

TRANSOCEAN HOLDINGS BHD. (36747 U)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 May 2006

TRANSOCEAN HOLDINGS BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 MAY 2006

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TRANSOCEAN HOLDINGS BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, provision of management services and letting of properties.

The principal activities of the subsidiaries and associates are set out Notes 13 and 14 to the financial statements respectively.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Loss after taxation	2,979,931	2,650,630
Minority interests	<u>55,072</u>	<u>-</u>
Net loss for the year	<u>3,035,003</u>	<u>2,650,630</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the notes to the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tung Sing Hong
 Tan Swee Khoon
 Zainuddin bin Din
 Khoo Boo Hong
 Prem Jitindarsingh
 Tung Chee Chuen
 Chong See Teck
 Krishnan A/L Chelliah

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of its related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	← Number of Ordinary Shares of RM1 Each →			
	1 June 2005	Acquired	Sold	31 May 2006
The Company				
Direct Interest				
Zainuddin bin Din	959,450	-	-	959,450
Indirect Interest				
Tung Sing Hong	13,049,000	-	-	13,049,000
Tan Swee Khoon	13,049,000	-	13,049,000	-
Tung Chee Chuen	13,049,000	-	-	13,049,000

DIRECTORS' INTERESTS (CONTD.)

Tung Sing Hong and Tung Chee Chuen by virtue of their interests in shares in the Company are also deemed interested in shares in all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONTD.)

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

OTHER SIGNIFICANT EVENT

Pursuant to Paragraph 8.16A of Bursa Malaysia Securities Berhad Listing Requirement (Bursa Securities LR), the Exchange requires listed issuers of the Second Board to maintain the minimum issued and paid up capital of RM40 million as stipulated under Paragraph 3.04(2) of the Bursa Securities LR (Minimum Capital Requirement) as a continuing listing obligation. Companies were given an extension of time of 6 months from 28 October 2004 to ratify its non compliance with the Minimum Capital Requirements.

As at to date, the Company has yet to comply with the above requirement but has however, applied and obtained approval from the Exchange to extend the extension of time to 30 September 2006.

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AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors:

TUNG SING HONG

TAN SWEE KHOON

Penang, Malaysia

Date: 22 September 2006

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, TUNG SING HONG and TAN SWEE KHOON, being two of the directors of TRANSOCEAN HOLDINGS BHD., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 52 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed in accordance with a resolution of the directors:

TUNG SING HONG

TAN SWEE KHOON

Penang, Malaysia

Date: 22 September 2006

**STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, CHONG SEE TECK, being the director primarily responsible for the financial management of TRANSOCEAN HOLDINGS BHD., do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 52 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed CHONG SEE TECK
at Georgetown in the State of Penang
on 22 September 2006 :

CHONG SEE TECK

Before me,

Chai Choon Kiat, PJM
No. P.073
Commissioner for Oaths

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
TRANSOCEAN HOLDINGS BHD.
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 9 to 52. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 May 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
TRANSOCEAN HOLDINGS BHD. (CONTD.)
(Incorporated in Malaysia)**

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG
AF: 0039
Chartered Accountants

LIM FOO CHEW
No. 1748/01/08(J)
Partner

Penang, Malaysia
Date: 22 September 2006

TRANSOCEAN HOLDINGS BHD.
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 MAY 2006

	Note	GROUP		COMPANY	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	3	43,813,557	43,799,218	1,112,600	1,525,670
Other operating income	4	268,648	372,859	10,934	-
Changes in inventories		-	(4,754)	-	-
Inventories purchased		(70,174)	(149,997)	-	-
Custom duties and charges		(2,471,502)	(3,029,450)	-	-
Crane and forklift charges		(1,988,694)	(2,394,103)	-	-
Depreciation		(3,685,557)	(3,918,259)	(639,734)	(673,524)
Freight expenses		(18,520,920)	(15,119,476)	-	-
Fuel charges		(3,422,676)	(2,386,429)	-	-
Levies		(2,196,373)	(2,560,382)	-	-
Repair and maintenance of premises		(76,811)	(59,924)	(55,331)	(40,111)
Repair and maintenance of motor vehicles		(1,613,393)	(1,865,633)	-	-
Rental of premises		(209,454)	(410,373)	-	-
Staff costs	5	(6,948,370)	(7,577,453)	-	-
Impairment losses on land held for development	12	-	(754,817)	-	-
Impairment losses on investments in subsidiaries		-	-	(190,000)	-
Other operating expenses	6	(4,034,258)	(4,423,542)	(2,066,615)	(4,289,794)
Loss from operations		(1,155,977)	(482,515)	(1,828,146)	(3,477,759)
Finance income		2,457	143,899	219,923	91,077
Finance costs		(1,746,962)	(2,206,592)	(1,042,407)	(842,900)
Net finance costs	8	(1,744,505)	(2,062,693)	(822,484)	(751,823)
Share of results of associates		47,932	(51,343)	-	-
Loss before taxation		(2,852,550)	(2,596,551)	(2,650,630)	(4,229,582)
Taxation	9	(127,381)	41,874	-	7,668
Loss after taxation		(2,979,931)	(2,554,677)	(2,650,630)	(4,221,914)
Minority interests		(55,072)	67,503	-	-
Net loss for the year		<u>(3,035,003)</u>	<u>(2,487,174)</u>	<u>(2,650,630)</u>	<u>(4,221,914)</u>
Basic loss per share (sen)	10	<u>(10.4)</u>	<u>(8.6)</u>		

The accompanying notes form an integral part of the financial statements.

TRANSOCEAN HOLDINGS BHD.
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BALANCE SHEETS
AS AT 31 MAY 2006

		GROUP		COMPANY	
	Note	2006	2005	2006	2005
		RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	11	40,116,730	38,354,218	29,786,854	23,770,035
Land held for development	12	-	3,703,523	-	-
Investments in subsidiaries	13	-	-	2,822,678	3,012,678
Investments in associates	14	176,555	130,293	-	-
Other investments	15	3,000	3,000	-	-
Goodwill on consolidation	16	728,472	831,274	-	-
		<u>41,024,757</u>	<u>43,022,308</u>	<u>32,609,532</u>	<u>26,782,713</u>
CURRENT ASSETS					
Trade receivables	17	7,300,760	7,065,289	-	-
Other receivables	18	1,362,620	1,144,418	3,547,370	5,093,758
Cash and bank balances		117,766	228,250	716	417
		<u>8,781,146</u>	<u>8,437,957</u>	<u>3,548,086</u>	<u>5,094,175</u>
CURRENT LIABILITIES					
Borrowings	19	14,612,701	17,247,676	4,399,691	5,380,544
Trade payables	21	5,268,535	4,705,504	-	-
Other payables	22	2,964,769	2,979,230	7,924,071	6,161,901
Tax payable		74,429	-	-	-
		<u>22,920,434</u>	<u>24,932,410</u>	<u>12,323,762</u>	<u>11,542,445</u>
NET CURRENT LIABILITIES		<u>(14,139,288)</u>	<u>(16,494,453)</u>	<u>(8,775,676)</u>	<u>(6,448,270)</u>
		<u>26,885,469</u>	<u>26,527,855</u>	<u>23,833,856</u>	<u>20,334,443</u>

TRANSOCEAN HOLDINGS BHD.
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BALANCE SHEETS (CONTD.)
AS AT 31 MAY 2006

	Note	GROUP		COMPANY	
		2006 RM	2005 RM	2006 RM	2005 RM
FINANCED BY:					
Share capital	23	28,998,550	28,998,550	28,998,550	28,998,550
Revaluation reserve	24	5,396,131	-	5,668,823	-
Accumulated losses		(14,033,341)	(10,998,338)	(15,677,249)	(13,026,619)
Shareholders' equity		<u>20,361,340</u>	<u>18,000,212</u>	<u>18,990,124</u>	<u>15,971,931</u>
Minority interests		<u>393,581</u>	<u>338,509</u>	<u>-</u>	<u>-</u>
		20,754,921	18,338,721	18,990,124	15,971,931
Borrowings	19	4,662,298	7,854,259	3,486,084	4,205,512
Deferred taxation	25	1,468,250	334,875	1,357,648	157,000
		<u>26,885,469</u>	<u>26,527,855</u>	<u>23,833,856</u>	<u>20,334,443</u>

The accompanying notes form an integral part of the financial statements.

