

**EXPLANATORY NOTES FOR INTERIM FINANCIAL STATEMENTS FOR THE
FINANCIAL PERIOD ENDED 31 MARCH 2008**

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

1. Basis of preparation

The interim financial statements have been prepared under the historical cost convention.

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 2007. 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 2007.

2. Adoption of revised Financial Reporting Standards (FRSs)

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following revised FRSs and new Interpretations effective for financial periods beginning on or after 1 January 2008:

FRS 107	:	Cash Flow Statements
FRS 111	:	Construction Contracts
FRS 112	:	Income Taxes
FRS 118	:	Revenue
FRS 120	:	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	:	Interim Financial Reporting
FRS 137	:	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	:	The effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 1	:	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	:	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	:	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	:	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	:	Applying the Restatement Approach under FRS 129 ₂₀₀₄ - Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	:	Scope of FRS 2

The adoption of the abovementioned FRSs does not result in significant changes in accounting policies of the Group.

3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2007 was not qualified.

4. 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 financial period ended 31 March 2008.

5. Changes in estimates

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

6. 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.

7. Debt and equity securities

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

Treasury shares

No share was bought back from the open market during the quarter ended 31 March 2008. The cumulative shares bought back are held as treasury shares.

The number of treasury shares held as at 31 March 2008 is as follows:

	No. of shares	Amount (RM)
Balance as at 1 January 2008	127,400	165,534
Add : Purchase of treasury shares	100,000	275,735
	227,400	441,269
Less : Treasury shares resold	-	-
Balance as at 31 March 2008	227,400	441,269

The number of issued and fully paid-up ordinary shares of the Company increased from 412,837,263 to 413,026,263 during the quarter ended 31 March 2008 and the details of the share movements are as follows:

Particulars	Par value (RM)	No. of shares	Cumulative number of shares
Balance as at 1 January 2008	0.50	-	412,837,263
Exercise of ESOS ¹	0.50	189,000	413,026,263

¹ Exercise price of ESOS is at RM0.71, RM1.24, RM1.49, RM1.56 and RM1.69.

8. Dividends paid

There was no dividend paid in respect of the quarter ended 31 March 2008.

9. Segmental information

i) Business segments

	First Quarter ended 31 March 2008				
	Palm & Bio-Integration	Wood product manufacturing & trading & forestation	Cocoa manufacturing & trading	Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE					
External sales	208,632	36,290	39,214		
Inter-segment sales					
Total segment revenue	208,632	36,290	39,214		284,136
RESULT					
Segment results	26,387	4,942	5,580		36,909
Unallocated expenses					(3,243)
Finance costs					(3,126)
Interest income					263
Share of pre-tax profits of jointly controlled entities					9,370
Profit before taxation					40,173
Income taxes					(3,745)
Share of income taxes of jointly controlled entities					(2,103)
Profit for the Quarter					34,325
OTHER INFORMATION					
Segment assets	651,612	279,307	251,420		1,182,339
Investment in jointly controlled entities					52,179
Unallocated assets					39,373
Consolidated total assets					1,273,891
Segment liabilities	266,059	88,576	75,728		430,363
Unallocated liabilities					88,684
Consolidated total liabilities					519,047
Other segment information					
Capital expenditure	30,938	3,657	2,197	1,807	38,599
Depreciation	4,334	1,405	412	166	6,317
Amortisation	783	55	-	-	838

9. Segmental information (Contd.)

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000	Capital Expenditure RM'000
Malaysia	248,309	1,082,599	32,788
Europe	7,672	38,748	1
United States of America	3,589	9,048	-
Indonesia	24,566	143,496	5,810
	284,136	1,273,891	38,599

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 2007. 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. Changes in composition of the Group

There were no changes in the composition of the Group during the quarter ended 31 March 2008.

12. Discontinued operation

There was no discontinued operation during the quarter ended 31 March 2008.

13. Capital commitments

As at 31 March 2008, there were no material capital commitments for capital expenditure, contracted for or known to be contracted for by the Group which might have a material impact on the financial position or business of the Group except as disclosed below:

	<u>At</u> <u>31.03.2008</u> <u>RM'000</u>
Commitments in respect of capital expenditure:	
Approved and contracted for	52,534
Approved but not contracted for	68,350
	<u>120,884</u>

14. 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 2007.

15. 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 total revenue of RM284.1 million for the three-month ended 31 March 2008 representing an increase of 68.3% as compared to the revenue of RM168.8 million recorded in the corresponding period of the preceding year. The Group's profit before taxation of RM40.2 million was 75.7% higher than preceding year corresponding period of RM22.9 million.

Revenue contributed from Palm and Bio-integration segment of RM208.6 million increased significantly over the corresponding period due mainly to higher palm products selling price and higher FFB production. Segmental result for the quarter under review recorded an increase of RM16.8 million (88.6%) from RM19.0 million in the preceding year corresponding quarter to RM35.8 million (including share of profit of joint venture refinery) primarily due to higher contribution from the Group's oil palm plantation and the joint venture palm oil refinery.

Revenue from wood products segment of RM36.3 million was broadly in line with the preceding year corresponding quarter. However, profits contribution was lower due to higher selling and administrative expenses.

Revenue of cocoa manufacturing and marketing business increase to RM39.2 million for the quarter under review compared to RM31.5 million in the preceding year corresponding quarter due to improved cocoa butter ratio. Consequently, the improved cocoa butter ratio gave rise to an improved profit from RM3.0 million to RM5.6 million.

