

**EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 31
DECEMBER 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 (for the FRS Framework) :

| FRSs, Amendments to FRSs and Interpretations | Effective date |
|---|-----------------------|
| Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14) | 1 July 2011 |
| IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments | 1 July 2011 |
| IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 |
| FRS 124 Related Party Disclosures (revised) | 1 January 2012 |
| FRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009) | 1 January 2013 |
| FRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010) | 1 January 2013 |
| FRS 10 Consolidated Financial Statements | 1 January 2013 |
| FRS 11 Joint Arrangements | 1 January 2013 |
| FRS 12 Disclosure of Interests in Other Entities | 1 January 2013 |
| FRS 13 Fair Value Measurement | 1 January 2013 |
| FRS 101 Presentation of Items of Other Comprehensive Income (Amendments to FRS 101) | 1 July 2012 |
| FRS 127 Separate Financial Statements | 1 January 2013 |
| FRS 128 Investment in Associates and Joint Ventures | 1 January 2013 |

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial quarter /year ended 31 December 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 317,500 ordinary shares were repurchased from the open market for a total considerations of RM916,521 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 2011 is as follows:

| | No. of shares | Amount (RM) |
|-----------------------------------|---------------|-------------|
| Balance as at 30 September 2011 | 6,564,400 | 11,332,262 |
| Add : Purchase of treasury shares | 317,500 | 916,521 |
| | 6,881,900 | 12,248,783 |
| Less : Sale of treasury shares | - | - |
| Balance as at 31 December 2011 | 6,881,900 | 12,248,783 |

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

| Particulars | Par value (RM) | No. of shares | Cumulative number of shares |
|-------------------------------|----------------|---------------|-----------------------------|
| Balance as at 1 October 2011 | 0.50 | - | 415,374,263 |
| Exercise of ESOS ¹ | 0.50 | 129,000 | 415,503,263 |
| Bonus issue | 0.50 | 408,621,363 | 824,124,626 |

¹ Exercise price of ESOS is at RM1.24, RM1.56, RM1.69, RM 2.50, RM2.55 and RM2.63.

8. Dividends paid

There were no dividends paid during the quarter ended 31 December 2011.

9. Segmental information

i) Business segments

Cumulative Quarter ended 31 December 2011

| | Palm & Bio- Integration RM'000 | Wood product manufacturing & forestation RM'000 | Others RM'000 | Consolidated RM'000 |
|---|--------------------------------------|--|------------------|------------------------|
| SEGMENT REVENUE | 1,043,102 | 49,586 | 63,138 | 1,155,826 |
| Inter-segment | (7,191) | - | - | (7,191) |
| Total revenue | 1,035,911 | 49,586 | 63,138 | 1,148,635 |
| SEGMENT RESULTS | 191,677 | (5,210) | 2,098 | 188,565 |
| Unallocated expenses | | | | (21,650) |
| Finance costs | | | | (25,896) |
| Share of profit of an associate | | | | 1,412 |
| Share of profit of jointly controlled entities | | | | 19,931 |
| Profit before taxation | | | | 162,362 |
| Income taxes | | | | (30,484) |
| Cumulative profit up to 31 December 2011 | | | | 131,878 |
| OTHER INFORMATION | | | | |
| SEGMENTS ASSETS | 1,392,790 | 296,704 | 58,231 | 1,747,725 |
| Investment in jointly controlled entities | | | | 68,248 |
| Investment in associate | | | | 58,068 |
| Unallocated assets | | | | 107,534 |
| Consolidated total assets | | | | 1,981,575 |
| SEGMENT LIABILITIES | 805,345 | 45,367 | 9,477 | 860,189 |
| Unallocated liabilities | | | | 171,677 |
| Consolidated total liabilities | | | | 1,031,866 |

9. Segmental information (cont'd)

ii) Geographical segments

| | Total revenue from external customers RM'000 | Segment Assets RM'000 |
|--------------------------|--|--------------------------|
| Malaysia | 829,060 | 1,196,219 |
| Europe | 55,652 | 10,762 |
| United States of America | 9,021 | 4,233 |
| Indonesia | 223,342 | 769,132 |
| Middle East | 9,911 | - |
| South West Pacific | 5,015 | - |
| Others | 16,634 | 1,229 |
| Total | 1,148,635 | 1,981,575 |

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

11. Changes in composition of the Group (cont'd)

- (e) 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 PT Perkebunan Sentawar Membangun ("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.

- (f) 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.

- (g) 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.