TRANSOCEAN HOLDINGS BHD.
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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2006

GROUP	Share Capital RM	Non- Distributable Revaluation Surplus RM	Accumulated Losses RM	Total RM
At 1 June 2004	28,998,550	-	(8,511,164)	20,487,386
Net loss for the year	-	-	(2,487,174)	(2,487,174)
At 31 May 2005	<u>28,998,550</u>	<u>-</u>	<u>(10,998,338)</u>	<u>18,000,212</u>
At 1 June 2005	28,998,550	-	(10,998,338)	18,000,212
Revaluation increase net of deferred tax	-	5,396,131	-	5,396,131
Net loss for the year	-	-	(3,035,003)	(3,035,003)
At 31 May 2006	<u>28,998,550</u>	<u>5,396,131</u>	<u>(14,033,341)</u>	<u>20,361,340</u>
COMPANY				
At 1 June 2004	28,998,550	-	(8,804,705)	20,193,845
Net loss for the year	-	-	(4,221,914)	(4,221,914)
At 31 May 2005	<u>28,998,550</u>	<u>-</u>	<u>(13,026,619)</u>	<u>15,971,931</u>
At 1 June 2005	28,998,550	-	(13,026,619)	15,971,931
Revaluation increase net of deferred tax	-	5,668,823	-	5,668,823
Net loss for the year	-	-	(2,650,630)	(2,650,630)
At 31 May 2006	<u>28,998,550</u>	<u>5,668,823</u>	<u>(15,677,249)</u>	<u>18,990,124</u>

The accompanying notes form an integral part of the financial statements.

TRANSOCEAN HOLDINGS BHD.
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MAY 2006

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(2,852,550)	(2,596,551)	(2,650,630)	(4,229,582)
Adjustments for:				
Amortisation of goodwill	102,802	102,802	-	-
Bad debts written off	5,274	-	-	-
Depreciation	3,685,557	3,918,259	639,734	673,524
Doubtful debts written back	(28,558)	(86,239)	-	-
Gain on disposal of investment in associate	(1)	-	-	-
(Gain)/loss on disposal of property, plant and equipment	(95,407)	(48,501)	18,718	21,041
Dividend income	(13,437)	(4,500)	-	(416,670)
Impairment losses on land held for development	-	754,817	-	-
Impairment losses on investments in subsidiaries	-	-	190,000	-
Interest expense	1,692,592	2,046,965	1,040,749	839,151
Interest income	(2,457)	(143,899)	(219,923)	(91,077)
Net unrealised foreign exchange gain	(4,143)	(10,680)	-	-
Property, plant and equipment written off	92,384	179,523	-	-
Provision for doubtful debts	96,915	229,486	1,640,677	3,936,340
Share of results of associates	(46,262)	53,438	-	-
Operating profit before working capital changes	2,632,709	4,394,920	659,325	732,727
(Increase)/decrease in receivables	(331,062)	709,826	(10,320)	18,868
Decrease in inventories	-	4,753	-	-
Increase in payables	508,972	1,328,723	85,072	88,307
Cash generated from operations	2,810,619	6,438,222	734,077	839,902
Interest paid	(1,692,592)	(2,046,965)	(1,040,749)	(839,151)
Taxes (paid)/refunded	(162,915)	418,054	(28,650)	-
Net cash generated from/(used in) operating activities	955,112	4,809,311	(335,322)	751

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CASH FLOW STATEMENTS (CONTD.)
FOR THE YEAR ENDED 31 MAY 2006

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Net dividends received	9,674	3,476	-	300,003
Interest received	2,457	143,899	219,923	91,077
Purchase of property, plant and equipment [Note 11(b)]	(241,030)	(239,506)	(129,600)	(19,903)
Proceeds from disposal of property, plant and equipment	1,299,645	616,222	323,800	180,000
Proceeds from disposal of land held for development	3,703,523	-	-	-
Proceeds from disposal of investment in associate	1	-	-	-
Increase in land held for development	-	(102,457)	-	-
Net cash generated from investing activities	<u>4,774,270</u>	<u>421,634</u>	<u>414,123</u>	<u>551,177</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of hire-purchase and finance lease payables	(891,692)	(1,317,758)	(183,717)	(268,833)
Repayment of term loans	(2,554,659)	(3,020,695)	(1,478,417)	(1,639,031)
Repayment of revolving credits	-	(700,000)	-	-
Net change in related companies balances	-	-	1,621,777	1,347,879
Net cash used in from financing activities	<u>(3,446,351)</u>	<u>(5,038,453)</u>	<u>(40,357)</u>	<u>(559,985)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
	2,283,031	192,492	38,444	(8,057)
CASH AND CASH EQUIVALENTS AS AT 1 JUNE 2005/2004				
	<u>(10,016,157)</u>	<u>(10,208,649)</u>	<u>(2,596,598)</u>	<u>(2,588,541)</u>
CASH AND CASH EQUIVALENTS AS AT 31 MAY				
	<u>(7,733,126)</u>	<u>(10,016,157)</u>	<u>(2,558,154)</u>	<u>(2,596,598)</u>

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CASH FLOW STATEMENTS (CONTD.)
FOR THE YEAR ENDED 31 MAY 2006

Cash and cash equivalents comprise:

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cash and bank balances	117,766	228,250	716	417
Bank overdrafts (Note 19)	(7,850,892)	(10,244,407)	(2,558,870)	(2,597,015)
	<u>(7,733,126)</u>	<u>(10,016,157)</u>	<u>(2,558,154)</u>	<u>(2,596,598)</u>

The accompanying notes form an integral part of the financial statements.

TRANSOCEAN HOLDINGS BHD.
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NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2006

1. CORPORATE INFORMATION

The principal activities of the Company are investment holding, provision of management services and letting of properties.

The principal activities of the subsidiaries and associates are set out Notes 13 and 14 to the financial statements respectively.

There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 18.05, MWE Plaza, No. 8 Lebuhr Farquhar, 10200 Penang.

The number of employees in the Group at the end of financial year was 315 (2005: 332). The Company did not have any employee at the end of the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 September 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention except for the revaluation of freehold land and buildings included within property, plant and equipment.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

i. Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation (Contd.)

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

ii. Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the financial year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, or associate at the date of acquisition.

Negative goodwill represents the excess of the cost of the Group's interest in fair value of the identifiable assets and liabilities of a subsidiary, or associate at the date of acquisition over the cost of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Goodwill (Contd.)

Goodwill is stated at cost less accumulated amortisation and impairment losses. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the respective carrying amounts of these investments.

Goodwill is amortised on a straight-line basis over its estimated useful life of 20 years.

(d) Investments in Subsidiaries and Associates

The Company's investments in subsidiaries and associates are stated at cost or valuation less impairment losses.

Investments in subsidiaries have not been revalued since the last revaluation exercise in 1995. The directors have not adopted a policy of regular revaluation of such investments. Accordingly, these investments in subsidiaries continue to be stated at their last revalued amounts.

