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

EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 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) :

2. 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
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to FRSs	Improvements to FRSs (2012)

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.

2. Significant accounting policies (cont'd)

(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.

(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').

On 30 June 2012, the MASB has decided to allow Transitioning Entities to defer the adoption of the MFRS Framework for another year. MFRS will therefore be mandated for all companies for annual period beginning on or after 1 January 2014.

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 2014. 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.

3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2011 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 period ended 30 June 2012.

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.

<u>Treasury shares</u>

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 30 June 2012 is as follows:

	No. of shares	**Amount (RM)**
Balance as at 1 April 2012	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 30 June 2012	6,881,900	12,248,783

The movement of the issued and fully paid-up ordinary shares of the Company during the financial year to date ended 30 June 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.

8. Dividends paid

There were no dividends paid during the quarter ended 30 June 2012.

9. Segmental information

i) Business segments

Cumulative Quarter ended 30 June 2012

	Palm & Bio-Integration RM'000	Wood product manufacturing & forestation RM'000	Others RM'000	Consolidated RM'000
SEGMENT REVENUE	467,476	21,759	17,127	506,362
SEGMENT RESULTS	65,397	(535)	10	64,872
Unallocated expenses				(14,567)
Finance costs				(14,937)
Share of profit of an associate				316
Share of profit of jointly controlled entities				7,640
Profit before taxation				43,324
Income taxes				(8,228)
Cumulative profit up to 30 June 2012				35,096
OTHER INFORMATION				
SEGMENTS ASSETS	1,473,175	310,382	56,960	1,840,517
Investment in jointly controlled entities				61,039
Investment in associate				57,756
Unallocated assets				84,742
Consolidated total assets				2,044,054
SEGMENT LIABILITIES	763,747	46,030	10,384	820,161
Unallocated liabilities				255,639
Consolidated total liabilities				1,075,800

9. Segmental information (cont'd)

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000
Malaysia	350,551	1,169,331
Europe	10,987	10,492
United States of America	4,656	4,453
Indonesia	120,134	858,563
Middle East	6,491	-
South West Pacific	5,152	-
Others	8,391	1,215
Total	506,362	2,044,054

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 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.

11. Changes in composition of the Group

(a) On 30 March 2012, Cocoahouse Sdn Bhd (formally known as TSH Industries Sdn. Bhd. ("CSB") 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 CSB 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.

12. Discontinued operation

There was no discontinued operation during the quarter ended 30 June 2012.

13. Capital commitments

The amount of commitments for capital expenditure as at 30 June 2012 is as follows:

	As at 30.06.2012 RM'000	As at 31.12.2011 RM'000
Approved and contracted for	29,734	38,147
Approved but not contracted for	44,171	9,474
	73,905	47,621

14. Changes in contingent liabilities or contingent assets

	As at 30.06.2012 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	17,487	16,993

15. Material related party transactions

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

	6 months ended 30 June 2012 RM'000
Sales of crude palm oil	254,711
Sales of palm kernel	36,655

16. Subsequent events

There was no material event subsequent to the end of the reporting except as disclosed in Part B 7(a) of this announcement.

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 RM278.9 million as compared to RM329.9 million reported in the previous corresponding quarter and this was significantly due to the Palm & Bio-integration segment arising from the lower FFB production and lower average CPO price. Similarly, it has affected the Group's profit before taxation from RM51.6 million in the previous corresponding quarter to RM20.3 million in the current quarter.

The Group also registered a foreign exchange loss of RM5.4 million as compared to foreign exchange gain of RM5.5 million in the corresponding quarter last year.

The performance of our jointly controlled entity was affected in the current quarter due to competition from Indonesia oil refineries based on their advantage of export tax structure.

Palm and Bio-Integration Business

For the Q2 2012, this segment registered lower pretax profit mainly due to lower average CPO price and lower FFB production arising from poor crop formation from tree stress condition after a peak performance last year. This condition was significantly felt in Malaysia and the effect in Indonesia was mitigated by the higher crop production arising from increase in mature plantation field in Indonesia. Compared to previous corresponding period, the low FFB supply situation in Indonesia and Malaysia also affected the capacity utilisation of the processing plant and resulted in higher processing cost and lower CPO production.

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FFB production reduced by 16% from 109,555 metric tonnes in Q2 2011 to 91,672 metric tonnes in Q2, 2012. CPO production also reduced from 77,373 metric tonnes in Q2, 2011 to 62,303 metric tonnes in Q2, 2012.

Average CPO price for current quarter stands at RM3,002 compared to corresponding quarter of RM3,161.

Wood Product

For the Q2 2012, this segment registered lower revenue and higher loss due to poor overseas demand. The increased loss was also due to higher foreign exchange loss on foreign currencies borrowings. Nonetheless, the down sizing of European operation and on going rationalisation of local operation has limited the unfavourable results arisen from the distressed economic situation in Europe recently.

Others (mainly consist of Cocoa Manufacturing)

For the Q2 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 RM278.9 million for the quarter under review was 22.6% higher than the immediate preceding quarter of RM227.4 million mainly due to higher capacity utilisation of processing plants as FFB production shows improvement toward the end of the quarter.

Consequently, CPO production increased from 58,115 metric tonnes in the preceding quarter to 62,303 metric tonnes in the current quarter. Average CPO price was also marginally higher at RM3,002 compared to RM 2,957 in the preceding quarter.

