# TRANSOCEAN HOLDINGS BHD

(Company No.: 36747-U)
**(Incorporated in Malaysia)**

# UNAUDITED INTERIM FINANCIAL REPORT FOR PERIOD ENDED AUGUST 31, 2008

***Dated October 30, 2008***

# CONTENTS

# TRANSOCEAN HOLDINGS BHD (36747-U)

**INTERIM FINANCIAL REPORT**
**FINANCIAL YEAR 2009**
**First Quarter ended August 31, 2008**

The Board of Directors is pleased to announce the Interim Financial Report on consolidated results of the Group for the Financial Year 2009, 1st Quarter ended August 31, 2008.

The figures have not been audited.

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | Current Year Quarter Ended 31/08/08 RM'000 | Preceding Year Quarter Ended 31/08/07 RM'000 | Current Year-To-Date Ended 31/08/08 RM'000 | Preceding Year-To-Date Ended 31/08/07 RM'000 |
| **Revenue** | **13,136** | **9,054** | **13,136** | **9,054** |
| Other operating income | 28 | 31 | 28 | 31 |
| Operating profit before depreciation and finance cost | 1,489 | 864 | 1,489 | 864 |
| Impairment loss | 0 | 0 | 0 | 0 |
| Depreciation & amortization | (591) | (600) | (591) | (600) |
| **Profit from operations** | **898** | **264** | **898** | **264** |
| Finance cost | (305) | (347) | (305) | (347) |
| | 593 | (83) | 593 | (83) |
| Share of profit of associate | (20) | 25 | (20) | 25 |
| **Profit/(Loss) before taxation** | **573** | **(58)** | **573** | **(58)** |
| Income tax expense | (258) | (74) | (258) | (74) |
| **Profit/(Loss) for the period** | **315** | **(132)** | **315** | **(132)** |
| **Attributable to :** | | | | |
| Equity holders of the parent | 255 | (224) | 255 | (224) |
| Minority interest | 60 | 92 | 60 | 92 |
| | 315 | (132) | 315 | (132) |
| Profit/(Loss) per share attributable to equity holders of the parent : | | | | |
| - Basic (sen) | 0.62 | (0.77) | 0.62 | (0.77) |
| - Diluted (sen) | -------------------- | Not applicable | --------------------- | |

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended May 31, 2008 and the accompanying explanatory notes attached to the Interim Financial Report)

**TRANSOCEAN HOLDINGS BHD** (36747-U)

**INTERIM FINANCIAL REPORT**
**FINANCIAL YEAR 2009**
**First Quarter ended August 31, 2008**

## CONDENSED CONSOLIDATED BALANCE SHEET

| | Unaudited As At 31/08/08 RM'000 | Audited As At 31/05/08 RM'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 38,387 | 34,213 |
| Investment property | 700 | 700 |
| Investment in associates | 342 | 362 |
| Other investments | 3 | 3 |
| Intangible assets | 3,562 | 3,562 |
| | 42,994 | 38,840 |
| **Current Assets** | | |
| Inventories | 296 | 545 |
| Trade receivables | 12,604 | 13,685 |
| Other receivables | 1,711 | 1,092 |
| Cash and bank balances | 1,096 | 1,071 |
| | 15,707 | 16,393 |
| **TOTAL ASSETS** | **58,701** | **55,233** |
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to equity holders of the parent** | | |
| Share capital | 40,999 | 40,999 |
| Other reserve | 5,615 | 5,615 |
| Accumulated losses | (17,733) | (17,988) |
| | **28,881** | **28,626** |
| Minority interest | 932 | 872 |
| **Total equity** | **29,813** | **29,498** |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Borrowings | 3,363 | 4,101 |
| Deferred tax liabilities | 1,077 | 1,077 |
| | 4,440 | 5,178 |

| | | |
|---|---|---|
| **Current liabilities** | | |
| Borrowings | 15,532 | 11,327 |
| Trade payables | 6,594 | 6,318 |
| Other payables | 2,212 | 2,550 |
| Tax payable | 110 | 362 |
| | 24,448 | 20,557 |
| **Total liabilities** | **28,888** | **25,735** |
| **TOTAL EQUITY AND LIABILITIES** | **58,701** | **55,233** |
| **Net assets per share attributable to ordinary equity holders of the parent (RM)** | **0.70** | **0.70** |

