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

EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2015

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 2014.

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 2014.

2. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2014 except for the following Amendments to FRSs and Annual improvement which take effect from 1 January 2015.

Description	Effective for annual periods beginning on or after
Amendments to FRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to FRS 2010 – 2012 Cycle	1 July 2014
Annual Improvements to FRS 2011 – 2013 Cycle	1 July 2014

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').

2. Significant accounting policies (cont'd)

Malaysian Financial Reporting Standards (MFRS Framework)

Transitioning Entities would be allowed to defer adoption of the new MFRS framework and continue to use the existing Financial Reporting Standards framework until the MFRS Framework is mandated by the MASB. According to an announcement made by the MASB on 2 September 2014, all Transitioning Entities shall adopt the MFRS framework and prepare their first MFRS financial statements for annual periods beginning on or after 1 January 2017.

The Group and the Company fall within the definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the year ending 31 December 2017. In presenting their first MFRS financial statements, the Group and the Company 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 2015 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 2014 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 2015.

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 during the quarter ended 31 March 2015

8. Dividends paid

There were no dividends paid during the quarter ended 31 March 2015.

9. Segmental information

i) Business segments

Cumulative Quarter ended 31 March 2015

	Palm Product RM'000	Wood product manufacturing & forestation RM'000	Bio-Integration & Others RM'000	Consolidated RM'000
SEGMENT REVENUE	180,032	10,191	15,805	206,028
SEGMENT RESULTS	35,824	(119)	5,956	41,661
Unallocated expenses				(9,229)
Gain on foreign exchange				(22,961)
Finance costs				(3,255)
Share of profit of an associate				465
Share of profit of jointly controlled entities				1,854
Profit before taxation				8,535
Income taxes				(1,717)
Cumulative profit up to 31 March 2015				6,818
OTHER INFORMATION				
SEGMENTS ASSETS	1,776,598	348,107	406,345	2,531,050
Investment in jointly controlled entities				72,752
Investment in associate				61,685
Unallocated assets				127,625
Consolidated total assets				2,793,112
SEGMENT LIABILITIES	684,743	25,959	81,436	792,139
Unallocated liabilities				678,860
Consolidated total liabilities				1,470,999

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000
Malaysia	112,241	1,364,897
Europe	1,309	6,749
United States of America	12,670	4,871
Indonesia	77,798	1,415,492
Middle East	-	-
South West Pacific	469	-
Others	1,541	1,103
Total	**206,028**	**2,793,112**

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 2014. 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) 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.

b) 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.

c) On 14 July 2014, the Company entered into a Share Sale Agreement ("SSA") 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 RM2.00 comprising 2 ordinary shares of RM1.00 each. Icon would be the beneficial owner of 90% of the entire share capital of PT Prima Usaha Sukses ("PTPUS").

   On 5 January 2015, all conditions precedent pertaining to the acquisition of Icon had been fulfilled by both parties and the acquisition of Icon is completed. Icon and PTPUS are now subsidiaries of the Company.

d) On 24 December 2014, the Company entered into a Share Sale Agreement ("SSA") 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 RM18,600,000 from TSH Ventures Sdn. Bhd.

   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 RM1.00 each. RSB is the beneficial owner of 60% of the entire share capital of Rinukut Plantations Sdn. Bhd. ("RPSB").

   On 23 January 2015, all conditions precedent pertaining to the acquisition of RSB had been fulfilled by both parties.RSB and RPSB are now subsidiaries of the Company.

e) On 17 April 2015,the Company acquired one shelf company, namely Restu Muhibbah Sdn. Bhd. ("RMSB") comprising two subscribers' shares of RM1.00 each for a total consideration of RM2.00. RMSB has an authorised share capital of RM400,000 divided into 400,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM2.00 comprising two ordinary shares of RM1.00 each. With the completion of the acquisition, RMSB becomes a wholly-owned subsidiary of the Company

12. Discontinued operation

There was no discontinued operation during the quarter ended 31 March 2015.

13. Capital commitments

The amount of commitments for capital expenditure as at 31 March 2015 is as follows:

	As at 31.3.2015 RM'000	As at 31.12.2014 RM'000
Approved and contracted for	8,108	12,753
Approved but not contracted for	22,488	15,478
	30,596	28,231
Balance of purchase price for new subsidiaries	-	35,464
	30,596	63,695

14. Changes in contingent liabilities or contingent assets

	As at 31.3.2015 RM'000	As at 31.12.2014 RM'000
Guarantee given to PT. Bank CIMB Niaga, TBK, to secure loan for Pembangunan Kebun Kelapa Sawit Plasma under a Plasma Scheme	16,432	16,356

15. Material related party transactions

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

	3 months ended 31 March 2015 RM'000
Sales of crude palm oil	85,383
Sales of palm kernel	15,894

16. Subsequent events

Other than those disclosed in note 11(c), (d) (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 RM206.0 million for the Q1, 2015 compared to RM287.1 million for the previous corresponding period. Core operating profit for this quarter was RM31.5 million against RM55.0 million of the corresponding quarter in previous year. Likewise, profit before taxation was also lower mainly attributed to the lower CPO price, seasonal low crop and exchanges differences.

