

**Condensed Consolidated Statement of Comprehensive Income
For The Quarter and Year-To-Date Ended 31 December 2019**

	Quarter Ended			Year-To-Date Ended		
	31.12.2019 RM'000	31.12.2018 RM'000	Changes %	31.12.2019 RM'000	31.12.2018 RM'000	Changes %
Revenue	241,490	221,627	9%	838,946	906,441	-7%
Cost of sales	<u>(160,426)</u>	<u>(171,096)</u>	-6%	<u>(576,159)</u>	<u>(619,941)</u>	-7%
Gross profit	81,064	50,531	60%	262,787	286,500	-8%
Other operating income	12,298	14,177	-13%	76,695	30,062	155%
Other operating expenses	<u>(58,817)</u>	<u>(46,672)</u>	26%	<u>(236,681)</u>	<u>(188,377)</u>	26%
Operating profit	34,545	18,036	92%	102,801	128,185	-20%
Finance costs	(12,940)	(11,087)	17%	(53,139)	(44,036)	21%
Share of profit of an associate	2,191	543	304%	2,058	2,235	-8%
Share of profit of joint ventures	<u>(1,289)</u>	<u>2,046</u>	-163%	<u>17,231</u>	<u>5,015</u>	244%
Core profit before taxation	22,507	9,538	136%	68,951	91,399	-25%
Gain/ (Loss) on foreign exchange	9,540	2,270	320%	4,843	(9,736)	-150%
Profit before taxation	<u>32,047</u>	<u>11,808</u>	171%	<u>73,794</u>	<u>81,663</u>	-10%
Taxation	<u>(13,368)</u>	<u>5</u>	-267460%	<u>(28,104)</u>	<u>(29,739)</u>	-5%
Profit for the period	<u>18,679</u>	<u>11,813</u>	58%	<u>45,690</u>	<u>51,924</u>	-12%
Other comprehensive (loss)/ income <i>Item that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation differences	(1,323)	63,819	102%	40,167	(58,492)	169%
<i>Item that will not be reclassified subsequently to profit or loss:</i>						
Remeasurements of net defined benefit liabilities	<u>(13)</u>	<u>870</u>	-102%	<u>(13)</u>	<u>870</u>	-102%
Other comprehensive (loss)/ income for the period, net of tax	<u>(1,336)</u>	<u>64,689</u>	102%	<u>40,154</u>	<u>(57,622)</u>	170%
Total comprehensive income/ (loss) for the period	<u>17,343</u>	<u>76,502</u>	77%	<u>85,844</u>	<u>(5,698)</u>	1607%
Profit attributable to :						
Owners of the parent	18,408	10,409	77%	44,034	40,462	9%
Non-controlling interests	<u>271</u>	<u>1,404</u>	-81%	<u>1,656</u>	<u>11,462</u>	-86%
	<u>18,679</u>	<u>11,813</u>	58%	<u>45,690</u>	<u>51,924</u>	-12%
Total comprehensive income/ (loss) attributable to :						
Owners of the parent	17,176	72,158	76%	81,310	(13,150)	718%
Non-controlling interests	<u>167</u>	<u>4,344</u>	-96%	<u>4,534</u>	<u>7,452</u>	-39%
	<u>17,343</u>	<u>76,502</u>	77%	<u>85,844</u>	<u>(5,698)</u>	-1607%
Earnings per share attributable to equity holders of the Company						
Basic (sen)	1.33	0.75	77%	3.19	2.93	9%
Diluted (sen)	1.33	0.75	77%	3.19	2.93	9%

