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

EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 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').

Initially, Transitioning Entities would be allowed to defer adoption of the new MFRS framework for additional one year. On 30 June 2012, the MASB has decided to allow Transitioning Entities to further 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.

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 September 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.

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 30 September 2012 is as follows:

	No. of shares	**Amount (RM)**
Balance as at 1 January/ 1 July 2012	6,881,900	12,248,783
Add : Purchase of treasury shares	1,000	2,543
	6,882,900	12,251,326
Less : Sale of treasury shares	-	-
Balance as at 30 September 2012	6,882,900	12,251,326

The movement of the issued and fully paid-up ordinary shares of the Company during the financial year to date ended 30 September 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
Balance as at 30 June/ 1July 2012	0.50	-	826,326,626
Issuance of shares	0.50	14,921,907	841,248,533

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

8. Dividends paid

A final single tier dividend of 3.5 sen per ordinary shares for the year ended 31 December, 2011 amounted to RM 28,680,565.42 was paid on 19 July, 2012.

9. Segmental information

i) Business segments

Cumulative Quarter ended 30 September 2012

	Palm & Bio-Integration RM'000	Wood product manufacturing & forestation RM'000	Others RM'000	Consolidated RM'000
SEGMENT REVENUE	709,925	32,398	24,522	766,845
SEGMENT RESULTS	100,852	(573)	(31)	100,248
Unallocated expenses				(21,159)
Finance costs				(23,204)
Share of profit of an associate				1,341
Share of profit of jointly controlled entities				7,921
Profit before taxation				65,147
Income taxes				(11,469)
Cumulative profit up to 30 September 2012				53,678
OTHER INFORMATION				
SEGMENTS ASSETS	1,575,377	313,621	55,470	1,944,468
Investment in jointly controlled entities				61,319
Investment in associate				58,781
Unallocated assets				90,875
Consolidated total assets				2,155,443
SEGMENT LIABILITIES	815,348	41,805	7,934	865,087
Unallocated liabilities				326,688
Consolidated total liabilities				1,191,775

9. Segmental information (cont'd)

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000
Malaysia	551,078	1,260,065
Europe	16,012	9,707
United States of America	4,638	4,275
Indonesia	171,281	880,224
Middle East	8,003	-
South West Pacific	6,953	-
Others	8,880	1,172
Total	766,845	2,155,443

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 based on professional appraisals by an independent valuer 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 September 2012 except for those disclosed in Note 11.

13. Capital commitments

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

	As at 30.09.2012 RM'000	As at 31.12.2011 RM'000
Approved and contracted for	26,896	38,147
Approved but not contracted for	40,954	9,474
	67,850	47,621

14. Changes in contingent liabilities or contingent assets

	As at 30.09.2012 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	16,809	16,993

15. Material related party transactions

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

	9 months ended 30 September 2012 RM'000
Sales of crude palm oil	391,408
Sales of palm kernel	54,046

16. Subsequent events

There was no material event subsequent to the end of the reporting.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES

1. Performance review

For the current quarter and current year todate, results were adversely affected by the following factors:-

i) Significantly lower CPO prices which were as low as RM2260 per mt in recent months.

ii) Lower FFB production as palm trees were stressed from the high yield for 2011.

iii) Despite lower CPO prices, the Group has decided to apply higher fertiliser dosage to replenish nutrient to stressed palms to ensure that future yield will improve. This together with higher fertiliser prices had resulted in higher fertiliser cost being incurred.

iv) Our share in the jointly controlled entities reported a reduced profit of RM281,000 for the quarter and RM7.9 million for current year todate as compared to RM4.1 million and RM15.3 million respectively for the corresponding periods. This is mainly on account of adjustment on deferred taxation and competition from Indonesian refineries which enjoy export tax advantages.

v) Foreign exchange loss of RM10.6 million for current year todate compared to a gain of RM2.7 million for the corresponding period.

Arising from the above, revenue for the current quarter was RM260.5 million and for current year todate was RM766.8 million compared to RM273.1 million and RM855.7 million respectively for the corresponding period. Group profit before tax for the current quarter was RM21.8 million and current year todate was RM65.1 million compared to RM47.0 million and RM132.3 million respectively for the corresponding period.

Palm and Bio-Integration Business

For Q3 2012, this segment registered lower pretax profit mainly due to lower average CPO price and lower FFB production as palm trees have yet to recover from biological stress after the heavy cropping in 2011. Fertilizer application dosage was generally higher to replenish nutrients for the stressed palms, the benefit of which will only be seen in the following year. This together with higher fertilizer prices has resulted in higher upkeep cost.

Compared to previous corresponding period, FFB production reduced by 7% from 110,970 metric tonnes in Q3 2011 to 102,927 metric tonnes in Q3 2012. For the accumulative quarters, the FFB production reduced by 5% from 299,193 metric tonnes in 2011 to 283,908 metric tonnes in 2012.

1. **Performance review (cont'd)**

Wood Product

For Q3 and cumulative quarters 2012, this segment registered lower revenue and higher loss due to poor overseas demand and lower capacity utilisation. Nonetheless, the pick-up in demand for the local market and on going rationalisation of European and local operation have mitigated the full impact.

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

The Group posted a marginally higher profit before taxation of RM21.8 million as compared to RM20.3 million in the immediate preceding quarter mainly attributed to lower foreign exchange loss. Besides, FFB production also improved from 91,672 metric tonnes in Q2, 2012 to 102,927 metric tonnes in Q3, 2012.

