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

EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2013

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 2012.

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 2012.

2. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2012 except for the following Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations which take effect from 1 January 2013.

Description	**Effective for annual periods beginning on or after**
MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
Amendments to FRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures - Offsetting Financial	1 January 2013

2. **Significant accounting policies (continued)**

Description	**Effective for annual periods beginning on or after**
Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards - Government Loans	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

The adoption of the above did not have any significant effects on the interim financial report upon their initial application.

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 has been 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.

2. Significant accounting policies (continued)

Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2013 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 2012 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 March 2013.

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

The cumulative shares bought back are currently held as treasury shares. The number of treasury shares held as at 31 March 2013 is as follows:

	No. of shares	**Amount (RM)**
Balance as at 1 January 2013	6,882,000	12,251,326
Add : Purchase of treasury shares	1,000	2,264
	6,883,900	12,253,590
Less : Sale of treasury shares	-	-
Balance as at 31 March 2013	6,883,900	12,253,590

7. Debt and equity securities (continued)

There were no new share issued during the current financial quarter.

Particulars	**Par value (RM)**	**Cumulative number of shares**
Balance as at 1January 2013	0.50	841,248,533
Issuance of new shares	0.50	-
Balance as at 31 March 2013	0.50	841,248,533

8. Dividends paid

There were no dividends paid during the quarter ended 31 March 2013.

9. Segmental information

i) Business segments

Cumulative Quarter ended 31 March 2013

	Palm & Bio-Integration RM'000	Wood product manufacturing & forestation RM'000	Others RM'000	Consolidated RM'000
SEGMENT REVENUE	252,331	13,029	14,695	280,056
SEGMENT RESULTS	30,691	748	2,750	34,189
Unallocated expenses				(10,290)
Finance costs				(5,096)
Share of profit of an associate				(226)
Share of profit of jointly controlled entities				7,631
Profit before taxation				26,208
Income taxes				(4,822)
Cumulative profit up to 31 March 2013				21,386
OTHER INFORMATION				
SEGMENTS ASSETS	1,709,393	328,965	41,927	2,080,286
Investment in jointly controlled entities				76,236
Investment in associate				58,476
Unallocated assets				97,371
Consolidated total assets				2,312,370
SEGMENT LIABILITIES	836,096	41,081	2,457	879,633
Unallocated liabilities				425,815
Consolidated total liabilities				1,305,448

9. Segmental information (cont'd)

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000
Malaysia	141,081	1,298,759
Europe	10,133	11,742
United States of America	6,456	3,919
Indonesia	62,018	996,762
Middle East	1,483	-
South West Pacific	2,712	-
Singapore	53,674	-
Others	2,498	1,188
Total	280,055	2,312,370

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 2012. 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 22 February 2013, the Company entered into a Share Sale Agreement to acquire 2 ordinary shares of RM1 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.

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.

On 13 March 2013 all condition precedents pertaining to the acquisition of Bagan had been complied with by both parties and the acquisition of Bagan is deemed completed.

12. Discontinued operation

There was no discontinued operation during the quarter ended 31 March 2013.

13. Capital commitments

The amount of commitments for capital expenditure as at 31 March 2013 is as follows:

	As at 31.3.2013 RM'000	As at 31.12.2012 RM'000
Approved and contracted for	22,096	21,189
Approved but not contracted for	30,084	28,455
	52,180	49,644

14. Changes in contingent liabilities or contingent assets

	As at 31.3.2013 RM'000	As at 31.12.2012 RM'000
Guarantee given to PT. Bank CIMB Niaga, TBK, to secure loan for Pembangunan Kebun Kelapa Sawit Plasma under a Plasma Scheme	17,201	16,907

15. Material related party transactions

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

	3 months ended 31 March 2013 RM'000
Sales of crude palm oil	116,221
Sales of palm kernel	15,080

16. Subsequent events

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

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 higher revenue of RM280.1 million compared to RM227.4 million for the corresponding period. The Group also posted a higher profit before taxation of RM26.2 million for the current quarter against previous corresponding quarter of RM23.1 million attributed mainly to a good performance in the palm & bio-integration segment and a higher share of profit in Jointly Controlled Entities.

Palm and Bio-Integration Business

Despite the depressed average CPO price of RM2,149 in Q 1, 2013 against RM2,957 in Q1, 2012, this segment managed to achieve the same level of profitability as in Q1 2012 due to a 43% increase in FFB production to 129,055 metric tonnes in Q1, 2013 compared to 89,963 in Q1, 2012 which also significantly reduced unit cost of production.

CPO production also increased by 25% from 62,227 metric tonnes in Q1, 2012 to 77,480 metric tonnes in Q1, 2013 due to vastly improved plant capacity utilization.