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2018

Condensed Consolidated Statement of Financial Position
As at 31 December 2019

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,755,963	1,937,077
Biological assets	402,518	400,571
Land use rights	-	182,511
Right-of-use assets	400,789	-
Intangible assets	56,880	56,172
Investment in an associate	80,595	79,588
Investments in joint ventures	78,411	69,181
Deferred tax assets	12,627	14,606
Other receivables	86,842	79,081
Investment securities	50	50
	<u>2,874,675</u>	<u>2,818,837</u>
Current assets		
Biological assets	9,304	5,086
Inventories	172,455	200,008
Trade and other receivables	63,066	52,417
Other current assets	12,173	21,113
Tax recoverable	13,340	11,175
Investment securities	6	8
Derivative assets	-	799
Cash and bank balances	125,854	108,003
	<u>396,198</u>	<u>398,609</u>
TOTAL ASSETS	<u><u>3,270,873</u></u>	<u><u>3,217,446</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	740,512	740,512
Treasury shares	(1,467)	(8)
Other reserves	(190,080)	(227,583)
Retained earnings	889,991	860,195
	<u>1,438,956</u>	<u>1,373,116</u>
Non-controlling interests	136,051	131,517
Total equity	<u>1,575,007</u>	<u>1,504,633</u>
Non-current liabilities		
Borrowings	896,149	792,637
Retirement benefits	17,944	16,084
Hire purchase payables	-	99
Deferred tax liabilities	136,271	138,202
Lease liabilities	2,153	-
	<u>1,052,517</u>	<u>947,022</u>
Current liabilities		
Borrowings	535,648	663,118
Hire purchase payables	-	30
Trade and other payables	100,635	99,088
Derivative liabilities	5,129	689
Current tax payable	1,160	2,866
Lease liabilities	777	-
	<u>643,349</u>	<u>765,791</u>
Total liabilities	<u>1,695,866</u>	<u>1,712,813</u>
TOTAL EQUITY AND LIABILITIES	<u><u>3,270,873</u></u>	<u><u>3,217,446</u></u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2018

Condensed Consolidated Statement of Changes In Equity
For The Year-To-Date Ended 31 December 2019

	← Attributable to owners of the parent →						Retained Earnings RM'000	Equity attributable to owners of the parent RM'000	Non-controlling Interests RM'000	Equity Total RM'000
	← Non-distributable →			→ Distributable						
	Share Capital RM'000	Treasury Shares RM'000	Asset Revaluation Reserves RM'000	Capital Reserves RM'000	Share Of Associate Reserves RM'000	Foreign Currency Translation Reserves RM'000				
Balance as at 1 January 2019	740,512	(8)	-	9,630	99	(237,312)	860,195	1,373,116	131,517	1,504,633
Effect of adoption of MFRS16	-	-	-	-	-	-	(193)	(193)	-	(193)
As at 1 January 2019, as restated	740,512	(8)	-	9,630	99	(237,312)	860,002	1,372,923	131,517	1,504,440
Profit for the period	-	-	-	-	-	-	44,034	44,034	1,656	45,690
Other comprehensive income										
Foreign currency translation	-	-	-	-	-	37,503	(214)	37,289	2,878	40,167
Remeasurements of net defined benefit liabilities	-	-	-	-	-	-	(13)	(13)	-	(13)
Other comprehensive income/ (loss) for the period, net of tax	-	-	-	-	-	37,503	(227)	37,276	2,878	40,154
Total comprehensive income for the period	-	-	-	-	-	37,503	43,807	81,310	4,534	85,844
Purchase of treasury shares	-	(1,459)	-	-	-	-	-	(1,459)	-	(1,459)
Dividends paid	-	-	-	-	-	-	(13,818)	(13,818)	-	(13,818)
Balance as at 31 December 2019	<u>740,512</u>	<u>(1,467)</u>	<u>-</u>	<u>9,630</u>	<u>99</u>	<u>(199,809)</u>	<u>889,991</u>	<u>1,438,956</u>	<u>136,051</u>	<u>1,575,007</u>
Balance as at 1 January 2018	740,512	(8)	109,440	9,630	215	(50,226)	667,310	1,476,873	130,373	1,607,246
- prior year adjustment	-	-	(109,440)	-	(116)	(132,604)	179,189	(62,971)	(5,328)	(68,299)
- as restated	740,512	(8)	-	9,630	99	(182,830)	846,499	1,413,902	125,045	1,538,947
Profit for the period	-	-	-	-	-	-	40,462	40,462	11,462	51,924
Other comprehensive losses										
Foreign currency translation	-	-	-	-	-	(54,482)	-	(54,482)	(4,010)	(58,492)
Remeasurements of net defined benefit liabilities	-	-	-	-	-	-	870	870	-	870
Other comprehensive (loss)/ income for the period, net of tax	-	-	-	-	-	(54,482)	870	(53,612)	(4,010)	(57,622)
Total comprehensive (loss)/ income for the period	-	-	-	-	-	(54,482)	41,332	(13,150)	7,452	(5,698)
Dividends paid	-	-	-	-	-	-	(27,636)	(27,636)	-	(27,636)
Dividends paid to non controlling interests	-	-	-	-	-	-	-	-	(980)	(980)
Balance as at 31 December 2018	<u>740,512</u>	<u>(8)</u>	<u>-</u>	<u>9,630</u>	<u>99</u>	<u>(237,312)</u>	<u>860,195</u>	<u>1,373,116</u>	<u>131,517</u>	<u>1,504,633</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2018

