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

EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 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.

(d) FRS 119: Employee Benefits

FRS 119 makes changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosure for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach.

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 would be allowed to defer adoption of the new MFRS framework for additional two 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 31 December 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 31 December 2012 is as follows:

	No. of shares	**Amount (RM)**
Balance as at 1 January/ 1 Oct 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 31 December 2012	6,882,900	12,251,326

The movement of the issued and fully paid-up ordinary shares of the Company during the quarter and the financial year to date ended 31 December 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 Sept/ 1Oct 2012	0.50	-	826,326,626
Issuance of new shares[2]	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.

[2] The new shares are issued at RM2.44, RM2.46 and RM2.28.

8. Dividends paid

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

9. Segmental information

i) Business segments

Cumulative Quarter ended 31 December 2012

	Palm & Bio-Integration RM'000	Wood product manufacturing & forestation RM'000	Others RM'000	Consolidated RM'000
SEGMENT REVENUE	905,282	43,662	34,736	983,680
SEGMENT RESULTS	137,192	(1,662)	(1,609)	133,921
Unallocated expenses				(22,193)
Finance costs				(32,208)
Share of profit of an associate				1,351
Share of profit of jointly controlled entities				18,674
Profit before taxation				99,545
Income taxes				(15,170)
Cumulative profit up to 31 December 2012				84,375
OTHER INFORMATION				
SEGMENTS ASSETS	1,651,533	314,695	50,843	2,017,071
Investment in jointly controlled entities				72,072
Investment in associate				58,791
Unallocated assets				85,170
Consolidated total assets				2,233,104
SEGMENT LIABILITIES	817,532	41,016	9,091	867,640
Unallocated liabilities				376,038
Consolidated total liabilities				1,243,678

9. Segmental information (cont'd)

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000
Malaysia	705,375	1,272,906
Europe	21,962	13,634
United States of America	10,116	4,104
Indonesia	216,232	941,277
Middle East	9,911	-
South West Pacific	8,862	-
Others	11,222	1,183
Total	983,680	2,233,104

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.

On 31 December 2012, Eko Paper Sdn Bhd ("EPSB"), an indirect wholly-owned subsidiary of CSB made an application to the Companies Commission of Malayisa ("CCM") to strike-off its name from the Register of the CCM under Section 308(1) of the Companies Act, 1965.

EPSB has not commence operation since incorporation and has no intention to commence operation in future. The striking-off of EPSB has no material effect on the earnings per share and net assets of the TSH group for the financial year ended 31 December 2012.

(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 31 December 2012 except for those disclosed in Note 11(a) and (b).

13. Capital commitments

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

	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Approved and contracted for	21,189	38,147
Approved but not contracted for	28,455	9,474
	49,644	47,621

14. Changes in contingent liabilities or contingent assets

	As at 31.12.2012 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	16,907	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 2012 RM'000
Sales of crude palm oil	517,363
Sales of palm kernel	69,961

16. Subsequent events

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

The Company had on 22 February 2013 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 Bagan Agresif Sdn Bhd ("Bagan") for a total purchase consideration of USD2,170,000 (approximately RM6,510,000 based on an exchange rate of USD1.00 for RM3.00) from Maple Consolidated Limited ("Maple") ("Proposed Acquisition").

16. Subsequent events (cont'd)

Bagan is a private limited company, incorporated in Malaysia on 20 February 2012 with an issued and paid-up capital of RM2.00 comprising 2 ordinary shares of RM1.00 each. Bagan is the beneficial owner of 90% of the entire share capital of PT Andalas Wahana Sukses ("PT AWS"). PT AWS had obtained the Ijin Lokasi for 5,180 hectares of land located in Desa Rantau Makmur and Tanjung Labu, Kecamatan Rantau Pulung, Kabupaten Kutai Timur ("Land"). In addition, PT AWS had obtained the necessary licence to develop the Land into oil palm plantation.

