

**EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 30  
SEPTEMBER 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 30 September 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 318,700 ordinary shares were repurchased from the open market for a total considerations of RM941,376 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 September 2011 is as follows:

	No. of shares	Amount (RM)
Balance as at 30 June 2011	6,245,700	10,390,886
Add : Purchase of treasury shares	318,700	941,376
	6,564,400	11,332,262
Less : Sale of treasury shares	-	-
Balance as at 30 September 2011	6,564,400	11,332,262

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

Particulars	Par value (RM)	No. of shares	Cumulative number of shares
Balance as at 30 September 2011	0.50	-	415,054,263
Exercise of ESOS <sup>1</sup>	0.50	320,000	415,374,263

<sup>1</sup> Exercise price of ESOS is at RM1.24, RM1.33, RM1.56, RM1.69, RM 2.50, RM2.55 and RM2.63.

## 8. Dividends paid

A final single tier dividend of 6.0 sen per ordinary shares for the year ended 31 December, 2010 amounted to RM 24,528,514 was paid on 22 July, 2011.

## 9. Segmental information

### i) Business segments

Cumulative Quarter ended 30 September 2011

	Palm & Bio- Integration RM'000	Wood product manufacturing & forestation RM'000	Cocoa manufacturing RM'000	Consolidated RM'000
<b>SEGMENT REVENUE</b>	765,365	42,062	53,594	861,021
Inter-segment	(5,327)	-	-	(5,327)
Total revenue	760,038	42,062	53,594	855,694
<b>SEGMENT RESULTS</b>	149,162	(1,603)	2,328	149,887
Unallocated expenses				(14,809)
Finance costs				(18,665)
Share of profit of an associate				604
Share of profit of jointly controlled entities				15,290
Profit before taxation				132,307
Income taxes				(27,114)
Cumulative profit up to 30 September 2011				105,193
<b>OTHER INFORMATION</b>				
<b>SEGMENTS ASSETS</b>	1,369,958	291,291	73,086	1,734,335
Investment in jointly controlled entities				63,608
Investment in associate				57,260
Unallocated assets				92,637
Consolidated total assets				1,947,840
<b>SEGMENT LIABILITIES</b>	801,979	42,948	18,105	863,032
Unallocated liabilities				139,879
Consolidated total liabilities				1,002,911

## 9. Segmental information (cont'd)

### ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000
Malaysia	600,655	1,157,462
Europe	48,982	17,243
United States of America	8,764	5,016
Indonesia	171,824	766,858
Middle East	7,275	-
South West Pacific	3,928	-
Others	14,266	1,261
Total	855,694	1,947,840

## 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.
- (d) 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.

## 12. Discontinued operation

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

## 13. Capital commitments

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

	As at 30.09.2011 RM'000	As at 31.12.2010 RM'000
Approved and contracted for	57,775	22,007
Approved but not contracted for	14,559	9,491
	<u>72,334</u>	<u>31,498</u>

## 14. Changes in contingent liabilities or contingent assets

	As at 30.9.2011 RM'000	As at 31.12.2010 RM'000
Unsecured guarantee extended to suppliers for goods and services	499	583
Unsecured guarantee extended to government bodies for immigration and custom matters	603	341
Guarantee given to PT. Bank CIMB Niaga, TBK, to secure loan for Pembangunan Kebun Kelapa Sawit Plasma under a Plasma Scheme	34,102	-

## 15. Material related party transactions

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

	<b>9 months ended 30 September 2011 RM'000</b>
Sales of crude palm oil	476,907
Sales of palm kernel	83,349

## 16. Subsequent events

- (a) On 26 May 2010, the Company entered into a Share Sale Agreement to acquire 100 ordinary shares of USD1.00 each, representing the entire equity interest in Mildura Investment Pte. Ltd from Portvest Pte. Ltd. for a total consideration of USD4,950,132.

Subsequently, on 19 October, 2011 both parties have agreed to mutually terminate the Principal Share Sale Agreement since extension of the location permit, oil palm plantation business permit and leasehold certificate were not granted to PTPSM by the local authority.

Upon termination of the Principal Shares Sale Agreement, both Mildura Investment Pte. Ltd. and PT PSM shall cease to be subsidiary and sub-subsidiary of the Company.

The termination of the Principal Share Sale Agreement will not have any material effect on the net assets and earnings of the TSH Group for the year ending 31 December 2011 as there is no gain or loss arising from the termination.

- (b) On 26 October, 2011 PT Aramico Komoditi (“PTAK”), a 74.42% owned subsidiary of the Company commenced a voluntary winding-up in accordance with the laws in Indonesia. The voluntary winding-up of PTAK will not have any material effect on the net assets and earnings per share of TSH Group for the financial year ending 31 December 2011.
- (c) The Company had on 13 May 2011, 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. (“FIPL”) (“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”).

Subsequently, on 4 October 2011, the Company entered into a Deed of Novation cum Assignment with FIPL and Fortrex Investments Limited (“Fortrex”) to novate the rights and obligations of FIPL under the Share Sale Agreement to Fortrex.

On 31 October, 2011, all condition precedents pertaining to the acquisition of 2 ordinary shares of RM1.00 each, representing 100% equity interest in Halaman had been complied with by both parties. In that relation, the acquisition of Halaman is deemed completed, Halaman and PT Munte are now the subsidiary and sub-subsidiary of TSH respectively.

## **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 27% in revenue to RM273.1 million as compared to RM214.3 million reported in the previous corresponding quarter. For the nine months, Group revenue was RM855.7 million compared with RM662.2 million recorded in preceding year corresponding period.

