

**EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE
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 Contain 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 30 June 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

A total of 1,646,600 ordinary shares were repurchased from the open market for a total considerations of RM5,032,283 for the current financial quarter. The cumulative shares bought back are currently held as treasury shares.

The number of treasury shares held as at 30 June 2011 is as follows:

	No. of shares	Amount (RM)
Balance as at 1 April 2011	4,599,100	5,358,603
Add : Purchase of treasury shares	1,646,600	5,032,283
	6,245,700	10,390,886
Less : Sale of treasury shares	-	-
Balance as at 30 June 2011	6,245,700	10,390,886

The movement of the issued and fully paid-up ordinary shares of the Company during the quarter ended 30 June 2011 are as follows:

Particulars	Par value (RM)	No. of shares	Cumulative number of shares
Balance as at 1 April 2011	0.50	-	414,884,263
Exercise of ESOS ¹	0.50	170,000	415,054,263

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

8. Dividends paid

There were no dividends paid in respect of the quarter ended 30 June 2011.

9. Segmental information

i) Business segments

Cumulative Quarter ended 30 June 2011

	Palm & Bio- Integration RM'000	Wood product manufacturing & forestation RM'000	Cocoa manufacturing RM'000	Consolidated RM'000
SEGMENT REVENUE	511,739	31,820	42,500	586,059
Inter-segment	(3,513)	-	-	(3,513)
Total revenue	508,226	31,820	42,500	582,546
SEGMENT RESULTS	94,741	(701)	3,305	97,345
Unallocated expenses				(10,981)
Finance costs				(12,679)
Share of profit of an associate				421
Share of profit of jointly controlled entities				11,167
Profit before taxation				85,273
Income taxes				(18,130)
Cumulative profit up to 30 June 2011				67,143
OTHER INFORMATION				
SEGMENTS ASSETS	1,277,401	292,552	87,666	1,657,619
Investment in jointly controlled entities				59,485
Investment in associate				57,057
Unallocated assets				93,180
Consolidated total assets				1,867,341
SEGMENT LIABILITIES	745,353	46,095	31,984	823,432
Unallocated liabilities				120,240
Consolidated total liabilities				943,672

9. Segmental information (cont'd)

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000
Malaysia	409,422	1,166,117
Europe	38,809	18,950
United States of America	8,011	4,847
Indonesia	107,541	676,222
Middle East	6,330	-
South West Pacific	1,600	-
Others	10,833	1,205
Total	582,546	1,867,341

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.
- (c) 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.

12. Discontinued operation

There was no discontinued operation during the quarter ended 30 June 2011.

13. Capital commitments

The amount of commitments for capital expenditure as at 30 June 2011 is as follows:

	As at 30.06.2011 RM'000	As at 31.12.2010 RM'000
Approved and contracted for	61,278	22,007
Approved but not contracted for	16,609	9,491
	<u>77,887</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:

	6 months ended 30 June 2011 RM'000
Sales of crude palm oil	325,362
Sales of palm kernel	62,108

16. Subsequent events

- (a) 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 inclusive of liabilities to be assumed. Subsequently on 15 July 2011, the Conditional Share Sale Agreement was assigned by the Company to its wholly-owned subsidiary, TSH Logistics Sdn Bhd. The acquisition of PTBCAP was completed on 16 August 2011 and simultaneously on even date, TSH Logistics Sdn Bhd has disposed 10% of its shareholdings in PTBCAP to Tuan Garibaldi Thohir at a total consideration of USD500,000.

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 59% in revenue to RM329.9 million as compared to RM207.5 million reported in the previous corresponding quarter. For the half year, Group revenue was reported at RM582.5 million compared with RM448 million recorded in preceding year corresponding period.

The Group posted a profit before taxation of RM51.6 million as compared to RM17.7 million in the previous corresponding quarter. For the half year, profit before taxation was RM85.3 million compared with RM35.6 million registered in last year.

Overall, the Palm and Bio-Integration business segment's performance improved significantly as a result of higher crop production arising mainly from higher yield and increased hectareage of mature plantation field in Indonesia. The Cocoa Manufacturing segment reported a lower profit due to lower production and unfavourable cocoa butter price. As for the Wood Products segment, the decrease in loss was attributed to strengthening of Euro and better sale mix which contributed to better gross profit margin.

