

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

Directors' Report and Audited Financial Statements
31 May 2004

TRANSOCEAN HOLDINGS BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 MAY 2004

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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 2004.

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 are described in Note 12 to the financial statements. 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	(4,050,593)	(5,549,920)
Minority interests	314,096	-
Net loss for the year	<u>(3,736,497)</u>	<u>(5,549,920)</u>

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

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	
Th'ng Yow Chuan @ Thong Yow Chuan	
Prem Jitindarsingh	
Tung Chee Chuen	
Chong See Teck	(appointed on 29 July 2004)
Krishnan A/L Chelliah	(appointed on 29 July 2004)

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 6 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 2003	Bought	Sold	31 May 2004
The Company				
Direct Interest				
Zainuddin bin Din	959,450	-	-	959,450
Th'ng Yow Chuan @ Thong Yow Chuan	20,300	-	-	20,300
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, Tan Swee Khoon 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 there were no known bad debts 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) it necessary to write off any bad debts or the amount of the provision for doubtful debts 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.

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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: 18 September 2004

**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 50 are drawn up in accordance with applicable 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 2004 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: 18 September 2004

**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 50 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 18 September 2004 :

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 accompanying financial statements set out on pages 9 to 50. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 2004 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. 1748/01/06(J)
Partner

Penang, Malaysia
Date: 18 September 2004

TRANSOCEAN HOLDINGS BHD.
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INCOME STATEMENTS
FOR THE YEAR ENDED 31 MAY 2004

	Note	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
Revenue	3	50,192,422	44,543,196	1,116,000	1,190,400
Other operating income		154,961	170,192	-	81,800
Changes in inventories		(48,279)	(43,843)	-	-
Inventories purchased		(132,426)	(122,573)	-	-
Custom duties and charges		(5,525,017)	(2,558,215)	-	-
Crane and forklift charges		(2,322,907)	(1,882,950)	-	-
Depreciation		(4,048,717)	(4,013,111)	(677,420)	(659,969)
Freight expenses		(19,021,981)	(17,462,302)	-	-
Fuel charges		(2,457,097)	(2,402,799)	-	-
Levies		(3,108,473)	(3,132,401)	-	-
Repair and maintenance of premises		(91,191)	(100,278)	(68,747)	(43,410)
Repair and maintenance of motor vehicles		(1,725,684)	(1,814,115)	-	-
Rental of premises		(253,064)	(352,027)	-	-
Staff costs	4	(7,770,617)	(8,206,057)	-	-
Impairment losses on property, plant and equipment	10	(19,529)	(170,423)	-	(56,335)
Impairment losses on investments in subsidiaries	12	-	-	(3,187,417)	(1,631,008)
Impairment losses on goodwill on consolidation	15	(1,605,297)	-	-	-
Other operating expenses		<u>(4,234,266)</u>	<u>(3,608,153)</u>	<u>(1,948,925)</u>	<u>(1,799,490)</u>
Loss from operations	5	(2,017,162)	(1,155,859)	(4,766,509)	(2,918,012)
Finance costs, net	7	(2,319,638)	(2,399,058)	(827,135)	(796,091)
Share of results of associates		120,534	(22,414)	-	-
Loss before taxation		(4,216,266)	(3,577,331)	(5,593,644)	(3,714,103)
Taxation	8	<u>165,673</u>	<u>169,960</u>	<u>43,724</u>	<u>(81,506)</u>
Loss after taxation		(4,050,593)	(3,407,371)	(5,549,920)	(3,795,609)
Minority interests		314,096	259,127	-	-
Net loss for the year		<u>(3,736,497)</u>	<u>(3,148,244)</u>	<u>(5,549,920)</u>	<u>(3,795,609)</u>
Basic loss per share (sen)	9	<u>(12.9)</u>	<u>(10.9)</u>		

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

TRANSOCEAN HOLDINGS BHD.
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 31 MAY 2004

	Note	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
NON-CURRENT ASSETS					
Property, plant and equipment	10	41,978,156	45,978,181	24,142,497	24,796,917
Land held for development	11	4,355,883	4,255,883	-	-
Investments in subsidiaries	12	-	-	3,012,678	6,200,095
Investments in associates	13	183,731	63,197	-	-
Other investments	14	3,000	3,000	-	-
Goodwill on consolidation	15	934,076	2,642,173	-	-
		<u>47,454,846</u>	<u>52,942,434</u>	<u>27,155,175</u>	<u>30,997,012</u>
CURRENT ASSETS					
Inventories	16	4,753	53,032	-	-
Trade receivables	17	7,563,209	7,680,365	-	-
Other receivables	18	1,895,649	2,280,506	8,731,634	9,034,166
Cash and bank balances		138,486	262,718	577	823
		<u>9,602,097</u>	<u>10,276,621</u>	<u>8,732,211</u>	<u>9,034,989</u>
CURRENT LIABILITIES					
Borrowings	19	17,490,025	19,321,948	4,859,046	6,273,146
Trade payables	21	4,232,586	2,902,127	-	-
Other payables	22	1,995,765	2,192,103	4,484,133	1,932,769
Tax payable		152,551	-	-	-
		<u>23,870,927</u>	<u>24,416,178</u>	<u>9,343,179</u>	<u>8,205,915</u>
NET CURRENT (LIABILITIES)/ ASSETS		<u>(14,268,830)</u>	<u>(14,139,557)</u>	<u>(610,968)</u>	<u>829,074</u>
		<u>33,186,016</u>	<u>38,802,877</u>	<u>26,544,207</u>	<u>31,826,086</u>

TRANSOCEAN HOLDINGS BHD.
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BALANCE SHEETS (CONTD.)
AS AT 31 MAY 2004

	Note	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
FINANCED BY:					
Share capital	23	28,998,550	28,998,550	28,998,550	28,998,550
Accumulated losses		(8,511,164)	(4,774,667)	(8,804,705)	(3,254,785)
Shareholders' equity		<u>20,487,386</u>	<u>24,223,883</u>	<u>20,193,845</u>	<u>25,743,765</u>
Minority interests		406,012	720,108	-	-
Borrowings	19	11,951,032	13,198,576	6,144,776	5,833,011
Deferred tax	24	<u>341,586</u>	<u>660,310</u>	<u>205,586</u>	<u>249,310</u>
		<u>33,186,016</u>	<u>38,802,877</u>	<u>26,544,207</u>	<u>31,826,086</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 2004