Condensed Consolidated Statement of Cash Flows
For The Year-To-Date Ended 31 December 2019

	Year-To-Date Ended	
	31.12.2019 RM'000	31.12.2018 RM'000
Cash Flows from Operating Activities		
Profit before taxation	73,794	81,663
Adjustments for :-		
Depreciation and amortisation	100,320	81,313
Fair value loss of the commodity futures contract	3,924	5,501
Net unrealised foreign exchange gain	(12,160)	(6,495)
Gain on disposal of property, plant and equipment	(1,449)	(644)
Write back of impairment on trade and other receivables	(1,673)	(17)
(Write back of impairment)/ Impairment loss on property, plant and equipment	(148)	39
Property, plant and equipment written off	5,143	575
Inventories written off	16,259	1,850
Net inventories written down	4,130	45
Impairment loss on investment securities	2	19
Net loss on redemption of short-term funds	-	100
Changes in fair value of financial guarantee contracts	330	(28)
Net (gain)/ loss from fair value adjustment of FFB	(4,769)	2,709
Share of profit of joint ventures	(17,231)	(5,015)
Share of profit of an associate	(2,058)	(2,235)
Loss/ (Gain) from fair value adjustment of forest planting expenditure	1,393	(4,562)
Interest expense	53,139	44,036
Interest income	(15,864)	(8,184)
Dividend income	(9)	(169)
	203,073	190,501
Operating profit before working capital changes		
Changes in working capital		
Decrease in inventories	7,193	7,400
(Increase)/ Decrease in receivables	(13,903)	29,769
Increase/ (Decrease) in payables	2,921	(4,865)
	199,284	222,805
Cash generated from operations		
Income tax paid	(31,729)	(49,900)
	167,555	172,905
Net cash generated from operating activities		
Cash Flows from Investing Activities		
Placements of short-term funds	-	(100)
Withdrawals/ (Placements) of deposits with maturity of over 3 months	823	(1,506)
Placements of pledged deposits	-	1,355
Purchase of property, plant and equipment	(98,286)	(144,925)
Payment of land use rights	(36)	(2,475)
Payment of forest planting expenditure	(4,267)	(6,196)
Proceeds from disposal of property, plant and equipment	1,730	1,022
Interest received	15,864	8,184
Dividends received	9	169
Dividends received from an associate & joint ventures	9,051	12,152
	(75,112)	(132,320)
Net cash used in investing activities		
Cash Flows from Financing Activities		
Purchase of treasury shares	(1,459)	-
Net (repayments)/ drawdowns of term loans/medium term notes	(23,958)	13,234
Net drawdowns/ (repayments) in other borrowings	11,576	(7,198)
Net repayments of lease liabilities	(996)	(28)
Interest paid	(53,139)	(44,036)
Dividends paid to non-controlling interests	-	(980)
Dividends paid	(13,818)	(27,636)
	(81,794)	(66,644)
Net cash used in financing activities		
Net increase/ (decrease) in cash and cash equivalents	10,649	(26,059)
Cash and cash equivalents at beginning of period	99,843	127,904
Effect of exchange rate changes	6,463	(2,002)
Cash and cash equivalents at end of period	116,955	99,843

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2018

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EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's audited financial statement for the financial year ended 31 December 2018.

These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2018 except for the following Amendments to MFRSs and Annual improvement which take effect from 1 January 2019:

i) Adoption of MFRS 16

MFRS 16 'Leases' replaces MFRS 117 'Leases' and its related interpretations. MFRS 16 introduces a single lessee accounting model and eliminates the classification of leases by the lessee as either finance leases (on-balance sheet) or operating leases (off-balance sheet).

Lessee

At the commencement date of a lease, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the profit or loss.

Lessor

Lessor accounting under MFRS 16 is substantially similar as the accounting under MFRS 117. Lessor will continue to classify leases using the same classification principle as in MFRS 117 namely, operating and finance leases.