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 revenue of RM284.1 million for the quarter under review as compared to RM256.0 million in the immediate preceding quarter mainly attributed to the higher sales volume and selling price of crude palm oil.

Despite seasonally lower FFB crop production during the quarter under review, revenue and profit contribution from Palm and Bio-integration segment at RM208.6 million and RM35.8 million respectively were higher than the immediate preceding quarter due to higher achieved palm products selling price and higher profit contributions from the joint venture palm oil refinery.

Profit contribution from wood product and forestation segment at RM4.9 million was marginally higher than the immediate preceding quarter of RM4.7 million.

Higher cocoa price led to an increase in revenue of cocoa manufacturing segment from RM38.1 million in the immediate preceding quarter to RM39.2 million for the current quarter under review. However, segment profit decreased to RM5.6 million during the quarter under review as compared to RM7.3 million for the immediate preceding quarter mainly due to lower throughput.

3. Commentary on the prospects

The prospect of the Palm and Bio-Integration business will continue to be favourable due to the current high palm prices and increase in FFB production from the Group's Indonesian plantation due to yield improvement and expanded hectareage.

However, wood product business continued to be challenging but nonetheless expected to remain relatively stable for the current financial year.

Barring any unforeseen circumstances, the Directors are optimistic that the Group's results will improve significantly in the current financial year under review.

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

	<u>First Quarter</u> <u>ended</u> <u>31.03.2008</u> <u>RM'000</u>	<u>First Quarter</u> <u>ended</u> <u>31.03.2007</u> <u>RM'000</u>
Current tax:		
Malaysian income tax	3,108	1,970
Deferred tax:		
Relating to origination and reversal of temporary differences	637	(61)
Over provision in prior years	-	(625)
Share of taxation of jointly controlled entities	2,103	900
	<u>5,848</u>	<u>2,184</u>

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:-

- i) 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.

Further to the above announcement dated 26 December 2007, TSH had on 26 March 2008 announced that the vendor, Sharecorp Limited has agreed to extend the completion time of the Proposed acquisition to June 2008 pending completion of legal and financial due diligence.

- ii) TSH Industries Sdn Bhd, a wholly-owned subsidiary of TSH Resources Berhad had on 3 January 2008 incorporated a new foreign subsidiary vide the subscription of 46,000 fully paid-up shares each representing 100% equity interest in Afromal Cocoa Limited ("Afromal") for a total cash consideration of €463,300, 000.

Afromal is a private limited company incorporated in Accra, Ghana with an authorized share capital of 100,000 shares. The Company is currently dormant. The intended principal activities of Afromal are purchasing and processing of cocoa and exporting of processed and non processed cocoa. The investment in Afromal Cocoa Limited is not expected to have any material effect on the earnings or net assets of TSH Group for the financial year ended 31 December 2008. None of the Directors or substantial shareholders of TSH Resources Berhad and persons connected to them have any interest, direct or indirect in Afromal.

The Certificate of Incorporation of Afromal Cocoa Limited was received by the Company on 22 January 2008.

b) Status of utilisation of proceeds

Not applicable.

9. Group Borrowings and Debt Securities

Comprised of:

	As at 31.03.2008 RM'000	As at 31.12.2007 RM'000
Total Group borrowings		
- secured	106,864	108,508
- unsecured	205,072	152,680
Short term borrowings		
- secured	61,000	61,000
- unsecured	138,885	92,243
Long term borrowings		
- secured	45,864	47,508
- unsecured	66,187	60,437

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	3,645	11,628
PT Sarana Prima Multi Niaga	14,500	46,255
Jatoba International Pte Ltd	13,000	41,470
Total	<u>31,145</u>	<u>99,353</u>

10. Off balance sheet financial instruments

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

	<u>Notional amount as at</u>	
	<u>31.03.2008</u>	<u>31.12.2007</u>
	<u>RM'000</u>	<u>RM'000</u>
Forward foreign exchange contracts	7,569	4,943
Ratio forward agreements	981	1,627
	<u>8,550</u>	<u>6,570</u>

11. Changes in material litigation

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.

12. Proposed Dividend

The Company did not declare any interim dividend for the current quarter ended 31 March 2008.

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 Berhad by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

	<u>Quarter ended 31 Mar</u>		<u>YTD ended 31 Mar</u>	
	2008	2007	2008	2007
Net profit for the period/quarter (RM'000)	30,762	17,691	30,762	17,691
Weighted average number of ordinary shares in issue ('000)	412,772	368,968	412,772	368,968
Basic earnings per ordinary share (sen)	7.45	4.79	7.45	4.79

(b) Diluted earnings per share

	<u>Quarter ended 31 Mar</u>		<u>YTD ended 31 Mar</u>	
	2008	2007	2008	2007
Net profit for the period/quarter (RM'000)	30,762	17,691	30,762	17,691
Weighted average no. of ordinary shares in issue ('000)	412,772	368,968	412,772	368,968
Effect of ESOS ('000)	2,590	5,689	2,590	5,689
Weighted average no. of ordinary shares in issue ('000)	415,362	374,657	415,362	374,657
Diluted earnings per ordinary share (sen)	7.41	4.72	7.41	4.72

The diluted earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

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.

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 21 May 2008.