(The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended May 31, 2008 and the accompanying explanatory notes attached to the Interim Financial Report)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to Equity Holders of the Parent | | | | | |
|---|---|---|---|---|---|---|
| | Share Capital RM'000 | Non-distributable Other Reserve RM'000 | Accumulated Loss RM'000 | Shareholders' Equity RM'000 | Minority Interest RM'000 | Total Equity RM'000 |
| As at June 1, 2008 | 40,999 | 5,615 | (17,988) | 28,626 | 872 | 29,498 |
| Net profit for the period | 0 | 0 | 255 | 255 | 60 | 315 |
| Balance as at August 31, 2008 | 40,999 | 5,615 | (17,733) | 28,881 | 932 | 29,813 |
| | | | | | | |
| As at June 1, 2007 | 28,999 | 5,586 | (16,398) | 18,187 | 594 | 18,781 |
| Deferred taxation representing net income recognized directly in equity | 0 | 29 | 0 | 29 | 0 | 29 |
| Profit/(Loss) for the year | 0 | 0 | (1,590) | (1,590) | 278 | (1,312) |
| Issue of ordinary shares | 12,000 | 0 | 0 | 12,000 | 0 | 12,000 |
| Balance as at May 31, 2008 | 40,999 | 5,615 | (17,988) | 28,626 | 872 | 29,498 |

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended May 31, 2008 and the accompanying explanatory notes attached to the Interim Financial Report)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Current Year-To-Date Ended 31/05/09 RM'000 | Preceding Year-To-Date Ended 31/05/08 RM'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit/(Loss) before taxation | 573 | (58) |
| Adjustment for :- | | |
| Non-cash items | 435 | 578 |
| Non-operating items | 142 | 249 |
| Operating profit before working capital changes | 1150 | 769 |
| Changes in working capital :- | | |
| Net change in current assets | 544 | (393) |
| Net change in current liabilities | (62) | 679 |
| Cash generated from operations | 1,632 | 1.055 |
| Interest paid | (304) | (347) |
| Taxation paid | (51) | (51) |
| **Net cash generated from operating activities** | **1,277** | **657** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of plant and equipment | (4,735) | (78) |
| Net dividend received | 14 | 10 |
| Proceeds from disposal of property, plant and equipment | 0 | 0 |
| **Net cash used in investing activities** | **(4,721)** | **(68)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Drawdown of revolving credit and banker's acceptance | 3,660 | 0 |
| Repayment of loans, hire-purchase and lease payables | (375) | (727) |
| **Net cash generated from/(used in) financing activities** | **3,285** | **(727)** |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(159)** | **(138)** |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | (6,190) | (7,118) |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | **(6,349)** | **(7,256)** |
| Cash and cash equivalents comprise :- | | |
| Cash and bank balances | 1,096 | (187) |
| Bank overdrafts (included within short term borrowings in Note 23) | (7,445) | (7,069) |
| | **(6,349)** | **(7,256)** |

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended May 31, 2008 and the accompanying explanatory notes attached to the Interim Financial Report)

## NOTES TO THE INTERIM FINANCIAL REPORT

### SECTION A
### DISCLOSURE NOTES AS REQUIRED UNDER FRS 134

**1 Basis of preparation**

The Interim Financial Report has been prepared under the historical cost convention except for the revaluation of freehold land included within property, plant and equipment. Investment property is stated at fair value.

The Interim Financial Report is Unaudited and has been prepared in accordance with the requirement of FRS 134 : Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Interim Financial Report should be read in conjunction with the audited financial statements of the Group for the year ended May 31, 2008 The explanatory notes attached to the Interim Financial Report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended May 31, 2008.