The changes in accounting policies have been applied retrospectively from 1 January 2019. In accordance with the transition requirements, the comparatives are not restated.

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1. Basis of preparation (continued)

The impact of the changes in accounting policy on the financial statements as a result of the transition to the MFRS Framework are as follows :

Condensed Consolidated Statement of Financial Position

(RM'000)	31.12.2018	Effects On Adoption of MFRS 16	01.01.2019
<u>Non-current assets</u>			
Property, plant & equipment	1,937,077	(220,779)	1,716,298
Right-of-use assets	-	406,661	406,661
Land use rights	182,511	(182,511)	-
Deferred tax assets	14,606	56	14,662
<u>Current assets</u>			
Other current assets	21,113	(138)	20,975
<u>Equity</u>			
Retained earnings	860,195	(193)	860,002
<u>Non-current liabilities</u>			
Hire purchase payables	99	(99)	-
Lease liabilities	-	2,801	2,801
<u>Current liabilities</u>			
Hire purchase payables	30	(30)	-
Lease liabilities	-	810	810

The Group has also adopted the following amendments to MFRS that came into effect which did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

Title	Effective Date
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015- 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015- 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015- 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015- 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019

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1. Basis of preparation (continued)

At the date of authorisation of these interim financial statements, the following MFRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been applied by Group :

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>MFRS 17 Insurance Contracts</i>	1 January 2021
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

2. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2018 was unmodified.

3. 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.

4. Unusual items

A fire occurred at a factory of our subsidiary, Ekowood International Berhad on 18 Feb 2019. As a result, the property, plant and equipment and inventories damaged during the fire have been fully written off. The aforesaid damage and insurance claims are disclosed in note 5, Part B. Apart from the above, there were no other unusual items affecting assets, liabilities, equity, net income, or cash flows during the year ended 31 December 2019.

5. Changes in estimates

There were no changes in estimates that have had a material impact in the current quarter results.

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6. 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 2019 is as follows:

	No. of shares '000	Amount (RM'000)
Balance as at 1 January 2019	4	8
Add : Purchase of treasury shares	1,625	1,459
Balance as at 31 December 2019	1,629	1,467

7. Dividends paid

There were no dividends paid during the quarter ended 31 December 2019.

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8. Segmental information

i) Business segments

Year-To-Date ended 31 December 2019

	Palm Product RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
External Revenue	724,838	114,108	-	838,946
Inter-Segment	21,722	-	(21,722)	-
TOTAL REVENUE	746,560	114,108	(21,722)	838,946
SEGMENT RESULTS	95,300	30,004		125,304
Unallocated corporate expenses				(22,503)
Loss on foreign exchange				4,843
Finance costs				(53,139)
Share of profit of an associate				2,058
Share of profit of joint ventures				17,231
Profit before taxation				73,794
Income taxes				(28,104)
Cumulative profit up to 31 December 2019				45,690
OTHER INFORMATION				
SEGMENTS ASSETS	2,263,084	758,462		3,021,546
Investments in joint ventures				78,411
Investment in an associate				80,595
Deferred tax assets				12,627
Tax recoverable				13,340
Unallocated assets				64,354
Consolidated total assets				3,270,873
SEGMENT LIABILITIES	29,363	84,390		113,753
Borrowings				1,431,797
Deferred tax liabilities				136,271
Unallocated liabilities				14,045
Consolidated total liabilities				1,695,866

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8. Segmental information (continued)

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000
Malaysia	387,631	1,445,355
Indonesia	393,550	1,819,747
Europe	3,865	4,765
United States of America	45,759	299
Others	8,141	707
Total	838,946	3,270,873

9. Changes in composition of the Group

On 7 February 2019, the Company incorporated a new subsidiary known as PT Aman Mulia Gemilang ('PTAMG') in Indonesia.

The issued and paid-up capital PTAMG is Rupiah 2.5 billion, divided into 2,500 shares of Rupiah 1.0 million each. TSH has subscribed for a total 1,625 shares, representing 65% of the entire issued and paid-up capital of PTAMG for a total subscription consideration of Rupiah 1.625 billion (or equivalent to RM473,000).

Apart from above, there were no significant changes in the composition of the Group for the year ended 31 December 2019 including business combination, acquisition or disposal of subsidiaries and long-term investments, and restructuring.

