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

EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2012

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 2011.

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 2011.

2. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2011 except for the following Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations which take effect from 1 January 2012.

FRSs, Amendments to FRSs and Interpretations

IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Transfers of Financial Assets
Amendments to FRS 112	Deferred Tax: Recovery of Underlying Assets
FRS 124	Related Party Disclosures

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) :

3. Significant accounting policies (cont'd)

FRSs, Amendments to FRSs and Interpretations

Amendments to FRS 9 (IFRS 9(2009), FRS 9 (IFRS 9(2010)), and FRS 7	Mandatory Effective Date of FRS 9 and Transition Disclosures
Amendments to FRS 101	Presentation of Items of Other Comprehensive Income
FRS 9 (IFRS 9(2009))	Financial Instruments (IFRS 9 issued by IASB in November 2009)
FRS 9 (IFRS 9(2010))	Financial Instruments (IFRS 9 issued by IASB in October 2010)
FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangements
FRS 12	Disclosure of interests in Other Entities
FRS 13	Fair Value Measurement
FRS 119	Employee Benefits
FRS 127	Separate Financial Statements
FRS 128	Investment in Associate and Joint Ventures
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to FRS 7	Disclosure - Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities
FRS 9	Financial Instruments

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application, except as disclosed below:

(a) Amendments to FRS 101: Presentation of Items of Other Comprehensive Income

The amendments to FRS 101 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

(b) FRS 9: Financial Instruments

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The adoption of this first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurements of financial liabilities.

(c) FRS 10: Consolidated financial statements

FRS 10 replaces the portion of FRS 127 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. FRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in FRS 127.

3. Significant accounting policies (cont'd)

(d) FRS 13: Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted.

Malaysian Financial Reporting Standards (MFRS Framework).

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

The Group falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2013. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group has commenced transitioning its accounting policies and financial reporting from the current Financial Reporting Standards to the MFRS Framework by establishing a project team to plan and manage the adoption of the MFRS Framework.

At the date of these financial statements, the Group has not completed its quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework due to the ongoing assessment by the project team. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

4. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2011 was not qualified.

5. 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.

6. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 31 March 2012.

7. Changes in estimates

There were no changes in estimates that have had a material impact in the current quarter results.

8. 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 were no share repurchased during the current financial quarter. The cumulative shares bought back are currently held as treasury shares.

The number of treasury shares held as at 31 March 2012 is as follows:

	No. of shares	Amount (RM)
Balance as at 31 December 2011	6,881,900	12,248,783
Add : Purchase of treasury shares	-	-
	6,881,900	12,248,783
Less : Sale of treasury shares	-	-
Balance as at 31 March 2012	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 March 2012 are as follows:

Particulars	Par value (RM)	No. of shares	Cumulative number of shares
Balance as at 1January 2012	0.50	-	824,124,626
Exercise of ESOS[1]	0.50	2,202,000	826,326,626

[1] Exercise price of ESOS is at RM0.50, RM0.62, RM0.75, RM0.78, RM0.85, RM1.28, RM1.32 and RM1.35.

9. Dividends paid

There were no dividends paid during the quarter ended 31 March 2012.

10. Segmental information

i) Business segments

Cumulative Quarter ended 31 March 2012

	Palm & Bio-Integration RM'000	Wood product manufacturing & forestation RM'000	Others RM'000	Consolidated RM'000
SEGMENT REVENUE	206,954	10,266	10,158	227,378
SEGMENT RESULTS	31,349	1	696	32,046
Unallocated expenses				(7,660)
Finance costs				(7,381)
Share of profit of an associate				(7)
Share of profit of jointly controlled entities				6,056
Profit before taxation				23,054
Income taxes				(5,112)
Cumulative profit up to 31 March 2012				17,942
OTHER INFORMATION				
SEGMENTS ASSETS	1,414,690	305,270	56,341	1,776,301
Investment in jointly controlled entities				74,454
Investment in associate				57,433
Unallocated assets				97,324
Consolidated total assets				2,005,512
SEGMENT LIABILITIES	796,573	46,244	3,813	846,230
Unallocated liabilities				209,391
Consolidated total liabilities				1,056,021

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000
Malaysia	155,989	1,185,037
Europe	5,810	10,936
United States of America	594	4,458
Indonesia	54,875	803,903
Middle East	4,043	-
South West Pacific	2,165	-
Others	3,902	1,178
Total	227,378	2,005,512

9. 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 2011. 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.

