EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 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. However, on 7 August 2013, MASB decided to extend the transitional period for another year, i.e. the adoption of the MFRS Framework by the Transitioning Entities will now be mandatory for annual periods on or after 1 January 2015.

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 2015. 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 indirect 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") 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 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 year ended 31 December 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 31 December 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 Sep/ 1 Oct 2013	6,884,900	12,255,964
Add : Purchase of treasury shares	1,000	2,884
	6,885,900	12,258,848
Less : Sale of treasury shares	-	-
Balance as at 31 December 2013	6,885,900	12,258,848

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 2013 are as follows:

Particulars	Par value (RM)	Cumulative number of shares
Balance as at 1 January 2013	0.50	841,248,533
Issuance of new shares[1]	0.50	62,580,000
Balance as at 30 September / 31 December 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

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

9. Segmental information

i) Business segments

Cumulative Quarter ended 31 December 2013

	Palm & Bio-Integration RM'000	Wood product manufacturing & forestation RM'000	Others RM'000	Consolidated RM'000
SEGMENT REVENUE	899,186	52,034	65,007	1,016,227
SEGMENT RESULTS	187,844	1,479	6,447	195,770
Unallocated expenses				(39,107)
Finance costs				(17,749)
Share of profit of an associate				770
Share of profit of jointly controlled entities				26,135
Profit before taxation				165,819
Income taxes				(7,135)
Cumulative profit up to 31 December 2013				158,684
OTHER INFORMATION				
SEGMENTS ASSETS	1,675,248	339,338	36,993	2,051,579
Investment in jointly controlled entities				83,491
Investment in associate				59,472
Unallocated assets				184,135
Consolidated total assets				2,378,677
SEGMENT LIABILITIES	742,046	39,956	13,236	795,238
Unallocated liabilities				417,491
Consolidated total liabilities				1,212,729

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000
Malaysia	588,658	1,314,625
Europe	27,164	30,285
United States of America	45,020	4,440
Indonesia	277,357	1,028,189
Middle East	3,966	-
South West Pacific	10,604	-
Singapore	53,674	-
Others	9,784	1,138
Total	**1,016,227**	**2,378,677**

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"), a wholly-owned subsidiary of CocoaHouse Industries Sdn Bhd 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 commenced 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 were 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 ended 31 December 2013.

The striking-off is deemed completed on 7 November 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.

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

Cammal's intended activities is trading of cocoa beans and cocoa waste but has not been able to fulfill its formation objective despite best endeavour by the members and directors since its incorporation on 18 June 2008 and has no intention to carry out any business in near future.

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

The voluntary winding-up is deemed completed on 21 November 2013.

(f) On 6 December 2013, the Company entered into a Share Sale Agreement ("SSA") to acquire 300,000 ordinary shares of RM1.00 each, representing 60% of the issued and paid-up share capital in Sg Kalabakan Estate Sdn. Bhd. ("SKE") for a purchase consideration of RM150,000,000 and assumption of liabilities of not more than RM30,000,000 from Ratus Awansari Sdn. Bhd. ("RASB").

SKE is a private limited company, incorporated in Malaysia on 15 January 2007 with an issued and paid-up share capital RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

The principal activity of SKE is to undertaking oil palm development in the locality of Kalabakan, Sabah ("Project Area"). Todate, SKE has planted a total of 2,979 hectares with 23,815 hectares of the total land area of 26,794 hectares available for future planting.

Based on the audited financial statements as at 31 December 2012, SKE has assets comprising mainly fixed assets and plantation development expenditure totalling RM41.2 million and payables totalling RM41.3 million with shareholders' fund of RM35,531.

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

(f) As at to-date, the SSA is still pending for final completion as certain condition precedents pertaining to the acquisition of SKE has not been fulfilled yet.

(g) On 13 December 2013, Afromal Cocoa Limited ("Afromal"), a dormant and wholly-owned subsidiary of CocoaHouse Sdn. Bhd., which in turn is a wholly-owned subsidiary of TSH has commenced a voluntary winding-up in accordance with the laws of Accra, Ghana.

Afromal's intended activities are purchasing of cocoa and exporting of processed and non-processed cocoa. However, Afromal has not been able to fulfill its formation objective despite best endeavour by the members and directors since its incorporation and has no intention to carry out any business in near future.

The voluntary winding-up of Afromal will not have any material effect on the net assets and earnings per share of TSH Group.

12. Discontinued operation

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

13. Capital commitments

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

	As at 31.12.2013 RM'000	As at 31.12.2012 RM'000
Approved and contracted for	21,037	21,189
Approved but not contracted for	11,505	28,455
	32,542	49,644

14. Changes in contingent liabilities or contingent assets

	As at 31.12.2013 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	14,886	16,907

15. Material related party transactions

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

	12 months ended 31 December 2013 RM'000
Sales of crude palm oil	468,015
Sales of palm kernel	63,020

16. Subsequent events

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

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

1. Performance review

The Group's revenue for the fourth quarter and current financial year rose 28% and 3% respectively to RM278.1 million and RM1,016.2 million compared to RM216.8 million and RM983.7 million for the previous corresponding quarter and year.

Profit before taxation advanced to RM38.9 million and RM165.8 million for the fourth quarter and current financial year against the previous corresponding quarter and year of RM34.9 million and RM100 million respectively.