10. Discontinued operation

There was no discontinued operation during the quarter ended 31 December 2019.

11. Commitments

Capital commitments

The amount of commitments for capital expenditure as at 31 December 2019 is as follows:

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Approved and contracted for	11,528	10,811
Approved but not contracted for	26,613	25,678
	<u>38,141</u>	<u>36,489</u>

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12. Changes in contingent liabilities or contingent assets

As at the date of issue of this interim financial report, there were no contingent liabilities and contingent assets that had arisen since 31 December 2018.

13. Material related party transactions

Significant transactions between the Group and its joint ventures are as follows:

	Year-To-Date ended 31 December 2019 RM'000
Sales of crude palm oil	278,549
Sales of palm kernel	35,813

14. Subsequent events

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

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

1. Performance review

The Group's revenue for the quarter ended 31 December 2019 ("Q4 2019") and the year ended 31 December 2019 ("12M 2019") were RM241.5 million and RM838.9 million respectively, compared to RM221.6 million and RM906.4 million for the corresponding periods last year. The higher revenue for Q4 2019 was mainly attributable to higher average Crude Palm Oil ("CPO") selling price. The lower revenue for the 12M 2019 was mainly attributable to lower average CPO and Palm Kernel ("PK") selling prices.

In line with the increase in revenue, the Group's core profit for Q4 2019 increased to RM22.5 million from RM9.5 million for the corresponding period last year. For 12M 2019, the Group's core profit declined to RM69.0 million from RM91.4 million in line with the decline in revenue.

Profit before taxation for Q4 2019 increased to RM32.0 million from RM11.8 million for the corresponding comparative period due to higher revenue and gain on foreign exchange. However, for 12M 2019, profit before taxation reduced to RM73.8 million from RM81.7 million in the corresponding comparative period as a result of lower revenue attributable to lower average CPO price.

1.1 Palm Products

This segment reported higher revenue of RM213.2 million for Q4 2019, compared with RM183.5 million for the corresponding period last year mainly due to higher CPO price. Accordingly, the segment profit for Q4 2019 was also higher at RM38.0 million compared to RM15.7 million for the corresponding period in 2018. For 12M 2019, the segment reported lower revenue of RM724.8 million as compared to RM769.5 recorded for the corresponding period last year mainly due to lower CPO and PK prices. The segment profit for 12M 2019 was lower at RM95.3 million as compared to RM122.2 million for the corresponding period in 2018 in line with the decline in revenue.

Average CPO prices for Q4 2019 and 12M 2019 were RM2,250 per MT and RM1,995 per MT respectively, compared with RM1,780 per MT and RM2,086 per MT for the corresponding periods last year. As for FFB production, the Group achieved 240,590 MT and 893,738 MT in Q4 2019 and 12M 2019 respectively compared with 205,875 MT and 857,801 MT in the corresponding periods last year.

1.2 Others

This segment reported lower revenue of RM28.3 million and RM114.1 million for the Q4 2019 and 12M 2019 respectively, compared with RM38.1 million and RM137.0 million for the corresponding periods last year. The lower revenue was mainly due to lower contribution from the wood division as its production was impacted by a fire at its factory in February 2019.

The operating profit for Q4 2019 of RM4.5 million was lower compared with RM9.1 million in the corresponding period last year mainly due to lower profit contribution from wood division and cocoa division. Operating profit for 12M 2019 at RM30.0 million is largely in line with operating profit registered in 12M 2018.

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

For Q4 2019, the Group registered revenue of RM241.5 million which was higher compared with the revenue for the immediate preceding quarter of RM203.8 million mainly due to higher CPO and PK revenue.

The Group registered higher core profit before tax of RM22.5 million, compared with RM20.4 million for the preceding quarter mainly due to higher profit contribution from palm division.

Profit before taxation for Q4, 2019 of RM32.0 million was also higher compared to RM15.0 million in Q3, 2019 due to higher core profit and gain on foreign exchange vis-a-vis exchange loss for Q3, 2019.

3. Commentary on the prospects

CPO prices since the beginning of 2020 have been hovering at levels much above the 2019 average. This has provided a more favourable outlook for the oil palm sector in 2020. However we are conscious that CPO price and demand are susceptible to a myriad of factors affecting global trade and economy, a case in point being the current COVID-19 outbreak which had led to the recent volatility in CPO prices. If CPO price continues to hover at current levels, the Board anticipates the performance for financial year 2020 to be satisfactory.

