

**EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 31
DECEMBER 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 four year. MFRS will therefore be mandated for all companies for annual period beginning on or after 1 January 2016.

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 2016. 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 December 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 December 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 December 2014 is as follows:

	No. of shares	Amount (RM)
Balance as at 1 January 2014/ 31 March 2014	6,885,900	12,258,848
Add : Purchase of treasury shares	1,000	3,505
Balance as at 30 June 2014/ 30 Sep 2014	6,886,900	12,262,353
Less : Cancellation of treasury shares	(6,886,900)	(12,262,353)
Add : Purchase of treasury share	1,000	2,304
Balance as at 31 December 2014	1,000	2,304

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 2014 are as follows:

Particulars	Par value (RM)	No. of shares	Cumulative number of shares
Balance as at 1 January	0.50	903,828,533	903,828,533
Bonus issue	0.50	448,470,810	1,352,299,343
Cancellation of treasury shares	0.50	(6,886,900)	1,345,412,443

8. Dividends paid

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

9. Segmental information

i) Business segments

Cumulative Quarter ended 31 December 2014

	Palm & Bio- Integration RM'000	Wood product manufacturing & forestation RM'000	Others RM'000	Consolidated RM'000
SEGMENT REVENUE	975,587	43,496	60,825	1,079,908
SEGMENT RESULTS	204,536	(1,107)	15,652	219,081
Unallocated expenses				(41,454)
Finance costs				(15,099)
Share of profit of an associate				1,870
Share of profit of jointly controlled entities				6,385
Profit before taxation				170,783
Income taxes				(32,718)
Cumulative profit up to 31 December 2014				138,065
OTHER INFORMATION				
SEGMENTS ASSETS	1,977,297	343,928	20,886	2,342,111
Investment in jointly controlled entities				87,123
Investment in associate				61,390
Unallocated assets				106,770
Consolidated total assets				2,597,394
SEGMENT LIABILITIES	693,810	25,070	2,918	721,798
Unallocated liabilities				564,795
Consolidated total liabilities				1,286,593

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000
Malaysia	695,123	1,251,632
Europe	8,725	8,306
United States of America	8,666	5,168
Indonesia	353,268	1,331,184
Middle East	1,975	-
South West Pacific	6,735	-
Others	5,416	1,104
Total	1,079,908	2,597,394

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”).

The SSA had automatically lapsed following the non-fulfilment of certain conditions precedent on or before the extended Conditional Period of 5 July 2014.

- (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 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 final completion.
- (d) On 14 July 2014, the Company entered into a Share Sale Agreement to acquire 2 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital in Icon Field Ventures Sdn Bhd (“Icon”) for a total purchase consideration of USD7,650,000 (approximately RM24,480,000 based on an exchange rate of USD1.00 for RM3.20) from Wingate Consolidation Limited.

Icon is a private limited company, incorporated in Malaysia on 9 June 2014 with an issued and paid-up share capital of RM2 comprising 2 ordinary shares of RM1 each. Icon will be the beneficial owner of 90% of the entire share capital of PT Prima Usaha Sukses.

On 5 Jan, 2015 all conditions precedent pertaining to the acquisition of Icon had been fulfilled by both parties and the acquisition of Icon is deemed completed.

Icon and PT Prima Usaha Sukses are now subsidiary companies of TSH.

- (e) On 24 December 2014, the Company entered into a Share Sale Agreement to acquire 70,000 ordinary shares of RM1.00 each, representing the 70% of the issued and paid-up share capital in Rinukut Sdn Bhd (“RSB”) for a purchase consideration of RM 18,600,000 from TSH Ventures Sdn Bhd.

11. Changes in composition of the Group (continued)

RSB is a private limited company, incorporated in Malaysia on 29 August 2012 with an issued and paid-up share capital of RM100,000 comprising 100,000 ordinary shares of RM1 each. RSB will be the beneficial owner of 60% of the entire share capital of Rinukut Plantations Sdn Bhd (“RPSB”).