Wood Product Manufacturing & Forestation

For the current quarter, this segment achieved a higher revenue of RM13.0 million and a profit before finance cost of RM0.8 million due to higher demand from the local and new export market coupled with higher selling price.

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

The Group posted a lower profit before taxation of RM26.2 million as compared to RM34.4 million in the immediate preceding quarter mainly attributed to cyclical low crop production season and a lower share of profit from Jointly Controlled Entities.

However the Group’s revenue of RM280.1 million for the quarter review was 29.1% higher than the immediate preceding quarter of RM216.9 million mainly due to higher sale of CPO, cocoa and wood products.

3. Commentary on the prospects

Pressure from several factors including the earlier concerns about the rising inventory levels, moderating demand from importing countries and weak sentiment arising from bumper soybean crop from the South America has derailed the recovery of CPO price this quarter.

As the Board remains optimistic on the long term prospect of the palm oil industry, the Group will continue to focus on its oil palm planting programme in Indonesia while also actively exploring expansion opportunities in Malaysia.

With more young plantation areas coming into full maturity and achieving peak yield age, FFB production is expected to increase significantly in 2013. Declining inventory level in recent months is expected to lead to moderate price improvement. Additionally the increasing yield trend of the Group’s plantation will further reduce unit cost of production. Consequently, the Group can expect to achieve improved profit in the coming quarter.

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 31.3.2013 RM'000	Year to date 31.3.2013 RM'000
Interest income	(188)	(188)
Interest expenses	5,096	5,096
Dividend income	(559)	(559)
Rental income	(309)	(309)
Impairment loss on receivables (non-trade)	350	350
Impairment loss on inventories	32	32
Depreciation and amortization	11,181	11,181
(Gain)/loss on derivatives		
- Forward currency contracts	(1,311)	(1,311)
- Commodity future contracts	115	115
Net foreign exchange loss	1,902	1,902

6. Income Tax Expense

	Quarter 31.3.2013 RM'000	Year to date 31.3.2013 RM'000
Current tax:		
Malaysian income tax	3,930	3,930
Foreign tax	3,187	3,187
(Over)/Under provision in prior year		
Malaysian income tax	19	19
Foreign tax	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(2,313)	(2,313)
Over provision in prior year	(1)	(1)
	4,822	4,822

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

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

8. Group Borrowings and Debt Securities

Comprised :

	As at 31.3.2013 RM'000	**As at 31.12.2012 RM'000**
Total Group borrowings		
- secured	624,203	625,351
- unsecured	410,442	350,668
Short term borrowings		
- secured	105,336	107,277
- unsecured	405,415	345,699
Long term borrowings		
- secured	518,867	518,578
- unsecured	5,027	4,969

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

	Foreign currencies ('000)	**RM Equivalent ('000)**
EURO	325	1,287
USD	100,605	311,222
Total		312,509

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, 2013.

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**	
	2013	**2012**	**2013**	**2012**
Net profit for the period/quarter (RM'000)	19,925	15,053	19,925	15,053
Weighted average number of ordinary shares in issue ('000)	834,365	818,930	834,365	818,930
Basic earnings per ordinary share (sen)	2.39	1.84	2.39	1.84

(b) Diluted earnings per share

	Quarter ended 31 March		**YTD ended 31 March**	
	2013	**2012**	**2013**	**2012**
Net profit for the quarter/year (RM'000)	19,925	15,053	19,925	15,053
Weighted average no. of ordinary shares in issue ('000)*	834,365	818,930	834,365	818,930
Effect of ESOS ('000)	-	-	-	-
Weighted average no. of ordinary shares in issue ('000)*	834,365	818,930	834,365	818,930
Diluted earnings per ordinary share (sen)*	2.39	1.84	2.39	1.84

12. Disclosure of realised and unrealised profits and losses

Total unappropriated profit as at 31 March 2013 and 31 December 2012 is analysed as follows:

	As at end of current quarter 31.3.2013 RM'000	**As at end of preceding year 31.12.2012 RM'000**
Total retained profits of TSHR and its Subsidiaries		
- Realised	513,261	560,675
- Unrealised	(54,661)	(118,760)
	458,600	441,915
Total share of retained profits from associated Company		
- Realised	8,415	7,707
- Unrealised	(2,678)	(1,653)
Total share of retained profits from jointly controlled entities		
- Realised	62,644	57,805
- Unrealised	(6,727)	(5,919)
	520,254	499,855
Less: Consolidation adjustments	(7,428)	(6,954)
Total group retained profits as per consolidated accounts	512,826	492,901

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 May 2013.