The Group posted a lower profit before taxation of RM20.3 million as compared to RM23.1 million in the immediate preceding quarter mainly attributed to higher foreign exchange loss and lower contribution from jointly controlled entities. However, the palm & bio-integration segment gave a better performance mainly due to higher FFB production and higher average CPO price. FFB production improved from 89,310 metric tonnes in Q1, 2012 to 91,672 metric tonnes in Q2, 2012.

3. Commentary on the prospects

In the Palm and Bio-Integration business segment, despite the present economic conditions, palm oil prices is expected to trade at around RM3,000. Given the dry and extreme heat weather conditions affecting the soya bean and corn production that push up the prices of these edible oil prices, demand towards cheaper CPO is expected to sustain.

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 locally and overseas. 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 30.6.2012 RM'000	Year to date 30.6.2012 RM'000
Interest income	(186)	(424)
Interest expenses	7,556	14,937
Rental income	(317)	(669)
Depreciation and amortization	11,176	20,986
(Gain)/loss on derivatives		
- Forward currency contracts	138	(194)
- Commodity future contracts	(1,526)	1,705
Net foreign exchange loss	5,289	6,973

6. Income Tax Expense

	Year to date 30.06.2012 RM'000	Year to date 30.06.2011 RM'000
Current tax:		
Malaysian income tax	6,354	5,358
Foreign tax	6,696	10,523
(Over)/Under provision in prior year		
Malaysian income tax	(1,966)	227
Foreign tax	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(2,555)	2,175
Over provision in prior year	(301)	(153)
	8,228	18,130

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

(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 26 June 2012, the Company, via its wholly-owned subsidiary, Bisa Jaya Sdn Bhd ("BJSB") together with Chin Leong Thye Sdn Bhd ("CLTSB"), Lee Chin Hwa, Lee Min Huat and Lee Sep Pian (collectively the "Joint Offerors") proposed to acquire all the voting shares of RM1.00 each in Pontian United Plantations Berhad ("Pontian") not already owned by the Joint Offerors via a voluntary conditional take-over offer.

7. Corporate proposals (cont'd)

(a) Status of corporate proposals (cont'd)

The Proposed Offer ("Offer") entails the proposed acquisition by the Joint Offerors of the Offer Shares at an offer price of RM90.00 per Offer Share. It is intended that all Offer Shares validly accepted shall accrue to BJSB.

The Offer Price of RM90.00 for each Offer Share will be satisfied in the following manner:-

(a) RM45.06 in cash; and

(b) RM44.94 via issuance of twenty-one (21) ordinary shares of RM0.50 each in TSH Resources Berhad at an issue price of RM2.14 per share.

The Offer will remain open for acceptances until 5.00 p.m. (Malaysian time) on 7 August 2012 being the First Closing Date. The closing date and time for acceptance of the offer was extended to 5.00 p.m. (Malaysian time) on Wednesday, 22 August 2012 ("Extended Closing Date"). The closing date was further extended to 5.00 p.m. (Malaysian time) on Monday, 10 September 2012 ("Final Closing Date"). The extensions were to facilitate Pontian's shareholders receiving independent advice.

On 3 August 2012, Bursa Malaysia Securities Berhad had, vide its letter dated 2 August 2012, granted its approval for the listing of the quotation for the new TSH Shares to be issued pursuant to the Offer, on the Main Market of Bursa Securities.

The Circulars to the shareholder of the Company in relation to this offer were issued on 7 August 2012.

8. Group Borrowings and Debt Securities

Comprised :

	As at 30.06.2012 RM'000	**As at 31.12.2011 RM'000**
Total Group borrowings		
- secured	505,939	463,402
- unsecured	306,537	276,266
Short term borrowings		
- secured	75,168	155,094
- unsecured	293,032	260,820
Long term borrowings		
- secured	430,771	308,308
- unsecured	13,505	15,446

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

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

	Foreign currencies ('000)	RM Equivalent ('000)
EURO	242	968
USD	74,860	237,890
Total		238,858

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 30 June 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 30 June		YTD ended 30 June	
	2012	2011	2012	2011
Net profit for the period/quarter (RM'000)	14,625	35,964	29,679	59,918
Weighted average number of ordinary shares in issue ('000)*	818,930	818,706	818,930	818,706
Basic earnings per ordinary share (sen)*	1.79	4.39	3.62	7.32

11. Earnings per share (cont'd)

(b) Diluted earnings per share

	Quarter ended 30 June		YTD ended 30 June	
	2012	**2011**	**2012**	**2011**
Net profit for the quarter/year (RM'000)	14,625	35,964	29,679	59,918
Weighted average no. of ordinary shares in issue ('000)*	818,930	818,706	818,930	818,706
Effect of ESOS ('000)	-	264	-	264
Weighted average no. of ordinary shares in issue ('000)*	818,930	818,970	818,930	818,970
Diluted earnings per ordinary share (sen)*	1.79	4.38	3.62	7.31

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

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 30 June 2012 and 31 December 2011 is analysed as follows:

	As at end of current quarter 30.06.2012 RM'000	As at end of preceding quarter 31.12.2011 RM'000
Total retained profits of TSHR and its Subsidiaries		
- Realised	587,935	506,015
- Unrealised	(79,808)	(47,728)
	507,127	458,287
Total share of retained profits from associated Company		
- Realised	6,509	6,193
- Unrealised	(1,421)	(1,420)
Total share of retained profits from jointly controlled entities		
- Realised	43,816	50,143
- Unrealised	(3,130)	(1,984)
	553,901	511,219
Less: Consolidation adjustments	(79,602)	(68,766)
Total group retained profits as per consolidated accounts	474,299	442,453

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 August 2012.