On 6 Jan, 2015 all conditions precedent pertaining to the acquisition of RSB had been fulfilled by both parties and the acquisition of RSB is deemed completed.

RSB and Rinukut Plantations Sdn Bhd are now subsidiary companies of TSH.

12. Discontinued operation

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

13. Capital commitments

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

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Approved and contracted for	12,753	21,037
Approved but not contracted for	15,478	11,505
	<u>28,231</u>	<u>32,542</u>

14. Changes in contingent liabilities or contingent assets

	As at 31.12.2014 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	<u>16,356</u>	<u>14,886</u>

15. Material related party transactions

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

	12 months ended 31 December 2014 RM'000
Sales of crude palm oil	500,311
Sales of palm kernel	85,565

16. Subsequent events

Other than those disclosed in note 11(e) above, 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 reported revenue of RM244.0 million and RM1,079.9 million for the Q4, 2014 and current year respectively compared to RM277.5 million and RM1,017.8 million for the previous corresponding period.

Profit before taxation for the quarter decreased to RM20.7 million as compared to RM37.6 million in the previous corresponding quarter. Excluding the foreign exchange losses of RM13.9 million and RM13.6 million in Q4, 2014 and Q4, 2013 respectively, the core operating profit for this quarter was RM34.6 million against RM51.2 million of the corresponding quarter in previous year.

Core operating profit for current year increased by 25% to RM180.7 million from RM144.4 million for the previous corresponding period due to higher FFB crop yield, higher palm product prices and lower unit cost of production. Profit before taxation for current financial year increased to RM 170.8 million compared with RM164.5 million registered last year.

Palm and Bio-Integration Business

For Q4, 2014, this segment reported a lower core segment operating profit of RM 35.9 million due to lower crop production of 157,878 metric tonnes compared to 161,036 metric tonnes in Q4, 2013 and lower average CPO price of RM2,165 compared to RM2,392 in Q4, 2013. Generally, FFB yield during Q4, 2014 was low due to unfavourable weather in Indonesia.

However for current financial year, FFB production surged by 18% from 542,951 metric tonnes in 2013 to 640,926 metric tonnes in 2014 as more young plantation areas come into maturity and achieved higher crop yield.

The core segment operating profit increased by 25% to RM 205.1 mil from RM 164.7 million last year mainly resulting from higher FFB production in 2014 and improvement in the production cost and operation efficiencies.

Wood Product Manufacturing & Others

For current financial year, wood product segment achieved lower revenue of RM10.5 million and reported an operating loss of RM1.6 million compared to operating profit of RM1.2 million in 2013, mainly attributed to lower demand from the export market and impairment losses made on trade receivable and inventories.

However, for Qtr 2014, the higher operating profit in wood and other segment was mainly due to recognition of a capital grant no longer required.

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

For the Q4, 2014 the Group registered revenue of RM244.0 million and profit before tax of RM20.7 million respectively compared with the immediate preceding quarter of RM246.9 million and RM33.6 million. Lower profit was mainly attributed to lower average CPO price and lower FFB production.

3. Commentary on the prospects

CPO prices are currently at about RM2,200 support level since the sharp fall in third quarter 2014 over the concern of ample supply of competitive edible oil. With the expectation of the increased biodiesel subsidy in Indonesia and lower crops production in the first half of 2015 following the dry weather condition in 2014 in Indonesia and Malaysia, CPO price are expected to improve further in 2015.

However in the longer term, the CPO will find its support from the growth in demand of oils and fats which is expected to outstrip the supply of edible oil. These will have a significant positive 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 and further expand its plantation land in Malaysia. While FFB production can be expected to increase in 2015, the Board is nonetheless mindful of the longer term impact of unfavourable weather on FFB yield in 2015. However the palm products segment which accounts for more than 90% of the revenue and profit for the Group will remain a significant contributor to Group profit.

