



ANCOM BERHAD

(8440-M)

Incorporated in Malaysia

A N N U A L R E P O R T 2 0 0 6

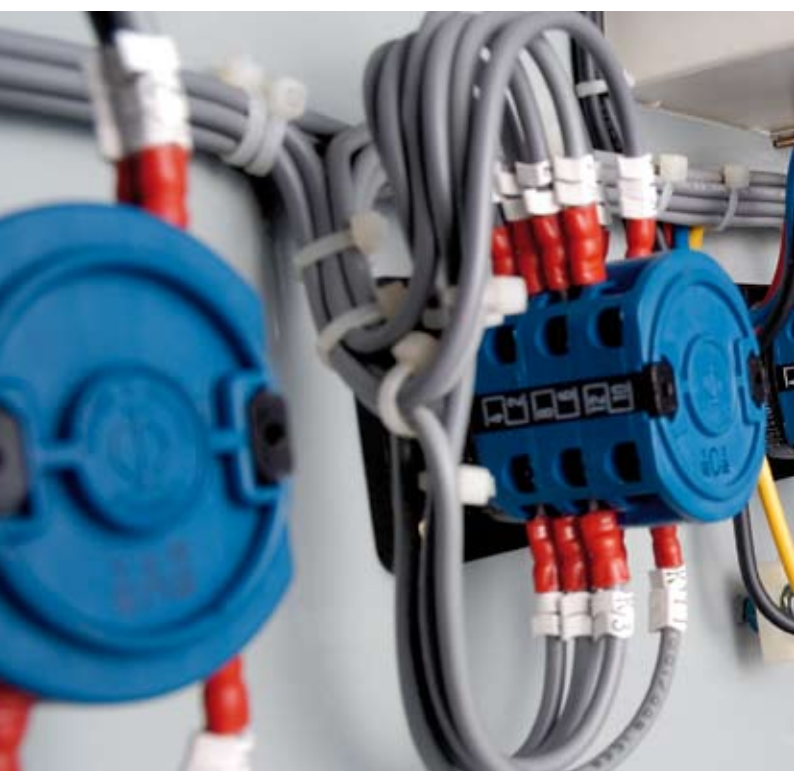


T O G E T H E R W E C A N M A K E A D I F F E R E N C E





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Corporate Information

BOARD OF DIRECTORS

Dato' Johari Razak
(Executive Chairman)

Dato' Siew Ka Wei
(Group Managing Director)

Professor Tan Sri Dato' Dr Lin See Yan
(Independent Non-Executive Director)

Dato' Siew Nim Chee
(Advisor/Executive Director)

Datuk Hj Mohamed Al Amin bin Hj Abdul Majid, JP
(Non-Independent Non-Executive Director)

Dato' Mohd Ismail bin Che Rus
(Independent Non-Executive Director)

Chan Thye Seng
(Non-Independent Non-Executive Director)

Edmond Cheah Swee Leng
(Independent Non-Executive Director)

AUDIT COMMITTEE

Dato' Mohd Ismail bin Che Rus (Chairman)
Dato' Johari Razak
Edmond Cheah Swee Leng

REMUNERATION & NOMINATION COMMITTEE

Professor Tan Sri Dato' Dr Lin See Yan (Chairman)
Dato' Mohd Ismail bin Che Rus
Edmond Cheah Swee Leng

COMPANY SECRETARIES

Choo Se Eng
Wong Wei Fong

REGISTERED OFFICE

Level 14, Uptown 1
No. 1 Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (603) 7725 2888 Fax : (603) 7725 7791

BUSINESS ADDRESS

102-1002 Blok A, Pusat Dagangan Phileo Damansara 1
No. 9 Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (603) 7660 0008 Fax : (603) 7660 0010
Email : cosec@ancom.com.my

SENIOR INDEPENDENT DIRECTOR

- to whom concerns may be addressed to

Dato' Mohd Ismail bin Che Rus
c/o Ancom Berhad
602 Blok A, Pusat Dagangan Phileo Damansara 1
No. 9 Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (603) 7660 0008 Fax : (603) 7660 1151
E-mail : corp@ancom.com.my

SHARE REGISTRARS

PFA Registration Services Sdn Bhd
Level 13, Uptown 1
No. 1 Jalan SS21/58
Damansara Uptown, 47400 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (603) 7725 4888 Fax : (603) 7722 2311

AUDITORS

BDO Binder
Chartered Accountants

PRINCIPAL BANKERS

AmBank Berhad
CIMB Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad
- Industrial Products Sector

SOLICITORS

Ghazi & Lim
Lee Hishammuddin Allen & Gledhill
Shearn Delamore & Co

DOMICILE

Malaysia

Five-Year Highlights

	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000
Sales	1,205,514	1,101,600	978,681	935,593	715,033
Profit/(loss) from operations	44,174	13,636	52,994	45,006	(3,132)
Profit/(loss) before tax	27,330	580	37,900	27,170	(18,966)
Profit/(loss) after tax	13,603	(12,431)	25,167	10,077	(34,785)
Effective percentage rate of tax	50%	2,243%	34%	63%	N/A
Net earnings / (loss) for Ancom shareholders	4,261	130	15,829	2,839	(7,764)
Assets Employed					
Fixed assets	275,746	297,569	272,124	309,720	281,036
Investments	50,494	38,580	30,937	60,056	59,282
Other non-current assets	48,744	57,721	66,022	80,096	70,992
Current assets	628,916	604,589	568,086	495,858	443,182
Total assets	1,003,900	998,459	937,169	945,730	854,492
Financed by					
Share capital	201,857	201,857	201,857	120,507	120,503
Reserves	90,870	90,514	65,853	133,856	136,406
Less : Treasury Shares, at cost	(9,206)	(6,762)	(1,473)	(4,142)	(4,142)
Ancom shareholders' interest	283,521	285,609	266,237	250,221	252,767
Minority shareholders' interest	135,860	133,248	148,797	141,984	134,003
Total shareholders' funds and minority interests	419,381	418,857	415,034	392,205	386,770
Non-current liabilities	117,544	163,538	128,151	80,548	65,825
Current liabilities	466,975	416,064	393,884	472,977	401,899
Total funds employed	1,003,900	998,459	937,169	945,730	854,494
Shareholders' Interest					
Earnings/(loss) per share – sen	2.24	0.06	8.06	1.53	(6.57)
Gross dividend per share – sen	5	5	13	4	4
Net tangible assets per share – RM	1.27	1.21	1.05	1.56	1.54
No. of employees at year end	1,940	2,124	2,006	2,072	1,959
Depreciation & amortization	34,220	30,882	30,097	29,716	32,331
Interest expense	16,012	16,853	16,168	17,666	16,139

N/A - Not Applicable

List of Principal Offices

ANCOM BERHAD – CORPORATE OFFICE

102-1002, Blok A, Pusat Dagangan Phileo Damansara 1
No. 9 Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (603) 7660 0008
Fax : (603) 7660 1151
Dato' Johari Razak (*Executive Chairman*)
Dato' Siew Ka Wei (*Group Managing Director*)

ANCOM-CHEMQUEST TERMINALS SDN BHD

Jeti Petrokimia, West Port
42009 Pulau Indah, Port Klang
Selangor Darul Ehsan, Malaysia
Tel : (603) 3101 1372
Fax : (603) 3101 1461
Larry Lim (*Managing Director*)

ANCOM CROP CARE SDN BHD

Lot 5, Section 15 Persiaran Selangor
40000 Shah Alam
Selangor Darul Ehsan, Malaysia
Tel : (603) 5519 4022
Fax : (603) 5510 3888
Shamsudin Basri (*Managing Director*)

