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

EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014

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 2013.

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 2013.

2. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013 except for the following Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations which take effect from 1 January 2014.

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 10, FRS 12 and FRS 127 : Investment Entities	1 January 2014
Amendments to FRS 136: Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
Amendments to FRS 139: Novation of Derivation and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21: Levies	1 January 2014

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

2. Significant accounting policies (cont'd)

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 three year. MFRS will therefore be mandated for all companies for annual period beginning 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.

Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the period ended 31 March 2014 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 2013 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 2014.

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 March 2014 is as follows:

	No. of shares	Amount (RM)
Balance as at 1 January 2014	6,885,900	12,258,848
Add : Purchase of treasury shares	-	-
	6,885,900	12,258,848
Less : Sale of treasury shares	-	-
Balance as at 31 March 2014	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 March 2014 are as follows:

Particulars	Par value (RM)	Cumulative number of shares
Balance as at 1 January/ 31 March 2014	0.50	903,828,533

8. Dividends paid

There were no dividends paid during the quarter ended 31 March 2014.

9. Segmental information

i) Business segments

Cumulative Quarter ended 31 March 2014

	Palm & Bio-Integration RM'000	Wood product manufacturing & forestation RM'000	Others RM'000	Consolidated RM'000
SEGMENT REVENUE	256,770	9,869	20,488	287,118
SEGMENT RESULTS	76,272	457	2,588	79,318
Unallocated expenses				(7,859)
Finance costs				(6,042)
Share of profit of an associate				483
Share of profit of jointly controlled entities				7,028
Profit before taxation				72,928
Income taxes				(14,938)
Cumulative profit up to 31 March 2014				57,990
OTHER INFORMATION				
SEGMENTS ASSETS	1,786,937	339,962	26,052	2,152,951
Investment in jointly controlled entities				87,766
Investment in associate				60,003
Unallocated assets				185,216
Consolidated total assets				2,485,936
SEGMENT LIABILITIES	755,210	34,899	7,750	797,859
Unallocated liabilities				427,267
Consolidated total liabilities				1,225,126

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000
Malaysia	159,174	1,348,425
Europe	6,353	8,905
United States of America	16,043	4,003
Indonesia	98,814	1,123,499
Middle East	1,129	-
South West Pacific	1,987	-
Singapore	-	-
Others	3,618	1,104
Total	**287,118**	**2,485,936**

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 2013. 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 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").

As at to date, certain condition precedents pertaining to the acquisition has not been fulfilled by both parties and the acquisition of SKE is still pending for final completion.

(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.

(c) 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 on 13 December 2013 commenced a voluntary winding-up in accordance with the laws of Accra, Ghana. The voluntary winding-up of Afromal is currently pending for final completion.

12. Discontinued operation

There was no discontinued operation during the quarter ended 31 March 2014.

13. Capital commitments

The amount of commitments for capital expenditure as at 31 March 2014 is as follows:

	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
Approved and contracted for	16,246	21,037
Approved but not contracted for	31,394	11,505
	47,640	32,542

14. Changes in contingent liabilities or contingent assets

	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
Guarantee given to PT. Bank CIMB Niaga, TBK, to secure loan for Pembangunan Kebun Kelapa Sawit Plasma under a Plasma Scheme	15,940	14,886

15. Material related party transactions

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

	3 months ended 31 March 2014 RM'000
Sales of crude palm oil	128,984
Sales of palm kernel	24,427

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 1st Qtr 2014 advanced to RM287.1 million compared to RM280.6 million for the previous corresponding quarter.

Profit before taxation for the quarter rose 178% to RM72.9 million against the previous corresponding quarter of RM26.2 million.

The significantly improved performance was attributed to the high crop production, higher CPO price coupled with unrealised exchange gain arising from the strengthening of RM and Rupiah against the USD.

Palm and Bio-Integration Business

For the first quarter, this segment chalked up an impressive FFB production growth of 21% from 129,055 metric tonnes to 156,742 as more young plantation areas come into maturity and achieve peak yield age. Combined with the higher average CPO price of RM2,543 compared to RM2,159 in Q1 2013, the operating profit excluding exchange gains, surged 119%. The significant increase in profit was also due to improved margin resulting from lower unit production cost and operational efficiencies.

Wood Product Manufacturing & Others

For the first quarter 2014, wood product and reforestation segment achieved a lower revenue of RM9.9 million and lower profit before finance cost of RM0.5 million mainly due to lower export and delay in commencement of project in the domestic market.