GROUP	Share Capital RM	Accumulated Losses RM	Total RM
At 1 June 2002			
As previously stated	28,998,550	(1,455,389)	27,543,161
Prior year adjustments (Note 25)	-	(171,034)	(171,034)
At 1 June 2002 (restated)	28,998,550	(1,626,423)	27,372,127
Net loss for the year	-	(3,148,244)	(3,148,244)
At 31 May 2003	28,998,550	(4,774,667)	24,223,883
At 1 June 2003			
As previously stated	28,998,550	(4,605,357)	24,393,193
Prior year adjustments (Note 25)	-	(169,310)	(169,310)
At 1 June 2003 (restated)	28,998,550	(4,774,667)	24,223,883
Net loss for the year	-	(3,736,497)	(3,736,497)
At 31 May 2004	28,998,550	(8,511,164)	20,487,386

TRANSOCEAN HOLDINGS BHD.
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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2004

COMPANY	Share Capital RM	Revaluation Reserve RM	Retained Profits/ (Accumulated Losses) RM	Total RM
At 1 June 2002				
As previously stated	28,998,550	1,968,992	711,858	31,679,400
Prior year adjustments (Note 25)	-	-	(171,034)	(171,034)
At 1 June 2002 (restated)	28,998,550	1,968,992	540,824	31,508,366
Impairment losses on investments in subsidiaries, representing net loss not recognised in income statement	-	(1,968,992)	-	(1,968,992)
Net loss for the year	-	-	(3,795,609)	(3,795,609)
At 31 May 2003	28,998,550	-	(3,254,785)	25,743,765
At 1 June 2003				
As previously stated	28,998,550	-	(3,085,475)	25,913,075
Prior year adjustments (Note 25)	-	-	(169,310)	(169,310)
At 1 June 2003 (restated)	28,998,550	-	(3,254,785)	25,743,765
Net loss for the year	-	-	(5,549,920)	(5,549,920)
At 31 May 2004	28,998,550	-	(8,804,705)	20,193,845

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 2004

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(4,216,266)	(3,577,331)	(5,593,644)	(3,714,103)
Adjustments for:				
Amortisation of goodwill	102,800	226,283	-	-
Depreciation	4,048,717	4,013,111	677,420	659,969
Gross dividends	-	(4,500)	-	-
Impairment losses on property, plant and equipment	19,529	170,423	-	56,335
Impairment losses on investments in subsidiaries	-	-	3,187,417	1,631,008
Impairment losses on goodwill on consolidation	1,605,297	-	-	-
Interest expense	2,264,258	2,375,792	1,103,899	1,082,733
Inventories written down	-	1,777	-	-
Provision for doubtful debts	587,363	76,411	1,575,095	1,416,424
Doubtful debts written back	(13,438)	(5,920)	-	-
Gain on disposal of property, plant and equipment	(6,690)	(94,231)	-	(81,800)
Gain on dilution of interest in an associate	-	(1)	-	-
Interest income	-	-	(278,339)	(288,102)
Share of results of associates	(120,534)	22,414	-	-
Operating profit before working capital changes	4,271,036	3,204,228	671,848	762,464
(Increase)/decrease in receivables	(36,995)	(939,523)	25,924	(25,112)
Decrease in inventories	48,279	43,843	-	-
Increase in payables	1,134,121	2,025,150	8,410	123,323
Cash generated from operations	5,416,441	4,333,698	706,182	860,675
Interest paid	(2,264,258)	(2,375,792)	(1,103,899)	(1,082,733)
Taxes paid	(35,417)	(364,386)	(42,980)	(66,318)
Net cash generated from/(used in) operating activities	3,116,766	1,593,520	(440,697)	(288,376)

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CASH FLOW STATEMENTS (CONTD.)
FOR THE YEAR ENDED 31 MAY 2004

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Net dividends received	-	4,500	-	-
Interest received	-	-	278,339	288,102
Purchase of property, plant and equipment	(206,729)	(677,184)	(23,000)	(88,306)
Proceeds from disposal of property, plant and equipment	145,198	1,306,600	-	1,251,000
Proceeds from dilution of interest in an associate	-	1	-	-
Increase in land held for development	(100,000)	-	-	-
Net cash (used in)/generated from investing activities	<u>(161,531)</u>	<u>633,917</u>	<u>255,339</u>	<u>1,450,796</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of hire-purchase and finance lease payables	(1,371,253)	(1,632,149)	(189,602)	(211,267)
Proceeds from issuance of shares in a subsidiary	-	175,000	-	-
Drawdown of term loans	5,000,000	-	3,000,000	-
Repayment of term loans	(4,127,993)	(2,854,624)	(1,904,206)	(1,642,684)
Repayment of revolving credits	(4,000,000)	-	(2,000,000)	-
Net change in related companies balances	-	-	1,287,447	295,871
Net cash (used in)/generated from financing activities	<u>(4,499,246)</u>	<u>(4,311,773)</u>	<u>193,639</u>	<u>(1,558,080)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS				
	(1,544,011)	(2,084,336)	8,281	(395,660)
CASH AND CASH EQUIVALENTS AS AT 1 JUNE 2003/2002				
	<u>(8,664,638)</u>	<u>(6,580,302)</u>	<u>(2,596,822)</u>	<u>(2,201,162)</u>
CASH AND CASH EQUIVALENTS AS AT 31 MAY				
	<u>(10,208,649)</u>	<u>(8,664,638)</u>	<u>(2,588,541)</u>	<u>(2,596,822)</u>

TRANSOCEAN HOLDINGS BHD.
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CASH FLOW STATEMENTS (CONTD.)
FOR THE YEAR ENDED 31 MAY 2004

Cash and cash equivalents comprise:

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM	RM	RM	RM
Cash and bank balances	138,486	262,718	577	823
Bank overdrafts (Note 19)	(10,347,135)	(8,927,356)	(2,589,118)	(2,597,645)
	<u>(10,208,649)</u>	<u>(8,664,638)</u>	<u>(2,588,541)</u>	<u>(2,596,822)</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 2004

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 are described in Note 12. 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 principal place of business of the Company is located at Wisma Transocean, 46, Weld Quay, 10300 Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 September 2004.