ANCOM ENERGY & SERVICES SDN BHD

702, Blok A, Pusat Dagangan Phileo Damansara 1
No. 9 Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (603) 7660 0055
Fax : (603) 7660 0056
Mustapa Kamal bin Mohd Razali
(*Divisional Chief Executive Officer*)

ANCOM SHIP MANAGEMENT SDN BHD

Jeti Petrokimia, West Port
42009 Pulau Indah, Port Klang
Selangor Darul Ehsan, Malaysia
Tel : (603) 3101 1661
Fax : (603) 3101 1461
Capt Chan Ying Wai (*Director*)

CHEMRESOURCES CHINA (AGENCIES) LIMITED

Room 1503-4, 15/F Cigna Tower
482 Jaffe Road
Causeway Bay, Hong Kong
Tel : (852) 2736 7868
Fax : (852) 2736 3056
Goh Heng Thean (*Managing Director*)

FERMPRO SDN BHD

Lot 2, Kawasan Perindustrian Chuping
02450 Chuping, Perlis, Malaysia
Tel : (604) 938 2892
Fax : (604) 938 2890
Tan Wee Lian (*Deputy Managing Director*)

NUFARM TECHNOLOGIES (M) SDN BHD

602, Blok A, Pusat Dagangan Phileo Damansara 1
No. 9 Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (603) 7660 0299
Fax : (603) 7660 0066
Dr Clarence Tan (*Director/General Manager*)

KUMPULAN KESUMA SDN BHD/WEDON SDN BHD

No. 6 Lorong SS13/6A, Subang Jaya Industrial Estate
47500 Petaling Jaya,
Selangor Darul Ehsan, Malaysia
Tel : (603) 5633 6229
Fax : (603) 5634 9915
Lim Liang Tan (*Managing Director*)

MERU UTAMA SDN BHD

Suite E13-21, Block E, Plaza Mont Kiara
No. 2 Jalan Kiara
50480 Kuala Lumpur, Malaysia
Tel : (603) 6201 1488
Fax : (603) 6201 8633
Patricia Ng (*Managing Director*)

MSTI CORPORATION SDN BHD

1003 & 1005, Blok B, Pusat Dagangan Phileo Damansara II
No. 15 Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (603) 7665 1988
Fax : (603) 7665 1638
Adzharudin bin Mohd Noor (*Business Development Director*)

NYLEX (MALAYSIA) BERHAD

Persiaran Selangor
Section 15, Shah Alam Industrial Estate
40200 Shah Alam
Selangor Darul Ehsan, Malaysia
Tel : (603) 5519 1706
Fax : (603) 5510 0008/8291
Dato' Siew Ka Wei (*Group Managing Director*)
Eric Chan Hean Chin (*Division Head, Polymer*)

List of Principal Offices (cont'd)

NYLEX SPECIALTY CHEMICALS SDN BHD/ SPECIALITY PHOSPHATES (MALAYSIA) SDN BHD

Lot 593 & 624, Persiaran Raja Lumu
Kawasan Perusahaan Pandamaran
42000 Port Klang
Selangor Darul Ehsan, Malaysia
Tel : (603) 3168 8282
Fax: (603) 3167 9115
Dr Chong Chien Fatt (*Managing Director*)

ORGANIGRO SDN BHD

902, Blok A, Pusat Dagangan Phileo Damansara I
No. 9 Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (603) 7957 8771
Fax: (603) 7956 8780
YBM Dato' Seri DiRaja Syed Razlan Jamalullail (*Chairman*)

PENGANGKUTAN COGENT SDN BHD

72 Jalan Molek 2/1, Taman Molek
81100 Johor Bharu
Johor, Malaysia
Tel : (607) 353 5321
Fax: (607) 353 5609
Larry Lim (*Managing Director*)

PERUSAHAAN KIMIA GEMILANG SDN BHD

302, Blok A, Pusat Dagangan Phileo Damansara I
No. 9 Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (603) 7660 0033
Fax: (603) 7660 0133
Kok Kim Loong (*Director/General Manager*)

SM INTEGRATED TRANSWARE PTE LTD

32 Tanjung Penjuru, Jurong Town
Singapore 609028
Tel : (602) 6264 8488
Fax: (602) 6898 1588
Larry Lim (*Managing Director*)

TAMCO CORPORATE HOLDINGS BERHAD

Lot 2A, Jalan 13/2
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (603) 7956 2799
Fax: (603) 7955 6009
Abdul Latif bin Mahamud (*Group Managing Director*)

TAMCO ELECTRICAL INDUSTRIES AUSTRALIA PTY LTD

31 Kitchen Road, Dandenong 3175
Melbourne
Victoria, Australia
Tel : (613) 9706 7288
Fax: (613) 9706 9112
Cloude Corso (*Chief Executive officer*)

TAMCO SHANGHAI SWITCHGEAR COMPANY LTD

No. 5699 South Hongmei Road
Minhang District
Shanghai 200241, China
Tel : (8621) 6450 0568
Fax: (8621) 6450 0968
Kane Zhu (*General Manager*)

TAMCO ELECTRICAL (MALAYSIA) SDN BHD

(formerly known as Tamco Systems (Malaysia) Sdn Bhd)
No. 35 Persiaran Industri
Bandar Sri Damansara
52200 Kuala Lumpur, Malaysia
Tel : (603) 6276 8732
Fax: (603) 6272 1137
Chong Yen Hong (*General Manager*)

TAMCO SYSTEMS (SINGAPORE) PTE LTD

No. 5 Penjuru Close 3rd Floor
Singapore 608600
Tel : (602) 6862 3777
Fax: (602) 6862 8628
Ng Kok Meng (*Chief Executive Officer*)

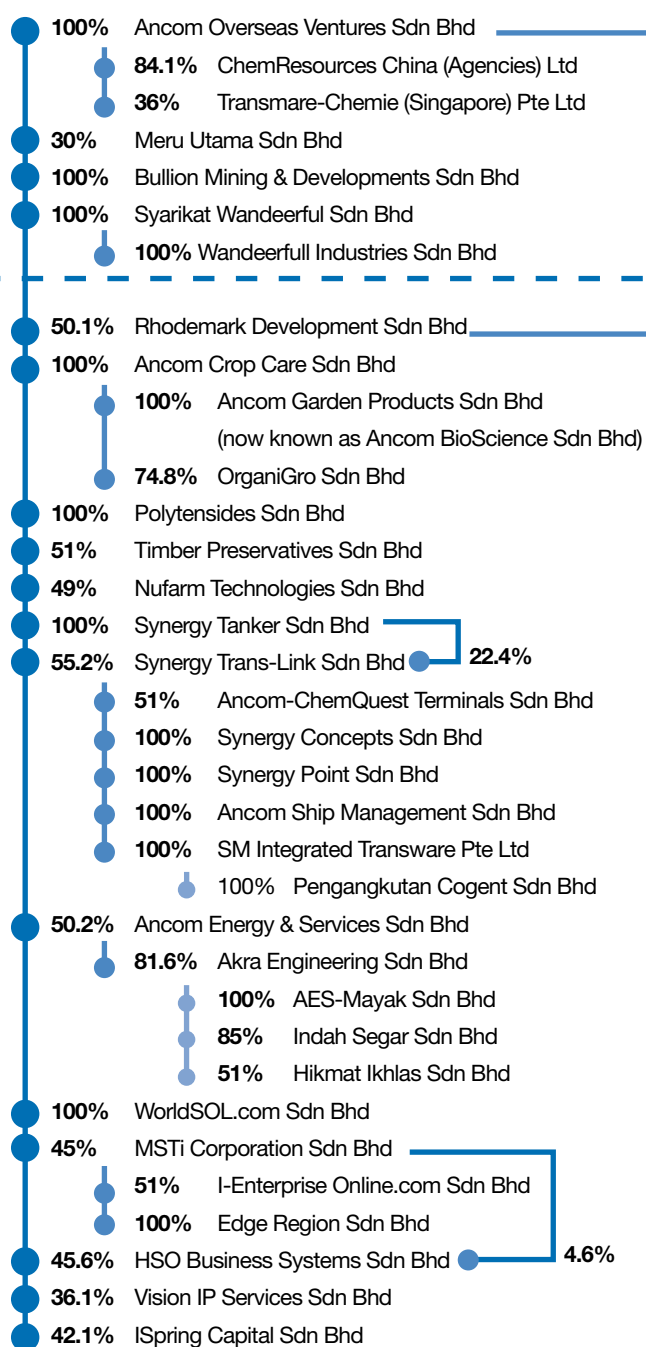
VISION IP SERVICES SDN BHD

Level 14, Menara Aik Hua
6 Changkat Raja Chulan
50200 Kuala Lumpur
Tel : (603) 2718 4222
Fax: (603) 2031 2028
Chandran Perumal (*Executive Director/Chief Executive Officer*)