10. Changes in composition of the Group

(a) On 30 March 2012, TSH Industries Sdn. Bhd. ("TSHI") and CocoaHouse Industries Sdn. Bhd.("CHI"), both wholly-owned subsidiaries of the Company, entered into a Business Transfer Agreement to undertake a rationalization exercise of cocoa division on 1 April 2012 whereby TSHI to assume the business activities of CHI by taking over its assets including contracts, personnel and the rights used by CHI to carry out its business. The rationalization exercise will not have any effect on the share capital and shareholdings structure of the Company.

(b) PT Aramico Komoditi ("PTAK"), a 74.42% owned subsidiary of the Company has been placed under voluntary winding-up in accordance with the laws in Indonesia since 26 October 2011. The voluntary winding-up of PTAK is currently pending for final completion.

11. Discontinued operation

There was no discontinued operation during the quarter ended 31 March 2012.

12. Capital commitments

The amount of commitments for capital expenditure as at 31 March 2012 is as follows:

	As at 31.03.2012 RM'000	As at 31.12.2011 RM'000
Approved and contracted for	29,129	38,147
Approved but not contracted for	44,560	9,474
	73,689	47,621

13. Changes in contingent liabilities or contingent assets

	As at 31.03.2012 RM'000	As at 31.12.2011 RM'000
Guarantee given to PT. Bank CIMB Niaga, TBK, to secure loan for Pembangunan Kebun Kelapa Sawit Plasma under a Plasma Scheme	16,811	16,993

14. Material related party transactions

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

	3 months ended 31 March 2012 RM'000
Sales of crude palm oil	124,516
Sales of palm kernel	18,773

15. Subsequent events

(a) TSH Bio-Energy Sdn. Bhd ("TSHBE") had on 27 April 2012 entered into a Renewable Energy Power Purchase Agreement ("REPPA") with Sabah Electricity Sdn. Bhd. ("SESB").

By entering into a REPPA, the Small Renewable Energy Purchase Agreement with SESB for the sale of electricity generated from TSHBE's power plant and dispatched to SESB's Kalumpang sub-station at the rate of 21.25 sen per kWh for a period of 21 years commencing from 9 December 2003 shall be terminated by both parties upon commencement of the Feed-in Tariff date, which will be mutually agreed by both parties.

Under the REPPA, TSHBE shall sell the renewable energy generated and delivered from the Renewable Energy Installation and metered by SESB at the connection point commencing from the Feed-in Tariff date for a period of 9 years at the Feed-in Tariff rate of RM0.30 per kWh as approved by Sustainable Development Authority Malaysia in accordance with the Renewable Energy Act 2011.

The REPPA will not have any effect on the share capital and shareholding structure of TSH.

Further, the difference in the rate will not have any material impact on the net asset and earnings of the TSH Group for the financial year ending 2012.

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 a lower revenue of RM227.4 million as compared to RM252.6 million reported in the previous corresponding quarter mainly due to lower sale revenues in wood product and other segment.

The Group posted a lower profit before taxation of RM23.1 million compared to RM33.6 million in the previous corresponding quarter mainly due to lower profit contribution from the jointly controlled entities coupled with higher losses in foreign exchange and commodity forward contract notably in palm segment and higher finance cost.

Palm and Bio-Integration Business

For the Q1 2012, excluding the losses in forward exchange and commodity forward contract, this segment registered higher pretax profit primarily due to higher crop production which largely resulted from increase in mature plantation field in Indonesia and higher oil extraction rate despite a lower average CPO price for the current quarter at RM2,957 compared to corresponding quarter of RM3,437.

FFB production increased by 14% from 78,571 metric tonnes in Q1 2011 to 89,964 metric tonnes in Q1, 2012. CPO production also increased from 57,013 metric tonnes in Q1, 2011 to 62,227 metric tonnes in Q1, 2012.

Wood Product

For the Q1 2012, this segment registered a lower revenue due to poor overseas demand. Nonetheless, the profit has improved marginally mainly attributed to higher average selling price of wood product resulted from better sale mix. The down sizing of European operation and on going rationalisation of local operation also contributed positively to the current quarter results.

Others (mainly consist of Cocoa Manufacturing)

For the Q1 2012, it reported a lower profit mainly due to low production. The production was scaled down due to reduced demand for cocoa butter and depressed cocoa butter prices.