On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is recognised in the income statement.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

Certain freehold land and buildings of the Group and of the Company had not been revalued since they were first revalued in 1995. The directors had not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their 1995 valuation less accumulated depreciation.

However, during the year, the Group and the Company have revalued its land and buildings and adopted a policy of revaluation at least once in every five years based on a valuation by an independent valuer on an open market basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation decrease is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised as an expense.

Freehold land and building in progress is not depreciated. Leasehold land is depreciated over the period of the lease of 95 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings	2%
Motor vehicles	10% - 20%
Furniture, fittings and equipment	10% - 20%
Office renovation	10%
Warehouse machinery, hydroponics structure and equipment	10% - 20%

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Property, Plant and Equipment and Depreciation (Contd.)

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(f) Land Held for Development

Land held for development consists of land held for future development where no significant development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any impairment losses. Cost includes cost of land and attributable development expenditure.

(g) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of agricultural consumables comprises of costs of purchase and other incidental costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks, net of outstanding bank overdrafts.

(i) Hire-Purchase and Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

i. Hire-purchase or finance leases

Assets acquired by way of hire-purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair values of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Hire-Purchase and Leases (Contd.)

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

ii. Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

(j) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(k) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(l) Employee Benefits

i. Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Employee Benefits (Contd.)

ii. Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(m) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the Company and the amount of the revenue can be measured reliably.

i. Transportation services and management services

Revenue from transportation services and management services rendered is recognised as and when the services are performed.

ii. Rental income

Rental income is recognised on an accrual basis.

iii. Dividend income

Dividend income is recognised when the right to receive payment is established.

iv. Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(n) Foreign Currencies

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at the exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Foreign Currencies (Contd.)

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2006	2005
	RM	RM
United States Dollar (USD)	3.63	3.80
Singapore Dollar (SGD)	2.30	2.32
Japanese Yen (JPY)	0.03	0.03
Hong Kong Dollar (HKD)	0.47	0.49
Australian Dollar (AUD)	2.54	2.87
Great Britain Pound (GBP)	6.82	6.89
Euro Dollar (EURO)	4.66	4.71
Canadian Dollar (CAD)	3.30	3.01
Swiss Franc (CHF)	2.99	3.05

(o) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

(p) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Financial Instruments (Contd.)

i. Other non-current investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

ii. Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

iii. Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

iv. Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of the proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalization rate which is the weighted average of the borrowings costs applicable to the Group's borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of obtaining another qualifying asset. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowings cost eligible for capitalisation is the actual borrowing costs incurred on that borrowings during the period less any investment income on the temporary investment of funds drawn down from that borrowing facility.

v. Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the year in which they are declared.

3. REVENUE

Revenue of the Group and of the Company consists of the following:

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Logistics services	43,713,338	43,523,012	-	-
Agricultural products	95,219	274,806	-	-
Dividend income	-	-	-	416,670
Rental income	5,000	1,400	1,112,600	1,109,000
	<u>43,813,557</u>	<u>43,799,218</u>	<u>1,112,600</u>	<u>1,525,670</u>

4. OTHER OPERATING INCOME

Included in other operating income are:

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Doubtful debts written back	28,558	86,239	-	-
Gain on disposal of property, plant and equipment	95,407	48,501	-	-
Gain on disposal of investment in associate	1	-	-	-
Dividend income	13,437	4,500	-	-
Realised foreign exchange gain	54,950	36,448	-	-
Rental income	24,000	21,600	-	-
Net unrealised foreign exchange gain	<u>4,143</u>	<u>10,680</u>	<u>-</u>	<u>-</u>

5. STAFF COSTS

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Wages and salaries	5,275,720	5,840,528	-	-
Social security costs	68,192	66,189	-	-
Pension costs - defined contribution plans	547,366	585,153	-	-
Other staff related expenses	<u>1,057,092</u>	<u>1,085,583</u>	<u>-</u>	<u>-</u>
	<u>6,948,370</u>	<u>7,577,453</u>	<u>-</u>	<u>-</u>

Included in staff costs of the Group are executive directors' remuneration amounting to RM886,096 (2005: RM894,684) as further disclosed in Note 7.

6. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Amortisation of goodwill	102,802	102,802	-	-
Auditors' remuneration				
- current year	54,500	54,500	10,000	10,000
- overprovision in prior years	(3,278)	(5,000)	-	-
Bad debts written off	5,274	-	-	-
Directors' fees (Note 7)	67,500	43,500	66,000	42,000
Directors' other emoluments (Note 7)	16,500	18,000	16,500	18,000
Impairment of investment	-	-	190,000	-
Loss on disposal property, plant and equipment	-	-	18,718	21,041
Property, plant and equipment written off	92,384	179,523	-	-
Provision for doubtful debts	96,915	229,486	1,640,677	3,936,340
Realised foreign exchange loss	<u>16,810</u>	<u>-</u>	<u>-</u>	<u>-</u>

7. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Directors of the Company				
Executive:				
Salaries	614,941	676,272	-	-
Fees	30,000	6,000	30,000	6,000
Other emoluments	10,500	12,000	10,500	12,000
Benefits-in-kind	63,050	70,550	-	-
	<u>718,491</u>	<u>764,822</u>	<u>40,500</u>	<u>18,000</u>
Non-executive:				
Fees	36,000	36,000	36,000	36,000
Other emoluments	6,000	6,000	6,000	6,000
	<u>42,000</u>	<u>42,000</u>	<u>42,000</u>	<u>42,000</u>

7. DIRECTORS' REMUNERATION (CONTD.)

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Directors of Subsidiaries				
Executive:				
Salaries	271,155	218,412	-	-
Fees	1,500	1,500	-	-
Benefits-in-kind	8,400	5,100	-	-
	<u>281,055</u>	<u>225,012</u>	<u>-</u>	<u>-</u>
Total	<u>1,041,546</u>	<u>1,031,834</u>	<u>82,500</u>	<u>60,000</u>
Total excluding benefits-in-kind	<u>970,096</u>	<u>956,184</u>	<u>82,500</u>	<u>60,000</u>
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind, directors' fees and other emoluments (Note 5)	886,096	894,684	-	-
Directors' fees (Note 6)	67,500	43,500	66,000	42,000
Directors' other emoluments (Note 6)	<u>16,500</u>	<u>18,000</u>	<u>16,500</u>	<u>18,000</u>
Total directors' remuneration excluding benefits-in-kind	<u>970,096</u>	<u>956,184</u>	<u>82,500</u>	<u>60,000</u>

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2006	2005
Executive directors:		
RM50,001 - RM100,000	2	1
RM100,001 - RM150,000	2	3
RM150,001 - RM200,000	2	2
Non-executive directors:		
Below RM50,000	<u>3</u>	<u>3</u>

8. NET FINANCE COSTS

Net finance costs are stated after charging/(crediting):

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Interest expense	1,692,592	2,046,965	1,040,749	839,151
Interest income	<u>(2,457)</u>	<u>(143,899)</u>	<u>(219,923)</u>	<u>(91,077)</u>

9. TAXATION

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Income tax:				
Current year	82,691	52,500	-	116,668
Under/(over)provided in prior years	<u>4,245</u>	<u>(89,758)</u>	<u>-</u>	<u>(75,750)</u>
	<u>86,936</u>	<u>(37,258)</u>	<u>-</u>	<u>40,918</u>
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	34,396	26,275	-	(41,000)
Under/(over)provided in prior years	<u>4,379</u>	<u>(32,986)</u>	<u>-</u>	<u>(7,586)</u>
	<u>38,775</u>	<u>(6,711)</u>	<u>-</u>	<u>(48,586)</u>
Share of taxation of associates	<u>1,670</u>	<u>2,095</u>	<u>-</u>	<u>-</u>
	<u>127,381</u>	<u>(41,874)</u>	<u>-</u>	<u>(7,668)</u>

