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

EXPLANATORY NOTES FOR INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007

Part A – Explanatory Notes Pursuant To FRS 134

1. Basis of preparation

The interim financial statements have been prepared under the historical cost convention, except for the revaluation of leasehold land and buildings included within prepaid land lease payments and property, plant and equipment.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2006.

2. Changes in accounting policies

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those of the audited financial statements for the year ended 31 December 2006 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for annual periods beginning on or after 1 October 2006:

- FRS 117 Leases
- FRS 124 Related Party Disclosures

The adoption of FRS 124 does not result in significant changes in accounting policies of the Group. The principal change in accounting policy and its effects resulting from the adoption of the revised FRS 117 are discussed below:

FRS 117: Leases

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost/valuation less accumulated depreciation and impairment losses. The leasehold land was last revalued in 1993.

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating and finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and buildings elements of the lease at the inception of the lease. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2007, the unamortized revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of the leasehold land as prepaid lease payments has been accounted for retrospectively and certain comparatives have been restated as disclosed in Note 3. The financial impact to the Group arising from this change in accounting policy is as follows:

	As at 1 Jan 2007
	RM'000
Decrease in retained earnings	1,627
Decrease in prepaid land lease payments	1,627

	Quarter ended		YTD ended	
	31.03.2007	31.03.2006	31.03.2007	31.03.2006
	RM'000	RM'000	RM'000	RM'000
Increase/(decrease) in profit for the period	(37)	(37)	(37)	(37)

The effects on the consolidated balance sheet as at 31 March 2007 are disclosed below.

Effect on the consolidated balance sheets as at 31 March 2007

The following table provides estimates of the extent to which each of the line items in the balance sheets for the quarter ended 31 March 2007 is higher or lower than it would have been had the previous policy been applied in the current quarter.

	Increase/(Decrease)
	RM'000
Property, plant and equipment	(106,726)
Prepaid land lease payments	105,099
Retained earnings	(1,058)
Minority Interest	(569)

3. Comparatives

The following comparative amounts have been restated due to the adoption of new and revised FRSs:

	Previously stated RM'000	Adjustments: FRS 117 (Note 2(i)) RM'000	Adjustments: FRS 124 RM'000	Restated RM'000
As at 31 Dec 2006				
Property, plant and equipment	402,997	(106,726)	-	296,271
Prepaid lease payments	-	105,099	-	105,099
Retained Earning	230,477	(1,058)	-	229,419
Minority Interest	70,927	(569)	-	70,358

4. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2006 was not qualified.

5. Segmental information

i) Business segments

	3 months period ended 31 March 2007					
	Palm & Bio-Integration RM'000	Wood product manufacturing & trading & forestation RM'000	Cocoa manufacturing & trading RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External sales	100,241	37,023	31,549			
Inter-segment sales						
Total segment revenue	100,241	37,023	31,549			168,813
RESULT						
Segment results	14,446	5,279	3,047			22,772
Unallocated corporate expenses						(2,537)
Operating profit						20,235
Interest expenses						(2,561)
Interest income						114
Share of profits of jointly controlled entities						3,612
Income taxes						(1,284)
Profit from ordinary activities						20,117
Gain on disposal of shares in subsidiary						-
Minority interest						(2,990)
Net profit for the period						17,127

	3 months period ended 31 March 2007					
	Palm & Bio-Integration RM'000	Wood product manufacturing & trading & forestation RM'000	Cocoa manufacturing & trading RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
OTHER INFORMATION						
Segment assets	422,984	239,728	156,064			818,776
Investment in jointly controlled entities						24,784
Unallocated corporate assets						36,624
Consolidated total assets						880,184
Segment liabilities	121,462	79,117	31,450			232,029
Unallocated corporate liabilities						122,781
Consolidated total liabilities						354,809
Capital expenditure	10,689	7,115	392	3,036		21,232
Depreciation	3,234	1,286	453	192		5,164
Amortisation	2,399	59	-			2,458
Other non-cash expenses						

ii) Geographical segments

	Sales revenue to external customers RM'000	Carrying amount of segment assets RM'000	Additions to property, plant, equipment and intangible assets RM'000
Malaysia	146,880	705,155	21,207
Europe	11,795	39,833	25
United States of America	2,496	8,093	-
Indonesia	7,642	127,103	-
	168,813	880,184	21,232

6. Unusual items due to their nature, size of incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the period ended 31 March 2007 except as disclosed in Note 2.