Corporate Structure as at 31 May 2006



ANCOM BERHAD



1.99% 4.4% 44.9%

TAMCO CORPORATE HOLDINGS BERHAD

- 100% Tamco Shanghai Switchgear Co Ltd
- 100% Tamco Electrical Industries Australia Pty Ltd
 - 100% Universal Motor Kontrol Hong Kong Ltd
- 100% PT Kontrol Ragam Indonesia
- 60% Decom Limited
 - 32% I & D Switchgear Sdn Bhd
 - 26% CGIS (Shanghai) Electrics Ltd
 - 100% Decom GmbH
 - 72% Deteg GmbH
 - 60% German Switchcraft GmBH
 - 32% Guangxi Yinhe Decom Electric Co Ltd
- 100% Tamco Systems (Singapore) Pte Ltd
 - 70% Tamco PTX Technology (Singapore) Pte Ltd
 - 100% Tamco Systems Technology (Shanghai) Co Ltd
 - 100% Tamco Electrical & Electronics (S) Pte Ltd
 - 100% Tamco Systems (Hong Kong) Ltd
 - 100% Tamco Static System (Far East) Ltd[#]
- 100% Tamco Electrical (Malaysia) Sdn Bhd
(formerly known as Tamco Systems (Malaysia) Sdn Bhd)
 - 24% Hikmat Ikhlas Sdn Bhd
- 66.7% Tamco Components Sdn Bhd
- 100% A.C.N. 103777359 Pty Ltd
- 50% Suistulin Sdn Bhd
- 49% Tamco Chongqing Switchgear Co Ltd

De-registered on 9 June 2006

41.8% 28.3%



NYLEX (MALAYSIA) BERHAD

- 100% Nycon Manufacturing Sdn Bhd
- 100% Nylex Polymer Marketing Sdn Bhd
(formerly known as Zonson Sports (Malaysia) Sdn Bhd)
- 65% PT Nylex Indonesia
- 100% Perusahaan Kimia Gemilang Sdn Bhd
 - 90% Dynamic Chemical Trading Pte Ltd
 - 30% Ancom Kimia Sdn Bhd
- 100% Fermpro Sdn Bhd
- 100% Kumpulan Kesuma Sdn Bhd
- 100% Wedon Sdn Bhd
- 100% Nylex Specialty Chemicals Sdn Bhd
- 51% Speciality Phosphates (Malaysia) Sdn Bhd
- 70% Malaysian Roofing Industries Sdn Bhd
 - 70% PT Indomalay Ekatana Roofing Industries

Board of Directors

- 1) Dato' Johari Razak
- 2) Dato' Siew Ka Wei
- 3) Professor Tan Sri Dato' Dr Lin See Yan
- 4) Dato' Siew Nim Chee
- 5) Datuk Hj Mohamed Al Amin bin Hj Abdul Majid, JP
- 6) Dato' Mohd Ismail bin Che Rus
- 7) Edmond Cheah Swee Leng
- 8) Chan Thye Seng (not in picture)





Board of Directors (cont'd)

DATO' JOHARI RAZAK

(Executive Chairman)

Dato' Johari, aged 51, joined the Board on 27 November 1992. He was appointed the Group Managing Director on 2 July 1994 and was subsequently re-designated the Executive Chairman on 30 July 2003. He is currently a member of the Audit Committee.

Dato' Johari graduated with a Bachelor of Law degree from the University of Kent, United Kingdom. He was called to the Bar of England and Wales at Lincoln's Inn in 1976 and was admitted as an advocate and solicitor of the High Court of Malaya in 1977. He practiced law with Messrs. Shearn Delamore & Co from 1979 and was a partner of the firm from 1991 to 1994.

Dato' Johari is currently the Chairman of Courts Mammoth Berhad and Daiman Development Berhad, Deputy Chairman of Nylex (Malaysia) Berhad and a Director of Hong Leong Industries Berhad, Daiman Golf Berhad and Deutsche Bank (Malaysia) Berhad.

DATO' SIEW KA WEI

(Group Managing Director)

Dato' Siew, aged 50, joined the Board on 23 October 1985. He became the Deputy Group Managing Director/Chief Operating Officer on 17 October 1995 and subsequently the Group Managing Director/Chief Operating Officer with effect from 30 July 2003.

Dato' Siew graduated with a Bachelor of Science (Hons) degree in Chemical

Engineering and a Master of Science degree in Operational Research from the Imperial College of Science, Technology and Medicine, London, United Kingdom. He has local and international working experience in the field of petrochemicals for more than 20 years. He was the Chairman of the Malaysian Chapter of the Young Presidents Organisation ("YPO"), an international grouping of more than 8,500 chief executive officers of major companies over the world, and was a director of the International Board of Directors of YPO.

Dato' Siew is currently the Group Managing Director of Nylex (Malaysia) Berhad and the Deputy Chairman of Tamco Corporate Holdings Berhad.

PROFESSOR TAN SRI DATO'

DR LIN SEE YAN

(Independent Non-Executive Director)

Professor Tan Sri Dato' Dr Lin, aged 67, joined the Board on 30 October 2000 and is currently the Chairman of the Remuneration and Nomination Committee.

Professor Tan Sri Dato' Dr Lin is an independent strategic and financial consultant. Qualified as a Chartered Statistician, he graduated from the University of Malaya in Singapore and received three degrees, including a PhD in Economics, from Harvard University.

Professor Tan Sri Dato' Dr Lin has a long and distinguished history of service with the Government of Malaysia and the private sector in various posts. He was Deputy Governor of Bank Negara Malaysia for 14 years, having been a central banker for 34

years. He was Chairman/President and Chief Executive Officer of the Pacific Bank Group for 3 years. After his retirement, he continues to serve actively in a diversified range of public, charitable, educational, financial, industrial and commercial institutions both locally and abroad. He is currently the Chairman Emeritus of Harvard University's Graduate School Alumni Council and the Regional Director for Asia; Harvard Alumni Association; Trustee, MAKNA (National Cancer Council); Governor, Asian Institute of Management, Manila; Trustee, Malaysia University for Science & Technology and Monash University (Sunway Campus); Member of the National Economic Action Council (NEAC) Working Group and Asian Shadow Financial Regulatory Committee.

Professor Tan Sri Dato' Dr Lin is currently a Director of Fraser & Neave Holdings Berhad, Genting Berhad, Resorts World Berhad, Wah Seong Corporation Berhad, JobStreet Corporation Berhad and KrisAssets Holdings Berhad. He also sits on the boards of a number of public listed and private business in Singapore and Indonesia.