Domestic income tax is calculated at the Malaysian Statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense out the effective income tax rate of the Group and of the Company is as follows:

GROUP	2006	2005
	RM	RM
Loss before taxation	<u>(2,852,550)</u>	<u>(2,596,551)</u>
Taxation at statutory tax rate of 28% (2005: 28%)	(798,714)	(727,034)
Tax savings of 8% on the first RM500,000 chargeable income	(1,799)	(21,120)
Income not subject to tax	(178,383)	(75,180)
Effect of expenses not deductible for tax purposes	621,746	451,397
Utilisation of previously unrecognised deferred tax assets	5,556	-
Deferred tax assets not recognised during the year	470,351	452,807
Under/(over) provision of deferred tax in prior years	4,379	(32,986)
Under/(over) provision of income tax in prior years	4,245	(89,758)
Tax expense for the year	<u>127,381</u>	<u>(41,874)</u>

9. TAXATION (CONTD.)

	2006	2005
	RM	RM
COMPANY		
Loss before taxation	<u>(2,650,630)</u>	<u>(4,229,582)</u>
Taxation at statutory tax rate of 28% (2005: 28%)	(742,176)	(1,184,283)
Effect of expenses not deductible for tax purposes	279,670	157,776
Deferred tax assets not recognised during the year	462,506	1,102,175
Overprovision of deferred tax in prior years	-	(7,586)
Overprovision of income tax in prior years	-	(75,750)
Tax expense for the year	<u>-</u>	<u>(7,668)</u>

Tax savings during the financial year arising from:

	GROUP	
	2006	2005
	RM	RM
Utilisation of previously unrecognised tax losses	<u>125,860</u>	<u>65,361</u>
Unutilised tax losses and unabsorbed capital allowances are analysed as follows:		
Unutilised tax losses carried forward	6,613,317	6,545,476
Unabsorbed capital allowances carried forward	<u>9,371,020</u>	<u>9,548,733</u>

10. BASIC LOSS PER SHARE

Basic loss per share of the Group is calculated by dividing the net loss for the year of RM3,035,003 (2005: RM2,487,174) by the number of ordinary shares in issue of 28,998,550 (2005: 28,998,550).

11. PROPERTY, PLANT AND EQUIPMENT

GROUP	* Land and buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Office renovation RM	Warehouse machinery, hydroponic structure and equipment RM	Capital in progress RM	Total RM
Cost/Valuation							
At 1 June 2005	27,356,837	30,070,634	4,531,907	637,484	877,960	-	63,474,822
Additions	-	21,300	91,240	320	11,500	129,600	253,960
Disposals/write off	(1,593,421)	(276,996)	(3,988)	(43,156)	-	-	(1,917,561)
Revaluation surplus	6,490,731	-	-	-	-	-	6,490,731
At 31 May 2006	32,254,147	29,814,938	4,619,159	594,648	889,460	129,600	68,301,952
Representing:							
At cost	-	29,814,938	4,619,159	594,648	889,460	129,600	36,047,805
At valuation 2006	32,254,147	-	-	-	-	-	32,254,147
	32,254,147	29,814,938	4,619,159	594,648	889,460	129,600	68,301,952
Accumulated Depreciation and Impairment Losses							
At 1 June 2005							
Accumulated depreciation	3,379,784	17,200,671	3,474,641	281,012	764,967	-	25,101,075
Accumulated impairment losses	-	-	-	-	19,529	-	19,529
	3,379,784	17,200,671	3,474,641	281,012	784,496	-	25,120,604
Depreciation charge for the year	394,678	2,833,988	364,212	64,509	28,170	-	3,685,557
Disposals/write off	(420,315)	(165,119)	(588)	(34,917)	-	-	(620,939)
At 31 May 2006	3,354,147	19,869,540	3,838,265	310,604	812,666	-	28,185,222
Analysed as:							
Accumulated depreciation	3,354,147	19,869,540	3,838,265	310,604	793,137	-	28,165,693
Accumulated impairment losses	-	-	-	-	19,529	-	19,529
	3,354,147	19,869,540	3,838,265	310,604	812,666	-	28,185,222
Representing:							
At cost	-	19,869,540	3,838,265	310,604	812,666	-	24,831,075
At valuation 2006	3,354,147	-	-	-	-	-	3,354,147
	3,354,147	19,869,540	3,838,265	310,604	812,666	-	28,185,222

11. PLANT AND EQUIPMENT (CONTD.)

GROUP	* Land and buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Office renovation RM	Warehouse machinery, hydroponic structure and equipment RM	Capital in progress RM	Total RM
Net Book Value							
At 31 May 2006							
At cost	-	9,945,398	780,894	284,044	76,794	129,600	11,216,730
At valuation 2006	28,900,000	-	-	-	-	-	28,900,000
	<u>28,900,000</u>	<u>9,945,398</u>	<u>780,894</u>	<u>284,044</u>	<u>76,794</u>	<u>129,600</u>	<u>40,116,730</u>
At 31 May 2005							
At cost	13,198,053	12,869,963	1,057,266	356,472	93,464	-	27,575,218
At valuation 1995	10,779,000	-	-	-	-	-	10,779,000
	<u>23,977,053</u>	<u>12,869,963</u>	<u>1,057,266</u>	<u>356,472</u>	<u>93,464</u>	<u>-</u>	<u>38,354,218</u>
Details at 1 June 2004							
Cost/valuation	27,775,773	30,334,294	4,260,843	692,852	1,418,265	-	64,482,027
Accumulated depreciation	3,103,806	14,600,325	3,245,227	282,298	1,252,686	-	22,489,342
Accumulated impairment losses	-	-	-	-	19,529	-	19,529
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,529</u>	<u>-</u>	<u>19,529</u>
Depreciation charge for 2005	<u>421,691</u>	<u>3,000,851</u>	<u>385,072</u>	<u>72,495</u>	<u>38,150</u>	<u>-</u>	<u>3,918,259</u>

*** Land and Buildings**

	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
Cost/Valuation				
At 1 June 2005	7,201,433	387,840	19,767,564	27,356,837
Disposals	(644,063)	-	(949,358)	(1,593,421)
Revaluation surplus	3,142,630	2,068	3,346,033	6,490,731
At 31 May 2006	<u>9,700,000</u>	<u>389,908</u>	<u>22,164,239</u>	<u>32,254,147</u>
Representing:				
At valuation 2006	<u>9,700,000</u>	<u>389,908</u>	<u>22,164,239</u>	<u>32,254,147</u>