The better performance in fourth quarter and current financial year were attributed to the high crop production, higher contributions from the share of profit in the Jointly Controlled Entities and the gain on the disposal of investment securities in Pontian United Plantation Berhad and 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 pretax profit for financial year improved 30% to RM146.4 million from RM112.6 million. Similarly for the fourth quarter, the results also improved by 44.6% to RM53.2 million from RM36.8 million compared to the preceding year corresponding period.

<u>Palm and Bio-Integration Business</u>

For the fourth quarter, the FFB production increased to 161,036 metric tonnes as more young plantation areas come into maturity and achieve peak yield age. Coupled with the higher average CPO price of RM2,392 compared to RM2,107 in Q4, 2012, the segment revenue improved by 27% and while operating profit excluding exchange gains/losses, surged 49.5 %.

For the year 2013, this segment also chalked up an impressive FFB production growth of 28% from 424,737 metric tonnes in 2012 to 542,951 in 2013. Despite the lower average CPO price of RM2,251 in 2013 compared to RM 2,650 in 2012, the profit margin improved due to lower production cost and operational efficiencies.

<u>Wood Product Manufacturing & Forestation</u>

For the fourth quarter, this segment achieved a higher revenue of RM12 million and lower loss before finance cost of RM0.6 million mainly due to higher sale volume 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 RM278.1 million for the quarter under review was 27% higher than the immediate preceding quarter of RM219.4 million mainly due the higher crop production and palm product prices.

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 of disposal of investment securities in previous quarter and exchange loss, core underlying profit for the quarter of RM 53.2 million showed an marked improvement over the RM34.5 million for the immediate preceding quarter buoyed by the higher FFB production and higher average palm product prices.

3. Commentary on the prospects

CPO price continue to improve steadily from previous quarters due to the expected weak seasonal production in the first half of the year and expected increased demand for bio-diesel. In the short term, the CPO price is expected to find support at the current level. In the mid term, the support level will depend on a number of factors like the level of discount to soy oil price, expected adverse weather conditions (El Nino phenomenon), biodiesel programme and the continuing demands from major countries like China and India.

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 expanding its plantation land in Malaysia. Cost optimisation through improvement in efficiency and efficacy as well as per hectare oil yield improvement will continue to be the focal point in driving reduction of unit cost of production. With FFB production expected to increase significantly in 2014, 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 31.12.2013 RM'000	Year to date 31.12.2013 RM'000
Interest income	(288)	(967)
Interest expenses	3,453	17,749
Dividend income	(926)	(3,164)
Rental income	(242)	(1,001)
Impairment loss on receivables	4,948	5,298
Impairment loss on inventories	3,643	3,675
Depreciation and amortization	7,456	46,100
Loss on derivatives		
- Forward currency contracts	654	1,138
- Commodity future contracts	378	827
Net foreign exchange losses		
- Realised	2,067	2,833
- Unrealised	11,586	61,910
Gain on disposal of investment in securities	-	(85,310)
Loss / (gain) on disposal of property, plant and equipment	14	(58)
Impairment loss for property plant & equip	1,059	1,059

6. Income Tax Expense

	Quarter 31.12.2013 RM'000	Year to date 31.12.2013 RM'000
Current tax:		
Malaysian income tax	3,388	11,814
Foreign tax	5,251	13,617
(Over)/Under provision in prior year		
Malaysian income tax	(578)	(800)
Foreign tax	(22)	113
Deferred tax:		
Relating to origination and reversal of temporary differences	(3,444)	(16,810)
Relating to change in tax rate	(1,312)	(1,312)
Over provision in prior year	(12)	513
	3,271	7,135

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 shares 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 31.12.2013 RM'000	**As at 31.12.2012 RM'000**
Total Group borrowings		
- secured	581,091	625,351
- unsecured	343,047	350,668
Short term borrowings		
- secured	55,000	107,277
- unsecured	343,047	345,699
Long term borrowings		
- secured	526,091	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	402	1,815
USD	109,740	359,452
Total		361,268

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, 2013 of 3.5 sen per share on 896,942,633 shares amounting to a dividend payable of approximately RM31.4 million 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	
	2013	2012	2013	2012
Net profit for the period/quarter (RM'000)	32,651	31,001	153,099	77,027
Weighted average number of ordinary shares in issue ('000)	896,943	834,366	855,624	824,265
Basic earnings per ordinary share (sen)	3.64	3.72	17.89	9.34

11. Earnings per share (cont'd)

(b) Diluted earnings per share

	Quarter ended 31 December		YTD ended 31 December	
	2013	**2012**	**2013**	**2012**
Net profit for the quarter/year (RM'000)	32,651	31,001	153,099	77,027
Weighted average no. of ordinary shares in issue ('000)	896,943	834,366	855,624	824,265
Effect of ESOS ('000)	-	-	-	-
Weighted average no. of ordinary shares in issue ('000)	896,943	834,366	855,624	824,265
Diluted earnings per ordinary share (sen)	3.64	3.72	17.89	9.34

12. Disclosure of realised and unrealised profits and losses

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

	As at end of current quarter 31.12.2013 RM'000	**As at end of preceding year 31.12.2012 RM'000**
Total retained profits of TSHR and its Subsidiaries		
- Realised	593,538	560,675
- Unrealised	(88,332)	(118,760)
	505,206	441,915
Total share of retained profits from associated Company		
- Realised	9,896	7,707
- Unrealised	(2,999)	(1,653)
Total share of retained profits from jointly controlled entities		
- Realised	65,953	57,805
- Unrealised	(2,815)	(5,919)
	575,241	499,855
Add: Consolidation adjustments	49,899	(6,954)
Total group retained profits as per consolidated accounts	625,140	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 25 February 2014.