7. Changes in estimates

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

8. 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 Listing Requirements of Bursa Malaysia below.

9. Dividends paid

There was no dividend paid in respect of the quarter ended 31 March 2007.

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 2006. The land, buildings and plantations of the Group were valued by the Directors in 1993 and 1998 based on professional appraisals by independent valuers using open market values on an existing use basis.

11. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities except for the following:

Treasury shares
No share was bought back from the open market during the quarter ended 31 March 2007. The cumulative shares bought back are held as treasury shares.

The number of treasury shares held as at 31 March 2007 is as follows:

	No. of shares	Amount (RM)
Balance as at 31 December 2006	127,400	165,534
Add : Purchase of treasury shares	-	-
	127,400	165,534
Less : Treasury shares resold	-	-
Balance as at 31 March 2007	127,400	165,534

The number of issued and fully paid-up ordinary shares of the Company increased from 368,777,263 to 369,154,263 during the quarter ended 31 March 2007 and the details of the share movements are as follows:

Particulars	Par value (RM)	No. of shares	Cumulative number of shares
Balance as at 31 December 2006	0.50	-	368,777,263
Exercise of ESOS[1]	0.50	377,000	369,154,263

[1] Exercise price of ESOS is at RM0.51, RM0.62, RM0.71, RM1.49 and RM1.56.

12. Changes in composition of the Group

Save as disclosed below, there were no other changes in the composition of the Group during the quarter ended 31 March 2007:-

As announced on 15 January 2007, TSH Resources Bhd had on the even date incorporated two (2) wholly-owned subsidiaries in the Republic of Singapore namely Abaca Enterprise Pte Ltd ("Abaca") and Jatoba International Pte Ltd ("Jatoba") with share capital of SGD10,000 which represented by 10,000 share having par value of SGD1 each for each subsidiary company.

As announced, Jatoba had on 16 January 2007 entered into a conditional sale and purchase agreement to acquire 3,600 ordinary shares of Rps1 million each, representing 90% of the entire issued and paid-up capital in P.T. Sarana Prima Multi Niaga for a total consideration of USD25.2 million or equivalent to RM88.704 million inclusive of liabilities to be assumed. This acquisition is completed on 12 April 2007.

13. Discontinued operation

There was no discontinued operation during the quarter ended 31 March 2007.

14. Capital commitments

There is no material capital commitments not provided for in the interim financial statements as at 31 March 2007.

15. Changes in contingent liabilities or contingent assets

There was no change in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2006.

16. Subsequent events

Save and except for the proposed private placement of approximately 36.9 million new ordinary shares of RM0.50 each representing up to 10% of the issued and paid-up share capital of TSH to selected investors as disclosed in Note 8 Part B, there were no material events subsequent to the end of the current quarter

Part B - Explanatory Notes Pursuant To Appendix 9B of the Listing Requirements of Bursa Malaysia

1. Performance review

The Group registered a turnover of RM168.8 million for the three-month ended 31 March 2007 representing an increase of 13.4% as compared to turnover of RM148.8 million for the corresponding period of the preceding financial year.

Profit before tax of RM21.4 million for the three months ended 31 March 2007 as compared to RM11.3 million for the corresponding period of the preceding financial year represents an improvement of 89.4% over the corresponding period of the preceding financial year.

Palm bio-integration segment registered a higher turnover of RM100.20 million for the quarter under review as compared to the preceding year corresponding quarter of RM77.7 million, due to higher crude palm oil price during the quarter under review and contribution from Indonesian-based subsidiary, PT Laras Internusa. Segmental result for the quarter under review also recorded an increase from RM7.1 million during the preceding year corresponding quarter to RM18.1 million (including share of profit of joint venture refinery) for the quarter under review.