11. PLANT AND EQUIPMENT (CONTD.)*** Land and Buildings**

	Freehold land RM	Leasehold land RM	Buildings RM	Total RM			
Accumulated Depreciation							
At 1 June 2005	-	45,056	3,334,728	3,379,784			
Depreciation charge for the year	-	4,083	390,595	394,678			
Disposals	-	-	(420,315)	(420,315)			
At 31 May 2006	-	49,139	3,305,008	3,354,147			
Representing:							
At valuation 2006	-	49,139	3,305,008	3,354,147			
Net Book Value							
At 31 May 2006							
At valuation 2006	9,700,000	340,769	18,859,231	28,900,000			
At 31 May 2005							
At cost	251,433	342,784	12,603,836	13,198,053			
At valuation 1995	6,950,000	-	3,829,000	10,779,000			
	7,201,433	342,784	16,432,836	23,977,053			
Details at 1 June 2004							
Cost	7,435,121	387,840	19,952,812	27,775,773			
Accumulated depreciation	-	40,973	3,062,833	3,103,806			
Depreciation charge for 2005							
	-	4,083	417,608	421,691			
COMPANY	Freehold land RM	Buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Office renovation RM	Capital in progress RM	Total RM
Cost/Valuation							
At 1 June 2005	6,685,673	18,498,045	2,162,817	685,814	562,451	-	28,594,800
Additions	-	-	-	-	-	129,600	129,600
Revaluation surplus	3,142,630	3,726,841	-	-	-	-	6,869,471
Disposals	(128,303)	(550,267)	(54,667)	-	(43,156)	-	(776,393)
At 31 May 2006	9,700,000	21,674,619	2,108,150	685,814	519,295	129,600	34,817,478
Representing:							
At cost	-	-	2,108,150	685,814	519,295	129,600	3,442,859
At valuation	9,700,000	21,674,619	-	-	-	-	31,374,619
	9,700,000	21,674,619	2,108,150	685,814	519,295	129,600	34,817,478

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

COMPANY	Freehold land RM	Buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Office renovation RM	Capital in progress RM	Total RM
Accumulated Depreciation and Impairment Loss							
At 1 June 2005	-	3,145,788	769,599	667,363	242,015	-	4,824,765
Depreciation charge for the year	-	374,490	208,024	5,815	51,405	-	639,734
Disposals	-	(345,658)	(53,300)	-	(34,917)	-	(433,875)
At 31 May 2006	-	3,174,620	924,323	673,178	258,503	-	5,030,624
Representing:							
At cost	-	-	924,323	673,178	258,503	-	1,856,004
At valuation	-	3,174,620	-	-	-	-	3,174,620
	-	3,174,620	924,323	673,178	258,503	-	5,030,624
Net Book Value							
At 31 May 2006							
At cost	-	-	1,183,827	12,636	260,792	129,600	1,586,855
At valuation 2006	9,700,000	18,499,999	-	-	-	-	28,199,999
	9,700,000	18,499,999	1,183,827	12,636	260,792	129,600	29,786,854
At 31 May 2005							
At cost	245,673	11,864,257	1,393,218	18,451	320,436	-	13,842,035
At valuation 1995	6,440,000	3,488,000	-	-	-	-	9,928,000
	6,685,673	15,352,257	1,393,218	18,451	320,436	-	23,770,035
Details at 1 June 2004							
Cost/valuation	6,685,673	18,498,045	2,069,729	684,564	543,798	-	28,481,809
Accumulated depreciation	-	2,752,341	741,388	658,569	187,014	-	4,339,312
Depreciation charge for 2005							
	-	393,447	216,282	8,794	55,001	-	673,524

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

- (a) Net book values of property, plant and equipment held under hire-purchase and finance lease arrangements are as follows:

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Motor vehicles	4,109,284	5,657,840	1,043,079	1,205,116
Furniture, fittings and equipment	249,118	301,453	-	-
	<u>4,358,402</u>	<u>5,959,293</u>	<u>1,043,079</u>	<u>1,205,116</u>

- (b) During the financial year, the Group and the Company acquired property, plant and equipment with aggregate costs of RM253,960 (2005: RM1,041,565) and RM129,600 (2005: RM502,103) respectively by means of the following:

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cash payments	241,030	239,506	129,600	19,903
Hire-purchase and finance lease arrangements	12,930	802,059	-	482,200
	<u>253,960</u>	<u>1,041,565</u>	<u>129,600</u>	<u>502,103</u>

- (c) Net book values of property, plant and equipment pledged to financial institutions for bank borrowings as disclosed in Note 19 are as follows:

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Freehold land	6,557,370	6,555,638	9,700,000	6,557,370
Buildings	11,089,879	14,909,084	18,500,000	15,126,928
Motor vehicles	3,320,254	3,990,703	-	1,205,116
	<u>20,967,503</u>	<u>25,455,425</u>	<u>28,200,000</u>	<u>22,889,414</u>

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(d) Details of the 2006 independent professional valuations of the freehold land and buildings owned by the Group at 31 May 2006 are as follows:

Valuer	Date of valuation	Description of property	Valuation Amount	Net book value	Basis of valuation
(i) Sr. Azmi Hj Omar, MISM Register valuer Raine & Horne International	14 March 2006	2 unit light industrial terrace lot - leasehold	700,000	689,252	Open market value
	14 March 2006	Wisma Transocean, a 7-storey purpose built office building with basement car park - freehold	10,000,000	6,306,943	Open market value
	14 March 2006	A single-storey detached factory annexed with five-storey office section freehold	17,800,000	15,054,568	Open market value
(ii) Kho Joo Hee, MISM Register valuer Knight Frank	22 May 2006	A double-storey shop office-freehold	400,000	358,506	Open market value

Had the revalued freehold land and buildings been carried at historical cost less accumulated depreciation, the net book values of the revalued property that would have been included in the financial statements of the Group and of the Company as at the balance sheet date would have been as follows:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Freehold land	4,950,921	4,606,256	4,607,988	4,467,326
Buildings	8,819,604	3,398,038	8,473,283	3,307,903
	<u>13,770,525</u>	<u>8,004,294</u>	<u>13,081,271</u>	<u>7,775,229</u>

(e) Included in property, plant and equipment of the Group and of the Company are fully depreciated assets which are still in use costing RM5,137,917 (2005: RM2,903,086) and RM719,089 (2005: RM614,426) respectively.

12. LAND HELD FOR DEVELOPMENT

	GROUP	
	2006	2005
	RM	RM
Cost:		
Freehold land	-	3,149,698
Development expenditure	-	1,308,642
	<u>-</u>	<u>4,458,340</u>
Impairment losses	-	(754,817)
	<u>-</u>	<u>3,703,523</u>

13. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2006	2005
	RM	RM
Unquoted shares:		
At valuation - year 1995	3,578,997	3,578,997
At cost	6,221,098	6,221,098
	<u>9,800,095</u>	<u>9,800,095</u>
Accumulated impairment losses	(6,977,417)	(6,787,417)
	<u>2,822,678</u>	<u>3,012,678</u>

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of Subsidiaries	Equity Interest Held (%)		Principal Activities
	2006	2005	
Transocean (M) Sdn. Bhd.	100	100	Investment holding
Transocean Agencies Sdn. Bhd.	100	100	Custom brokerage
Transocean Logistics Sdn. Bhd.	100	100	Provision of freight forwarding and trucking related services.
Transocean Distribution Hub Sdn. Bhd. (formerly known as Konteniaga Public Bonded Warehouse Sdn. Bhd.)	100	100	Provision of warehousing services and trucking related services.
Gerak Intensif Sdn. Bhd.	51	51	Provision of container haulage services.
Transocean Freight Express Sdn. Bhd.	51	51	Investment holding

13. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Name of Subsidiaries	Equity Interest Held (%)		Principal Activities
	2006	2005	
Held through Transocean (M) Sdn. Bhd.			
Transocen (KL) Sdn. Bhd.	100	100	Provision of freight forwarding and trucking related services. The subsidiary has temporarily ceased the provision of freight forwarding services.
Transocean Freight Services Sdn. Bhd.	100	100	Provision of international air and ocean freight services and warehousing.
Transocean (JB) Sdn. Bhd.	100	100	Provision of trucking related services. The subsidiary has temporarily ceased operations.
Speedload Transport Sdn. Bhd.	100	100	Provision of trucking related services.
Transocean World Transport Sdn. Bhd.	100	100	Provision of international ocean freight services and trucking related services. The subsidiary has temporarily ceased the provision of freight services.
Transocean Biotec (M) Sdn. Bhd.	75	75	Distributor and contractor of irrigation parts and equipment, cultivating and trading of irrigation parts and equipment, cultivating and trading of agricultural products and property development.
Held through Transocean Freight Express Sdn. Bhd.			
Transocean Haulage Services Sdn. Bhd.	65	65	Provision of container haulage services.
Held through Speedload Transport Sdn. Bhd. and Transocean (KL) Sdn. Bhd.			
Speedload Transport (KL) Sdn. Bhd.	100	100	Provision of trucking related services.

13. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Name of Subsidiaries	Equity Interest Held (%)		Principal Activities
	2006	2005	
Held through Transocean Biotec (M) Sdn. Bhd.			
Transocean Biotec Research Sdn. Bhd.	100	100	Engaged in tissue research in horticultural, agricultural and pharmaceutical plants, cooperating with local farms for export, carrying out scientific and experimental research and property development. The subsidiary has temporarily ceased operations.

14. INVESTMENTS IN ASSOCIATES

	GROUP	
	2006 RM	2005 RM
Unquoted shares at cost	103,915	163,915
Share of post-acquisition reserves	72,640	26,378
	<u>176,555</u>	<u>190,293</u>
Accumulated impairment losses	-	(60,000)
	<u>176,555</u>	<u>130,293</u>
Represented by:		
Share of net assets	<u>176,555</u>	<u>130,293</u>

Details of the associates are as follows:

Name of Associates	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2006	2005	
Held through Transocean (M) Sdn. Bhd				
TFS Logistics Pte. Ltd.	Singapore	20	20	Provision of freight forwarding and trucking related services

14. INVESTMENTS IN ASSOCIATES (CONTD.)

Name of Associates	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2006	2005	
Held through				
Transocean Freight Services Sdn. Bhd.				
Throughfreight (JB) Sdn. Bhd.	Malaysia	-	24	Custom brokerage and sea freight forwarding. The company has temporarily ceased operations

During the financial year, the Group disposed off its 24% equity interest in Throughfreight (JB) Sdn. Bhd.

15. OTHER INVESTMENTS

	GROUP	
	2006 RM	2005 RM
Unquoted shares at cost	<u>3,000</u>	<u>3,000</u>

16. GOODWILL ON CONSOLIDATION

	GROUP	
	2006 RM	2005 RM
Goodwill on consolidation	4,654,505	4,654,505
Reserve on consolidation	<u>(270,679)</u>	<u>(270,679)</u>
	4,383,826	4,383,826
Accumulated impairment losses	(1,605,297)	(1,605,297)
Accumulated amortization	<u>(2,050,057)</u>	<u>(1,947,255)</u>
	<u>728,472</u>	<u>831,274</u>

17. TRADE RECEIVABLES

	GROUP	
	2006	2005
	RM	RM
Trade receivables	8,788,818	8,518,515
Provision for doubtful debts	<u>(1,488,058)</u>	<u>(1,453,226)</u>
	<u>7,300,760</u>	<u>7,065,289</u>

The Group's normal trade credit terms range from 30 days to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

18. OTHER RECEIVABLES

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Due from subsidiaries				
Interest-free:				
- Transocean (M) Sdn. Bhd. and its subsidiaries	-	-	842,592	725,816
- Transocean Freight Express Sdn. Bhd. and its subsidiary	-	-	658,430	3,626,333
Interest-bearing:				
- Subsidiaries of Transocean (M) Sdn. Bhd.	-	-	5,372,011	7,045,117
- Subsidiaries of Transocean Freight Express Sdn. Bhd.	-	-	4,546,027	-
	<u>-</u>	<u>-</u>	<u>11,419,060</u>	<u>11,397,266</u>
Provision for doubtful debts	<u>-</u>	<u>-</u>	<u>(8,172,718)</u>	<u>(6,565,566)</u>
	-	-	3,246,342	4,831,700
Due from associates	-	624,500	-	624,500
Prepayments	347,643	384,390	6,297	7,476
Tax recoverable	534,412	381,911	260,908	232,259
Staff advances	56,068	58,605	-	-
Deposits	384,506	323,040	2,630	2,630
Sundry receivables	802,853	101,309	689,218	19,693
	<u>2,125,482</u>	<u>1,873,755</u>	<u>959,053</u>	<u>886,558</u>
Provision for doubtful debts	<u>(762,862)</u>	<u>(729,337)</u>	<u>(658,025)</u>	<u>(624,500)</u>
	<u>1,362,620</u>	<u>1,144,418</u>	<u>301,028</u>	<u>262,058</u>
	<u>1,362,620</u>	<u>1,144,418</u>	<u>3,547,370</u>	<u>5,093,758</u>

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. The interest-bearing amounts bore interest at the balance sheet date of 8.25% (2005: 7.50%) per annum.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

19. BORROWINGS

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Short Term Borrowings				
Secured:				
Bank overdrafts	5,779,501	7,431,559	2,558,870	2,597,015
Term loans	3,287,294	3,322,155	1,027,548	1,980,387
Hire-purchase and finance lease payables (Note 20)	896,039	1,114,934	138,807	183,718
	<u>9,962,834</u>	<u>11,868,648</u>	<u>3,725,225</u>	<u>4,761,120</u>
Unsecured:				
Bank overdrafts	2,071,391	2,812,848	-	-
Revolving credits	1,500,000	1,500,000	-	-
Term loans	1,078,476	1,066,180	674,466	619,424
	<u>4,649,867</u>	<u>5,379,028</u>	<u>674,466</u>	<u>619,424</u>
	<u>14,612,701</u>	<u>17,247,676</u>	<u>4,399,691</u>	<u>5,380,544</u>
Long Term Borrowings				
Secured:				
Term loans	3,650,533	5,291,690	2,990,026	3,027,855
Hire-purchase and finance lease payables (Note 20)	792,842	1,452,709	369,530	508,337
	<u>4,443,375</u>	<u>6,744,399</u>	<u>3,359,556</u>	<u>3,536,192</u>
Unsecured:				
Term loans	218,923	1,109,860	126,528	669,320
	<u>4,662,298</u>	<u>7,854,259</u>	<u>3,486,084</u>	<u>4,205,512</u>
Total Borrowings				
Bank overdrafts	7,850,892	10,244,407	2,558,870	2,597,015
Revolving credits	1,500,000	1,500,000	-	-
Term loans	8,235,226	10,789,885	4,818,568	6,296,986
Hire-purchase and finance lease payables (Note 20)	1,688,881	2,567,643	508,337	692,055
	<u>19,274,999</u>	<u>25,101,935</u>	<u>7,885,775</u>	<u>9,586,056</u>

19. BORROWINGS (CONTD.)

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Maturity of borrowings (excluding hire-purchase and finance lease payables):				
Within 1 year	12,386,077	16,132,742	4,260,885	5,196,826
More than 1 year and less than 2 Years	1,495,706	3,066,164	995,650	1,606,675
More than 2 years and less than 5 Years	3,327,608	2,728,279	2,055,490	1,889,487
More than 5 years	376,727	607,107	65,413	201,013
	<u>17,586,118</u>	<u>22,534,292</u>	<u>7,377,438</u>	<u>8,894,001</u>

The interest rates at the balance sheet date for borrowings, excluding hire-purchase and finance lease payables, were as follows:

	GROUP		COMPANY	
	2006	2005	2006	2005
	%	%	%	%
Bank overdrafts	5.00 - 8.25	5.00 - 8.25	8.25 - 9.00	8.25
Revolving credits	5.90 - 7.50	5.15 - 7.75	-	-
Term loans	<u>7.25 - 7.75</u>	<u>7.25 - 7.75</u>	<u>7.25 - 9.5</u>	<u>7.25 - 7.75</u>

The secured bank overdrafts and revolving credits are secured by the following:

- fixed charges over certain freehold land and buildings of the Group and of the Company as disclosed in Note 11(c);
- corporate guarantees by the Company;
- negative pledge over the entire assets of a subsidiary; and
- a debenture over all the present and future fixed and floating assets of a subsidiary.