The Group posted profit before taxation of RM47.0 million as compared to RM27.1 million in the previous corresponding quarter. For the nine months, profit before taxation was RM132.3 million compared with RM62.7 million registered last year.

Overall, the Palm and Bio-Integration business segment continued to yield good results due to higher crop production arising mainly from higher yield and increase in mature plantation field in Indonesia. The good performance was also partly attributed to mill operation which continued to show high efficiency, hence able to generate a higher oil extraction rate. The Cocoa Manufacturing segment reported a lower profit due to lower production and unfavourable cocoa butter price. As for the Wood Products segment, the increased loss was attributable to the decline in sale volume and gross margin and downsizing of overseas operations.

### **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 RM273.1 million for the quarter under review was 17.2% lower than the immediate preceding quarter of RM329.9 million. The Group posted a profit before taxation of RM47.0 million as compared to RM51.6 million in the immediate preceding quarter.

The Palm and Bio-integration segment continue to register commendable performance in this current quarter despite the declining CPO prices. Crop production from Indonesia estates continued their upward momentum in line with their age profile. Mill operation in Malaysia and Indonesia continued to show high efficiency with high oil extraction rate in this quarter. However, the Wood Products segment recorded a higher loss attributable to the lower sale volume and the scaling down of overseas operation.

Cocoa Manufacturing segment's performance remains lethargic and registered a low profit on the back of low production and poor cocoa butter prices affected by continuing decline in cocoa butter ratio.

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

The subdued consumer sentiments and spending trends in Europe will restrain recovery of export market of Wood Products segment. The company is now exploring opportunity in South Asia Region and aims to win more local installation projects to turnaround the Wood segment.



### 3. Commentary on the prospects (cont'd)

With the high Indonesia bean price due to export tax and increase in grinding of bean in Indonesia, the Cocoa manufacturing segment faced a very competitive business conditions. Combined with the low cocoa butter ratio and lower selling price, the Cocoa Manufacturing segment's performance in the coming months will continue 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 stabilising at around 2,900 to RM3,000. Despite macroeconomic development in Europe and USA which may limit the upside of the CPO prices, the fundamental demand for this crop remains strong due to its inherent competitiveness.

Given the aforesaid situation, with the palm oil prices maintaining at current level and with increased hectareage 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 30.09.2011 <u>RM'000</u>	Year to date 30.09.2010 <u>RM'000</u>
Current tax:		
Malaysian income tax	7,961	8,247
Foreign tax	16,356	4,749
Under provision in prior year		
Malaysian income tax	(9)	10
Foreign tax	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	2,959	4,469
Over provision in prior year	(153)	-
	<u>27,114</u>	<u>17,475</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

Status of corporate proposals

As at the date of this report, the status of corporate proposal announced but not completed is as follows:

- (a) On 10 October 2011, the Company proposed to implement a bonus issue of up to 416,646,263 new TSH Shares, to be credited as fully paid-up, on the basis of one (1) Bonus Share for every one (1) existing TSH Share held in the Company. The application in respect of the listing of and quotation for the Bonus Shares has been submitted to Bursa Malaysia Securities Berhad on 3 November 2011.

## 9. Group Borrowings and Debt Securities

Comprised :

	As at 30.09.2011 RM'000	As at 31.12.2010 RM'000
<b>Total Group borrowings</b>		
- secured	362,538	367,369
- unsecured	324,362	354,154
<b>Short term borrowings</b>		
- secured	185,257	161,349
- unsecured	253,634	329,084
<b>Long term borrowings</b>		
- secured	177,281	206,020
- unsecured	70,729	25,070

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

	Foreign currencies ( '000)	RM Equivalent ( '000)
EURO	149	641
USD	53,575	170,851
Total		<u>171,492</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
<b>Forward Foreign Exchange Contracts</b> - Less than 1 year	44,452	(1,714)
<b>Commodity Futures Contracts</b> - Less than 1 year	118,438	9,931

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 September 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>30 September</u>		<u>YTD ended</u> <u>30 September</u>	
	2011	2010	2011	2010
Net profit for the period/quarter (RM'000)	34,471	18,244	94,389	40,826
Weighted average number of ordinary shares in issue ('000)	409,761	409,490	409,761	409,490
Basic earnings per ordinary share (sen)	8.41	4.45	23.04	9.97

**13. Earnings per share (cont'd)**

**(b) Diluted earnings per share**

	<u>Quarter ended</u> <u>30 September</u>		<u>YTD ended</u> <u>30 September</u>	
	2011	2010	2011	2010
Net profit for the period/quarter (RM'000)	34,471	18,244	94,389	40,826
Weighted average no. of ordinary shares in issue ('000)	409,761	409,490	409,761	409,490
Effect of ESOS ('000)	231	1,565	231	1,565
Weighted average no. of ordinary shares in issue ('000)	409,992	411,055	409,992	411,055
Diluted earnings per ordinary share (sen)	8.41	4.44	23.02	9.93

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 September 2011 and 31 December 2010 is analysed as follows:

	<b>As at end of current quarter 30.09.2011 RM'000</b>	<b>As at end of preceding quarter 31.12.2010 RM'000</b>
Total retained profits of TSHR and its subsidiaries		
- Realised	604,994	524,429
- Unrealised	(52,933)	(62,986)
	552,061	461,443
Total share of retained profits from associated company		
- Realised	6,045	3,710
- Unrealised	(1,458)	393
Total share of retained profits from jointly controlled entities		
- Realised	50,396	38,713
- Unrealised	(5,169)	1,685
	601,875	505,944
Less: Consolidation adjustments	(74,298)	(48,227)
Total group retained profits as per consolidated accounts	527,577	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 17 November 2011.