Wood products segment posted a lower turnover of RM37.0 million for the quarter under review as compared to the preceding year corresponding quarter of RM39.9 million following decrease in sales volume. Nevertheless, strengthened result for the quarter under review of RM5.3 million as compared to RM4.3 million in the preceding year corresponding quarter was attributed primarily to higher selling price and improved margin through enhanced cost leadership.

Turnover of cocoa manufacturing and marketing business marginally increase to RM31.5 million for the quarter under review compared to RM31.2 million in the preceding year corresponding quarter due to improved throughput despite a lower cocoa butter ratio. Profitability for the quarter under review was also affected by a drop in cocoa butter ratio.

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

The Group posted a lower turnover of RM168.8 million for the quarter under review as compared to RM181.9 in the immediate preceding quarter following lower sales volume of crude palm oil and palm kernel despite a higher selling price for both products. Lower average selling price and sales volume in wood products segment also dampened the turnover for the current quarter. Nonetheless, the decrease in turnover was mitigated by higher cocoa sales following a higher cocoa butter ratio and throughput in current quarter.

Despite a lower turnover, pre-tax profit marginally increase to RM21.4 million as compared to RM20.4 million in the immediate preceding quarter following enhanced cost leadership in wood products segment, better cocoa butter ratio and throughput as well as higher share of profit from jointly controlled entities which involved in operation of palm oil refinery and kernel crushing plant.

Palm bio-integration registered a lower turnover and profit contribution of RM100.2 million and RM18.1 million (including share of profit of joint venture refinery) respectively against a corresponding turnover and profit contribution of RM115.0 million and RM19.5 million (including share of profit of joint venture refinery) in the immediate preceding quarter. The drop is attributed to lower sales volume in crude palm oil and palm kernel following low crop production season during the quarter under review. Nonetheless, the drop is compensated by higher CPO prices and improved contribution from our joint venture with Wilmar International Ltd.

Lower sales volume recorded in wood products segment for the quarter under review resulted in a 19.4% decrease in turnover from RM45.9 million in the immediate preceding quarter to RM37.0 million for the quarter under review. However, profitability and margin of this segment improved marginally following enhanced cost leadership, leading to an increase from RM4.7 million in the immediate preceding quarter to RM5.3 million for the quarter under review.

Increase in turnover and contribution at cocoa manufacturing and marketing segment was fuelled by improved cocoa butter ratio and throughput. Turnover and segment profit increase to RM31.5 million and RM3.0 million respectively during the quarter under review as compared to RM21.0 million and RM1.5 million respectively for the immediate preceding quarter.

3. Commentary on the prospects

The Directors are optimistic of achieving significantly better results for the year under review due to expectation of favourable palm product prices and improved contribution from Indonesian oil palm operations where FFB production is expected to increase due to yield improvement and expanded hectarage.

Your Directors also view the prospect of the joint-venture with Wilmar International Ltd. with high expectation on the back of the favourable performance in its 1st full quarter commercial operation.

4. Explanatory notes for any variance of actual profit from forecast profit and shortfall in the profit guarantee *(only applicable to the final quarter)*

Not applicable.

5. Income Tax Expense

	31 March 2007 RM'000	31 March 2006 RM'000
Current tax:		
Malaysian income tax	1,970	3,144
Foreign tax	-	-
Under/(over) provided in prior years:		
Malaysian income tax	-	6
Foreign tax	-	(10)
Deferred tax:		
Relating to origination and reversal of temporary differences	(61)	(413)
Under/(over) provided in prior years	(625)	-
	1,284	2,727

6. Sale of unquoted investments and/or properties

There were no sales of unquoted investments and/or other properties during the financial quarter under review.

7. Quoted securities

There were no purchases or disposals of quoted securities during the financial quarter under review.