The Proposed Acquisition is subject to the fulfilment of certain conditions precedent, inter-alia:-

a) TSH is satisfied with the results of the legal and financial due diligence exercise on Bagan and PT AWS;
b) TSH is satisfied with the results of the valuation on the Land conducted by a registered valuer;
c) Maple has complied with all requirements on their constitution and/or requirements of the relevant law in relation to the transfer of the sale shares; and
d) such other approvals from any other relevant bodies, persons, courts, authorities or regulatory bodies as may be necessary for the completion of the sale and purchase of the sale shares.

The purchase consideration of USD2,170,000 was arrived at on a willing-buyer, willing-seller basis after taking into consideration the value of the Land held by PT AWS together with its certain assets and liabilities assumed. The purchase consideration will be financed through internally generated funds and borrowings. The Company will acquire the shares free from all changes, liens, pledges and other encumbrances and with all rights, benefits and entitlements attached thereto.

The Proposed Acquisition will not have any effect on the share capital and shareholdings structure of TSH. Further, the Proposed Acquisition will not have any material impact on the net asset and earnings of the TSH Group for the financial year ending 2013. However, the Proposed Acquisition is expected to improve the future earnings of the TSH Group resulting from the development of the plantation land in the future.

The Proposed Acquisition would enable TSH to further increase its oil palm plantation areas in Indonesia.

None of the Directors or substantial shareholders of TSH or any person connected to the Directors and substantial shareholders has any interest, direct or indirect, in the Proposed Acquisition.

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

1. Performance review

For the current quarter, the Group registered a lower revenue of RM216.8 million compared to RM278.5 for the corresponding period mainly due to lower CPO revenue affected by lower average CPO prices. However, crop production increased significantly by 40% to 140,828 metric tonnes in Q4 2012. Profit before taxation for the current quarter at RM34.4 million improved against previous corresponding quarter mainly due to higher share of profit in the jointly controlled entities resulting from better operating margin for the refinery operation.

For the year ended 31 December 2012, the Group recorded a lower revenue and Profit before tax of 983.7 million and RM99.5 million respectively compared to RM1,134.2 million and RM161.9 million for the year ended 31 December, 2011 affected by the following factors:-

i) Significantly lower CPO prices which dipped below RM 2,100 per metric tonnes in recent months.

ii) Lower FFB production during the first three quarters of 2012 as palm trees were stressed from the high yield for 2011. However, due to the strong recovery in crop production in Q4, overall 2012 crop production is 6% higher than those in 2011.

iii) Higher fertiliser dosage application to replenish nutrient to stressed palms to improve the yield of ensuing quarters. This together with higher fertiliser prices had resulted in higher fertiliser cost being incurred.

iv) Higher foreign exchange loss of RM12.7 million compared to a loss of RM7.0 million for the corresponding year.

Palm and Bio-Integration Business

For Q4 2012, this segment registered a lower pretax profit mainly due to lower average CPO price and increase in CPO inventory. The average CPO price has reduced from RM2,844 in Q4, 2011 to RM 2,107 in Q4, 2012. However CPO inventory increased from 5,921 metric tonnes to 19,570 metric tonnes in end of 2012.

Nonetheless, compared to previous corresponding period, crop production recovered strongly to chalk up an 40% increase in FFB production to 140,828 metric tonnes in Q4 2012. For cumulative quarters, the FFB production increased by 6% from 399,604 metric tonnes in 2011 to 424,737 metric tonnes in 2012. Higher crop production in the current quarter has resulted in lower unit cost of production.

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

Wood Product Manufacturing & Forestation

For Q4 this segment achieved a higher revenue of RM11.3 million and a lower loss before tax and finance cost of RM1.1 million due to pick-up in demand for the local and export market coupled with higher selling price.

For the year 2012, this segment reported a lower pretax loss due to the improving sale margin, lower selling & marketing and operating expenses mainly attributed to the on going rationalisation of European and local operation.

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

The Group posted a higher profit before taxation of RM34.4 million as compared to RM21.8 million in the immediate preceding quarter mainly attributed to higher share of profit from Jointly Controlled Entities and higher FFB production which increased from 102,927 metric tonnes in Q3, 2012 to 140,828 metric tonnes in Q4, 2012.