**2 Changes in accounting policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended May 31, 2008 with the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning June 1, 2008 :-

| FRSs, Amendment to FRS and Interpretations | Effective for financial periods beginning on or after |
|---|---|
| FRS 107 : Cash Flow Statements | 1 July 2007 |
| FRS 111 : Construction Contracts | 1 July 2007 |
| FRS 112 ; Income Taxes | 1 July 2007 |
| FRS 118 : Revenue | 1 July 2007 |
| FRS 120 : Accounting for Government Grants and Disclosure of Government Assistance | 1 July 2007 |
| Amendments to FRS 121 : The Effects of Changes in Foreign Exchange Rates- Net Investment in Foreign Operation | 1 July 2007 |
| FRS 134 : Interim Financial Reporting | 1 July 2007 |

| | |
|---|---|
| FRS 137 : Provisions, Contingent Liabilities and Contingent Assets | 1 July 2007 |
| FRS 139 : Financial Instruments : Recognition and Measurement | 1 January 2010 |
| IC Interpretation 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities | 1 July 2007 |
| IC Interpretation 2 : Members' Shares in Co-operative Entities amd Similar Instruments | 1 July 2007 |
| IC Interpretation 5 : Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation funds. | 1 July 2007 |
| IC Interpretation 6 : Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment | 1 July 2007 |
| IC Interpretation 7 : Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies | 1 July 2007 |
| IC Interpretation 8 : Scope of FRS 2 | 1 July 2007 |

The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

FRS 112 Income Taxes

The Group does not recognise deferred tax assets on unused reinvestment allowances as required by paragraph 36 of FRS112 Income Taxes. Under the revised FRS112 Income Taxes, the Group will have to recognise deferred tax asset on such unused reinvestment allowances to the extent that it is probable that future taxable profit will be available against which the unused reinvestment allowances can be utilised. The directors are of the opinion that the initial adoption of this revised FRS will not have a material impact on the financial statements of the Group for the year ending May 31, 2008.

The other FRSs, Amendment to FRS and Interpretation are expected to have no significant impact on the financial statements of the Group upon their initial application.

**(c) Significant Accounting Estimates and Judgements**

**(1) Critical Judgements Made in Applying Accounting Policies**

There are no critical judgements made by management in the process of applying the Group's accounting policies that have significant effect on the amounts recognized in the financial statements.

**(i) Classification between investment properties and property, plant and equipment**

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that the property does not qualify as investment property.

**(ii) Operating lease commitments – the Group as lessor**

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

**(2) Key Sources of Estimation Uncertainty**

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**(i) Depreciation of motor vehicles**

The cost of motor vehicles for operation and administrative purposes is depreciated on a straight-line basis over the asset's useful lives. Management estimates that the useful lives of these motor vehicles range from 5 to 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage could impact the economic useful lives and the residual value of these assets, therefore depreciation charges could be revised.

**(ii) Provision for doubtful debts**

The policy for provision for doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of the receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current credit worthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, additional allowances may be required.

**(iii) Deferred tax assets**

Deferred tax assets are recognised for unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and other deductible temporary differences can be utilised. Significant management decision is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies.

**3 Auditors' Report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended May 31, 2008 was not subject to any qualification.

**4 Segmental information**

| | Trading of Tyres RM'000 | Logistics Solution RM'000 | Total RM'000 |
|---|---|---|---|
| Segment : | | | |
| Revenue | 3,651 | 9,485 | 13,136 |
| Profit before taxation | 337 | 236 | 573 |
| Assets | 13,277 | 45,424 | 58,701 |
| Liabilities | 7,920 | 20,968 | 28,888 |

The results are for the current 3 month period ended 31 August 2008. No geographical segmental reporting is presented as the Group operates within one geographical area, wholly in Malaysia. The other segments are not significant to be disclosed.

**5 Unusual items due to their nature, size and incidence**

There were no unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial period ended August 31, 2008.

**6 Changes in estimates**

There were no changes in estimates that have had a material effect on the current financial period results.

**7 Comments about seasonal or cyclical factors**

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

**8 Dividends paid**

No dividend has been paid or declared by the Company since the end of the previous financial year.

**9 Carrying amount of revalued assets**

The valuations of property, plant and equipment have been brought forward without amendment from the audited financial statements for the year ended May 31, 2008.