DATO' SIEW NIM CHEE

(Advisor/Executive Director)

Dato' Siew, aged 81, joined the Board on 27 November 1992. He graduated with a Bachelor in Economics (Hons.) degree from University of Malaya and a Master degree in Industrial and Labour Relations from Cornell University, New York, USA.

Dato' Siew began his career as a Lecturer in University of Malaya. He later became

Board of Directors (cont'd)

the Head of Economic Research and the Chief Economist of Bank Negara Malaysia. He was the Treasurer with Exxon (M) Berhad, Managing Director of Magnum Corporation Berhad ; Group Consultant to Genting Berhad and Kien Huat Realty Sdn Bhd; the Founder, Fellow and President of the Malaysian Economic Association ("MEA"); Executive Council Member of the MEA Foundation and President of the Cornell University Graduate Club of Malaysia. He is also the Deputy President of the Cornell University Graduate Club of Malaysia; member of the Cornell University Council and the Panel of Advisors, Cornell SEAP. He is a Paul Harris Fellow.

Currently Dato' Siew is not a Director of any other public company.

DATUK HJ MOHAMED AL AMIN BIN HJ ABDUL MAJID, JP

(Non-Independent Non-Executive Director)

Datuk Al Amin, aged 51, joined the Board on 16 June 1997. He graduated with a Diploma in Technology from Oxford College of Further Education and holds a degree in Bachelor of Science in Civil Engineering from the University of Aston, Birmingham, United Kingdom.

Datuk Al Amin began his career as a project engineer with the Perak State Development Corporation in 1979. Two years later, he was appointed as the Executive Director of its subsidiary, Maju Bangun Sdn Bhd. In 1982, he set up his own business and is currently a director of several private companies which are involved in a range

of businesses such as construction, investment, distributorship, general trading and project management. He is currently the Chairman of the Chemical Industries Council of Malaysia ("CICM") and a Corporate Member of Institute of Engineers Malaysia ("MIEM").

Datuk Al Amin is currently the Executive Chairman of Country View Berhad and Chairman of Nylex (Malaysia) Berhad, a Director of Gabungan Pemborong Bumiputra Perak Berhad and MCIS Zurich Insurance Berhad.

DATO' MOHD ISMAIL BIN CHE RUS

(Independent Non-Executive Director)

Dato' Ismail, aged 63, joined the Board on 29 October 1999 and is currently the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

Dato' Ismail attended the Training Management course at Royal Institute of Public Administration, London, United Kingdom and also the Post Graduate Senior Management course at the University of Manchester, United Kingdom.

Dato' Ismail started his career with the Royal Malaysian Police as an Inspector in 1962 and was promoted to numerous positions before his appointment as Chief Police Officer for three states in Malaysia and the Metropolitan Police of Kuala Lumpur. Prior to his retirement, Dato' Ismail was holding the rank of Commissioner of Police with the appointment as the Director of Criminal Investigation Department.

Currently, Dato' Ismail is a vice president of RESPA (Retired Senior Police Officers Association) and a Director of Nylex (Malaysia) Berhad and Selangor Dredging Berhad.

EDMOND CHEAH SWEE LENG

(Independent Non-Executive Director)

Mr Cheah, aged 52, joined the Board on 30 August 2005 and is currently a member of the Audit Committee and the Remuneration and Nomination Committee.

Mr Cheah is a Chartered Accountant by profession and is a member of the Malaysian Institute of Accountants and Association of Chartered Accountants, England & Wales. He is also a Certified Financial Planner.

Mr Cheah's professional experience has been in the fields of audit, merchant banking, corporate and financial advisory, portfolio and investment management, unit trust management and financial planning. He was an Audit Manager with a professional accounting firm in London; the Manager in charge of Portfolio Investment in a merchant bank in Malaysia and subsequently in charge of the corporate planning & investment division in a public listed company; the Chief Executive Officer/Executive Director and a member of the Investment Committee of Public Mutual Berhad, the largest private unit trust management company in Malaysia; a Council Member and Chairman of the Secretariat of the Federation of Malaysia Unit Trust Managers (FMUTM) and a Task Force Member on Islamic Finance for

Board of Directors (cont'd)

the Labuan Offshore Financial Services Authority (LOFSA) and a Member of the Securities Market Consultative Panel for Bursa Malaysia Securities Berhad. He is currently a member of the Board of Governors and the Immediate Past President of the Financial Planning Association of Malaysia (FPAM); the Treasurer of the Society for the Prevention of Cruelty to Animals (SPCA) and an Investment Committee Member and Director of MAAKL Mutual Berhad.

Mr Cheah is currently the Chairman of Adventa Berhad and a Director of Nylex (Malaysia) Berhad.

CHAN THYE SENG (Not in picture)
(Non-Independent Non-Executive Director)

Mr Chan, aged 49, joined the Board on 19 October 1999. He graduated with a Bachelor of Law (Hons.) degree from University College Cardiff, United Kingdom. He was called to the Bar at Middle Temple, United Kingdom in 1980 and the Malaysian Bar in 1982 and had 13 years experience as a practising lawyer prior to his venturing into business.

Mr Chan is currently a Director and the Chief Executive Officer of Pacific & Orient Berhad ("P&O") and its subsidiaries.

Note :

1. *All the Directors are Malaysian.*
2. *There are no family relationship between the Directors and/or major shareholders of the Company save for Dato' Siew Nim Chee and Dato' Siew Ka Wei, who are father and son.*
3. *Save for Dato' Johari Razak, Dato' Siew Nim Chee, Dato' Siew Ka Wei and Chan Thye Seng who have interest in certain related party transactions as disclosed on page 106 of this Annual Report, none of the Directors has any financial interest in any business arrangement involving the Group.*
4. *The securities holdings of the Directors and their attendance at Board of Directors' Meetings are appended in pages 36 to 37 and page 21 respectively of this Annual Report.*
5. *None of the Director has been convicted for any offence within the past ten (10) years other than traffic offences (if any).*



Executive Chairman's Statement

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of the Group and of the Company for the financial year ended 31 May 2006.

Performance

For the financial year ended 31 May 2006, the Group has achieved a higher turnover of RM1,205.5 million (2005: RM1,101.6 million) and a considerably higher profit before tax ("PBT") of RM27.3 million (2005: RM0.6 million). After accounting for taxation and minority interests, the profit attributable to shareholders was RM4.2 million (2005: RM0.1 million) with consolidated net earnings per share of 2.24 sen (2005: 0.07 sen) and consolidated net assets per share of RM1.50 as at the end of the financial year (2005: RM1.48).

As with the previous financial year, the Board recommends the payment of a final dividend of approximately 5 sen, net of income tax, estimated at RM6,681,000 for the current financial year, by way of distribution of one (1) treasury share for every twenty (20) existing ordinary shares of RM1 each in the Company held at a date to be announced, subject to the approval of the shareholders at the Company's forthcoming annual general meeting.