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 RM287.1 million and profit before tax of RM72.9 million for the quarter under review were higher than the immediate preceding quarter of RM277.5 million and RM37.6 million respectively mainly due the rise in palm product prices and higher contribution from the jointly controlled entities. Higher profit was also due to the unrealised exchange gain.

3. Commentary on the prospects

In coming quarters, higher demand ahead of the festive season is expected to shore up the price of CPO. However, in the mid-term, the support level will depend on a number of factors like prices of the competitive oils, plantation cyclical effects and the much reported adverse weather conditions expected (El Nino phenomenon). In the longer term, the biodiesel programme and the continuing demands from major countries like China and India will have a significant effect on the CPO price.

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. With FFB production expected to increase significantly in 2014, the group can expect to achieve improved profit in the coming quarters. Apart from focusing on profit generation and cost optimisation in the operation, the Group is also committed to sustainability initiatives and the Board strongly believes in contributing positively towards social and environmental causes which in the long term, will create businesses sustainability and enhancement in value.

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 31.03.2014 RM'000	Year to date 31.03.2014 RM'000
Interest income	(257)	(257)
Interest expenses	6,042	6,042
Dividend income	(510)	(510)
Rental income	(232)	(232)
Bad debts written back	(180)	(180)
Depreciation and amortization	12,815	12,815
Fair value (gain)/loss on derivatives		
- Forward currency contracts	(52)	(52)
- Commodity future contracts	456	456
Net foreign exchange gain		
- Realised	(1,188)	(1,188)
- Unrealised	(16,655)	(16,655)
Gain on disposal of property, plant and equipment	(366)	(366)

6 Income Tax Expense

	Quarter 31.03.2014 RM'000	Year to date 31.03.2014 RM'000
Current tax:		
Malaysian income tax	3,206	3,206
Foreign tax	6,808	6,808
(Over)/Under provision in prior year		
Malaysian income tax	(470)	(470)
Foreign tax	566	566
Deferred tax:		
Relating to origination and reversal of temporary differences	4,858	4,858
Over provision in prior year	(30)	(30)
	14,938	14,938

The effective tax rate of the Group for the financial year to date is lower than the statutory tax rate mainly due to the tax incentives in respect of Pioneer and BioNexus status.

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 31.03.2014 RM'000	As at 31.12.2013 RM'000
Total Group borrowings		
- secured	620,741	607,557
- unsecured	311,306	316,812
Short term borrowings		
- secured	145,248	89,262
- unsecured	311,306	316,812
Long term borrowings		
- secured	475,493	518,295

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

	Foreign currencies ('000)	RM Equivalent ('000)
EURO	180	807
USD	112,462	367,245
Total		368,052

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, 2014.

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	
	2014	2013	2014	2013
Net profit for the period/quarter (RM'000)	52,174	19,925	52,174	19,925
Weighted average number of ordinary shares in issue ('000)	896,943	834,365	896,943	834,365
Basic earnings per ordinary share (sen)	5.82	2.39	5.82	2.39

(b) Diluted earnings per share

	Quarter ended 31 March		YTD ended 31 March	
	2014	2013	2014	2013
Net profit for the quarter/year (RM'000)	52,174	19,925	52,174	19,925
Weighted average no. of ordinary shares in issue ('000)	896,943	834,365	896,943	834,365
Effect of ESOS ('000)	-	-	-	-
Weighted average no. of ordinary shares in issue ('000)	896,943	834,365	896,943	834,365
Diluted earnings per ordinary share (sen)	5.82	2.39	5.82	2.39

12. Disclosure of realised and unrealised profits and losses

Total unappropriated profit as at 31 March 2014 and 31 December 2013 is analysed as follows:

	As at end of current quarter 31.03.2014 RM'000	As at end of preceding year 31.12.2013 RM'000
Total retained profits of TSHR and its Subsidiaries		
- Realised	753,278	720,069
- Unrealised	(166,550)	(215,192)
	586,728	504,877
Total share of retained profits from associated Company		
- Realised	10,351	9,714
- Unrealised	(3,043)	(3,433)
Total share of retained profits from jointly controlled entities		
- Realised	70,210	64,092
- Unrealised	(3,249)	(3,707)
	660,997	571,543
Add: Consolidation adjustments	15,387	52,667
Total group retained profits as per consolidated accounts	676,384	624,210

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 22 May 2014.