**10 Debt and equity securities**

The Company have not issued nor repaid any debt and equity securities for the financial year to date.

**11 Changes in the composition of the Group**

There were no changes in the composition of the Group during the current quarter under review.

**12 Capital commitments**

There were no amount of commitments for the purchase of property, plant and equipment not provided for in the quarter under review.

**13 Changes in contingent liabilities and contingent assets**

Contingent liabilities of the Company as at October 24, 2008, other than material litigation as disclosed in Note 23, since the last annual balance sheet date comprise:-

| | **As at 24/10/08 RM'000** | **As at 31/05/08 RM'000** |
|---|---|---|
| Guarantees in favour of financial institutions for securing borrowings granted to subsidiaries | | |
| - secured | 5,194 | 4,356 |
| - unsecured | 3,176 | 4,390 |
| | 8,370 | 8,746 |

**14 Subsequent events**

There were no event of a material nature has arisen that have not been reflected in the financial statement in the interval between the end of the current quarter and the date of this report.

## NOTES TO THE INTERIM FINANCIAL REPORT

### SECTION B
### DISCLOSURE NOTES AS REQUIRED UNDER BURSA SECURITIES LISTING REQUIREMENTS

**15 Performance review**

During the first quarter for financial year 2009, the Group recorded an operating profit before depreciation and finance cost of RM1.49 million (FY2008, RM0.86 million) on the back of a total revenue of RM13.14 million (FY2008, RM9.05 million). The Group's revenue increased by 45.1% for the quarter under review as compared to the preceding year corresponding quarter. This was mainly due to the inclusion of the results of the newly acquired subsidiary. The operating profit margin improved marginally from 12.1% to 12.5%.

Depreciation decreased by 1.7% from RM0.60 million to RM0.59 million. Finance cost decreased by 11.4% from RM0.35 million to RM0.31 million.

The Group recorded a profit before taxation amounted to RM0.57 million (FY2008, a loss of RM0.06 million) and overall profit attributable to the equity holders of the parent was RM0.26 million as compared to loss of RM0.22 million recorded in the preceding year corresponding quarter.

**16 Comment on material change in profit before taxation**

| | Current Quarter 31/08/08 RM'000 | Immediate Preceding Quarter 31/05/08 RM'000 | Variation % |
|---|---|---|---|
| Gross revenue | 13,136 | 10,199 | 28.80% |
| Operating profit before depreciation and finance cost | 1,488 | 429 | 246.85% |
| Profit/(Loss) before taxation and results from associated company | 593 | (697) | 185.08.% |
| Net profit attributable to equity holders of the parent | 255 | 47 | 442.55% |

The Group's gross revenue increased by 28.8% from RM10.20 million to RM13.14 million.

Operating profit margin increased by 246.9% from 3.4% to 12.9%. The significant improvement in the margin was mainly due to the provision of doubtful debts and the accelerated depreciation of certain assets which were expensed out during the preceding quarter.

The net profit attributable to equity holders of the parent increased by 442.6% from RM0.05 million to RM0.26 million due mainly to the reasons as mentioned in the paragraph above.

**17 Commentary on prospects**

The Group believes that it would be facing a challenging year ahead due to the current global economic situation. It will continue with its efforts with its cost reduction programme and de-gearing exercise to position itself to face the challenges ahead and become a more efficient organization.

**18 Profit forecast or profit guarantee**

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

**19 Income tax expense**

| | Current Quarter 31/08/08 RM'000 | Current Year-to-date 31/08/08 RM'000 |
|---|---|---|
| Current year provision | 258 | 258 |
| Provision in prior year taxation | 0 | 0 |
| Deferred taxation | 0 | 0 |
| | 258 | 258 |

The effective rate of taxation of the Group is higher than the statutory rate of taxation principally due to losses of certain subsidiaries were not set off against profits made by other companies in the Group.

**20 Sale of unquoted investment and/or properties**

There was no sale of unquoted investment and/or properties by the Group for the current quarter and financial year.

**21 Quoted Securities**

There was no purchase or disposal of quoted securities by the Group for the current quarter and financial year-to-date.

**22 Corporate proposal**

There was no corporate proposal by the Group for the current quarter and financial year.