8. Corporate Proposals

a) Status of corporate proposals

As at the date of this report, there was no other corporate proposal announced but not completed as at the date of this report except for the following:-

As announced, TSH Resources Berhad ("TSH") had on 28 March 2007 proposed a private placement of approximately 36.9 million new ordinary shares of RM0.50 each ("Proposed Private Placement") representing up to 10% of the issued and paid-up share capital of TSH to selected investors. Further to the aforesaid announcements, TSH had also made the following announcements in relation to the Proposed Private Placement:

(i) TSH had on 18 April 2007 announced that the Securities Commission ("SC") has, vide its letter dated 17 April 2007, approved the Proposed Private Placement.

(ii) TSH had on 8 May 2007 announced that the Ministry of International Trade and Industry ("MITI") has, vide its letter dated 8 May 2007, approved the Proposed Private Placement.

(iii) As announced on 15 May 2007, Bursa Malaysia Securities Berhad has, vide its letter dated 15 May 2007, approved in-principle the listing of and quotation for up to 36,900,000 new ordinary shares of RM0.50 each in TSH pursuant to the Proposed Private Placement.

(iv) As announced on 16 May 2006, the Private Placement has been undertaken on a book building process by ECM Libra Avenue Securities Sdn Bhd (formerly known as Avenue Securities Sdn Bhd) as the Sole Placement Agent and Sole Bookrunner.

(v) All Placement Shares have been fully placed out at an issue price of RM2.65 per TSH share as of 24 May 2007.

b) Status of utilisation of proceeds

Not applicable

9. Group Borrowings and Debt Securities

	As at 31 March 07 RM'000	As at 31 Dec 06 RM'000
Total Group borrowings		
- secured	121,989	102,738
- unsecured	73,623	83,390
Short term borrowings		
- secured	93,694	73,619
- unsecured	61,167	69,437
Long term borrowings		
- secured	28,295	29,119
- unsecured	12,456	13,953

Included in long and short term borrowings are RM70.0 million Al-Murabahah Medium Term Notes/Commercial Papers at a nominal value of RM1.0 million each, with a carrying value of RM70.0 million.

All borrowings are denominated in Ringgit Malaysia, except for a USD4.83 million loan in the books of sub-subsidiary PT Andalas Agro Industri as follows:

	USD'000	RM'000 Equivalent
Borrowings denominated in United States Dollars	4,830	16,688

10. Off balance sheet financial instruments

The Group had entered into the following foreign currency derivatives maturing within 1 year to hedge trade receivables.

	Notional amount as at	
	31.3.2007 RM'000	31.12.2006 RM'000
Forward foreign exchange contracts	13,096	14,075
Ratio forward agreements	1,101	1,098
	14,197	**15,173**

11. Changes in material litigation

There is no change to the status of the material litigations since the last quarter.

Save as disclosed below, neither the Company nor any of its subsidiaries is engaged in any material litigation either as plaintiff or defendant as at the date of this report and the Directors do not have any knowledge of any proceeding pending or threatened against the Company or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position of the Company and its subsidiaries:

(i) Ekowood International Berhad ("Ekowood") had on 19 September 1997 filed a suit via Suit No. 22-118-1997 in Ipoh High Court against Gopeng Land & Properties Sdn. Bhd. ("**Gopeng**"), Villa Technobuild Sdn. Bhd. ("**Villa**") and Chuah Cheng Hoe ("**CCH**") (practising as CH Chuah Associates) for loss and damages arising from the breach of contract and/or negligence on the part of the defendants as follows:

(a) breach of contract and/or negligence by Gopeng in carrying out the infilling works on a piece of land in the Gopeng Industrial Park in accordance with a Sale and Purchase Agreement dated 18 January 1995 between Ekowood and Gopeng resulting in severe damage to the factory buildings and associated external works ("**Works**") located within and/or nearby the aforesaid land;

(b) breach of contract by Villa of the construction contract dated 15 March 1995 in failing to construct the Works in a good or workmanlike manner or with good or proper materials and therefore the Works are not fit for its purpose and cannot be properly used as a wood product factory; and

(c) breach by CCH of his contract of employment with Ekowood as consultant engineer and/or negligence in failing to exercise due professional skill and care in the performance of his services resulting in the Works containing serious and substantial defects which prevent the Works from being properly and efficiently used as a wood product factory.

