinary share (sen)	5.84	2.75	5.84	2.75

(b) Diluted earnings per share

	<u>Quarter ended</u>		<u>YTD ended</u>	
	<u>31 March</u>		<u>31 March</u>	
	2011	2010	2011	2010
Net profit for the period/quarter (RM'000)	23,954	11,261	23,954	11,261
Weighted average no. of ordinary shares in issue ('000)	410,266	409,196	410,266	409,196
Effect of ESOS ('000)	296	2,254	296	2,254
Weighted average no. of ordinary shares in issue ('000)	410,562	411,450	410,562	411,450
Diluted earnings per ordinary share (sen)	5.83	2.74	5.83	2.74

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. Disclosure of realised and unrealised profits and losses

Total unappropriated profit as at 31 March 2011 and 31 December 2010 is analysed as follows:

	As at end of current quarter 31.03.2011 RM'000	As at end of preceding quarter 31.12.2010 RM'000
Total retained profits of TSHR and its subsidiaries		
- Realised	515,126	524,429
- Unrealised	(46,341)	(62,986)
	468,785	461,443
Total share of retained profits from associated company		
- Realised	5,704	3,710
- Unrealised	(1,629)	393
Total share of retained profits from jointly controlled entities		
- Realised	48,633	38,713
- Unrealised	(854)	1,685
	520,639	505,944
Less: Consolidation adjustments	(38,966)	(48,227)
Total group retained profits as per consolidated accounts	481,673	457,717

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 18 May 2011.