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

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

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 United Plantations Berhad ("Pontian") ("Pontian Shares") for a cash consideration of RM140.00 per Pontian Share ("Offer Price") which shall be reduced by the quantum of dividend declared after the offer date but prior to closing date of the offer.

On 9 September 2013, all conditions precedent pertaining to the disposal as set out in the Conditional Take-Over Offer had been complied with by both parties and the disposal is deemed completed.

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, resulted in a gain of RM85.3 million and an increase in EPS by approximately 10 sen.

Save for the above, there were no other items affecting assets, liabilities, equity, net income or cash flows that were unusual in nature, size or incidence during the current quarter and financial period ended 30 September 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:

<u>Treasury shares</u>

The cumulative shares bought back are currently held as treasury shares. The number of treasury shares held as at 30 September 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	2,000	4,638
	6,884,900	12,255,964
Less : Sale of treasury shares	-	-
Balance as at 30 June/ 1 July 2013	6,884,900	12,255,964
Add : Purchase of treasury shares	-	-
	6,884,900	12,255,964
Less : Sale of treasury shares	-	-
Balance as at 30 September 2013	6,884,900	12,255,964

The movement of the issued and fully paid-up ordinary shares of the Company during the quarter and the financial year to date ended 30 September 2013 are as follows:

Particulars	Par value (RM)	Cumulative number of shares
Balance as at 1January / 1 July 2013	0.50	841,248,533
Issuance of new shares[1]	0.50	62,580,000
Balance as at 30 September 2013	0.50	903,828,533

[1] The new shares are issued through a private placement at an issue price of RM2.24, RM2.27 and RM2.28 per share for cash.

8. Dividends paid

A first and final single tier dividend of 2.5 sen per ordinary shares for the year ended 31 December, 2012 amounted to RM 20,859,090.84 was paid on 23 July, 2013.

9. Segmental information

i) Business segments

Cumulative Quarter ended 30 September 2013

	Palm & Bio-Integration RM'000	Wood product manufacturing & forestation RM'000	Others RM'000	Consolidated RM'000
SEGMENT REVENUE	651,303	40,230	46,545	738,078
SEGMENT RESULTS	142,249	2,182	5,851	150,282
Unallocated expenses				(29,672)
Finance costs				(14,296)
Share of profit of an associate				312
Share of profit of jointly controlled entities				20,254
Profit before taxation				126,880
Income taxes				(3,864)
Cumulative profit up to 30 September 2013				123,016
OTHER INFORMATION				
SEGMENTS ASSETS	1,809,640	338,934	29,684	2,178,258
Investment in jointly controlled entities				77,610
Investment in associate				59,014
Unallocated assets				136,140
Consolidated total assets				2,451,022
SEGMENT LIABILITIES	787,624	40,781	7,768	836,173
Unallocated liabilities				452,692
Consolidated total liabilities				1,288,865

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000
Malaysia	420,477	1,441,056
Europe	24,757	11,323
United States of America	29,318	4,376
Indonesia	192,331	993,096
Middle East	2,721	-
South West Pacific	7,938	-
Singapore	53,674	-
Others	6,862	1,171
Total	**738,078**	**2,451,022**

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 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.

The striking-off is deemed completed on 23 September 2013.

(b) 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.

On 13 March, 2013 all conditions precedent pertaining to the acquisition of Bagan had been fulfilled by both parties and the acquisition of Bagan is deemed completed.

Bagan and PT Andalas Wahana Sukses are now subsidiary companies of TSH.

(c) 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. On 7 November 2013, both companies had been struck off from the Register pursuant to Section 344(2) of the Singapore Companies Act, Cap 50.

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.

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

(d) 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.

On 18 October, 2013 all conditions precedent pertaining to the acquisition of 2 ordinary shares of RM1 each, representing the 100% equity interest in Casa Logistic Sdn Bhd ("Casa Logistic") had been complied with by both parties. In this relation, the acquisition of Casa Logistic is deemed completed.

Casa Logistic and PT Perkebunan Sentawar Membangun are now subsidiary companies of TSH.

12. Discontinued operation

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

13. Capital commitments

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

	As at 30.9.2013 RM'000	As at 31.12.2012 RM'000
Approved and contracted for	14,135	21,189
Approved but not contracted for	18,001	28,455
	32,136	49,644

14. Changes in contingent liabilities or contingent assets

	As at 30.9.2013 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	15,486	16,907

15. Material related party transactions

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

	9 months ended 30 September 2013 RM'000
Sales of crude palm oil	338,264
Sales of palm kernel	42,722

16. Subsequent events

On 3 October, 2013 Cammal Cocoa Limited ("Cammal"), a dormant and wholly-owned subsidiary of CocoaHouse Sdn. Bhd., which in turn a wholly owned subsidiary of TSH commenced a voluntary winding-up in accordance with the laws in the Republic of Cameroon

The voluntary winding-up of Cammal will not have any material effect on the net assets and earnings per share of TSH Group for the financial year 2013.

Other than those disclosed in Part A Note 11(c), 11(d) and the above, there were no other material subsequent events during the period from the end of the quarter 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 to date, the Group registered revenue of RM219.4 million and RM738.1 million respectively compared to RM260.5 million and RM766.9 million for the corresponding period.

Despite lower revenue, the Group posted a higher profit before taxation of RM76.1 million and RM126.9 million for the current quarter and current year to date against previous corresponding quarter of RM21.8 million and RM65.1 million respectively.

The increase in profit was attributed to the gain on the disposal of investment securities in Pontian United Plantation Berhad, higher crop production and higher contributions from the share of profit in the Jointly Controlled Entities. However, the increase in profit was partially offset by primarily unrealised exchange losses arising from the strengthening of USD against the currencies in this region.