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 certain freehold land and buildings and investments in certain subsidiaries.

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

During the financial year ended 31 May 2004, the Group and the Company adopted the following MASB Standards for the first time:

MASB 25 : Income Taxes
MASB 27 : Borrowing Costs
MASB 29 : Employee Benefits

The effects of adopting MASB 25 are summarised in the statements of changes in equity and further information is disclosed in Note 25. The adoption of MASB 27 and MASB 29 has not given rise to any adjustments to the opening balances of retained profits/accumulated losses of the prior and current years or to the changes in comparatives.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation

i. Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long-term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed off 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 a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. 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 reserve on consolidation.

Intragroup 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 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 which were not previously recognised in the consolidated income statement.

Minority interests are measured at the minorities' share of the post-acquisition fair values of the identifiable assets and liabilities of the acquiree.

ii. Associates

Associates are those companies in which the Group has a long-term equity interest and where it exercises significant influence over the financial and operating policies.

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 costs cannot be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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.

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 carrying amounts of the investments in associates.

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 less impairment losses. On disposal of such investment, the difference between the net disposal proceeds and its 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

(e) Property, Plant and Equipment and Depreciation

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

Freehold land 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, hydroponic structure and equipment	10% - 20%

Certain freehold land and buildings of the Group and of the Company have not been revalued since they were first revalued in 1995. The directors have 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Land Held for Development

Land held for development consists of land held for future development where no significant development has been undertaken, and is stated at cost. Cost includes cost of land and attributable development expenditure.

(g) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Cost of agricultural consumables consists of purchase price and other incidental costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in selling and distribution.

(h) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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 not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period 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 charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB 25 Income Taxes, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in Note 25.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii. Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, 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 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. Sale of agricultural products

Revenue from sale of agricultural products is recognised upon the transfer of risks and rewards.

iii. Dividend income

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

iv. Rental income

Rental income is recognised on an accrual basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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.

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

	2004	2003
	RM	RM
United States Dollar (USD)	3.80	3.80
Singapore Dollar (SGD)	2.26	2.22
Japanese Yen (JPY)	0.03	0.03
Hong Kong Dollar (HKD)	0.49	0.49

(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 amounts 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. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(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 charged directly to 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

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 and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the income statement in the year in which they are incurred.

v. Equity instruments

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

3. REVENUE

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

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM	RM	RM	RM
Transportation services	49,779,393	44,201,619	-	-
Agricultural products	404,629	334,277	-	-
Dividend income	-	4,500	-	-
Rental income	8,400	2,800	1,116,000	1,190,400
	<u>50,192,422</u>	<u>44,543,196</u>	<u>1,116,000</u>	<u>1,190,400</u>

4. STAFF COSTS

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM	RM	RM	RM
Wages and salaries	5,964,462	6,363,906	-	-
Social security costs	70,188	70,026	-	-
Pension costs - defined contribution plans	624,698	615,524	-	-
Other staff related expenses	1,111,269	1,156,601	-	-
	<u>7,770,617</u>	<u>8,206,057</u>	<u>-</u>	<u>-</u>

The number of employees in the Group at the end of the financial year were 373 (2003: 365). The Company did not have any employee (2003: Nil) at the end of the financial year.

Included in staff costs of the Group is executive directors' remuneration amounting to RM657,564 (2003: RM840,256) as further disclosed in Note 6.

5. LOSS FROM OPERATIONS

Loss from operations is stated:

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
After charging:				
Amortisation of goodwill	102,800	226,283	-	-
Auditors' remuneration				
- current year	50,500	59,200	10,000	10,000
- overprovision in prior years	(8,800)	(8,200)	-	-
Directors' fees (Note 6)	61,500	58,000	60,000	56,500
Directors' other emoluments (Note 6)	17,500	12,600	17,500	12,600
Inventories written down	-	1,777	-	-
Provision for doubtful debts	587,363	76,411	1,575,095	1,416,424
Realised foreign exchange loss	335	3,786	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
and crediting:				
Doubtful debts written back	(13,438)	(5,920)	-	-
Gain on disposal of property, plant and equipment	(6,690)	(94,231)	-	(81,800)
Gain on dilution of interest in an associate	-	(1)	-	-
Realised foreign exchange gain	(46,700)	(35,686)	-	-
Rental income	(21,600)	(10,800)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Directors of the Company				
Executive:				
Salaries	435,624	582,749	-	-
Fees	24,000	20,500	24,000	20,500
Other emoluments	10,000	7,200	10,000	7,200
Bonus	-	11,847	-	-
Benefits-in-kind	58,750	39,000	-	-
	<u>528,374</u>	<u>661,296</u>	<u>34,000</u>	<u>27,700</u>
Non-executive:				
Fees	36,000	36,000	36,000	36,000
Other emoluments	7,500	5,400	7,500	5,400
	<u>43,500</u>	<u>41,400</u>	<u>43,500</u>	<u>41,400</u>

6. DIRECTORS' REMUNERATION (CONTD.)

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM	RM	RM	RM
Directors of Subsidiaries				
Executive:				
Salaries	221,940	241,787	-	-
Fees	1,500	1,500	-	-
Bonus	-	3,873	-	-
Benefits-in-kind	5,100	6,600	-	-
	<u>228,540</u>	<u>253,760</u>	<u>-</u>	<u>-</u>
Total	<u>800,414</u>	<u>956,456</u>	<u>77,500</u>	<u>69,100</u>
Total excluding benefits-in-kind	<u>736,564</u>	<u>910,856</u>	<u>77,500</u>	<u>69,100</u>
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind, directors' fees and other emoluments (Note 4)	657,564	840,256	-	-
Directors' fees (Note 5)	61,500	58,000	60,000	56,500
Directors' other emoluments (Note 5)	<u>17,500</u>	<u>12,600</u>	<u>17,500</u>	<u>12,600</u>
Total directors' remuneration excluding benefits-in-kind	<u>736,564</u>	<u>910,856</u>	<u>77,500</u>	<u>69,100</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	
	2004	2003
Executive directors:		
Below RM100,00	1	-
RM100,001 - RM150,000	2	2
RM150,001 - RM200,000	1	3
Non-executive directors:		
Below RM50,000	<u>3</u>	<u>3</u>

