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

EXPLANATORY NOTES FOR INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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

During the current quarter, the Group has early adopted the FRS 112 Income Taxes which only becomes operative for financial statements covering periods beginning on or after 1 July 2007.

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 and FRS 112 are discussed below:

(i) 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.

(ii) FRS 112: Income Taxes

As announced by Malaysian Accounting Standards Board (MASB) on 15 Jun 2007, FRS 112_{2004} has been revised to align with the International Financial Reporting Standards (IFRSs). Prior to the revision of FRS 112_{2004}, re-investment allowances ("RA") are treated as forming part of the tax base of the qualifying assets acquired. Deferred tax assets in respect of unutilised RA are not recognised in the financial statements due to the carrying amount of the qualifying asset being less than its tax base on initial recognition. Following the revision in FRS 112_{2004}, entities with unutilised RA will have to recognise deferred tax assets on such unutilised RA to the extent that it is probable that future taxable profit will be available against which the unutilised RA can be utilised. The financial impact of the early adoption of the FRS 112 by the Group 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:

	Quarter ended					
	30.06.2007			30.06.2006		
	Increase / (decrease)					
	FRS 112 Note 2(ii)	**FRS 117** Note 2(i)	**Total**	**FRS 112** Note 2(ii)	**FRS 117** Note 2(i)	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Profit for the period	2,042	(37)	2,005	2,461	(37)	2,424

	YTD ended					
	30.06.2007			30.06.2006		
	Increase / (decrease)					
	FRS 112 Note 2(ii)	**FRS 117** Note 2(i)	**Total**	**FRS 112** Note 2(ii)	**FRS 117** Note 2(i)	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Profit for the period	4,084	(75)	4,009	4,922	(75)	4,847

The effects on the consolidated balance sheet as at 30 June 2007 are disclosed below.

Effect on the consolidated balance sheets as at 30 June 2007

The following table provides estimates of the extent to which each of the line items in the balance sheets for the quarter ended 30 June 2007 is higher or lower than it would have been had the previous policy been applied in the current quarter.

	Increase/(Decrease)		
	FRS 112 Note 2(ii) **RM'000**	**FRS 117** Note 2(i) **RM'000**	**Total** **RM'000**
Property, plant and equipment	-	(107,594)	(107,594)
Prepaid land lease payments	-	105,893	105,893
Investment in jointly controlled entities	13,928	-	13,928
Retained earnings	13,928	(1,107)	12,821
Minority Interest	-	(594)	(594)

3. Comparatives

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

		Adjustments: Increase / (Decrease)			
	Previously stated RM'000	**FRS 112 (Note 2(ii)) RM'000**	**FRS 117 (Note 2(i)) RM'000**	**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
Investments in jointly controlled entities	21,172	9,844	-	-	31,016
Retained Earning	230,477	9,844	(1,057)	-	239,264
Minority Interest	70,927		(570)	-	70,357

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

	6 months period ended 30 June 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	234,862	83,359	61,649			
Inter-segment sales						
Total segment revenue	234,862	83,359	61,649			379,870
RESULT						
Segment results	37,384	10,818	6,447			54,649
Unallocated corporate expenses						(5,099)
Operating profit						49,551
Interest expenses						(5,487)
Interest income						640
Share of profits of jointly controlled entities						6,540
Income taxes						(4,945)
Profit from ordinary activities						46,299
Gain on disposal of shares in subsidiary						-
Minority interest						(6,737)
Net profit for the period						39,562
OTHER INFORMATION						
Segment assets	553,483	257,756	182,450			993,689
Investment in jointly controlled entities						37,556
Unallocated corporate assets						37,098
Consolidated total assets						1,068,344
Segment liabilities	227,110	77,899	27,486			332,496
Unallocated corporate liabilities						78,273
Consolidated total liabilities						410,769
Capital expenditure	25,734	12,341	826	3,870		42,771
Depreciation	6,487	2,597	867	412		10,363
Amortisation	3,216	118	-			3,335
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	325,028	899,870	36,523
Europe	24,064	40,042	26
United States of America	7,526	8,946	-
Indonesia	23,252	119,486	6,222
	379,870	1,068,344	42,771

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 30 June 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 30 June 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 30 June 2007. The cumulative shares bought back are held as treasury shares.