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 RM329.9 million for the quarter under review was 30.6% higher than the immediate preceding quarter of RM252.6 million. The Group posted a profit before taxation of RM51.6 million as compared to RM33.6 million in the immediate preceding quarter.

The performance for the Palm and Bio-integration segment for the quarter has improved significantly as FFB cropping recovered strongly from the trough trend of previous quarters and as Indonesia estates yield continues its upward momentum in line with their age profile. However, Cocoa Manufacturing segment registered a lower profit on the back of lower production and lower cocoa butter prices affected by continuing decline in cocoa butter ratio. The Wood Products segment remains lethargic and continues to record losses attributable to the lower sale volume.

3. Commentary on the prospects

The export market to Europe made up bulk of the sale of Wood Products segment. With the strong Ringgit Malaysia against Euro combined with difficult environment with subdued consumer sentiments and spending trends over in Europe, the contribution from this segment is restrained. 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.

3. Commentary on the prospects (cont'd)

In the Palm and Bio-Integration business segment, palm oil prices are stabilising at about RM3,000. The rise in the palm oil inventory and supply due to better palm oil production seasons starting from April 2011 saw palm oil prices facing downward pressure in the short term. However, export growth is expected to keep pace with CPO production growth. Given the aforesaid situation, palm oil prices are expected to maintain at reasonably good level and with increased hectarage coming into maturity, 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 30.06.2011 <u>RM'000</u>	Year to date 30.06.2010 <u>RM'000</u>
Current tax:		
Malaysian income tax	5,358	5,637
Foreign tax	10,523	1,640
Under provision in prior year		
Malaysian income tax	227	9
Foreign tax	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	2,175	4,033
Over provision in prior year	(153)	-
	<u>18,130</u>	<u>11,319</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:

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;
- (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.

As at to date, PT Munte has obtained an extension for the Ijin Lokasi and became the valid holder of the IUP.

9. Group Borrowings and Debt Securities

Comprised :

	As at 30.06.2011 RM'000	As at 31.12.2010 RM'000
Total Group borrowings		
- secured	325,659	367,369
- unsecured	327,817	354,154
Short term borrowings		
- secured	190,899	161,349
- unsecured	258,187	329,084
Long term borrowings		
- secured	134,760	206,020
- unsecured	69,630	25,070

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

	Foreign currencies ('000)	RM Equivalent ('000)
EURO	69	304
USD	51,924	156,810
Total		<u>157,114</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	39,309	124
Commodity Futures Contracts		
- Less than 1 year	94,341	(302)

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 30 June 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>30 June</u>		<u>30 June</u>	
	2011	2010	2011	2010
Net profit for the period/quarter (RM'000)	35,964	11,328	59,918	22,589
Weighted average number of ordinary shares in issue ('000)	410,085	409,315	410,085	409,315
Basic earnings per ordinary share (sen)	8.77	2.77	14.61	5.52

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>	
	2011	2010	2011	2010
Net profit for the period/quarter (RM'000)	35,964	11,328	59,918	22,589
Weighted average no. of ordinary shares in issue ('000)	410,085	409,315	410,085	409,315
Effect of ESOS ('000)	264	1,593	264	1,593
Weighted average no. of ordinary shares in issue ('000)	410,349	410,908	410,349	410,908
Diluted earnings per ordinary share (sen)	8.76	2.76	14.60	5.50

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 30 June 2011 and 31 December 2010 is analysed as follows:

	As at end of current quarter 30.06.2011 RM'000	As at end of preceding quarter 31.12.2010 RM'000
Total retained profits of TSHR and its subsidiaries		
- Realised	562,149	524,429
- Unrealised	(48,029)	(62,986)
	514,120	461,443
Total share of retained profits from associated company		
- Realised	5,955	3,710
- Unrealised	(1,570)	393
Total share of retained profits from jointly controlled entities		
- Realised	39,834	38,713
- Unrealised	705	1,685
Less: Consolidation adjustments	559,044 (41,409)	505,944 (48,227)
Total group retained profits as per consolidated accounts	517,635	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 19 August 2011.