7. FINANCE COSTS, NET

Finance costs, net are stated after charging/(crediting):

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM	RM	RM	RM
Interest expense	2,264,258	2,375,792	1,103,899	1,082,733
Interest income	<u>-</u>	<u>-</u>	<u>(278,339)</u>	<u>(288,102)</u>

8. TAXATION

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM	RM	RM	RM
Provision for taxation:				
- current year	147,500	-	-	-
- underprovision in prior years	<u>5,551</u>	<u>30,764</u>	<u>-</u>	<u>3,230</u>
	<u>153,051</u>	<u>30,764</u>	<u>-</u>	<u>3,230</u>
Deferred tax liabilities:				
- relating to origination and reversal of temporary differences	(267,724)	(309,724)	(43,724)	(18,724)
- (over)/underprovision in prior years	<u>(51,000)</u>	<u>109,000</u>	<u>-</u>	<u>97,000</u>
	<u>(318,724)</u>	<u>(200,724)</u>	<u>(43,724)</u>	<u>78,276</u>
	<u>(165,673)</u>	<u>(169,960)</u>	<u>(43,724)</u>	<u>81,506</u>

A reconciliation of income tax expense at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

GROUP	2004	2003
	RM	RM
Loss before taxation	<u>(4,216,266)</u>	<u>(3,577,331)</u>
Taxation at statutory tax rate of 28% (2003: 28%)	(1,180,554)	(1,001,653)
Income not subject to tax	(31,109)	(24,220)
Expenses not deductible for tax purposes	695,066	167,149
Utilisation of previously unrecognised deferred tax assets	(99,000)	(16,000)
Deferred tax assets for the year not recognised	554,126	565,000
Effects of income subject to tax rate of 20% (2003: 20%)	(58,753)	-
(Over)/underprovision in prior years	<u>(45,449)</u>	<u>139,764</u>
Tax expense for the year	<u>(165,673)</u>	<u>(169,960)</u>
COMPANY	2004	2003
	RM	RM
Loss before taxation	<u>(5,593,644)</u>	<u>(3,714,103)</u>
Taxation at statutory tax rate of 28% (2003: 28%)	(1,566,220)	(1,039,949)
Expenses not deductible for tax purposes	1,522,496	1,021,225
Underprovision in prior years	<u>-</u>	<u>100,230</u>
Tax expense for the year	<u>(43,724)</u>	<u>81,506</u>

8. TAXATION (CONTD.)

Tax losses are analysed as follows:

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Unabsorbed tax losses carried forward	<u>5,770,724</u>	<u>4,931,503</u>	<u>-</u>	<u>-</u>

9. BASIC LOSS PER SHARE

Basic loss per share of the Group is calculated by dividing the net loss for the year of RM3,736,497 (2003: RM3,148,244) by the number of ordinary shares in issue of 28,998,550 (2003: 28,998,550).

10. 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	Total RM
Cost/Valuation						
At 1 June 2003	27,775,773	30,729,018	4,181,534	656,929	1,461,193	64,804,447
Additions	-	14,400	107,914	51,995	32,420	206,729
Disposals	-	(409,124)	(28,605)	(16,072)	(75,348)	(529,149)
At 31 May 2004	<u>27,775,773</u>	<u>30,334,294</u>	<u>4,260,843</u>	<u>692,852</u>	<u>1,418,265</u>	<u>64,482,027</u>
Representing:						
At cost	16,075,773	30,334,294	4,260,843	692,852	1,418,265	52,782,027
At valuation	11,700,000	-	-	-	-	11,700,000
	<u>27,775,773</u>	<u>30,334,294</u>	<u>4,260,843</u>	<u>692,852</u>	<u>1,418,265</u>	<u>64,482,027</u>
Accumulated Depreciation and Impairment Losses						
At 1 June 2003	2,680,478	11,872,827	2,801,660	218,195	1,253,106	18,826,266
Depreciation charge for the year	423,328	3,044,921	463,301	75,521	41,646	4,048,717
Disposals	-	(317,423)	(19,734)	(11,418)	(42,066)	(390,641)
Impairment losses	-	-	-	-	19,529	19,529
At 31 May 2004	<u>3,103,806</u>	<u>14,600,325</u>	<u>3,245,227</u>	<u>282,298</u>	<u>1,272,215</u>	<u>22,503,871</u>
Representing:						
At cost	2,287,972	14,600,325	3,245,227	282,248	1,272,265	21,688,037
At valuation	815,834	-	-	-	-	815,834
	<u>3,103,806</u>	<u>14,600,325</u>	<u>3,245,227</u>	<u>282,248</u>	<u>1,272,265</u>	<u>22,503,871</u>

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	* Land and buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Office renovation RM	Warehouse machinery, hydroponic structure and equipment RM	Total RM
Net Book Value						
At 31 May 2004						
At cost	13,787,801	15,733,969	1,015,616	410,604	146,000	31,093,990
At valuation	10,884,166	-	-	-	-	10,884,166
	<u>24,671,967</u>	<u>15,733,969</u>	<u>1,015,616</u>	<u>410,604</u>	<u>146,000</u>	<u>41,978,156</u>
At 31 May 2003						
At cost	14,121,710	18,856,191	1,379,874	438,734	208,087	35,004,596
At valuation	10,973,585	-	-	-	-	10,973,585
	<u>25,095,295</u>	<u>18,856,191</u>	<u>1,379,874</u>	<u>438,734</u>	<u>208,087</u>	<u>45,978,181</u>
Depreciation Charge for 2003	<u>428,951</u>	<u>2,945,860</u>	<u>423,380</u>	<u>66,455</u>	<u>148,465</u>	<u>4,013,111</u>