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 RM227.4 million for the quarter under review was 18.3% lower than the immediate preceding quarter of RM278.5 million mainly due to lower capacity utilisation of processing plants in line with the seasonal low FFB production in Sabah.

Consequently, CPO production reduced from 71,333 metric tonnes in the preceding quarter to 62,227 metric tonnes in the current quarter. However, average CPO price was higher at RM2,957 as compared to RM 2,844 in the preceding quarter.

2 Material changes in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter (Continued.)

The Group posted a lower profit before taxation of RM23.1 million as compared to RM29.6 million in the immediate preceding quarter mainly attributed to poor crop formation arising from tree stress after a peak performance last year resulted in lower production yield. FFB production reduced from 100,412 metric tonnes in Q4, 2011 to 89,963 metric tonnes in Q1, 2012.

3. Commentary on the prospects

In the Palm and Bio-Integration business segment, palm oil prices increased above RM3,000. Given the current seasonal low production of FFB in Malaysia and Indonesia and strong demands from European Union, Pakistan and others, 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 quarters.

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 31.3.2012 RM'000	Year to date 31.3.2012 RM'000
Interest income	(238)	(238)
Interest expenses	7,381	7,381
Rental income	(352)	(352)
Depreciation and amortization	9,810	9,810
(Gain)/loss on derivatives		
- Forward currency contracts	(332)	(332)
- Commodity future contracts	3,231	3,231
Net foreign exchange loss	1,684	1,684

6. Income Tax Expense

	Year to date 31.03.2012 RM'000	Year to date 31.03.2011 RM'000
Current tax:		
Malaysian income tax	2,926	2,605
Foreign tax	2,974	4,000
Under provision in prior year		
Malaysian income tax	-	85
Foreign tax	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(448)	584
Over provision in prior year	(340)	(153)
	5,112	7,121

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 31.03.2012 RM'000	**As at 31.12.2011 RM'000**
Total Group borrowings		
- secured	480,074	463,402
- unsecured	299,170	276,266
Short term borrowings		
- secured	73,933	155,094
- unsecured	283,723	260,820
Long term borrowings		
- secured	406,142	308,308
- unsecured	15,446	15,446

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

	Foreign currencies ('000)	**RM Equivalent ('000)**
EURO	530	2,165
USD	70,700	216,660
Total		218,825

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

There were no dividends proposed during the quarter ended 31 March 2012.

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 period, excluding treasury shares held by the Company.

	Quarter ended 31 March		YTD ended 31 March	
	2012	**2011**	**2012**	**2011**
Net profit for the period/quarter (RM'000)	15,053	23,954	15,053	23,954
Weighted average number of ordinary shares in issue ('000)*	818,930	818,887	818,930	818,887
Basic earnings per ordinary share (sen)*	1.84	2.93	1.84	2.93

(b) Diluted earnings per share

	Quarter ended 31 March		YTD ended 31 March	
	2012	**2011**	**2012**	**2011**
Net profit for the quarter/year (RM'000)	15,053	23,954	120,538	23,954
Weighted average no. of ordinary shares in issue ('000)*	818,930	818,887	818,930	818,887
Effect of ESOS ('000)	-	296	-	296
Weighted average no. of ordinary shares in issue ('000)*	818,930	819,183	818,930	819,183
Diluted earnings per ordinary share (sen)*	1.84	2.92	1.84	2.92

* Calculated after taking into account the bonus issue of 408,621,363 new ordinary shares.

12. Earnings per share (cont'd)

(b) Diluted earnings per share (cont'd)

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.

13. Disclosure of realised and unrealised profits and losses

Total unappropriated profit as at 31 March 2012 and 31 December 2011 is analysed as follows:

	As at end of current quarter 31.03.2012 RM'000	**As at end of preceding quarter 31.12.2011 RM'000**
Total retained profits of TSHR and its Subsidiaries		
- Realised	518,819	506,015
- Unrealised	(53,015)	(47,728)
	465,804	458,287
Total share of retained profits from associated Company		
- Realised	6,186	6,193
- Unrealised	(1,421)	(1,420)
Total share of retained profits from jointly controlled entities		
- Realised	57,839	50,143
- Unrealised	(3,783)	(1,984)
	524,625	511,219
Less: Consolidation adjustments	(64,951)	(68,766)
Total group retained profits as per consolidated accounts	459,674	442,453

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 21 May 2012.