The number of treasury shares held as at 30 June 2007 is as follows:

	No. of shares	**Amount (RM)**
Balance as at 31 March 2007	127,400	165,534
Add : Purchase of treasury shares	-	-
	127,400	165,534
Less : Treasury shares resold	-	-
Balance as at 30 June 2007	127,400	165,534

The number of issued and fully paid-up ordinary shares of the Company increased from 369,154,263 to 406,585,263 during the quarter ended 30 June 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 March 2007	0.50	-	369,154,263
Private Placement	0.50	36,900,000	406,054,263
Exercise of ESOS[1]	0.50	531,000	406,585,263

[1] Exercise price of ESOS is at RM0.62, RM0.71, RM1.35, RM1.49, RM1.69, RM1.56 and RM1.33.

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 30 June 2007:-

As announced, Jatoba International Pte Ltd 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 was completed on 12 April 2007.

13. Discontinued operation

There was no discontinued operation during the quarter ended 30 June 2007.

14. Capital commitments

There are no material capital commitments not provided for in the interim financial statements as at 30 June 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

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 RM379.9 million for the six months ended 30 June 2007 representing an increase of 23.5% as compared to turnover of RM307.7 million for the corresponding period of the preceding financial year.

Profit before tax of RM51.2 million for the six months ended 30 June 2007 as compared to RM28.5 million for the corresponding period of the preceding financial year represents an improvement of 79.6% over the corresponding period of the preceding financial year.

Palm bio-integration segment registered a higher turnover of RM134.6 million for the quarter under review as compared to the preceding year’s corresponding quarter of RM89.5 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 RM11.1 million during the preceding year’s corresponding quarter to RM25.9 million (including share of profit of joint venture refinery) for the quarter under review.

Wood products segment registered a higher turnover of RM46.3 million for the quarter under review as compared to the preceding year’s corresponding quarter of RM42.8 million following increase in sales volume and average selling price. Segmental result for the quarter under review also recorded a marginal increase from RM5.0 million during the preceding year’s corresponding quarter to RM5.5 million for the quarter under review.

Turnover of cocoa manufacturing and marketing business increased to RM30.1 million for the quarter under review compared to RM26.5 million in the preceding year’s 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 higher turnover of RM211.1 million for the quarter under review as compared to RM168.8 million in the immediate preceding quarter following higher sales volume of crude palm oil and palm kernel coupled with higher selling price for both products. Higher average selling price and sales volume in wood products segment also contributed to the increase in turnover for the current quarter. Nonetheless, the increase in turnover was dampened by marginally lower cocoa sales following a lower throughput in the current quarter.

Pre-tax profit also increased to RM29.8 million as compared to RM21.4 million in the immediate preceding quarter following higher sales volume of crude palm oil and palm kernel coupled with higher selling price for both products.

Palm bio-integration registered a higher turnover and profit contribution of RM134.6 million and RM25.9 million (including share of profit of joint venture refinery) respectively against a corresponding turnover and profit contribution of RM100.2 million and RM18.1 million (including share of profit of joint venture refinery) in the immediate preceding quarter. The increase is attributed to higher sales volume of crude palm oil and palm kernel coupled with higher selling price for both products

Higher sales volume recorded in wood products segment for the quarter under review resulted in a 25.2% increase in turnover from RM37.0 million in the immediate preceding quarter to RM46.3 million for the quarter under review. Profitability of this segment improved marginally following higher sales volume and average selling price, leading to an increase from RM5.3 million in the immediate preceding quarter to RM5.5 million for the quarter under review.

Lower throughput at cocoa manufacturing and marketing segment led to a decrease in turnover from RM31.5 million in the immediate preceding quarter to RM30.1 million for the quarter under review. Segment profit marginally increased to RM3.4 million during the quarter under review as compared to RM3.0 million for the immediate preceding quarter due to marginally higher cocoa butter ratio.

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 prospects of the joint-venture with Wilmar International Ltd. as good, on the back of a favourable performance for the first six months of commercial operations.