The Board remains optimistic on the long term prospect of the palm oil industry due to the higher per capital income, many health qualities of palm oil and population growth, which will drive greater demand. Palm products segment which accounts for approximately 86% of the revenue for the Group will remain the core contributor to the Group profit. Management will continue its focus on the productivity and efficiency improvement to reduce unit cost of production.

4. Profit forecast or profit guarantee

The Group is not involved in any profit guarantee arrangement or providing any forecast profit.

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5. Profit Before Tax

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

	Quarter Ended 31.12.2019 RM'000	Year-To-Date Ended 31.12.2019 RM'000
Insurance claims	(115)	(41,701)
Interest income	(6,806)	(15,864)
Interest expense	12,940	53,139
Dividend income	-	(9)
Rental income	(353)	(1,199)
Depreciation and amortization	25,778	100,320
Fair value loss on derivatives		
- Forward currency contracts	1,486	1,285
- Commodity futures contracts	4,726	3,924
Net foreign exchange loss/(gain)		
- Realised	7,294	7,317
- Unrealised	(18,320)	(13,445)
Gain on disposal of property, plant and equipment	(462)	(1,449)
Write back of impairment on trade and other receivables	(3,782)	(1,673)
Write back of impairment on property, plant and equipment	-	(148)
Property, plant and equipment written off	231	5,143
Inventories written off	148	16,259
Net inventories written down	103	4,130

6. Income Tax Expense

	Quarter Ended 31.12.2019 RM'000	Year-To-Date Ended 31.12.2019 RM'000
Current tax:		
Malaysian income tax	2,474	12,710
Foreign tax	3,516	15,705
Over provision in prior years		
Malaysian income tax	-	(470)
Foreign tax	(144)	(58)
Deferred tax:		
Relating to origination/ (reversal) of temporary differences	6,282	(774)
Under provision in prior years	1,240	991
	<u>13,368</u>	<u>28,104</u>

The effective tax rate of the Group for the current quarter ended 31 December 2019 before the adjustment of the taxation in respect of prior years, is higher than the statutory rate mainly due to deferred tax assets not recognised for certain subsidiaries coupled with non-deductibility of certain expenses for taxation purpose.

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7. Corporate proposals

There was no corporate proposal announced and not completed at the date of this quarterly report.

8. Group Borrowings and Debt Securities

Comprised:

	As at 31.12.2019					
	Short term		Long term		Total	
	Foreign denomination RM'000	RM denomination RM'000	Foreign denomination RM'000	RM denomination RM'000	Foreign denomination RM'000	RM denomination RM'000
Secured	23,739	9,640	271,776	28,222	295,515	37,862
Unsecured	114,800	387,469	28,651	567,500	143,451	954,969
Total	138,539	397,109	300,427	595,722	438,966	992,831

9. Derivatives

The forward foreign exchange contracts are entered into by the Group as hedges for committed sales and purchases denominated in foreign currencies. The hedging of the foreign currencies is to minimise the exposure of the Group to fluctuations in foreign exchange on receipts and payments. The commodity futures contracts are entered into with the objective of managing and hedging the Group's exposure to the adverse price movements in the CPO and cocoa commodities.

As at 31 December 2019, the values and maturity analysis of the outstanding derivatives were as follows:-

	Contract/notional amount RM'000	Liabilities RM'000	Maturity Profile
Group			
Non-hedging derivatives :			
Current			
Forward currency contracts	38,883	592	Less than 1 year
Commodity futures contracts	48,755	4,537	Less than 1 year
	87,638	5,129	

10. 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.

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11. Proposed Dividend

At the forthcoming Annual General Meeting, a first and final single tier dividend in respect of the financial year ended 31 December, 2019 of 1.00 sen per ordinary share will be proposed for shareholders' approval.

12. 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		Year-To-Date Ended	
	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
Net profit (RM'000)	18,408	10,409	44,034	40,462
Weighted average number of ordinary shares in issue ('000)	1,380,174	1,381,799	1,381,100	1,381,799
Basic earnings per ordinary share (sen)	1.33	0.75	3.19	2.93

(b) Diluted earnings per share

This is not applicable to the Group.

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 27 February 2020.