The term loans are secured by the following:

- corporate guarantees by the Company;
- legal charges over certain freehold land and buildings of the Group and of the Company as disclosed in Note 11(c); and
- specific legal charge over certain motor vehicles of the Group as disclosed in Note 11(c).

20. HIRE-PURCHASE AND FINANCE LEASE PAYABLES

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Minimum hire-purchase and finance lease payments:				
Not later than 1 year	983,336	1,275,878	163,756	220,752
Later than 1 year and not later than 2 years	433,905	751,291	111,240	163,756
Later than 2 years and not later than 5 years	421,299	778,836	292,144	333,648
Later than 5 years	4,306	73,744	4,306	73,744
	<u>1,842,846</u>	<u>2,879,749</u>	<u>571,446</u>	<u>791,900</u>
Future finance charges	<u>(153,965)</u>	<u>(312,106)</u>	<u>(63,109)</u>	<u>(99,845)</u>
Present value of hire-purchase and finance lease payables	<u>1,688,881</u>	<u>2,567,643</u>	<u>508,337</u>	<u>692,055</u>
Present value of hire-purchase and finance lease liabilities:				
Not later than 1 year	896,039	1,114,934	138,807	183,718
Later than 1 year and not later than 2 years	396,527	666,269	93,473	139,103
Later than 2 years and not later than 5 years	391,712	714,325	271,454	297,119
Later than 5 years	4,603	72,115	4,603	72,115
	<u>1,688,881</u>	<u>2,567,643</u>	<u>508,337</u>	<u>692,055</u>
Analysed as:				
Due within 12 months (Note 20)	896,039	1,114,934	138,807	183,718
Due after 12 months (Note 20)	<u>792,842</u>	<u>1,452,709</u>	<u>369,530</u>	<u>508,337</u>
	<u>1,688,881</u>	<u>2,567,643</u>	<u>508,337</u>	<u>692,055</u>

The hire-purchase and finance lease liabilities of the Group and of the Company bore interest at the balance sheet date at rates between 3.00% to 8.4% (2005: 2.00% to 6.10%) per annum and 3.00% to 8.4% (2005: 3.00% to 6.10%) per annum respectively.

21. TRADE PAYABLES

	GROUP	
	2006	2005
	RM	RM
Trade payables	4,044,393	3,916,611
Due to an associate company	<u>1,224,142</u>	<u>788,893</u>
	<u>5,268,535</u>	<u>4,705,504</u>

The normal trade credit terms granted to the Group range from 30 days to 60 days.

22. OTHER PAYABLES

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Due to subsidiaries:				
Interest-free:				
- Subsidiaries of Transocean (M) Sdn. Bhd.	-	-	32,820	55,486
- Transocean Agencies Sdn. Bhd.	-	-	412,562	395,546
Interest-bearing:				
- Gerak Intensif Sdn. Bhd.	-	-	570,839	-
- Transocean Distribution Hub Sdn. Bhd. (formerly known as Konteniaga Public Bonded Warehouse)	-	-	628,428	-
- Transocean Logistics Sdn. Bhd.	<u>-</u>	<u>-</u>	<u>5,896,790</u>	<u>5,413,309</u>
	-	-	7,541,439	5,864,341
Due to a director of a subsidiary	-	106,138	-	-
Accruals	1,967,174	1,606,406	317,056	296,952
Sundry payables	<u>997,595</u>	<u>1,266,686</u>	<u>65,576</u>	<u>608</u>
	<u>2,964,769</u>	<u>2,979,230</u>	<u>7,924,071</u>	<u>6,161,901</u>

The director of a subsidiary refers to Mr. Liew Yong Heong, a director of Transocean Biotec (M) Sdn. Bhd. The amount due is unsecured, interest free and has no fixed terms of repayment.

The amounts due to subsidiaries are unsecured advances, interest free and have no fixed terms of repayment, except for RM7,096,057 (2005: RM5,413,309) which bear interest at 8.25% (2005: 7.50%) per annum.

23. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2006	2005	2006 RM	2005 RM
Authorised	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid	<u>28,998,550</u>	<u>28,998,550</u>	<u>28,998,550</u>	<u>28,998,550</u>

24. REVALUATION RESERVE

Non-Distributable	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Surplus on revaluation of land and building	<u>5,396,131</u>	<u>-</u>	<u>5,668,823</u>	<u>-</u>

The movements in each category of reserves were as follows:

Surplus on revaluation of land and building	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
At 1 June 2005/2004	-	-	-	-
Revaluation surplus	6,490,731	-	6,869,471	-
Transfer to deferred taxation	(1,094,600)	-	(1,200,648)	-
At 31 May	<u>5,396,131</u>	<u>-</u>	<u>5,668,823</u>	<u>-</u>

25. DEFERRED TAXATION

Deferred Tax Liabilities	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
At 1 June 2005/2004	334,875	341,586	157,000	205,586
Recognised in equity	1,094,600	-	1,200,648	-
Recognised in income statement (Note 9)	38,775	(6,711)	-	(48,586)
At 31 May	<u>1,468,250</u>	<u>334,875</u>	<u>1,357,648</u>	<u>157,000</u>

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities

GROUP	Accelerated	Revaluation	Unabsorbed	Others	Total
	Capital	Surplus	Tax Losses		
	Allowances	RM	and	RM	RM
	RM	RM	Unutilised		
			Capital		
			Allowances		
			RM		
At 1 June 2005	1,195,245	165,862	(1,008,545)	(17,687)	334,875
Recognised in income statement	(170,415)	(1,724)	277,516	(66,602)	38,775
Recognised in equity	-	1,094,600	-	-	1,094,600
At 31 May 2006	<u>1,024,830</u>	<u>1,258,738</u>	<u>(731,029)</u>	<u>(84,289)</u>	<u>1,468,250</u>
At 1 June 2004	1,415,209	167,586	(1,153,258)	(87,951)	341,586
Recognised in income statement	(219,964)	(1,724)	144,713	70,264	(6,711)
At 31 May 2005	<u>1,195,245</u>	<u>165,862</u>	<u>(1,008,545)</u>	<u>(17,687)</u>	<u>334,875</u>
COMPANY					
At 1 June 2005	432,838	165,862	(441,502)	(198)	157,000
Recognised in income statement	101,797	(1,724)	(38,985)	(61,088)	-
Recognised in equity	-	1,200,648	-	-	1,200,648
At 31 May 2006	<u>534,635</u>	<u>1,364,786</u>	<u>(480,487)</u>	<u>(61,286)</u>	<u>1,357,648</u>
At 1 June 2004	398,911	167,586	(361,016)	105	205,586
Recognised in income statement	33,927	(1,724)	(80,486)	(303)	(48,586)
At 31 May 2005	<u>432,838</u>	<u>165,862</u>	<u>(441,502)</u>	<u>(198)</u>	<u>157,000</u>

25. DEFERRED TAXATION (CONTD.)

Deferred tax assets have not been recognised in respect of the following items:

	GROUP	
	2006	2005
	RM	RM
Unabsorbed tax losses	1,851,729	1,651,741
Unutilised capital allowances	<u>2,870,683</u>	<u>2,972,974</u>

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profit of the subsidiaries are subject to not substantial changes in shareholdings of the subsidiaries under Section 44(5A) and (5B) of the Income Tax Act, 1967.