Apart from focusing on profit generation and cost optimisation in the operation, and following TSH being registered as a RSPO member, the Group is 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 31.12.2014 <u>RM'000</u>	Year to date 31.12.2014 <u>RM'000</u>
Interest income	(714)	(1,803)
Interest expenses	2,583	15,099
Dividend income	22	(1,201)
Rental income	(201)	(900)
Impairment loss on trade receivables	212	284
Depreciation and amortization	11,012	50,723
Fair value (gain)/loss on derivatives		
- Forward currency contracts	316	(1,048)
- Commodity future contracts	(211)	670
Impairment loss on inventories	3,269	4,398
Impairment loss on investment	(358)	-
Net foreign exchange (gain)/ loss		
- Realised	(132)	(2,893)
- Unrealised	13,824	13,936
Gain on disposal of property, plant and equipment	(4,276)	(5,512)

5. Profits Before Tax (cont'd)

The following (gain)/loss have been included in arriving at profit before tax:

	Quarter 31.12.2014 <u>RM'000</u>	Year to date 31.12.2014 <u>RM'000</u>
Impairment loss on goodwill	4,500	4,500
Impairment loss on fixed assests	2,963	2,963
Fair value loss on sundry and plasma receivables	3,581	3,581

6 Income Tax Expense

	Quarter 31.12.2014 <u>RM'000</u>	Year to date 31.12.2014 <u>RM'000</u>
Current tax:		
Malaysian income tax	3,998	12,479
Foreign tax	3,368	21,882
(Over)/Under provision in prior year		
Malaysian income tax	(4)	330
Foreign tax	(431)	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(2,530)	(2,053)
Relating to changes in tax rates	4	(3)
Over provision in prior year	455	83
	<u>4,860</u>	<u>32,718</u>

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

7. Corporate proposals

On 11 August 2014, the Company raised a bonus issue of up to 451,914,266 new TSH Shares to be credited as fully paid-up on the basis of one (1) Bonus Share for every two (2) existing TSH Shares held on entitlement date. The Bonus Issue was approved by shareholders during the EGM held on 13 October 2014. Subsequently, 448,470,810 Bonus Shares was listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on Thursday, 30 October 2014.

8. Group Borrowings and Debt Securities

Comprised:

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Total Group borrowings		
- secured	582,318	607,557
- unsecured	453,091	316,812
Short term borrowings		
- secured	126,399	89,262
- unsecured	453,091	316,812
Long term borrowings		
- secured	455,920	518,295

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

	Foreign currencies ('000)	RM Equivalent ('000)
EURO	45	192
USD	110,262	385,529
Total		<u>385,721</u>

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, 2014 of 2.5 sen per share on 1,345,411,443 shares amounting to a dividend payable of approximately RM33.6 million will be proposed for shareholders' approval.

11. Earnings per share

(a) Basic earnings per share

Basic earnings per share amounts is 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.

	<u>Quarter ended</u> <u>31 December</u>		<u>YTD ended</u> <u>31 December</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net profit for the quarter/ year (RM'000)	13,658	30,517	125,489	150,963
Weighted average number of ordinary shares in issue ('000)	1,345,412	1,345,414	1,345,413	1,304,095
Basic earnings per ordinary share (sen)	1.02	2.27	9.33	11.58

The weighted average number of shares for the year 2014 and 2013 takes into account of the following:

- the weighted average effect of changes in treasury shares transactions during the year.
- bonus issue of 448,470,810 new ordinary shares of RM 0.50 each as disclosed in Note 7.

(b) Diluted earnings per share

This is not applicable to the Group.

12. Supplementary information – breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2014 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	As at end of current quarter 31.12.2014 RM'000	As at end of preceding Year 31.12.2013 RM'000
Total retained profits of TSHR and its Subsidiaries		
- Realised	711,006	720,069
- Unrealised	(154,730)	(215,192)
	556,276	504,877
Total share of retained profits from associated Company		
- Realised	11,607	9,714
- Unrealised	(3,490)	(3,433)
Total share of retained profits from jointly controlled entities		
- Realised	70,166	64,092
- Unrealised	(3,093)	(3,707)
Add: Consolidation adjustments	631,466 (10,712)	571,543 52,667
Total group retained profits as per consolidated accounts	620,754	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 24 February 2015.