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

	30 June 2007 RM'000	30 June 2006 RM'000
Current tax:		
Malaysian income tax	5,632	5,837
Foreign tax	(978)	-
Under/(over) provided in prior years:		
Malaysian income tax	-	6
Foreign tax	-	(10)
Deferred tax:		
Relating to origination and reversal of temporary differences	1,125	(1,270)
Under/(over) provided in prior years	(834)	-
	4,945	4,563

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:-

1) As announced, TSH Resources Berhad ("TSH") had on 19 June 2007 agreed-in-principle to acquire 10,000 ordinary shares of SGD1.00 each, representing 100% of the entire issued and paid-up capital in Elaeis Oversea Pte. Ltd ("Elaeis") for a total purchase consideration of USD4,725,000 less liabilities to be assumed (approximately RM16,205,474 using an exchange rate of USD1.00 for RM3.42973) from Sharecorp Limited ("Proposed Acquisition"). Elaeis is a private limited company incorporated in the Republic of Singapore which holds 90% equity shareholding in PT Farinda Bersaudara. PT Farinda owns approximately 15,000 hectares of land with ijin lokasi status located in Kabupaten Kutai Barat, Propinsi Kalimantan Timur. The company had completed the environmental study and has obtained the necessary licence to develop the land into oil palm plantation. In addition, the vendor undertakes to convert the land to "Hak Guna Usaha" ("HGU") at their own expense.

The Proposed Acquisition is subject to, inter alia, mutually acceptable share sale agreement to be signed, satisfactory outcome of legal and financial due diligence and the approval of Bank Negara Malaysia for payment and remittance of the purchase consideration.

The Proposed Acquisition will not have any effect on the share capital and shareholding structure of TSH.

b) Status of utilisation of proceeds

Not applicable

9. Group Borrowings and Debt Securities

	As at 30 June 07 RM'000	As at 31 Dec 06 RM'000
Total Group borrowings		
- secured	62,251	102,738
- unsecured	163,008	83,390
Short term borrowings		
- secured	47,251	73,619
- unsecured	139,379	69,437
Long term borrowings		
- secured	15,000	29,119
- unsecured	23,629	13,953

Included in long and short term borrowings are RM45.0 million Al-Murabahah Medium Term Notes/Commercial Papers at a nominal value of RM1.0 million each, with a carrying value of RM45.0 million.

All borrowings are denominated in Ringgit Malaysia, except for the following loans in the books of the subsidiaries as follows:

Subsidiaries	**USD'000**	**RM'000 Equivalent**
PT Andalas Agro Industri	4,575	15,804
PT Sarana Prima Multi Niaga	12,000	41,454
Jatoba International Pte Ltd	13,000	44,908
Total	**29,575**	**102,166**

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	
	30.6.2007 RM'000	31.12.2006 RM'000
Forward foreign exchange contracts	8,838	14,075
Ratio forward agreements	4,680	1,098
	13,518	**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 RM16,284,873 being the amount paid to Villa under the construction contract, or alternatively, for damages to the sum of RM45,160,369 and general damages for loss of goodwill to be assessed by the Court.

The suit is now fixed for trial on 5 September 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, 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 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) As announced, the shareholders of the Company has approved a first and final tax exempt dividend of 5 sen per share for the financial year ended 31 December 2006 at the 27th Annual General Meeting held on 20 June 2007. The final tax exempt dividend shall be payable on 28 August 2007.

(b) Save for the above, the Company did not declare any interim dividend for the financial period ended 30 June 2007 (30 June 2006 : Nil).

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 30 June		YTD ended 30 June	
	2007	**2006**	**2007**	**2006**
Net profit for the period/quarter (RM'000)	22,439	13,531	39,562	20,527
Weighted average number of ordinary shares in issue ('000)	375,334	365,858	375,334	365,858
Basic earnings per ordinary share (sen)	5.98	3.71	10.54	5.63

Diluted earnings per share

	Quarter ended 30 June 2007	Quarter ended 30 June 2006	YTD ended 30 June 2007	YTD ended 30 June 2006
Net profit for the period/quarter (RM'000)	22,439	13,531	39,562	20,527
Weighted average number of ordinary shares in issue ('000)	382,393	369,944	382,393	369,944
Diluted earnings per ordinary share (sen)	5.87	3.67	10.35	5.56

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 12,047,000 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)	375,334
Effect of ESOS ('000)	7,059
Weighted average number of ordinary shares (diluted) ('000)	382,393

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 16 August 2007.