Palm Product

For Q1, 2015, this segment reported an operating profit of RM 35.8 million due to lower crop production of 143,258 metric tonnes compared to 156,742 metric tonnes in Q1, 2014 and lower average CPO price of RM2,201 compared to RM2,543 in Q1, 2014. Generally, FFB yield during Q1, 2015 was low due to cyclical low crop yielding period but was also affected by the hangover of long term stress from 2014 drought in both Indonesia and East Malaysia and exacerbated by the dry weather during early 2015 in East Malaysia.

Wood Product Manufacturing

For Q1, 2015 this segment achieved a revenue of RM10.2 million and reported an operating loss of RM0.1 million compared to operating profit of RM0.1 million in 2014, mainly attributed to full recognition of deferred investment capital grant in respect of the carbon credit in 2014.

Bio integration and Other

For Q1, 2015, this segment reported revenue and operating profit of RM 15.9 million and RM6.0 million against RM 22.7 million and RM11 million for the corresponding period respectively mainly due to lower sale of energy and lower cocoa revenue.

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

For the Q1, 2015 the Group registered revenue of RM206.0 million compared with the immediate preceding quarter of RM235.2 million. Core operating profit for this quarter was RM 31.5 million against RM 31.1 million of the preceding quarter. However, lower profit before taxation was mainly attributed to higher exchange losses.

3. Commentary on the prospects

CPO price is currently trading at about RM2,100 support level since the sharp fall in 2014 amidst ample supply and declining prices of competitive edible oil. Given the prolonged situation above and supportive measure in Indonesia to increase biodiesel subsidy for 10 percent Palm oil blended in bio-diesel, CPO price is expected to trade around this level in 2015.

3 Commentary on the prospects (continued)

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 for the full year of 2015, the Board is nonetheless mindful of the longer term impact of unfavourable weather on FFB yield in 2015 as seen in the crop production for 1st Qtr 2015. The palm products segment which accounts for more than 85% of the revenue and profit for the Group will remain a significant contributor to Group profit.

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 31.3.2015 RM'000	Year to date 31.3.2015 RM'000
Interest income	(292)	(292)
Interest expenses	3,255	3,255
Dividend income	(3)	(3)
Rental income	(1,379)	(1,379)
Depreciation and amortization	12,349	12,349
Fair value (gain)/loss on derivatives		
- Forward currency contracts	(465)	(465)
- Commodity future contracts	56	56
Net foreign exchange (gain)/ loss		
- Realised	(222)	(222)
- Unrealised	23,648	23,648
Property, plant and equipment written off	8	8
Gain on disposal of property, plant and equipment	(260)	(260)
Write back of impairment loss on trade receivables	(131)	(131)
Write back of impairment loss on inventories	(1,035)	(1,035)

6 Income Tax Expense

	Quarter 31.3.2015 RM'000	Year to date 31.3.2015 RM'000
Current tax:		
Malaysian income tax	4,025	4,025
Foreign tax	3,179	3,179
(Over)/Under provision in prior year		
Malaysian income tax	1	1
Foreign tax	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(5,488)	(5,488)
Relating to changes in tax rates	-	-
Over provision in prior year	-	-
	1,717	1,717

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 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 31.3.2015 RM'000	As at 31.12.2014 RM'000
Total Group borrowings		
- secured	611,672	582,319
- unsecured	551,074	453,090
Short term borrowings		
- secured	93,989	115,808
- unsecured	551,074	453,090
Long term borrowings		
- secured	517,683	466,511

8. Group Borrowings and Debt Securities (continued)

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

	Foreign currencies ('000)	RM Equivalent ('000)
EURO	34	138
USD	119,000	440,802
Total		440,940

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

The Company did not declare any interim dividend for the current quarter ended 31 March, 2015.

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.

	Quarter ended 31 March		YTD ended 31 March	
	2015	2014	2015	2014
Net profit for the quarter/ year (RM'000)	6,437	52,174	6,437	52,174
Weighted average number of ordinary shares in issue ('000)	1,345,412	1,345,413	1,345,412	1,345,413
Basic earnings per ordinary share (sen)	0.48	3.88	0.48	3.88

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

a) the weighted average effect of changes in treasury shares transactions during the year.
b) bonus issue of 448,470,810 new ordinary shares of RM 0.50 each.

(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 March 2015 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 31.3.2015 RM'000	**As at end of preceding Year 31.12.2014 RM'000**
Total retained profits of TSHR and its Subsidiaries		
- Realised	806,714	696,804
- Unrealised	(219,755)	(151,754)
	586,959	545,050
Total share of retained profits from associated Company		
- Realised	11,904	11,486
- Unrealised	(3,562)	(3,490)
Total share of retained profits from jointly controlled entities		
- Realised	56,642	70,166
- Unrealised	(3,176)	(6,554)
	648,767	616,658
Add: Consolidation adjustments	(35,725)	(10,052)
Total group retained profits as per consolidated accounts	613,042	606,606

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 May 2015.