*** Land and Buildings**

	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
Cost/Valuation				
At 1 June 2003 and 31 May 2004	<u>7,435,121</u>	<u>387,840</u>	<u>19,952,812</u>	<u>27,775,773</u>
Representing:				
At cost	485,121	387,840	15,202,812	16,075,773
At valuation	6,950,000	-	4,750,000	11,700,000
	<u>7,435,121</u>	<u>387,840</u>	<u>19,952,812</u>	<u>27,775,773</u>
Accumulated Depreciation and Impairment Losses				
At 1 June 2003	-	36,850	2,643,628	2,680,478
Depreciation charge for the year	-	4,123	419,205	423,328
At 31 May 2004	<u>-</u>	<u>40,973</u>	<u>3,062,833</u>	<u>3,103,806</u>
Representing:				
At cost	-	40,973	2,246,999	2,287,972
At valuation	-	-	815,834	815,834
	<u>-</u>	<u>40,973</u>	<u>3,062,833</u>	<u>3,103,806</u>

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)*** Land and Buildings**

	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
Net Book Value				
At 31 May 2004				
At cost	485,121	346,867	12,955,813	13,787,801
At valuation	6,950,000	-	3,934,166	10,884,166
	<u>7,435,121</u>	<u>346,867</u>	<u>16,889,979</u>	<u>24,671,967</u>
At 31 May 2003				
At cost	485,121	350,990	13,285,599	14,121,710
At valuation	6,950,000	-	4,023,585	10,973,585
	<u>7,435,121</u>	<u>350,990</u>	<u>17,309,184</u>	<u>25,095,295</u>
Depreciation charge for 2003	-	4,149	424,802	428,951

COMPANY	Freehold land RM	Buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Office renovation RM	Total RM
Cost/Valuation						
At 1 June 2003	6,685,673	18,498,045	2,069,729	684,564	520,798	28,458,809
Additions	-	-	-	-	23,000	23,000
At 31 May 2004	<u>6,685,673</u>	<u>18,498,045</u>	<u>2,069,729</u>	<u>684,564</u>	<u>543,798</u>	<u>28,481,809</u>
Representing:						
At cost	245,673	14,138,045	2,069,729	684,564	543,798	17,681,809
At valuation	6,440,000	4,360,000	-	-	-	10,800,000
	<u>6,685,673</u>	<u>18,498,045</u>	<u>2,069,729</u>	<u>684,564</u>	<u>543,798</u>	<u>28,481,809</u>
Accumulated Depreciation and Impairment Losses						
At 1 June 2003	-	2,358,894	534,416	635,848	132,734	3,661,892
Depreciation charge for the year	-	393,447	206,972	22,721	54,280	677,420
At 31 May 2004	-	<u>2,752,341</u>	<u>741,388</u>	<u>658,569</u>	<u>187,014</u>	<u>4,339,312</u>
Representing:						
At cost	-	1,967,541	741,388	658,569	187,014	3,554,512
At valuation	-	784,800	-	-	-	784,800
	-	<u>2,752,341</u>	<u>741,388</u>	<u>658,569</u>	<u>187,014</u>	<u>4,339,312</u>

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Freehold land RM	Buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Office renovation RM	Total RM
Net Book Value						
At 31 May 2004						
At cost	245,673	12,170,504	1,328,341	25,995	356,784	14,127,297
At valuation	6,440,000	3,575,200	-	-	-	10,015,200
	<u>6,685,673</u>	<u>15,745,704</u>	<u>1,328,341</u>	<u>25,995</u>	<u>356,784</u>	<u>24,142,497</u>
At 31 May 2003						
At cost	245,673	12,476,751	1,535,313	48,716	388,064	14,694,517
At valuation	6,440,000	3,662,400	-	-	-	10,102,400
	<u>6,685,673</u>	<u>16,139,151</u>	<u>1,535,313</u>	<u>48,716</u>	<u>388,064</u>	<u>24,796,917</u>
Depreciation charge for 2003	-	399,046	195,986	17,213	47,724	659,969

- (a) Included in property, plant and equipment of the Group and of the Company are motor vehicles with net book values of RM6,404,183 (2003: RM7,748,158) and RM1,085,993 (2003: RM1,238,720) respectively held under hire-purchase and finance lease arrangements.
- (b) During the financial year, the Group and the Company acquired property, plant and equipment with aggregate costs of RM206,729 (2003: RM2,917,184) and RM23,000 (2003: RM328,306) respectively by means of the following:

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Cash payments	206,729	677,184	23,000	88,306
Hire-purchase and finance lease arrangements	-	2,240,000	-	240,000
	<u>206,729</u>	<u>2,917,184</u>	<u>23,000</u>	<u>328,306</u>

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

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Freehold land	6,917,629	6,917,629	6,545,011	6,545,011
Buildings	15,471,023	15,833,631	15,429,416	15,788,319
Motor vehicles	4,607,991	5,225,280	-	-
	<u>26,996,643</u>	<u>27,976,540</u>	<u>21,974,427</u>	<u>22,333,330</u>

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

- (d) Details of the 1995 independent professional valuations of the freehold land and buildings owned by the Group at 31 May 2004 are as follows:

Description of Property	Valuation Amount RM	Basis of Valuation
Freehold land and building in Penang	900,000	Cost method
Freehold land and building in Penang	1,300,000	Comparison and residual methods
freehold land and building in Penang	9,500,000	Comparison method
	<u>11,700,000</u>	

Had the revalued freehold land and buildings been carried at historical cost less accumulated depreciation, the net book values of the freehold land and buildings 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	
	2004 RM	2003 RM	2004 RM	2003 RM
Freehold land	4,839,944	4,839,944	4,467,326	4,467,326
Buildings	<u>3,524,560</u>	<u>3,613,198</u>	<u>3,390,600</u>	<u>3,473,298</u>
	<u>8,364,504</u>	<u>8,453,142</u>	<u>7,857,926</u>	<u>7,940,624</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 RM2,368,064 (2003: RM2,299,443) and RM591,943 (2003: RM545,978) respectively.

11. LAND HELD FOR DEVELOPMENT

	GROUP	
	2004 RM	2003 RM
Cost:		
Freehold land	3,149,698	3,149,698
Development expenditure	<u>1,206,185</u>	<u>1,106,185</u>
	<u>4,355,883</u>	<u>4,255,883</u>

The freehold land is pledged to financial institutions for bank borrowings as referred to in Note 19.

12. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2004	2003
	RM	RM
Unquoted shares:		
At valuation	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:		
Recognised in income statement	(4,818,425)	(1,631,008)
Recognised in revaluation reserve	(1,968,992)	(1,968,992)
	<u>3,012,678</u>	<u>6,200,095</u>

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

Name of Subsidiaries	Equity Interest Held (%)		Principal Activities
	2004	2003	
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
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
Held through Transocean (M) Sdn. Bhd.			
Transocean (KL) Sdn. Bhd.	100	100	Provision of freight forwarding and trucking related services. The subsidiary has temporarily ceased 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

12. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Name of Subsidiaries	Equity Interest Held (%)		Principal Activities
	2004	2003	
Speedload Transport Sdn. Bhd.	100	100	Provision of trucking related services
Transocean World Transport Sdn. Bhd.	100	100	Provision of international ocean freight forwarding and trucking related services. The subsidiary has temporarily ceased provision of freight forwarding services
Transocean Biotec (M) Sdn. Bhd.	75	75	Distributor and contractor 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
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

13. INVESTMENTS IN ASSOCIATES

	GROUP	
	2004	2003
	RM	RM
Unquoted shares at cost	163,915	163,915
Share of post-acquisition reserves	19,816	(100,718)
	<u>183,731</u>	<u>63,197</u>
Represented by:		
Share of net assets	<u>183,731</u>	<u>63,197</u>

Details of the associates are as follows:

Name of Associates	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2004	2003	
Held through				
Transocean (M) Sdn. Bhd.				
TFS Logistics Pte. Ltd.	Singapore	20	20	Provision of freight forwarding and trucking related services
Held through				
Transocean (KL) Sdn. Bhd.				
Throughfreight (JB) Sdn. Bhd.	Malaysia	-	24	Custom brokerage and sea freight forwarding. The company has temporarily ceased operations
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

14. OTHER INVESTMENTS

	GROUP	
	2004	2003
	RM	RM
Unquoted shares at cost	<u>3,000</u>	<u>3,000</u>

15. GOODWILL ON CONSOLIDATION

	GROUP	
	2004	2003
	RM	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)	-
Accumulated amortisation	<u>(1,844,453)</u>	<u>(1,741,653)</u>
	<u>934,076</u>	<u>2,642,173</u>

16. INVENTORIES

	GROUP	
	2004	2003
	RM	RM
Agricultural consumables at cost	<u>4,753</u>	<u>53,032</u>

17. TRADE RECEIVABLES

	GROUP	
	2004	2003
	RM	RM
Due from an associate	-	2,266
Trade receivables	<u>9,010,698</u>	<u>8,878,709</u>
	9,010,698	8,880,975
Provision for doubtful debts	<u>(1,447,489)</u>	<u>(1,200,610)</u>
	<u>7,563,209</u>	<u>7,680,365</u>

The Group's normal trade credit term ranges from 30 days to 120 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	
	2004	2003	2004	2003
	RM	RM	RM	RM
Due from subsidiaries				
Interest-free:				
- Transocean (M) Sdn. Bhd. and its subsidiaries	-	-	967,015	1,509,244
- Transocean Freight Express Sdn. Bhd.	-	-	1,650,872	666,886
- Konteniaga Public Bonded Warehouse Sdn. Bhd.	-	-	1,477,459	1,424,571
Interest-bearing:				
- Subsidiaries of Transocean (M) Sdn. Bhd.	-	-	6,975,942	6,141,693
- Gerak Intensif Sdn. Bhd.	-	-	222,735	460,194
	-	-	11,294,023	10,202,588
Provision for doubtful debts	-	-	(2,767,566)	(1,416,424)
	-	-	8,526,457	8,786,164
Due from associates	486,160	374,372	486,160	322,088
Prepayments	438,691	559,916	6,345	26,953
Tax recoverable	916,329	881,412	156,509	113,529
Staff advances	2,574	114,086	-	-
Deposits	403,219	381,994	22,630	25,530
Sundry receivables	240,503	233,507	19,693	22,109
	2,487,746	2,545,287	691,337	510,209
Provision for doubtful debts	(591,827)	(264,781)	(486,160)	(262,207)
	1,895,649	2,280,506	205,177	248,002
	1,895,649	2,280,506	8,731,634	9,034,166

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 7.50% (2003: 3.85% to 7.90%) per annum.

The associates refer to TFS Logistics Pte. Ltd., a company incorporated in Singapore and Throughfreight (JB) Sdn. Bhd., a company incorporated in Malaysia. The amounts due are unsecured, interest-free and have no fixed terms of repayment.

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	
	2004	2003	2004	2003
	RM	RM	RM	RM
Short Term Borrowings				
Secured:				
Bank overdrafts	8,015,652	7,230,560	2,589,118	2,597,645
Revolving credits	700,000	2,700,000	-	-
Term loans	3,678,776	2,781,637	2,125,758	1,485,899
Hire-purchase and finance lease payables (Note 20)	1,264,114	1,412,955	144,170	189,602
	<u>13,658,542</u>	<u>14,125,152</u>	<u>4,859,046</u>	<u>4,273,146</u>
Unsecured:				
Bank overdrafts	2,331,483	1,696,796	-	-
Revolving credits	1,500,000	3,500,000	-	2,000,000
	<u>3,831,483</u>	<u>5,196,796</u>	<u>-</u>	<u>2,000,000</u>
	<u>17,490,025</u>	<u>19,321,948</u>	<u>4,859,046</u>	<u>6,273,146</u>
Long Term Borrowings				
Secured:				
Term loans	10,131,804	10,156,936	5,810,258	5,354,323
Hire-purchase and finance lease payables (Note 20)	1,819,228	3,041,640	334,518	478,688
	<u>11,951,032</u>	<u>13,198,576</u>	<u>6,144,776</u>	<u>5,833,011</u>
Total Borrowings				
Bank overdrafts	10,347,135	8,927,356	2,589,118	2,597,645
Revolving credits	2,200,000	6,200,000	-	2,000,000
Term loans	13,810,580	12,938,573	7,936,016	6,840,222
Hire-purchase and finance lease payables (Note 20)	3,083,342	4,454,595	478,688	668,290
	<u>29,441,057</u>	<u>32,520,524</u>	<u>11,003,822</u>	<u>12,106,157</u>
Maturity of borrowings (excluding hire-purchase and finance lease payables):				
Within 1 year	16,225,911	17,908,993	4,714,876	6,083,544
More than 1 year and less than 2 years	3,825,618	3,060,624	2,126,452	1,553,212
More than 2 years and less than 5 years	5,350,586	6,317,112	3,225,064	3,065,111
More than 5 years	955,600	779,200	458,742	736,000
	<u>26,357,715</u>	<u>28,065,929</u>	<u>10,525,134</u>	<u>11,437,867</u>

