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

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

5. 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 30 June 2008.

6. Changes in estimates

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

7. Debt and equity securities

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

Treasury shares

No share was bought from the open market during the quarter ended 30 June 2008. The cumulative shares are currently held as treasury shares.

The number of treasury shares held as at 30 June 2008 is as follows:

	No. of shares	**Amount (RM)**
Balance as at 1 April 2008	227,400	441,269
Add : Purchase of treasury shares	-	-
	227,400	441,269
Less : Sale of treasury shares	-	-
Balance as at 30 June 2008	227,400	441,269

The movement of the issued and fully paid-up ordinary shares of the Company during the quarter ended 30 June 2008 are as follows:

Particulars	**Par value (RM)**	**No. of shares**	**Cumulative number of shares**
Balance as at 1 April 2008	0.50	-	413,026,263
Exercise of ESOS[1]	0.50	192,000	413,218,263

[1] Exercise price of ESOS is at RM0.62, RM1.24, RM1.33, RM1.49, RM1.56 and RM1.69.

8. Dividends paid

There was no dividend paid in respect of the quarter ended 30 June 2008.

9. Segmental information

i) Business segments

	Cumulative Quarter ended 30 June 2008				
	Palm & Bio-Integration RM'000	Wood product manufacturing & trading & forestation RM'000	Cocoa manufacturing & trading RM'000	Others RM'000	Consolidated RM'000
SEGMENT REVENUE	470,407	68,387	84,199	-	622,993
SEGMENT RESULTS	55,415	6,875	12,025	-	74,315
Unallocated expenses					(5,934)
Finance costs					(5,941)
Interest income					716
Share of pre-tax profits of jointly controlled entities					20,679
Profit before taxation					83,835
Income taxes					(11,597)
Share of income taxes of jointly controlled entities					(4,059)
Cumulative profit up to 30 June 2008					68,179
OTHER INFORMATION					
SEGMENTS ASSETS	736,541	314,440	263,031		1,314,012
Investment in jointly controlled entities					61,532
Investment in associate					48
Unallocated assets					40,145
Consolidated total assets					1,415,737
SEGMENT LIABILITIES	329,022	89,751	124,420		543,193
Unallocated liabilities					82,197
Consolidated total liabilities					625,390
OTHER SEGMENT INFORMATION					
Capital expenditure	67,565	8,331	5,167	2,531	83,594
Depreciation	7,539	2,755	715	329	11,338
Amortisation	1,887	110	-	-	1,997

ii) Geographical segments

	Total revenue from external customers RM'000	Segment Assets RM'000	Capital Expenditure RM'000
Malaysia	528,053	1,215,101	68,431
Europe	36,604	38,786	1
United States of America	5,254	8,509	-
Indonesia	53,082	153,341	15,162
	622,993	1,415,737	83,594

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

Save as disclosed below, there were no other changes in the composition of the Group during the quarter ended 30 June 2008:

As announced, 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.

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 ending 31 December 2008.

12. Discontinued operation

There was no discontinued operation during the quarter ended 30 June 2008.

13. Capital commitments

The amount of commitments for capital expenditure as at 30 June 2008 is as follows:

	As At 30.06.2008 RM’000	As at 31.12.2007 RM’000
Commitments in respect of capital expenditure:		
Approved and contracted for	67,760	70,808
Approved but not contracted for	34,560	132,723
	102,320	203,531

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

For the quarter under review, revenue for the Group was increased by 60.6% to RM338.9 million from RM211.1 million for the preceding year corresponding quarter. Group revenue for the half year was RM623.0 million compared with RM379.9 million recorded in preceding year corresponding period.

The Group registered a profit before taxation for the quarter under review of RM43.7 million compared with RM30.6 million for the corresponding quarter last year. For the half year, profit before taxation of RM83.9 million was 56.8% higher than last year's RM53.5 million.

The significant improvement in the above Group revenue and profit before taxation for the quarter under review was largely due to contributions from our Palm and Bio-Integration segment arising from higher production, higher average prices of Crude Palm Oil ("CPO") and higher share of earnings in our jointly controlled entities. Similarly our Cocoa Manufacturing and Trading business also contributed to our improved quarter results due to improved throughput and higher cocoa butter ratio.

However, the general decline in overseas market conditions has affected our Wood Products segments resulting in lower profit for the quarter.

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 RM338.9 million for the quarter under review as compared with RM284.1 million in the immediate preceding quarter. Similarly Profit before taxation also increased to RM43.7 million as compared with RM40.2 million in the immediate preceding quarter.

The significant increase was mainly contributed from our Palm and Bio-Integration segment due to higher production, higher average CPO prices and higher share of earnings in our jointly controlled entities. Higher throughput and cocoa butter ratio led to increase in both revenue and profit contribution from our Cocoa Manufacturing and Trading business segment. However, the competitive overseas market conditions have affected our Wood Products segment giving rise to lower sales and profit contribution from this segment.