Capacity utilisation of processing plants also shows notable improvement for the current quarter due mainly to the higher FFB production in Sabah. Consequently, CPO production increased from 72,232 metric tonnes in the preceding quarter to 90,801 metric tonnes in the current quarter

However the Group's revenue of RM216.8 million for the quarter under review was 16.8% lower than the immediate preceding quarter of RM260.5 million due to lower average CPO selling price and higher CPO inventory.

3. **Commentary on the prospects**

Palm oil prices recovered from below RM2,100 per tonne and is expected to stabilize at current level of around RM2,500. This is supported by improving demand which will eventually reduce the overall CPO inventory in Malayisa and favourable external factors such as Indonesia rising export tax and wide discount to soy oil due to the persistent concern over dry weather in South America which slowed the harvest.

The Group is continuing its oil palm planting programme in Indonesia. With more areas in Indonesia operation coming into full maturity in 2013, FFB crop is expected to increase significantly. This coupled with the stabilization of CPO prices, 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 31.12.2012 RM'000	Year to date 31.12.2012 RM'000
Interest income	(160)	(1,951)
Interest expenses	9,004	32,208
Dividend income	-	(1,101)
Rental income	(261)	(1,354)
Impairment loss on trade receivable	1,013	1,013
Inventories written down	1,102	1,102
Depreciation and amortization	12,714	44,665
Gain on derivatives		
- Forward currency contracts	141	(194)
- Commodity future contracts	(1,729)	(10,731)
Net foreign exchange loss	1,853	12,809

6. Income Tax Expense

	Year to date 31.12.2012 RM'000	Year to date 31.12.2011 RM'000
Current tax:		
Malaysian income tax	8,409	9,919
Foreign tax	13,727	17,231
(Over)/Under provision in prior year		
Malaysian income tax	578	725
Foreign tax	(1)	552
Deferred tax:		
Relating to origination and reversal of temporary differences	(6,671)	5,033
Over provision in prior year	(872)	(1,070)
	15,170	32,390

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.

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.

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.

8. Group Borrowings and Debt Securities

Comprised :

	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**
Total Group borrowings		
- secured	625,855	463,402
- unsecured	349,072	276,266
Short term borrowings		
- secured	107,277	155,094
- unsecured	344,103	260,820
Long term borrowings		
- secured	518,578	308,308
- unsecured	4,969	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	380	1,532
USD	90,825	277,743
Total		279,275

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 2012 of 2.5 sen per share under the single tier system on 834,366,000 shares amounting to a dividend payable of approximately RM20,859,000 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 period, excluding treasury shares held by the Company.

	Quarter ended 31 December		YTD ended 31 December	
	2012	2011	2012	2011
Net profit for the period/quarter (RM'000)	30,624	24,067	76,651	118,456
Weighted average number of ordinary shares in issue ('000)*	834,366	817,253	824,265	818,098
Basic earnings per ordinary share (sen)*	3.67	2.94	9.30	14.48

11. Earnings per share (cont'd)

(b) Diluted earnings per share

	Quarter ended 31 December		YTD ended 31 December	
	2012	2011	2012	2011
Net profit for the quarter/year (RM'000)	30,624	24,067	76,651	118,456
Weighted average no. of ordinary shares in issue ('000)*	834,366	817,253	824,265	818,098
Effect of ESOS ('000)	-	1,364	-	1,364
Weighted average no. of ordinary shares in issue ('000)*	834,366	818,617	824,265	819,462
Diluted earnings per ordinary share (sen)*	3.67	2.93	9.30	14.46

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

	As at end of current quarter 31.12.2012 RM'000	As at end of preceding year 31.12.2011 RM'000
Total retained profits of TSHR and its Subsidiaries		
- Realised	559,618	506,015
- Unrealised	(67,655)	(47,728)
	491,963	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	57,805	50,143
- Unrealised	(6,203)	(1,984)
	549,677	511,219
Less: Consolidation adjustments	(56,965)	(68,766)
Total group retained profits as per consolidated accounts	492,712	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 26 February 2013.