Excluding the gain on disposal of investment securities and exchange losses, core underlying profit for year to date improved 23% to RM93.1 million from RM75.8 million compared to the preceding year corresponding period.

Palm and Bio-Integration Business

For the quarter, FFB production increased significantly by 26% to 129,778 metric tonnes as more young plantation areas come into full maturity and achieving peak yield age. CPO production also increased by 7% to 75,543 metric tonnes.

For the year to date, FFB production has chalked up an impressive increase of 34% from 283,908 metric tonnes in 2012 to 379,673 in 2013. CPO productions also increased by 19% from 188,890 metric tonnes to 224,101 metric tonnes.

Despite the lower average CPO price of RM2,239 compared to RM2,692 in Q3, 2012, contribution from this segment for the quarter were broadly in line with the preceding year corresponding period.

Wood Product Manufacturing & Forestation

For the current quarter, this segment achieved a higher revenue of RM14 million and a profit before finance cost of RM0.4 million mainly due to higher revenue combined with improved gross profit margin of its wood products and lower operating expenses.

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 RM219.4 million for the quarter review was 8% lower than the immediate preceding quarter of RM238.7 million mainly due to lower palm product prices.

Profit before tax for the current quarter at RM76.1 million was higher than the RM24.6 million for the immediate preceding quarter due to the gain on disposal of the investment securities and improved performance from the Palm and Bio integration sector. However, the gain was partially offset by exchange losses of RM43.7 million in this quarter compared to RM7.3 million for the preceding quarter.

2. **Material changes in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter (cont'd)**

Excluding the gain on disposal of investment securities and exchange losses, core underlying profit for the quarter improved 8% to RM34.5 million from RM31.9 million compared to the preceding quarter.

3. **Commentary on the prospects**

CPO price soars recently on concerns of lower output and lower inventory level. With the expectation of new requirement for Biodiesel to use 7% palm oil in Malaysia, tightening of biodiesel mandate to cut gas/oil imports in Indonesia and other favorable demand and supply conditions, the current price improvement may sustain.

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. Cost optimisation and where appropriate, cost reduction will continue to be the focal point in driving increased operational efficiencies. 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 30.9.2013 RM'000	Year to date 30.9.2013 RM'000
Interest income	(279)	(678)
Interest expenses	4,092	14,296
Dividend income	(1,119)	(2,238)
Rental income	(173)	(759)
Impairment loss on receivables (non-trade)	-	350
Impairment loss on inventories	-	32
Depreciation and amortization	13,237	38,644
(Gain)/loss on derivatives		
- Forward currency contracts	694	484
- Commodity future contracts	917	449
Net foreign exchange loss	42,973	51,090
Gain on disposal of investment in securities	(85,310)	(85,310)
Gain on disposal of property, plant and equipment	51	(72)

6. Income Tax Expense

	Quarter 30.9.2013 RM'000	Year to date 30.9.2013 RM'000
Current tax:		
Malaysian income tax	(107)	8,426
Foreign tax	2,134	8,366
(Over)/Under provision in prior year		
Malaysian income tax	(280)	(222)
Foreign tax	135	135
Deferred tax:		
Relating to origination and reversal of temporary differences	(9,299)	(13,366)
Over provision in prior year	565	525
	(6,852)	3,864

The effective tax rate of the Group for the financial year to date is lower than the statutory tax rate mainly due to non taxable capital gain on the sale of Pontian sale coupled with the 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 date of this quarterly report.

8. Group Borrowings and Debt Securities

Comprised:

	As at 30.9.2013 RM'000	**As at 31.12.2012 RM'000**
Total Group borrowings		
- secured	644,715	625,351
- unsecured	351,513	350,668
Short term borrowings		
- secured	90,035	107,277
- unsecured	351,513	345,699
Long term borrowings		
- secured	554,680	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	262	1,152
USD	102,065	332,682
Total		333,834

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, 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 September		YTD ended 30 September	
	2013	2012	2013	2012
Net profit for the period/quarter (RM'000)	83,272	16,347	120,447	46,026
Weighted average number of ordinary shares in issue ('000)	856,131	824,220	841,646	820,873
Basic earnings per ordinary share (sen)	9.73	1.98	14.31	5.61

11. Earnings per share (cont'd)

(b) Diluted earnings per share

	Quarter ended 30 September		YTD ended 30 September	
	2013	**2012**	**2013**	**2012**
Net profit for the quarter/year (RM'000)	83,272	16,347	120,447	46,026
Weighted average no. of ordinary shares in issue ('000)	856,131	824,220	841,646	820,873
Effect of ESOS ('000)	-	-	-	-
Weighted average no. of ordinary shares in issue ('000)	856,131	824,220	841,646	820,873
Diluted earnings per ordinary share (sen)	9.73	1.98	14.31	5.61

12. Disclosure of realised and unrealised profits and losses

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

	As at end of current quarter 30.09.2013 RM'000	**As at end of preceding year 31.12.2012 RM'000**
Total retained profits of TSHR and its Subsidiaries		
- Realised	579,503	560,675
- Unrealised	(80,882)	(118,760)
	498,621	441,915
Total share of retained profits from associated Company		
- Realised	9,043	7,707
- Unrealised	(2,678)	(1,653)
Total share of retained profits from jointly controlled entities		
- Realised	60,325	57,805
- Unrealised	(3,333)	(5,919)
	561,978	499,855
Add: Consolidation adjustments	30,511	(6,954)
Total group retained profits as per consolidated accounts	592,489	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 19 November 2013.