19. BORROWINGS (CONTD.)

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

	GROUP		COMPANY	
	2004 %	2003 %	2004 %	2003 %
Bank overdrafts	4.50 - 8.25	5.00 - 8.65	8.25	8.25 - 8.65
Revolving credits	5.05 - 7.50	4.70 - 5.60	-	4.70 - 5.10
Term loans	<u>6.60 - 7.90</u>	<u>7.75 - 8.90</u>	<u>7.50</u>	<u>7.75 - 8.90</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 10(c) and Note 11;
- 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 10(c); and
- specific legal charge over certain motor vehicles of the Group as disclosed in Note 10(c).

20. HIRE-PURCHASE AND FINANCE LEASE PAYABLES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Minimum hire-purchase and finance lease payments:				
Not later than 1 year	1,464,211	1,723,764	171,207	231,924
Later than 1 year and not later than 2 years	1,026,633	1,422,552	151,008	171,207
Later than 2 years and not later than 5 years	921,325	1,906,502	177,004	286,516
Later than 5 years	41,424	82,939	41,424	82,939
	<u>3,453,593</u>	<u>5,135,757</u>	<u>540,643</u>	<u>772,586</u>
Future finance charges	<u>(370,251)</u>	<u>(681,162)</u>	<u>(61,955)</u>	<u>(104,296)</u>
Present value of hire-purchase and finance lease payables	<u>3,083,342</u>	<u>4,454,595</u>	<u>478,688</u>	<u>668,290</u>

20. HIRE-PURCHASE AND FINANCE LEASE PAYABLES (CONTD.)

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM	RM	RM	RM
Present value of hire-purchase and finance lease payables:				
Not later than 1 year	1,264,114	1,412,955	144,170	189,602
Later than 1 year and not later than 2 years	920,454	1,222,478	133,987	144,170
Later than 2 years and not later than 5 years	858,451	1,740,477	160,208	255,833
Later than 5 years	40,323	78,685	40,323	78,685
	<u>3,083,342</u>	<u>4,454,595</u>	<u>478,688</u>	<u>668,290</u>
Analysed as:				
Due within 12 months (Note 19)	1,264,114	1,412,955	144,170	189,602
Due after 12 months (Note 19)	<u>1,819,228</u>	<u>3,041,640</u>	<u>334,518</u>	<u>478,688</u>
	<u>3,083,342</u>	<u>4,454,595</u>	<u>478,688</u>	<u>668,290</u>

The hire-purchase and finance lease liabilities bore interest at the balance sheet date of between 3.00% to 8.40% (2003: 3.00% to 8.40%) per annum.

21. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 days to 90 days.

22. OTHER PAYABLES

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM	RM	RM	RM
Due to subsidiaries:				
Interest-free:				
- Subsidiaries of Transocean (M) Sdn. Bhd.	-	-	4,648	33,642
- Transocean Agencies Sdn. Bhd.	-	-	196,214	22,990
- Transocean Logistics Sdn. Bhd.	-	-	4,074,017	-
Interest-bearing:				
- Transocean Logistics Sdn. Bhd.	-	-	-	1,675,293
	-	-	4,274,879	1,731,925
Due to a director of a subsidiary	129,116	195,138	-	-
Accruals	1,112,192	955,332	104,753	143,844
Sundry payables	754,457	1,041,633	104,501	57,000
	<u>1,995,765</u>	<u>2,192,103</u>	<u>4,484,133</u>	<u>1,932,769</u>

22. OTHER PAYABLES (CONTD.)

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

The amounts due to subsidiaries are unsecured and have no fixed terms of repayment. The interest-bearing amounts bore interest at the balance sheet date of between 7.50% to 7.90% (2003: 7.50% to 7.90%) per annum.

23. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2004	2003	2004 RM	2003 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. DEFERRED TAX

Deferred Tax Liabilities	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
At 1 June 2003/2002	660,310	861,034	249,310	171,034
Recognised in income statement (Note 8)	<u>(318,724)</u>	<u>(200,724)</u>	<u>(43,724)</u>	<u>78,276</u>
At 31 May	<u>341,586</u>	<u>660,310</u>	<u>205,586</u>	<u>249,310</u>

24. DEFERRED TAX (CONTD.)

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

Deferred Tax Liabilities/(Assets) of the Group:

	Accelerated Capital Allowances RM	Revaluation Surplus RM	Unabsorbed Tax Losses and Unutilised Capital Allowances RM	Others RM	Total RM
At 1 June 2003	1,762,702	169,310	(1,221,534)	(50,168)	660,310
Recognised in income statement	(347,493)	(1,724)	68,276	(37,783)	(318,724)
At 31 May 2004	<u>1,415,209</u>	<u>167,586</u>	<u>(1,153,258)</u>	<u>(87,951)</u>	<u>341,586</u>

Deferred Tax Liabilities/(Assets) of the Company

	Accelerated Capital Allowances RM	Revaluation Surplus RM	Unutilised Capital Allowances RM	Others RM	Total RM
At 1 June 2003	357,722	169,310	(278,773)	1,051	249,310
Recognised in income statement	41,189	(1,724)	(82,243)	(946)	(43,724)
At 31 May 2004	<u>398,911</u>	<u>167,586</u>	<u>(361,016)</u>	<u>105</u>	<u>205,586</u>

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

	GROUP	
	2004 RM	2003 RM
Unabsorbed tax losses	1,085,814	695,873
Unutilised capital allowances	<u>777,077</u>	<u>756,291</u>
	<u>1,862,891</u>	<u>1,452,164</u>

The unabsorbed tax losses and unutilised capital allowances are available indefinitely for offset against future taxable profits of the subsidiaries in which those items arose.

25. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

(a) Changes in Accounting Policies

During the financial year, the Group and the Company applied three new MASB Standards and accordingly modified certain accounting policies. The change in accounting policy which resulted in prior year adjustments is discussed below:

MASB 25: Income Taxes

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the Group and the Company have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

(b) Prior Year Adjustments

The change in accounting policy has been applied retrospectively and comparatives have been restated. The effects of the change in accounting policy are as follows:

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM	RM	RM	RM
Effects on (Accumulated Losses)/Retained Profits:				
At 1 June 2003/2002, as previously stated	(4,605,357)	(1,455,389)	(3,085,475)	711,858
Effects of adopting MASB 25	<u>(169,310)</u>	<u>(171,034)</u>	<u>(169,310)</u>	<u>(171,034)</u>
At 1 June 2003/2002, as restated	<u>(4,774,667)</u>	<u>(1,626,423)</u>	<u>(3,254,785)</u>	<u>540,824</u>
Effects on Net Loss For The Year:				
Net loss before change in accounting policy	(3,738,221)	(3,149,968)	(5,551,644)	(3,797,333)
Effects of adopting MASB 25	<u>1,724</u>	<u>1,724</u>	<u>1,724</u>	<u>1,724</u>
Net loss for the year	<u>(3,736,497)</u>	<u>(3,148,244)</u>	<u>(5,549,920)</u>	<u>(3,795,609)</u>

25. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTD.)

Comparative amounts as at 31 May 2003 have been restated as follows:

	Previously Stated RM	Adjustments RM	Restated RM
GROUP			
Deferred tax liabilities	491,000	169,310	660,310
COMPANY			
Deferred tax liabilities	80,000	169,310	249,310

26. COMMITMENTS

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Capital expenditure: Approved and contracted for: Property, plant and equipment	<u>462,200</u>	<u>-</u>	<u>462,200</u>	<u>-</u>

27. CONTINGENT LIABILITIES

	COMPANY	
	2004 RM	2003 RM
Corporate guarantees given to financial institutions in respect of bank borrowings granted to subsidiaries:		
- secured	9,060,234	10,358,418
- unsecured	6,901,011	7,574,224
Total	<u>15,961,245</u>	<u>17,932,642</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	
	2004	2003
	RM	RM
Sales to an associate, TFS Logistics Pte. Ltd.	1,510,998	1,350,541
Purchases from an associate, TFS Logistics Pte. Ltd.	<u>2,856,394</u>	<u>2,457,047</u>
	COMPANY	
	2004	2003
	RM	RM
Interest charged to subsidiaries:		
Transocean Agencies Sdn. Bhd.	-	3,865
Transocean Biotec (M) Sdn. Bhd.	243,812	214,606
Transocean Freight Services Sdn. Bhd.	1,237	30,524
Gerak Intensif Sdn. Bhd.	28,567	36,299
Speedload Transport (KL) Sdn. Bhd.	4,723	2,808
Rental charged to subsidiaries:		
Transocean Logistics Sdn. Bhd.	88,800	121,800
Transocean Agencies Sdn. Bhd.	64,800	97,800
Transocean Freight Services Sdn. Bhd.	192,000	192,000
Konteniaga Public Bonded Warehouse Sdn. Bhd.	728,400	742,400
Gerak Intensif Sdn. Bhd.	16,800	16,800
Transocean Haulage Services Sdn. Bhd.	16,800	16,800
Rental charged to an associate:		
Throughfreight (JB) Sdn. Bhd.	8,400	2,800
Interest charged by a subsidiary:		
Transocean Logistics Sdn. Bhd.	<u>212,126</u>	<u>149,103</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.

29. FINANCIAL INSTRUMENTS (CONTD.)

(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 risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risk is minimised and monitored via 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 cash, internally generated cash flow and the availability of funding resources through an adequate amount of committed credit facilities. The Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time. Also, the objective for debt maturities is to ensure that the amount of debt maturing in any one year is not beyond the Group's means to repay and refinance.

(e) Foreign Exchange Risk

The Group is exposed to various foreign currencies i.e. United States Dollar, Singapore Dollar, Japanese Yen and Hong Kong Dollar. 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.)**(e) Foreign Exchange Risk (Contd.)**

The aggregate unhedged financial assets and financial liabilities of the Group as at 31 May 2004 that are not denominated in its functional currency i.e. Ringgit Malaysia are as follows:

	GROUP	
	2004	2003
	RM	RM
Trade Receivables		
United States Dollar	858,779	400,615
Singapore Dollar	108,312	759,160
	<u>967,091</u>	<u>1,159,775</u>
Trade Payables		
United States Dollar	761,199	738,966
Singapore Dollar	732,979	700,549
Japanese Yen	24,590	2,410
Hong Kong Dollar	54,901	25,296
	<u>1,573,669</u>	<u>1,467,221</u>

(f) Fair Values

The aggregate fair values of financial assets and financial liabilities which are not carried at their fair values on the balance sheets of the Group and of the Company as at 31 May 2004 are represented as follows:

		GROUP		COMPANY	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
At 31 May 2004:					
Financial Assets					
Due from subsidiaries	18	<u>-</u>	<u>-</u>	<u>8,526,457</u>	<u>#</u>
Financial Liabilities					
Hire-purchase and finance lease payables	20	3,083,342	2,904,272	478,688	429,607
Due to subsidiaries	22	<u>-</u>	<u>-</u>	<u>4,274,879</u>	<u>#</u>

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

		GROUP		COMPANY	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
At 31 May 2003:					
Financial Assets					
Due from subsidiaries	18	-	-	8,786,164	#
Financial Liabilities					
Hire-purchase and finance lease payables	20	4,454,595	4,234,125	668,290	641,689
Due to subsidiaries	22	-	-	1,731,925	#

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.

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 2004 are as follows:

	Note	COMPANY	
		Notional Amount RM	Fair Value RM
At 31 May 2004:			
Contingent liabilities	27	15,961,245	^
At 31 May 2003:			
Contingent liabilities	27	17,932,642	^

^ It is not practicable to estimate the fair values of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

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

29. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values (Contd.)

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. Long Term Borrowings

The fair values of borrowings are estimated using discounted cash flow analysis, based on the current incremental 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. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been adjusted as a result of the change in accounting policy as disclosed in Note 2(a) and Note 25.

32. CURRENCY

All amounts are stated in Ringgit Malaysia (RM).