However the Group's revenue of RM260.5 million for the quarter under review was 6.6% lower than the immediate preceding quarter of RM279.0 million.

Capacity utilisation of processing plants shows improvement toward the middle of the quarter. Consequently, CPO production increased from 62,303 metric tonnes in the preceding quarter to 72,232 metric tonnes in the current quarter.

3. **Commentary on the prospects**

Palm oil prices have recovered from a low of RM2,260 per tonne and can be expected to stabilise at current level of around RM2,500 underpinned by improved demand and the wide discount of USD200 per tonne to soy oil.

FFB crop for the fourth quarter is expected to recover strongly. This together with lower incidence of fertilizer application in the fourth quarter will further reduce unit cost of production.

The Group is continuing its oil palm planting programme in Indonesia and in line to achieve its target of planting 4,000 ha in 2012. With the increase of young matured area moving towards full maturity, the Group can expect to achieve improved profit in the coming quarters.

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 30.9.2012 RM'000	Year to date 30.9.2012 RM'000
Interest income	(1,367)	(1,791)
Interest expenses	8,267	23,204
Dividend income	(413)	(1,101)
Rental income	(424)	(1,093)
Depreciation and amortization	10,965	31,952
Gain on derivatives		
- Forward currency contracts	(141)	(335)
- Commodity future contracts	(7,297)	(9,002)
Net foreign exchange loss	3,983	10,956

6. Income Tax Expense

	Year to date 30.09.2012 RM'000	Year to date 30.09.2011 RM'000
Current tax:		
Malaysian income tax	7,455	7,961
Foreign tax	9,623	16,356
(Over)/Under provision in prior year		
Malaysian income tax	545	(9)
Foreign tax	(1)	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(5,272)	2,959
Over provision in prior year	(881)	(153)
	11,469	27,114

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 and Investment Tax Allowance granted to certain companies within the Group.

7. Corporate proposals

(a) Status of corporate proposals

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 at an offer price of RM90.00 per Offer Share.

7. Corporate proposals (cont'd)

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

The Offer had closed at 5.00p.m. (Malaysian time) on Friday, 14 September 2012.

As at 14 September 2012, being the Final Extended Closing Date, the Joint Offerors collectively hold 2,416,398 Pontian Shares (including the Pontian Shares agreed to be acquired and acquired by the Joint Offerors after dispatch of the Offer Document), representing approximately 27.94% of the total issued and paid-up share capital of Pontian.

On 14 September 2012, BJSB has dealt in Pontian Shares pursuant to a Share Sale Agreement entered into with one of the Joint Offerors ("SSA") to acquire 349,552 Pontian Shares subject to the terms and conditions under the SSA. Upon completion of the SSA, BJSB's shareholding in Pontian shall increase to 1,748,221 Pontian Shares representing approximately 20.21% of the total issued and paid-up share capital of Pontian. Pontian will be an associate company of TSH, thus allowing TSH to equity account the results of Pontian in the coming financial years and BJSB has become the single largest shareholder in Pontian.

Upon completion of the SSA, BJSB's shareholding in Pontian will increase by 12.25% to 20.21%.

On 9 November 2012, Bursa Securities has granted its approval for the listing of and quotation for 7,340,592 new ordinary shares of RM0.50 each in TSH to be issued as part of the consideration pursuant to the acquisition.

As at the date of this report, the SSA is still pending for final completion.

8. Group Borrowings and Debt Securities

Comprised :

	As at 30.09.2012 RM'000	As at 31.12.2011 RM'000
Total Group borrowings		
- secured	604,481	463,402
- unsecured	324,458	276,266
Short term borrowings		
- secured	107,282	155,094
- unsecured	314,518	260,820
Long term borrowings		
- secured	497,199	308,308
- unsecured	9,940	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	234	924
USD	83,894	256,590
Total		257,514

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 September 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 September		**YTD ended 30 September**	
	2012	**2011**	**2012**	**2011**
Net profit for the period/quarter (RM'000)	16,347	34,471	46,026	94,389
Weighted average number of ordinary shares in issue ('000)*	824,220	817,745	820,873	818,382
Basic earnings per ordinary share (sen)*	1.98	4.22	5.61	11.53

11. Earnings per share (cont'd)

(b) Diluted earnings per share

	Quarter ended 30 September		YTD ended 30 September	
	2012	**2011**	**2012**	**2011**
Net profit for the quarter/year (RM'000)	16,347	34,471	46,026	94,389
Weighted average no. of ordinary shares in issue ('000)*	824,220	817,745	820,873	818,383
Effect of ESOS ('000)	-	231	-	231
Weighted average no. of ordinary shares in issue ('000)*	824,220	817,976	820,873	818,614
Diluted earnings per ordinary share (sen)*	1.98	4.21	5.61	11.52

* 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 September 2012 and 31 December 2011 is analysed as follows:

	As at end of current quarter 30.09.2012 RM'000	As at end of preceding year 31.12.2011 RM'000
Total retained profits of TSHR and its Subsidiaries		
- Realised	554,998	506,015
- Unrealised	(57,874)	(47,728)
	497,124	458,287
Total share of retained profits from associated Company		
- Realised	7,533	6,193
- Unrealised	(1,421)	(1,420)
Total share of retained profits from jointly controlled entities		
- Realised	46,824	50,143
- Unrealised	(5,277)	(1,984)
	544,783	511,219
Less: Consolidation adjustments	(82,888)	(68,766)
Total group retained profits as per consolidated accounts	461,895	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 20 November 2012.