**23 Goodwill on consolidation**

The Company acquired 100% equity interest in Usmeta Manufacturing Sdn Bhd ("Usmeta") on January 25, 2008. Usmeta is principally involved in manufacturing, retreading, marketing and distribution of tyres.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gain or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The purchase consideration for Usmeta Manufacturing Sdn. Bhd. amounting to RM8 million was satisfied by cash. Usmeta Manufacturing Sdn Bhd contributed revenue of RM3.65 million and profit before taxation of RM0.34 million for the current quarter ended August 31, 2008.

The assets and liabilities arising from the acquisition are as follows:

| | Fair value RM'000 |
|---|---|
| Property, plant and equipment | 17 |
| Inventory | 373 |
| Trade and other receivables | 7,800 |
| Cash and bank balances | (249) |
| Trade and other payables | (1,940) |
| Borrowings | (1,318) |
| Taxation | (165) |
| Net assets acquired | 4,518 |
| Goodwill arising on acquisition | 3,562 |
| Consideration paid for acquisition | 8,080 |

The net book value of the assets acquired was deemed to be stated at net fair value and as such no fair value adjustments were made. No adjustment for the impairment of goodwill was made during the current quarter.

## 24 Borrowings

Total Group borrowings as at August 31, 2008 were as follows :-

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|---|---|---|---|
| **Long term borrowings** | | | |
| Term loan | 2,009 | 847 | 2,856 |
| Hire-purchase and lease payables | 507 | 0 | 507 |
| | 2,516 | 847 | 3,363 |
| **Short term borrowings** | | | |
| Overdrafts | 5,470 | 1,975 | 7,445 |
| Term loan | 1,843 | 545 | 2,388 |
| Banker's acceptance and revolving credit | 5,313 | 0 | 5,313 |
| Hire-purchase and lease payables | 386 | 0 | 386 |
| | 13,012 | 2,520 | 15,532 |
| **Total Borrowings** | **15,528** | **3,367** | **18,895** |

As at May 31, 2008, the Group does not have any exposure in borrowings and debt securities denominated in foreign currency.

## 25 Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet risk as at October 30, 2008.

## 26 Changes in material litigation

The Group is not engaged in any material litigation and is not aware of any proceedings, which might materially affect the position or business of the Group as at October 30, 2008 except for the following:

(i) Transocean Haulage Services Sdn Bhd ("THS"), a subsidiary of Transocean Holdings Bhd, has been served with a Winding-up Petition pursuant to Section 218(1)(e) of the Companies Act, 1965 by the creditor. The Winding –up Petition is for the failure of THS to make payment of RM75,730 being the amount due and owing by THS pursuant to a court judgement obtained by creditor against THS. The Petition is fixed for hearing by the Court on 26 November 2008. THS will instruct its solicitors to file an application to strike out and oppose the Winding-up before the hearing date of the petition.

(ii) THS has commenced legal action against E-Haul Logistics Sdn Bhd to recover the sum of RM739,200 for invoices outstanding and the sum of RM1,685,423 for repair costs and losses suffered. The summons has been filed with the Court and THS is awaiting for the sealed copy of the summons.

## 27 Dividend payable

The Directors do not recommend the payment of any dividend in respect of the current financial period under review.

## 28 Profit/(Loss) per share

Basic profit/(loss) per share amounts are calculated by dividing profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of shares in issue during the period.

| | **Current Year Quarter Ended 31/08/08** | **Preceding Year Quarter Ended 31/08/07** | **Current Year-To-Date Ended 31/08/08** | **Preceding Year-To-Date Ended 31/08/07** |
|---|---|---|---|---|
| Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000) | 255 | (224) | 255 | (224) |
| No of ordinary shares in issue ('000) | 40,999 | 28,999 | 40,999 | 28,999 |
| Basic profit/(loss) per share (sen) | 0.62 | (0.77) | 0.62 | (0.77) |

## 29 Authorisation for issue

The Interim Financial Report was authorized for issue by the Board of Directors in accordance with a resolution of the directors on October 30, 2008.

By order of the Board
Dated 30th day of October, 2008