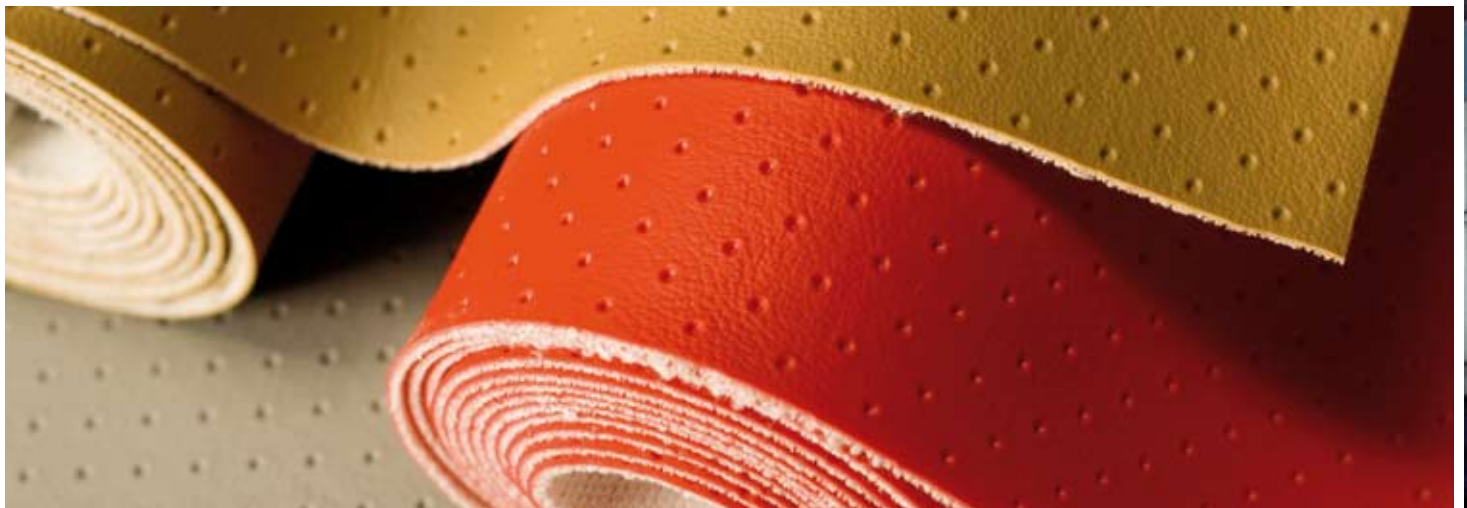
Review of Operations

The Industrial and Agricultural Chemicals, Logistics, Polymer and Engineering divisions remain the main contributors of the Group's turnover. These divisions continue to drive higher sales in the financial year under review as compared with the previous financial year.

The Industrial and Agricultural Chemicals division recorded a higher turnover of RM621.7 million (2005: RM590.3 million) and a higher PBT at RM22.1 million (2004: RM16.5 million before recognizing the gain amounting to RM8.0 million from the disposal of a piece of property by a subsidiary in the division). The improved performance was largely due to the favourable market conditions and the division's ability to create and maintain strong and enduring business ties with its customers and suppliers. The division continued to secure new agencies and has expanded its market reach throughout ASEAN, China, India/Sri Lanka, the Middle East, Eastern Europe and South America.



Executive Chairman's Statement *(cont'd)*



The Logistics & Transportation division had a challenging year. It recorded a higher turnover at RM48.0 million (2004: RM45.0 million) but a lower PBT at RM3.9 million (2005: RM5.5 million). Had it not been for the loss arising from the sale of a vessel of RM1.6 million during the financial year, the division would have recorded a PBT of RM5.5 million. In anticipation of the increased business, the division is currently undertaking expansion program to increase the tank farm capacity and vehicle fleet size.

The Polymer division recorded a higher turnover of RM128.0 million (2005: RM118.6 million) and a much higher PBT of RM8.6 million (2005: Loss before tax ("LBT") RM0.9 million). The higher sales were mainly due to the higher export sales. The higher PBT was attributed to the successful pricing and raw material procurement strategies.

The Engineering division achieved yet another year of higher turnover at RM387.3 million (2005: RM305.6 million) and it bounced back to record a PBT of RM12.7 million (2005: LBT RM9.5 million). The higher turnover was a result of the strong

demand for the division's products from the international markets while the improved PBT was due to prudent operating costs management and productivity improvements.

The Information Technology division continued to perform disappointingly with a turnover of RM1.4 million (2005: RM3.1 million) and a higher LBT of RM3.0 million (2005: LBT RM2.4 million). There was a lack of major contracts secured by the division in the face of stiff competition and reduction in IT spending by customers. The Oil & Gas Engineering Services division also had a disappointing year with a lower turnover of RM11.8 million (2005: RM22.1 million) and a much higher LBT of RM3.9 million (2005: LBT RM2.8 million).

Significant Events

During the financial year, the Group announced the following two major acquisitions by Nylex (Malaysia) Berhad ("Nylex"), a subsidiary company:



1. 29.99% equity interest in Megachem Limited ("Megachem"), a public company incorporated in Singapore and listed on the Stock Exchange of Singapore Dealing and Automated Quotation ("SESDAQ"). It is a one-stop specialty chemicals solutions provider with a broad distribution network across Asia; and
2. the entire equity interest in CKG Chemicals Pte Limited ("CKG"). CKG is a private company incorporated in Singapore and is principally involved in the trading and distribution of industrial chemicals and gasoline blending components.

These acquisitions were completed subsequent to the financial year.

Other significant events are disclosed in Note 45 of the Financial Statements in page 91 of this Annual Report.

Prospects for Next Financial Year

It is pleasing to note that, according to the just released Economic Report 2006/2007, the Malaysian economy is expected to expand by 5.8% for the whole year 2006 (2005: 5.2%) and is projected to expand by 6% in 2007. Growth is expected to be broad based with contribution from all segments of the economy, a result of the deliberate measures taken to make the economy more diversified and broad based to ensure sustainable growth. Despite the global environment which remained challenging in 2006 as a result of persistently high crude oil prices, inflationary pressures and higher interest rates as a result of monetary tightening, as well as the prospects of slower growth in the second half of 2006, the Malaysian Government is confident in facing these challenges to achieve the growth rates above, with its healthy trade surpluses in external accounts since November 1997, low unemployment, as well as strong international reserves and high national savings. Although inflation has risen following higher energy costs and the reduction in fuel subsidies, it remains at manageable level.



Executive Chairman's Statement *(cont'd)*



As far as the Group is concerned, it has been on an expansion drive through its subsidiary company, Nylex. Since 2004, Nylex has completed the acquisition of 100% equity in Nylex Specialty Chemicals Sdn Bhd, 51% in Speciality Phosphates (Malaysia) Sdn Bhd, 29.99% in Megachem and 100% in CKG. These strategic acquisitions will enable the Group to tap into new sources of supply and expand its customer base and product range. These acquisitions will make the Group more competitive and will contribute to the future earnings of the Group.

Tamco Corporate Holdings Berhad ("Tamco") had turned-around. With its strong brand name, it has created a niche in the international market as about 70% of its sales were derived from international clientele. With the projected increase in power generation capacity worldwide, Tamco will be another engine of growth for the Group in future.

The prospects for the Group in the next financial year will depend on the ability of the Group's principal businesses to capitalize on their leading market positions in the respective sectors they serve.

Barring unforeseen circumstances, the Group's performance for the next financial year is expected to be satisfactory.

Appreciation

The Board would like to express its appreciation to all management and staff of the Group for their loyalty, dedication and contribution to the Group during the current financial year. The Board hopes that they will continue with their untiring efforts to nurturing progress within the Group in future.

The Board also wishes to extend its appreciation to the shareholders, customers, suppliers, bankers, business associates and all regulatory authorities for their continued support and co-operation rendered during the current financial year.

DATO' JOHARI RAZAK

Executive Chairman

18 September 2006

Petaling Jaya, Selangor Darul Ehsan



Kenyataan Pengerusi Eksekutif

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Kenyataan Kewangan Teraudit Kumpulan dan Syarikat untuk tahun kewangan berakhir pada 31 Mei 2006.

Prestasi

Bagi tahun kewangan berakhir 31 Mei 2006, Kumpulan mencapai peningkatan perolehan yang lebih tinggi berjumlah RM1,205.5 juta (2005: RM1,101.6 juta) dan kenaikan keuntungan sebelum cukai ("PBT") yang ketara sebanyak RM27.3 juta (2005: RM0.6 juta). Selepas mengambilkira cukai dan kepentingan minoriti, keuntungan milik pemegang saham adalah berjumlah RM4.2 juta (2005: RM0.1 juta) dengan perolehan bersih disatukan sesaham bernilai 2.24 sen (2005: 0.07 sen) sementara aset bersih disatukan sesaham bernilai RM1.50 pada akhir tahun kewangan tersebut (2005: RM1.48).