In the abovementioned suit, Ekowood claimed against Gopeng and Villa, inter alia, for damages of RM45,160,104.10 and general damages for loss of goodwill to be assessed by the Court and against CCH, inter alia, for the sum of RM16,284,872.89 being the amount paid to Villa under the construction contract, or alternatively, for damages to the sum of RM45,160,369.00 and general damages for loss of goodwill to be assessed by the Court.

The suit is now fixed for trial on 9 July 2007 to 13 July 2007.

The Board of Directors, in consultation with the lawyers, is of the opinion that the Company has a fair chance of succeeding in this suit.

(ii) Gopeng had on 8 November 2001 filed a suit against Ekowood via Suit No. 22-219-01 in Ipoh High Court in relation to the abovementioned Sale and Purchase Agreement dated 18 January 1995 made between Gopeng and Ekowood whereby Gopeng has agreed to sell and Ekowood has agreed to purchase the land in Gopeng Industrial Park.

In the abovementioned suit, Gopeng claimed against Ekowood inter alia for specific performance of the Sale and Purchase Agreement in that Ekowood be ordered to pay to Gopeng the sum of RM3,434,457.04, interests thereon from 1 July 1997 or such other date deemed appropriate, or alternatively for vacant possession of the aforesaid land and damages pursuant to the Sale and Purchase Agreement, and general damages for breach of contract, and costs.

Payment of the principal sum has been provided for in the accounts of Ekowood.

Ekowood has filed its defence and counter-claim to the above suit. Ekowood counter-claimed against Gopeng for general damages, for special damages of RM45,160,104.10 being the cost of inter alia rectification of works damaged by the subsidence of the land and loss of profits, and also claimed for interest from date of judgment and costs. Gopeng has thereafter filed its reply and defence to the counter-claim.

The suit is fixed for trial mentioned in paragraph (i) above as the 2 suits are inter-related.

The Board of Directors, in consultation with the lawyers, is of the opinion that the Company has a fair chance of defending the claim and succeeding in the counter-claim.

12. Dividend Payable

(a) On 28 February, 2007, the Board of Directors of TSH has recommended a final tax exempt dividend of 5 sen for the financial year ended 31 December 2006, subject to the approval of shareholders at the forthcoming 27th Annual General Meeting of the Company to be held on 20 June 2007.

(b) Save for the above, the Company has not declared any dividend for the financial period ended 31 March 2007.

13. 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 Bhd 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	
	2007	**2006**	**2007**	**2006**
Net profit for the period/quarter (RM'000)	17,127	6,996	17,127	6,996
Weighted average number of ordinary shares in issue ('000)	368,968	364,766	368,968	364,766
Basic earnings per ordinary share (sen)	4.64	1.92	4.64	1.92

Diluted earnings per share

	Quarter ended 31 March		YTD ended 31 March	
	2007	**2006**	**2007**	**2006**
Net profit for the period/quarter (RM'000)	17,127	6,996	17,127	6,996
Weighted average number of ordinary shares in issue ('000)	374,657	379,417	374,657	379,417
Diluted earnings per ordinary share (sen)	4.57	1.85	4.57	1.85

For the purpose of calculating diluted earnings per share, the net profit for the period and the weighted average number of ordinary shares in issue during the financial period under review have been adjusted for all the unissued shares under options granted pursuant to the Employee Share Options Scheme of 5,688,600 shares.

The share options was calculated based on the number of shares which would have been acquired at the market price (average annual share price of the Company's share) based on the monetary value of the subscription rights attached to the outstanding share options. No adjustment is made to the net profit attributable to the shareholders for the share options calculation.

(b) Weighted average number of ordinary shares (diluted) is as follows:

Weight average no. of ordinary shares ('000)	368,968
Effect of ESOS ('000)	5,689
Weighted average number of ordinary shares (diluted) ('000)	374,657

14. 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 May 2007.