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

EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 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 (cont'd)**

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

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 (cont'd)**

Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ending 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 30 June 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 except for the following:

Treasury shares

The cumulative shares bought back are currently held as treasury shares. The number of treasury shares held as at 30 June 2013 is as follows:

	No. of shares	**Amount (RM)**
Balance as at 1 January 2013	6,882,900	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 1 January/ 1 April 2013	6,883,900	12,253,590
Add : Purchase of treasury shares	1,000	2,374
	6,884,900	12,255,964
Less : Sale of treasury shares	-	-
Balance as at 30 June 2013	6,884,900	12,255,964

7. Debt and equity securities (cont'd)

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

Particulars	Par value (RM)	Cumulative number of shares
Balance as at 1January / 1 April 2013	0.50	841,248,533
Issuance of new shares	0.50	-
Balance as at 30 June 2013	0.50	841,248,533

8. Dividends paid

There were no dividends paid during the quarter ended 30 June 2013.

9. Segmental information

i) Business segments

Cumulative Quarter ended 30 June 2013

	Palm & Bio-Integration RM'000	Wood product manufacturing & forestation RM'000	Others RM'000	Consolidated RM'000
SEGMENT REVENUE	454,880	26,063	37,776	518,719
SEGMENT RESULTS	59,208	1,539	6,840	67,587
Unallocated expenses				(20,012)
Finance costs				(10,204)
Share of profit of an associate				(413)
Share of profit of jointly controlled entities				13,814
Profit before taxation				50,772
Income taxes				(10,716)
Cumulative profit up to 30 June 2013				40,056
OTHER INFORMATION				
SEGMENTS ASSETS	1,734,283	331,346	31,966	2,197,595
Investment in jointly controlled entities				82,420
Investment in associate				58,289
Unallocated assets				103,677
Consolidated total assets				2,341,981
SEGMENT LIABILITIES	801,255	38,430	2,270	841,955
Unallocated liabilities				468,101
Consolidated total liabilities				1,310,056

9. Segmental information (cont'd)

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000
Malaysia	299,799	1,291,322
Europe	15,182	11,192
United States of America	16,292	4,010
Indonesia	124,769	1,034,321
Middle East	1,338	-
South West Pacific	4,810	-
Singapore	53,674	-
Others	2,855	1,136
Total	**518,719**	**2,341,981**

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 comprising 2 ordinary shares of RM1 each. Bagan is the beneficial owner of 90% of the entire share capital of PT Andalas Wahana Sukses.

As at to date, all condition precedents pertaining to the acquisition of Bagan had been fulfilled by both parties and the acquisition of Bagan is deemed completed.

(b) On 3 June 2013, the Company made a submission to the Accounting and Corporate Regulatory Authority of Singapore to strike-off Abaca Enterprise Pte. Ltd. ("Abaca") and TSH Palmco (Singapore) Pte. Ltd. ("TSH Palmco"), both wholly-owned subsidiaries of the Company.

The striking-off of Abaca and TSH Palmco have no any material effect on the net assets and earnings per share of the Group for the financial year ending 31 December 2013.

The striking-off is currently pending for final completion.

11. Changes in composition of the Group (cont'd)

(c) On 20 June 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 Casa Logistic Sdn Bhd ("Casa Logistic") for a total purchase consideration of RM12,500,000 from Mega Everest Limited ("Mega Everest").

Casa Logistic is a private limited company, incorporated in Malaysia on 22 February 2013 with an issued and paid-up capital of RM2 comprising 2 ordinary shares of RM1 each. Casa Logistic is the beneficial owner of 90% of the entire share capital of PT Perkebunan Sentawar Membangun.

As at to-date, condition precedents pertaining to the acquisition of Casa Logistic had not been fulfilled yet.

12. Discontinued operation

There was no discontinued operation during the quarter ended 30 June 2013.

13. Capital commitments

The amount of commitments for capital expenditure as at 30 June 2013 is as follows:

	As at 30.6.2013 RM'000	As at 31.12.2012 RM'000
Approved and contracted for	14,933	21,189
Approved but not contracted for	24,277	28,455
	39,210	49,644

14. Changes in contingent liabilities or contingent assets

	As at 30.6.2013 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	17,476	16,907

15. Material related party transactions

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

	6 months ended 30 June 2013 RM'000
Sales of crude palm oil	235,006
Sales of palm kernel	27,392

16. Subsequent events

On 8 July 2013, the Company undertook a private placement of 20,860,000 new ordinary shares of RM0.50 each in TSH ("TSH Shares"), representing approximately 2.5% of the issued and paid-up share capital of the Company to be issued pursuant to the Proposed Private Placement, on the Main Market of Bursa Securities.

On 18 July 2013, the Company completed the private placement of 20,860,000 TSH Shares at an issue price of RM2.28 which represents a discount of approximately 4.6% over the five (5)-day volume weighted average market price of the TSH Shares up to and including 12 July 2013.

There was no other material event subsequent to the end of the reporting except the corporate proposal which has announced but not completed, 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 and current year to date, the Group registered revenue of RM238.7 million and RM518.7 million respectively compared to RM279.0 million and RM506 million for the corresponding period.

Despite lower revenue, the Group posted a higher profit before taxation of RM24.6 million and RM50.8 million for the current quarter and current year to date against previous corresponding quarter of RM20.3 million and RM43.3 million respectively. The improved performances were attributed mainly to significant increase in crop production and higher contributions from the share of profit in the Jointly Controlled Entities.

Palm and Bio-Integration Business

FFB production increased significantly by 33% to 121,675 metric tonnes due to more young plantation areas coming into full maturity and achieving peak yield age. Consequently CPO production also increased by 17% to 70,969 metric tonnes. However lower average CPO price of RM2,204 compared to RM3,002 in Q2, 2012, affected performance.