Seperti tahun kewangan sebelumnya, Lembaga Pengarah mencadangkan pembayaran dividen akhir 5 sen yang bersih daripada cukai pendapatan yang dijangka berjumlah RM6,681,000 bagi tahun kewangan semasa. Pembayaran dividen ini akan dibiayai melalui agihan satu (1) syer perbendaharaan untuk setiap dua puluh (20) syer biasa bernilai RM1 setiap unit yang sedia ada dalam Syarikat pada satu hari yang akan ditetapkan. Pembayaran dividen ini tertakluk kepada kelulusan para pemegang saham Syarikat di mesyuarat agung tahunan yang akan datang.

Pengulasan Operasi

Bahagian Kimia Industri dan Pertanian, Logistik, Polimer dan Kejuruteraan masih merupakan penyumbang utama kepada perolehan Kumpulan. Bahagian-bahagian ini terus memacu jualan yang lebih tinggi pada tahun kewangan dalam tinjauan berbanding dengan tahun kewangan sebelumnya.

Bahagian Kimia Industri dan Pertanian mencatat perolehan lebih tinggi sebanyak RM621.7 juta (2005: RM590.3 juta) dan PBT turut meningkat kepada RM22.1 juta (2004: RM16.5 juta sebelum mengambilkira gandaan berjumlah RM8.0 juta daripada penjualan harta oleh subsidiari dalam bahagian). Peningkatan prestasi ini sebahagian besarnya disebabkan keadaan pasaran yang memberangsangkan dan kesanggupan bahagian ini mewujudkan dan mengekalkan hubungan perniagaan yang teguh dan berterusan dengan para pelanggan dan pembekal. Bahagian ini juga berjaya memperolehi agensi-agensi baru dan memperkembangkan jangkauan pasaran ke serantau ASEAN, China, India/Sri Lanka, Timur Tengah, Eropah Timur dan Amerika Selatan.



Kenyataan Pengerusi Eksekutif (*samb'*)



Bahagian Logistik dan Pengangkutan menghadapi tahun yang mencabar. Bahagian ini mencatat perolehan yang lebih tinggi berjumlah RM48.0 juta (2004: RM45.0 juta) tetapi PBT yang lebih rendah berjumlah RM3.9 juta (2005: RM5.5 juta). Jika tidak terjejas oleh kerugian RM1.6 juta yang dialami berikutan penjualan kapal pada tahun kewangan semasa, bahagian ini mungkin akan mencatat PBT RM5.5 juta. Dengan jangkaan bahawa aktiviti perniagaan akan meningkat, bahagian ini sedang menjalankan program pengembangan untuk menambah keupayaan tangki menyimpan produk petroleum (tank farm) dan jumlah kumpulan kenderaan.

Bahagian Polimer berjaya mencatat peningkatan dalam perolehan sebanyak RM128.0 juta (2005 : RM118.6 juta) dan PBT sejumlah RM8.6 juta (2005: Kerugian sebelum cukai ("LBT") RM0.9 juta). Peningkatan jualan sebahagian besarnya disebabkan jualan ekspot yang lebih tinggi. Peningkatan PBT pula disebabkan kejayaan strategi penentuan harga dan perolehan bahan mentah.

Bahagian Kejuruteraan juga mencapai perolehan yang lebih tinggi berjumlah RM387.3 juta bagi tahun ini (2005: RM305.6 juta) dan kembali mencatat PBT sejumlah RM12.7 juta (2005: LBT RM9.5 juta). Perolehan yang lebih tinggi ini berekoran

permintaan kukuh untuk produk-produk bahagian dari pasaran antarabangsa manakala PBT yang lebih baik pula berhasil daripada pengurusan kos operasi yang cermat dan daya produktiviti yang dipertingkatkan.

Bahagian Teknologi Maklumat mencatat prestasi yang mengecewakan dengan perolehan sebanyak RM1.4 juta (2005: RM3.1 juta) dan LBT sejumlah RM3.0 juta (2005: LBT RM2.4 juta). Bahagian ini menghadapi masalah kontrak besar yang semakin berkurangan disebabkan persaingan sengit dan pengurangan perbelanjaan IT oleh para pelanggan. Bahagian Perkhidmatan Kejuruteraan Minyak & Gas juga mencatatkan prestasi yang mengecewakan dengan perolehan yang lebih rendah sebanyak RM11.8 juta (2005 : RM22.1 juta) dan LBT yang lebih tinggi sebanyak RM3.9 juta (2005: LBT RM2.8 juta).

Peristiwa-peristiwa Penting

Dalam tahun kewangan semasa, Kumpulan telah mengumumkan dua pengambilalihan utama oleh Nylex (Malaysia) Berhad ("Nylex"), sebuah anak syarikatnya:

1. 29.99% kepentingan ekuiti dalam Megachem Limited

Kenyataan Pengerusi Eksekutif (samb')

("Megachem"), sebuah syarikat awam yang diperbadankan di Singapura dan disenaraikan di Stock Exchange of Singapore Dealing and Automated Quotation ("SESDAQ"). Syarikat ini merupakan pembekal larutan kimia pengkhususan setempat dengan rangkaian pengedaran yang meluas merentasi Asia; dan

2. keseluruhan kepentingan ekuiti dalam CKG Chemicals Pte Limited ("CKG"). CKG merupakan syarikat persendirian yang diperbadankan di Singapura dan terlibat terutamanya dalam perdagangan dan pengedaran kimia industri dan komponen pengadunan gasolin.

Kedua-dua pengambilalihan tersebut di atas telah diselesaikan selepas tahun kewangan.

Peristiwa penting yang lain telah dibentangkan dalam Nota 45 Penyata Kewangan di mukasurat 91 Laporan Tahunan ini.

Prospek Untuk Tahun Depan

Menurut Laporan Ekonomi 2006/2007 yang baru sahaja diterbitkan, prospek ekonomi Malaysia untuk masa depan adalah sungguh

memuaskan berasaskan ekonomi Malaysia yang dijangka akan berkembang pada kadar 5.8% sepanjang tahun 2006 (2005: 5.2%) dan 6% pada tahun 2007. Pertumbuhan ini dijangka berasas luas dengan sumbangan daripada semua segmen ekonomi, berikutan pengambilan langkah perlahan-lahan untuk mempelbagaikan serta meluaskan asas ekonomi untuk memastikan pertumbuhan yang berkekalan. Walaupun persekitaran global terus mencabar bagi tahun 2006 berekoran harga minyak mentah yang sentiasa tinggi, tekanan inflasi dan kadar faedah yang berhasil daripada pengetatan kewangan, dan juga prospek pertumbuhan yang lebih perlahan pada pertengahan kedua tahun 2006, kerajaan Malaysia masih yakin dalam menghadapi cabaran untuk mencapai kadar pertumbuhan yang disebut di atas. Keyakinan ini berasaskan lebih dagangan dalam akaun luar sejak November 1997, kadar pengangguran yang rendah, serta juga rizab antarabangsa yang teguh dan tabungan negara yang tinggi. Walaupun inflasi telah meningkat berikutan kos tenaga yang lebih tinggi dan pengurangan subsidi bahan api, tapi kadar inflasi masih berada pada tahap yang munasabah.