12. Discontinued operation

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

13. Capital commitments

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

| | As at 31.12.2011 RM'000 | As at 31.12.2010 RM'000 |
|---------------------------------|-------------------------------|-------------------------------|
| Approved and contracted for | 43,239 | 22,007 |
| Approved but not contracted for | 9,474 | 9,491 |
| | <u>52,713</u> | <u>31,498</u> |

14. Changes in contingent liabilities or contingent assets

| | As at 31.12.2011 RM'000 | As at 31.12.2010 RM'000 |
|---|-------------------------------|-------------------------------|
| Unsecured guarantee extended to suppliers for goods and services | 475 | 583 |
| Unsecured guarantee extended to government bodies for immigration and custom matters | 563 | 341 |
| Guarantee given to PT. Bank CIMB Niaga, TBK, to secure loan for Pembangunan Kebun Kelapa Sawit Plasma under a Plasma Scheme | 16,993 | - |

15. Material related party transactions

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

| | 12 months ended 31 December 2011 RM'000 |
|-------------------------|--|
| Sales of crude palm oil | 623,501 |
| Sales of palm kernel | 102,205 |

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 19% in revenue to RM292.9 million as compared to RM246.2 million reported in the previous corresponding quarter. For the year ended 31 December 2011, Group revenue was RM1.1 billion compared with RM908.4 million recorded in preceding year corresponding period.

The Group posted lower profit before taxation of RM30.1 million as compared to RM42.6 million in the previous corresponding quarter mainly due to lower profit contribution from jointly controlled entities coupled with higher foreign exchange losses. For the year ended 31 December 2011, profit before taxation was RM162.4 million compared with RM105.3 million registered last year mainly due to vastly improved performance in Palm and Bio-Integration business segment.

Palm and Bio-Integration Business

For the Q4 2011, the higher pretax profit was primarily due to higher crop production largely resulting from increase in mature plantation field in Indonesia. FFB production increased by 30% from 77,195 metric tonnes in Q4 2010 to 100,412 metric tonnes in Q4, 2011.

For the year ended 31 December 2011, it outperforms previous year mainly due to higher crop production arising from improved crop yield and higher mature plantation field. FFB production increased by 43% from 279,016 in 2010 to 399,604 in 2011. The improved performance was further boosted by higher oil extraction rate and CPO price.

Wood Product

For the Q4 2011, the higher pretax loss was mainly attributable to the provision of doubtful debt and decreased sale revenue. For the year ended 31 December 2011, this segment reported a pretax loss plagued by the sluggish Europe and USA economies. Its revenue shrank further due to the declining sale volume and weak demand in Europe.

Others (mainly consist of Cocoa Manufacturing)

For the Q4 2011, it reported a lower profit due to low production. The production was scaled down due to reduced demand for cocoa butter and depressed cocoa butter prices. For the year ended 31 December 2011, this segment recorded a lower profit mainly from the processing and sale of cocoa powder despite the sharp fall in sale revenue from cocoa butter.

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 RM292.9 million for the quarter under review was 7.2% higher than the immediate preceding quarter of RM273.1 million due mainly to higher capacity utilisation of processing plants in Palm and Bio-Integration business segment.

The Group posted a lower profit before taxation of RM30.1 million as compared to RM47 million in the immediate preceding quarter mainly attributed to lower average CPO price and a lower production yield after subsequent 2 quarters of good crop production. The lower Group pretax profit was also due to provision of doubtful debts in Wood Products segment.

3. Commentary on the prospects

In the Palm and Bio-Integration business segment, palm oil prices are stabilising at around RM3,000. Given the current seasonal low production of FFB in Malaysia and Indonesia combined with the unfavourable weather conditions in South America threatening the corn and soybean crop production, palm oil prices are expected to remain firm in the short term.

The Group remains focus to be a sizeable plantation player in the region and will continue to increase its land bank if the opportunity arises. With the expansion of palm oil plantations areas in Indonesia and with increasing hectarage moving towards maturity, the Group is expected to achieve a satisfactory level of profitability in the coming years.

The Group does not expect the performance of the Cocoa Manufacturing and Wood Products segments to have any significant effects on the results of the Group.

4. Profit forecast or profit guarantee

The Group is not involved in any profit guarantee arrangement or providing any forecast profit.