2. Commentary on the prospects

The prospect of the Palm and Bio-Integration business will continue to be favourable due to the current committed high palm products prices and anticipated higher crop production and yield improvement.

Cocoa Manufacturing business is expected to maintain its current improved performance in the coming quarters.

However, in view of the current poor global economic sentiments, the Wood Product manufacturing business will remain challenging in the coming quarters.

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

3. Profit forecast or profit guarantee

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

4. Income Tax Expense

	Year to date 30.06.2008 RM'000	Year to date 30.06.2007 RM'000
Current tax:		
Malaysian income tax	7,525	5,632
Foreign tax	-	(978)
Deferred tax:		
Relating to origination and reversal of temporary differences	4,072	1,125
Over provision in prior year	-	(834)
Share of taxation of jointly controlled entities	4,059	475
	15,656	5,420

5. Sale of unquoted investments and/or properties

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

6. Quoted securities

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

7. Corporate Proposals

a) Status of corporate proposals

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

i) 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 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.

7. Corporate Proposals (Cont'd)

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.

TSH had on 30 June 2008 announced that the vendor, Sharecorp Limited has agreed to extend the completion time of the Proposed acquisition to September 2008 pending completion of legal and financial due diligence.

ii) As announced, TSH has on 4 June 2008 entered into a Sale and Purchase Agreement to acquire 100 ordinary shares of USD1.00 each, representing 100% of the entire issued and paid-up capital in Martinique Cove Pte. Ltd. ("Martinique") for a total purchase consideration of USD5,737,500 (approximately RM18,532,125 using an exchange rate of USD1.00 for RM3.23) from Cova International Pte. Ltd. ("the Vendor"). All liabilities of Martinique and PT Mitra shall be assumed by the Vendor.

Martinique is a private limited company incorporated in the Republic of Singapore on 26 July 2007 with an issued and paid-up share capital of USD100 comprising 100 ordinary shares of USD1.00 each. Martinique is an investment holding company whose only investment is a 90% equity shareholding in PT Mitra Jaya Cemerlang ("PT Mitra"). PT Mitra owns approximately 15,000 hectares of land with ijin lokasi status located in Desa Samba Katung, Samba Bakumpai, Telok, Petak Puti, Tewang Panjang, Tumbang Lahang, Kecamatan Katingan Tengah & Desa Tura, Tumbang Tanjung, Kecamatan Pulau Malan, Kabupaten Katingan, Provinsi Kalimantan Tengah.

PT Mitra has obtained the necessary licence to develop the land into oil palm plantation. As at the date of this report, the conversion of the land to "Hak Guna Usaha" ("HGU") and obtaining of Penanaman Modal Asing ("PMA"), which are both undertaken by the Vendor at their own expense, remain outstanding todate.

None of the Directors or substantial shareholders of TSH or any person connected to the Directors and substantial shareholders has any interest, direct or indirect, in the Proposed Acquisition

b) Status of utilisation of proceeds

Not applicable.

8. Group Borrowings and Debt Securities

Comprised :

	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000
Total Group borrowings		
- secured	91,465	108,508
- unsecured	310,393	152,680
Short term borrowings		
- secured	49,000	61,000
- unsecured	196,350	92,243
Long term borrowings		
- secured	42,465	47,508
- unsecured	114,043	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	3,355	10,959
PT Laras Internusa	11,680	38,153
PT Sarana Prima Multi Niaga	16,500	53,897
Jatoba International Pte Ltd	13,000	42,465
Total	44,535	145,474

9. 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	
	30.06.2008 RM'000	**31.12.2007 RM'000**
Forward foreign exchange contracts	10,173	4,943
Ratio forward agreements	853	1,627
	11,026	6,570

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 period.

11. Proposed Dividend

The Company did not declare any interim dividend for the current quarter ended 30 June 2008.

12. 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.

	Quarter ended 30 June		YTD ended 30 June	
	2008	**2007**	**2008**	**2007**
Net profit for the period/quarter (RM'000)	29,538	23,081	60,300	40,772
Weighted average number of ordinary shares in issue ('000)	412,880	375,334	412,880	375,334
Basic earnings per ordinary share (sen)	7.15	6.15	14.60	10.86

(b) Diluted earnings per share

	Quarter ended 30 June		YTD ended 30 June	
	2008	**2007**	**2008**	**2007**
Net profit for the period/quarter (RM'000)	29,538	23,081	60,300	40,772
Weighted average no. of ordinary shares in issue ('000)	412,880	375,334	412,880	375,334
Effect of ESOS ('000)	2,409	7,059	2,409	7,059
Weighted average no. of ordinary shares in issue ('000)	415,289	382,393	415,289	382,393
Diluted earnings per ordinary share (sen)	7.11	6.04	14.52	10.66

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 7 August 2008.