Menurut pandangan Kumpulan, Kumpulan berada dalam landasan pengembangan melalui anak syarikatnya, Nylex. Sejak tahun 2004, Nylex telah menyelesaikan pengambilalihan 100% ekuiti dalam Nylex Speciality Chemicals Sdn Bhd, 51% dalam Speciality Phosphates

Kenyataan Pengerusi Eksekutif (samb')



(Malaysia) Sdn Bhd, 29.99% dalam Megachem dan 100% dalam CKG. Pengambilalihan strategik ini akan membolehkan Kumpulan memperolehi sumber bekalan yang baru dan mengembangkan asas pelanggan dan rangkaian produk. Pengambilalihan ini akan menjadikan Kumpulan lebih berdaya saing dan akan menyumbang kepada keuntungan masa depan Kumpulan.

Tamco Corporate Holdings Berhad ("Tamco") telah dipusing-majukan. Dengan jenamanya yang kukuh, Tamco telah mengekalkan tempatnya di pasaran antarabangsa kerana 70% daripada jualanannya adalah daripada pelanggan antarabangsa. Dengan jangkaan pertumbuhan dalam keupayaan penjana tenaga di seluruh dunia yang berterusan, Tamco akan menjadi satu lagi enjin pertumbuhan bagi Kumpulan pada masa depan.

Prospek untuk Kumpulan pada tahun kewangan yang akan datang akan bergantung pada keupayaan perniagaan utama Kumpulan untuk mengambil peluang daripada kedudukan pasarannya yang unggul dalam sektor-sektor yang diceburinya. Prestasi Kumpulan untuk tahun kewangan yang seterusnya adalah dijangka memuaskan sekiranya tidak timbul sebarang keadaan yang di luar jangkaan.

Penghargaan

Lembaga Pengarah ingin mengambil kesempatan ini untuk merakamkan ribuan terima kasih kepada pihak pengurusan dan warga kerja Kumpulan atas usaha gigih, komitmen, dedikasi dan ketekunan mereka dalam menjalankan tugas mereka masing-masing sepanjang tahun kewangan semasa. Lembaga Pengarah berharap mereka akan meneruskan usaha mereka yang tidak mengenal penat-lelah untuk memupuk kemajuan dalam Kumpulan pada masa kelak.

Lembaga Pengarah juga ingin menyampaikan penghargaan kepada para pemegang saham, pelanggan, pembekal, bank, rakan niaga dan semua pihak berkuasa atas sokongan dan kerjasama mereka sepanjang tahun kewangan semasa.

DATO' JOHARI RAZAK

Pengerusi Eksekutif

18 September 2006

Petaling Jaya, Selangor Darul Ehsan

Statement on Corporate Governance

INTRODUCTION

Pursuant to paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”), the Directors are required to issue a Statement on Corporate Governance in relation to the status of compliance by the Company and its subsidiary companies (“Group”) with the Malaysian Code on Corporate Governance issued by the Finance Committee on Corporate Governance (“Code”).

The Board hereby state its commitment to maintain a high standard of corporate governance and to uphold its fundamental duty to safeguard the assets of the Group, to enhance the financial performance of the Group and shareholders’ value. The Board fully supports the recommendations of the Code and the Group has adhered to the principals contained therein to the extent disclosed in this Statement throughout the financial year ended 31 May 2006.

BOARD OF DIRECTORS

Composition

During the financial year, the Board has eight (8) members, comprising three (3) Executive Directors (including the Executive Chairman) and five (5) Non-executive Directors, three (3) of whom are independent directors. The composition of the Board was in compliance with the Listing Requirements which required at least one-third (1/3) of the Board to be independent directors.

The Board comprises of members from various fields such as legal, accounting, economics, corporate finance, marketing and business practices. Together they bring a balance of skills and a wide range of experience appropriate to the business of the Group. The profile of the Directors are set out in pages 10 to 12 of this Annual Report.

Meeting and Supply of Information

Board meetings were held at quarterly intervals with additional meetings convened when necessary. There were four (4) Board meetings held during the financial year. Details of each Director’s attendance are as follows :

Name of Directors	No. of Meetings attended	% Attendance
Professor Tan Sri Dato’ Dr Lin See Yan	4	100
Dato’ Siew Nim Chee	3	75
Dato’ Johari Razak	3	75
Dato’ Siew Ka Wei	4	100
Datuk Hj Mohd Al Amin bin Hj Abdul Majid, JP	3	75
Dato’ Mohd Ismail bin Che Rus	4	100
Chan Thye Seng	4	100
Edmond Cheah Swee Leng (Appointed on 30 August 2005)	3	100

The Directors were provided with adequate board papers and reports in a timely manner prior to the Board meetings to enable the Directors to understand the issues to be discussed and to obtain further explanation, where necessary, prior to the meetings. These papers and reports provide adequate information on the Group’s performance and major operational, financial and corporate issues. All proceedings at the Board meetings were minuted and confirmed by the Board at the subsequent meeting.

Senior management staff, as well as advisers and professionals appointed to advise on corporate proposals, were invited to attend the Board meetings to provide the Board with their explanations on certain agenda items tabled to the Board, and to furnish clarification on issues that were raised by the Directors.

Statement on Corporate Governance (cont'd)

During the financial year, the Board also resolved and approved the Company's matters through circular resolutions. The Directors were provided with sufficient detailed information for approvals via circular resolutions and were given full access to senior management to clarify any matters arising.

All the Directors are vested with the rights to access to the advice and services of the Company Secretaries and to take independent professional advice, where necessary, at the Company's expense.

Duties and Responsibilities

There are clear division of responsibilities between the Executive Chairman and the Group Managing Director to ensure that there is a balance of power and authority. The Executive Chairman is responsible for the Group's corporate, secretarial, accounting and legal matters whereas the Group Managing Director is responsible for the Group's operational matters. Both the Executive Chairman and the Group Managing Director are subject to the control of the Board.

The Non-Executive Directors on the Board, who do not participate in the day-to-day management of the Group, have an equally important role in the Board as they provide unbiased and independent views, advice and judgment in the Board deliberations and ensure that no minority group of Directors or an individual Director dominated the Board's discussion. They are involved actively in the Board Committees of the Company.

The decisions of the Board are decided by a simple majority of votes of the Directors presented at the Board meetings.

Training and Education

The Board acknowledges the importance of continuous education and training to enable the Directors to discharge their responsibilities effectively. All Directors, including Mr Edmond Cheah Swee Leng who was appointed during the financial year, have successfully completed the Mandatory Accreditation Programme. In addition, they have also accumulated sufficient points required under the Continuing Education Programme prescribed by the Listing Requirements.

Under the revised Listing Requirements, the Board will assume the onus of determining or overseeing the training need of the Directors with effect from 1 January 2005. The Directors are encouraged to attend training programmes to ensure that they are kept abreast on key issues facing the changing business environment within which the Group operates. During the financial year, the Directors have attended training programmes covering a wide range of current business development and corporate regulatory development such as "Effective Use of Consolidated Financial Statements", "Risk Management Awareness", "Making Corporate Board More Effective", "Enhancing Stakeholder Value", etc.

The Board will continually assess the training needs of the Directors from time to time.

Re-election

In accordance with the Articles of Association of the Company, a newly appointed Director is subject to retirement and is entitled to seek re-election at the first annual general meeting after his/her appointment. All Directors, except the Directors who have attained the age of 70, retire on a rotational basis once every 3 years and are entitled to offer themselves for re-election at the Company's annual general meeting. For Directors who have attained the age of 70, they will retire at every annual general meeting pursuant to Section 129 of the Companies Act, 1965, and are entitled to seek to be re-appointed as a Director at the annual general meeting pursuant to Section 129 (6) of the same Act. None of the Executive Directors has a service contract which the notice period for termination is more than one year.