5. Profits Before Tax

The following (gain)/loss have been included in arriving at profit before tax:

| | Quarter 31.12.2011 <u>RM'000</u> | Year to date 31.12.2011 <u>RM'000</u> |
|---|--|---|
| Interest income | (616) | (1,270) |
| Dividend income | - | (611) |
| Loss on disposal of share in an associate | - | 657 |
| Interest expenses | 7,231 | 25,896 |
| Depreciation and amortization | 8,979 | 34,422 |
| Impairment loss on receivables | 3,709 | 3,709 |
| Inventories written down | 11,586 | 20,648 |
| (Gain)/loss on derivatives | | |
| - Forward currency contracts | (1,342) | 2,088 |
| - Commodity future contracts | (6,152) | (23,871) |
| Net foreign exchange loss | 10,962 | 4,869 |

6. Income Tax Expense

| | Year to date 31.12.2011 <u>RM'000</u> | Year to date 31.12.2010 <u>RM'000</u> |
|--|---|---|
| Current tax: | | |
| Malaysian income tax | 8,616 | 9,827 |
| Foreign tax | 18,603 | 7,658 |
| Under provision in prior year | | |
| Malaysian income tax | 799 | 820 |
| Foreign tax | 447 | - |
| Deferred tax: | | |
| Relating to origination and reversal of temporary differences | 2,951 | (3,765) |
| Over provision in prior year | (932) | (27) |
| | <u>30,484</u> | <u>14,513</u> |

The effective tax rate of the Group for the financial year to date is lower than the statutory tax rate due to tax incentives in respect of Pioneer and BioNexus status granted to certain companies within the Group.

7. Corporate proposals

There was no corporate proposal announced at the date of this quarterly report.

8. Group Borrowings and Debt Securities

Comprised :

| | As at 31.12.2011 RM'000 | As at 31.12.2010 RM'000 |
|-------------------------------|-------------------------------|-------------------------------|
| Total Group borrowings | | |
| - secured | 413,402 | 367,369 |
| - unsecured | 324,703 | 354,154 |
| Short term borrowings | | |
| - secured | 155,094 | 161,349 |
| - unsecured | 259,257 | 329,084 |
| Long term borrowings | | |
| - secured | 258,308 | 206,020 |
| - unsecured | 65,446 | 25,070 |

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

| | Foreign currencies ('000) | RM Equivalent ('000) |
|-------|----------------------------------|-----------------------------|
| EURO | 528 | 2,162 |
| USD | 62,701 | 198,668 |
| Total | | <u>200,830</u> |

9. 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 year.

10. Proposed Dividend

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2011 of 3.5 sen per share under the single tier system on 824,125,000 shares amounting to a dividend payable of approximately RM28,844,000 will be proposed for shareholders' approval.

11. 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 quarter/year, excluding treasury shares held by the Company.

| | <u>Quarter ended</u> <u>31 December</u> | | <u>YTD ended</u> <u>31 December</u> | |
|---|--|---------|--|---------|
| | 2011 | 2010 | 2011 | 2010 |
| Net profit for the quarter/year (RM'000) | 26,149 | 43,455 | 120,538 | 84,281 |
| Weighted average number of ordinary shares in issue ('000) | 817,253 | 409,601 | 818,098 | 409,601 |
| Basic earnings per ordinary share (sen) | 3.20 | 10.61 | 14.73 | 20.58 |

(b) Diluted earnings per share

| | <u>Quarter ended</u> <u>31 December</u> | | <u>YTD ended</u> <u>31 December</u> | |
|--|--|---------|--|---------|
| | 2011 | 2010 | 2011 | 2010 |
| Net profit for the quarter/year (RM'000) | 26,149 | 43,455 | 120,538 | 84,281 |
| Weighted average no. of ordinary shares in issue ('000) | 817,253 | 409,601 | 818,098 | 409,601 |
| Effect of ESOS ('000) | 1,364 | 1,628 | 1,364 | 1,628 |
| Weighted average no. of ordinary shares in issue ('000) | 818,617 | 411,229 | 819,462 | 411,229 |
| Diluted earnings per ordinary share (sen) | 3.19 | 10.57 | 14.71 | 20.49 |

The diluted earnings per share is calculated by dividing the net profit for the quarter/year by the weighted average number of ordinary shares in issue during the quarter/year.

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.

12. Disclosure of realised and unrealised profits and losses

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

| | As at end of current quarter 31.12.2011 RM'000 | As at end of preceding quarter 31.12.2010 RM'000 |
|---|---|---|
| Total retained profits of TSHR and its Subsidiaries | | |
| - Realised | 503,498 | 524,429 |
| - Unrealised | (48,498) | (62,986) |
| | 455,000 | 461,443 |
| Total share of retained profits from associated Company | | |
| - Realised | 6,194 | 3,710 |
| - Unrealised | (1,394) | 393 |
| Total share of retained profits from jointly controlled entities | | |
| - Realised | 49,221 | 38,713 |
| - Unrealised | (1,211) | 1,685 |
| | 507,810 | 505,944 |
| Less: Consolidation adjustments | (63,275) | (48,227) |
| Total group retained profits as per consolidated accounts | 444,535 | 457,717 |

13. 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 22 February 2012.