26. COMMITMENTS

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Capital expenditure:				
Approved and contracted for:				
Property, plant and equipment	<u>518,400</u>	<u>-</u>	<u>518,400</u>	<u>-</u>

27. CONTINGENT LIABILITIES

	COMPANY	
	2006	2005
	RM	RM
Corporate guarantees given to financial institutions in respect of bank borrowings granted to subsidiaries:		
- secured	6,408,747	6,138,433
- unsecured	5,605,388	6,924,908
	<u>12,014,135</u>	<u>13,063,341</u>

The directors are of the opinion that the likelihood of the above corporate guarantees to be called upon is not probable and as such no provision has been set aside.

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP	
	2006	2005
	RM	RM
Sales to an associate, TFS Logistics Pte. Ltd.	836,887	1,143,430
Purchases from an associate, TFS Logistics Pte. Ltd.	3,225,584	2,755,751
Rental charged to an associate, Throughfreight (JB) Sdn. Bhd.	<u>5,000</u>	<u>1,400</u>
	COMPANY	
	2006	2005
	RM	RM
Interest charged to subsidiaries:		
Transocean Biotec (M) Sdn. Bhd.	-	87,649
Transocean Distribution Hub Sdn. Bhd.	2,609	-
Transocean Haulage Services Sdn. Bhd.	217,314	-
Gerak Intensif Sdn. Bhd.	-	2,784
Speedload Transport (KL) Sdn. Bhd.	-	644
Rental charged to subsidiaries:		
Transocean Logistics Sdn. Bhd.	97,200	90,900
Transocean Agencies Sdn. Bhd.	64,800	64,800
Transocean Freight Services Sdn. Bhd.	192,000	192,000
Transocean Distribution Hub Sdn. Bhd.	728,400	728,400
Gerak Intensif Sdn. Bhd.	25,200	18,900
Transocean Haulage Services Sdn. Bhd.	-	12,600
Rental charged to an associate, Throughfreight (JB) Sdn. Bhd.	5,000	1,400
Interest charged by a subsidiaries:		
Transocean Freight Services Sdn. Bhd.	5,814	-
Transocean Distribution Hub Sdn. Bhd.	5,677	-
Transocean Logistics Sdn. Bhd.	354,508	52,822
Gerak Intensif Sdn. Bhd.	<u>13,161</u>	<u>-</u>

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

29. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

The Group is exposed to a variety of financial risks, including the effects of changes in interest rates, foreign currency exchange rates, credit and liquidity and cash flow risks. The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing these risks. The Group operates within clearly defined guidelines that are approved by the Board and are regularly reviewed and updated to take into account the changes in the operating environment.

(b) Interest Rate Risk

The Group is exposed to interest rate risk for changes in interest rates primarily for its debt obligations. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and variable rate debt instruments.

The information on maturity dates and interest rates of financial assets and financial liabilities are disclosed in their respective notes.

(c) Credit Risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risk is minimised and monitored by strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

(d) Liquidity and Cash Flow Risk

Prudent liquidity management requires the Group to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(e) Foreign Exchange Risk

The Group is exposed to various foreign currencies i.e. United States Dollar, Singapore Dollar, Japanese Yen, Hong Kong Dollar, Australian Dollar, Great Britain Pound, Euro Dollar, Canadian Dollar and Swiss Franc. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than Ringgit Malaysia are kept to an acceptable level.

29. FINANCIAL INSTRUMENTS (CONTD.)

The aggregate unhedged financial assets and financial liabilities of the Group as at 31 May 2006 that are not denominated in its functional currency i.e. Ringgit Malaysia are as follows:

	GROUP	
	2006	2005
	RM	RM
Trade Receivables		
United States Dollar	443,231	260,656
Singapore Dollar	75,024	86,604
	<u>518,255</u>	<u>347,260</u>
Other Receivables		
Singapore Dollar	<u>48,880</u>	<u>-</u>
Other Payables		
United States Dollar	63,771	61,862
Singapore Dollar	-	372
Great Britain Pound	6,028	4,619
Euro Dollar	6,413	2,368
Swiss Franc	924	924
	<u>77,136</u>	<u>70,145</u>
Trade Payables		
Unites States Dollar	842,686	739,651
Singapore Dollar	1,273,691	12,538
Japanese Yen	62,065	12,987
Hong Kong Dollar	6,881	26,921
Australian Dollar	1,329	44
Great Britain Pound	8,559	1,028
Euro	50,824	75,013
Canadian Dollar	18,998	17,773
	<u>2,265,033</u>	<u>885,955</u>

29. FINANCIAL INSTRUMENTS (CONTD.)**(f) Fair Values**

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximate their fair values except for the followings:

	Note	GROUP		COMPANY	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
At 31 May 2006:					
Financial Assets					
Due from subsidiaries	18	-	-	3,246,342	#
Financial Liabilities					
Term loans	19	8,235,226	7,328,241	4,818,568	4,328,004
Hire-purchase and finance lease payables	20	1,688,881	1,603,916	508,337	482,136
Due to subsidiaries	22	-	-	7,541,439	#
At 31 May 2005:					
Financial Assets					
Due from subsidiaries	18	-	-	4,831,700	#
Financial Liabilities					
Term loans	19	10,789,885	9,894,995	6,296,986	5,788,910
Hire-purchase and finance lease payables	20	2,567,643	2,455,223	692,055	650,844
Due to subsidiaries	22	-	-	5,864,341	#

It is not practical to estimate the fair values of the amounts due from/to subsidiaries due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

29. FINANCIAL INSTRUMENTS (CONTD.)**(f) Fair Values (Contd.)**

The notional amounts and the fair values of financial instruments not recognised in the balance sheets of the Group and of the Company as at 31 May 2006 are as follows:

		COMPANY	
	Note	Nominal/ Notional Amount RM	Fair Value RM
At 31 May 2006:			
Contingent liabilities	27	<u>12,014,135</u>	-
At 31 May 2005:			
Contingent liabilities	27	<u>13,063,341</u>	-

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

i. Other Investments

The Group deems that it is not practical to estimate the fair values of its non-current unquoted shares because of the lack of quoted market prices and the inability to estimate the fair values without incurring excessive costs. However, the Group believes that the carrying amounts represent the recoverable values.

ii. Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short-Term Borrowings

The carrying amounts approximate their fair values due to the relatively short-term maturity of these financial instruments.

iii. Borrowings

The fair values of borrowings are estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

30. SEGMENT INFORMATION

Segment information is not prepared as the Group's activities are primarily those of a custom broker and the provision of trucking and transport services in Malaysia. The other segments are not significant to be disclosed under the requirements of MASB 22: Segment Reporting.

31. OTHER SIGNIFICANT EVENT

Pursuant to Paragraph 8.16A of Bursa Malaysia Securities Berhad Listing Requirement (Bursa Securities LR), the Exchange requires listed issuers of the Second Board to maintain the minimum issued and paid up capital of RM40 million as stipulated under Paragraph 3.04(2) of the Bursa Securities LR (Minimum Capital Requirement) as a continuing listing obligation. Companies were given an extension of time of 6 months from 28 October 2004 to ratify its non compliance with the Minimum Capital Requirements.

As at todate, the Company has yet to comply with the above requirement but has however, applied and obtained approval from the Exchange to extend the extension of time to 30 September 2006.

32. CURRENCY

All amounts are stated in Ringgit Malaysia (RM).