For the year to date, FFB production also increased by 39% from 180,981 metric tonnes in 2012 to 250,730 in 2013. CPO productions increased 26% from 118,152 metric tonnes to 148,558 metric tonnes.

Wood Product Manufacturing & Forestation

For the current quarter, this segment achieved a higher revenue of RM13 million and a profit before finance cost of RM0.8 million mainly due to higher timber revenue coupled with improved gross profit margin of wood product and lower operating expenses.

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

Operating profit for the current quarter at RM31.0 million was 27% higher than the operating profit of RM24.5 million for the immediate preceding quarter. However due to higher foreign exchange losses for the current quarter, profit before tax at RM24.6 million was slightly lower than the RM26.2 million for the immediate preceding quarter.

The Group’s revenue of RM238.7 million for the quarter review was 14.8% lower than the immediate preceding quarter of RM280.1 million due to lower CPO sale.

3. Commentary on the prospects

The CPO inventory level has been in a downward trend in recent months. However the lower inventory level and steep discount of CPO price against soya bean oil are not expected to have any significant boost on the CPO price in view of the coming higher crop production cycle and in the absence of demand growth. With the CPO price remains subdue and range-bound, the Group will strive to achieve a higher degree of efficiency in operations and to increase production yield in order to achieve better operational margin.

3. Commentary on the prospects (cont'd)

The Board remains optimistic on the long term prospect of the palm oil industry and will continue to focus on oil palm planting programme in Indonesia while also actively exploring expansion opportunities in Malaysia. With FFB production expected to increase significantly in 2013, 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 30.6.2013 RM'000	Year to date 30.6.2013 RM'000
Interest income	(212)	(400)
Interest expenses	5,108	10,204
Dividend income	(560)	(1,119)
Rental income	(277)	(586)
Impairment loss on receivables (non-trade)	-	350
Impairment loss on inventories	-	32
Depreciation and amortization	14,229	25,410
(Gain)/loss on derivatives		
- Forward currency contracts	1,101	(210)
- Commodity future contracts	(583)	(468)
Net foreign exchange loss	6,215	8,117

6. Income Tax Expense

	Quarter 30.6.2013 RM'000	Year to date 30.6.2013 RM'000
Current tax:		
Malaysian income tax	4,603	8,533
Foreign tax	3,045	6,232
(Over)/Under provision in prior year		
Malaysian income tax	39	58
Foreign tax	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(1,754)	(4,067)
Over provision in prior year	(39)	(40)
	5,894	10,716

6. Income Tax Expense (cont'd)

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

As at the date of this report, the status of corporate proposal announced but not completed is as follows:

a. On 18 July 2013, the Company, via its wholly-owned subsidiary, Bisa Jaya Sdn Bhd ("BJSB") had given an irrevocable undertaking ("Proposed Undertaking") to Felda Global Ventures Holding Berhad ("FGV") pursuant to a voluntary conditional take-over offer ("Conditional Take-Over Offer" or "Offer") by FGV to acquire all the voting shares of RM1.00 each in Pontian ("Pontian Shares") for a cash consideration of RM140.00 per Pontian Share ("Offer Price")

   The Proposed Disposal entails the disposal of the entire BJSB's equity stake in Pontian representing approximately 16.17% to FGV for a total cash consideration of RM195,813,660.

   The Proposed Disposal is expected to result in a gain of RM86.4million and an increase in EPS by approximately 10 sen.

   At the date of this report, the Proposed Disposal is not completed, pending for the fulfillment of term and conditions as set out in the Conditional Take-Over Offer.

8. Group Borrowings and Debt Securities

Comprised :

	As at 30.6.2013 RM'000	**As at 31.12.2012 RM'000**
Total Group borrowings		
- secured	624,949	625,351
- unsecured	414,487	350,668
Short term borrowings		
- secured	103,578	107,277
- unsecured	414,487	345,699
Long term borrowings		
- secured	521,371	518,074
- unsecured	-	4,969

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	92	378
USD	106,570	336,814
Total		337,192

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, 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 30 June		YTD ended 30 June	
	2013	2012	2013	2012
Net profit for the period/quarter (RM'000)	17,250	14,625	37,175	29,679
Weighted average number of ordinary shares in issue ('000)	834,364	818,930	834,365	818,930
Basic earnings per ordinary share (sen)	2.07	1.79	4.46	3.62

11. Earnings per share (cont'd)

(b) Diluted earnings per share

	Quarter ended 30 June		YTD ended 30 June	
	2013	**2012**	**2013**	**2012**
Net profit for the quarter/year (RM'000)	17,250	14,625	37,175	29,679
Weighted average no. of ordinary shares in issue ('000)	834,364	818,930	834,365	818,930
Effect of ESOS ('000)	-	-	-	-
Weighted average no. of ordinary shares in issue ('000)	834,364	818,930	834,365	818,930
Diluted earnings per ordinary share (sen)	2.07	1.79	4.46	3.62

12. Disclosure of realised and unrealised profits and losses

Total unappropriated profit as at 30 June 2013 and 31 December 2012 is analysed as follows:

	As at end of current quarter 30.6.2013 RM'000	As at end of preceding year 31.12.2012 RM'000
Total retained profits of TSHR and its Subsidiaries		
- Realised	529,038	560,675
- Unrealised	(63,339)	(118,760)
	465,699	441,915
Total share of retained profits from associated Company		
- Realised	8,336	7,707
- Unrealised	(2,678)	(1,653)
Total share of retained profits from jointly controlled entities		
- Realised	68,007	57,805
- Unrealised	(6,234)	(5,919)
	533,130	499,855
Less: Consolidation adjustments	(3,054)	(6,954)
Total group retained profits as per consolidated accounts	530,076	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 August 2013.