Statement on Corporate Governance (cont'd)

In the case of re-election of Directors at the general meeting, the Notice of Annual General Meeting, a copy of which is in pages 114 to 116 of this Annual Report, contained the name of the Directors seeking to be re-elected with a brief description of his/her :

- Age and nationality
- Status (whether independent or non-independent)
- Relevant experience / qualifications / occupations
- Directorships in other listed companies
- Shareholding in the Company and its subsidiaries
- Family relationship with any Directors and/or substantial shareholders of the Company
- Any conflict of interest with the Company
- Any convictions for offences within the past 10 years other than traffic offences

The motions to re-elect Directors will be voted on individually, unless a resolution for the appointment of two (2) or more persons as Directors by a single resolution shall have been passed by the annual general meeting without any vote against it.

BOARD COMMITTEES

The Board has delegated specific responsibilities to two committees, namely, the Audit Committee and the Remuneration and Nomination Committee ("R&N Committee"). Both committees have written terms of reference and operating procedures and the Board received reports of their proceedings and deliberations.

Audit Committee

The Audit Committee Report is set out separately in pages 26 to 29 of this Annual Report.

Remuneration and Nomination Committee

The Board has established the R&N Committee on 24 September 2001. During the financial year, the members of the R&N Committee comprised the following :

Professor Tan Sri Dato' Dr Lin See Yan (Chairman)
Dato' Mohd Ismail bin Che Rus
Edmond Cheah Swee Leng (Appointed on 30 August 2005)

The primary responsibility of the R&N Committee is to recommend to the Board the remuneration framework for the Directors as well as the remuneration package of the Directors. The R&N Committee would take into consideration the market practices and the individual's contribution in deciding the remuneration package of the Directors.

It is the Group's practice that the Executive Directors are to be rewarded after taking into account the Group's financial performance as well as market comparison and competitive pressures in the industry. For Non-Executive Directors, the level of remuneration would reflect the amount paid by other comparable organizations. The Board would ultimately decide the remuneration of the Directors. The Directors' fees would be endorsed by the Board for approval by the shareholders at the forthcoming Annual General Meeting.

During the financial year, the R&N Committee recommended the Directors' Remuneration, details of which are as stated in the ensuing paragraph. The Directors' Remuneration was approved by the Board.

Statement on Corporate Governance (cont'd)

DIRECTORS' REMUNERATION

Details of the remuneration received and receivable by the Directors from the Company and its subsidiaries during the financial year, by category and in bands of RM50,000, are shown below :

Remuneration by category		Executive Director	Non-Executive Director	Total
Fees	RM'000	89	311	400
Salaries	RM'000	2,575	-	2,575
Other emoluments	RM'000	1,660	75	1,735
Benefits-in-kind	RM'000	76	-	76
Total	RM'000	4,400	386	4,786

Remunerations in bands of RM50,000		Executive Director	Non-Executive Director	Total
Less than RM50,000		-	1	1
RM50,000 to RM100,000		-	4	4
RM350,000 to RM400,000		1	-	1
RM1,300,000 to RM1,350,000		1	-	1
RM2,650,000 to RM2,700,000		1	-	1
Total		3	5	8

SHAREHOLDERS

Investors' Relations and Shareholders' Communication

The Board recognized the importance of accurate, useful and timely dissemination of information to its shareholders, investors and stakeholders. In this regard, the Group strictly adhered to the disclosure requirements prescribed by the Listing Requirements.

During the financial year, various announcements, including the Quarterly Interim Financial Results Announcements, were made to ensure that information was disseminated to the shareholders, stakeholders and investors on a timely basis.

Besides the Company's general meeting that was held during the financial year, the Board also encouraged shareholders to communicate through other channels and has identified Dato' Mohd Ismail bin Che Rus, the Senior Independent Non-Executive Director, as the Director to whom any queries or concerns may be conveyed. Dato' Mohd Ismail bin Che Rus can be contacted by post at 602 Blok A, Pusat Dagangan Phileo Damansara I, No. 9 Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia or fax at 603-7660 1151 or e-mail at corp@ancom.com.my.

General Meeting

The Company's general meetings are the principal forum for dialogue between the Company and its shareholders. Shareholders are encouraged to participate in the proceedings of general meetings and to direct questions to the Board concerning the business and financial performance of the Group. The Company holds its general meetings at places that are easily accessible and at a time convenient to the shareholders to encourage them to attend the meetings.

Statement on Corporate Governance (cont'd)

During the financial year, notices and related papers/circulars were sent to the shareholders in accordance with the regulatory and statutory provisions. All notices were advertised in an English newspaper within the prescribed deadlines.

Proceedings of the meetings were properly minuted and the minutes were subject to shareholders' inspection in accordance with the Companies Act, 1965.

ACCOUNTS AND AUDIT

Financial Reporting

The Board aims to present a meaningful assessment of the Group's financial performance and to ensure that the financial statements of the Group and the Company give a true and fair view of the state of affairs of the Group and the Company.

During the financial year, the Board has ensured that the financial statements have been prepared based on accounting policies which have been consistently and properly applied, supported by reasonable and prudent judgements and estimates in adherence to all applicable accounting standards.

A statement by the Board on its responsibilities for preparing the financial statements is set out in page 32 of this Annual Report.

The Group's Quarterly Interim Financial Results Announcements and the annual Audited Financial Statements were reviewed by the Audit Committee and approved by the Board prior to their releases to Bursa Malaysia Securities Berhad within the stipulated time frame.

Internal Control

The Board acknowledges its responsibility in maintaining a sound system of internal control, including risk assessment, and the need to review its effectiveness regularly to safeguard the Group's assets and shareholders' investments. This system, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss.

The Audit Committee has been empowered to assist the Board in identifying and assessing risks and control measures within the Group. In addition, Moores Rowland Risk Management Sdn Bhd has been appointed as the Group's Internal Auditors to review the Group's internal control during the financial year. The Internal Auditors report to the Audit Committee who shall determine their remuneration.

The Audit Committee Report is separately set out in pages 26 to 29 of this Annual Report while the scope and results of the internal audit review by the Audit Committee are detailed in the Statement on Internal Control in pages 30 to 31 of this Annual Report.

Relationship with Auditors

The Company has through the Audit Committee established a transparent professional relationship with its external and internal auditors. The Audit Committee has been explicitly accorded the power to communicate directly with them.

CONCLUSION

The Board recognises the importance of the Group practising good corporate governance and has made it a corporate policy to continually improve on its corporate governance practices and structure to achieve an optimal governance framework.

Audit Committee Report

INTRODUCTION

In accordance with paragraphs 15.16 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”), the Board has pleasure in submitting the Audit Committee Report for the financial year ended 31 May 2006.

TERMS OF REFERENCE

Composition

The Audit Committee shall be appointed by the Board from amongst its members and shall comprise of at least three (3) Directors. The majority of the members of the Audit Committee shall be Independent Non-Executive Directors.

At least one member of the Audit Committee shall be a member of Malaysian Institute of Accountants or a person approved under Section 15.10(1)(c)(ii) of the Listing Requirements. No alternate director shall be appointed as a member of the Audit Committee.

The Chairman of the Audit Committee shall be elected from amongst the members and he shall be an Independent Director. If a member of the Audit Committee resigns or for any reason ceases to be a member resulting in the number of members being less than the required number, the Board shall appoint such number of new members as may be required to make up the minimum number of members within three (3) months of that event. All members of the Audit Committee including the Chairman shall hold office until otherwise determined by the Board or until they cease to be a Director of the Company.

One of the Company Secretaries shall be the Secretary of the Audit Committee.

Functions

The Audit Committee shall discharge the following functions:

- (A) Review the following and report same to the Board of Directors of the Company:
- with the external auditors, the audit plan, the scope of work and ascertain that it will meet the needs of the Board, the shareholders and the authorities ;
 - with the external auditors, their evaluation of the quality, effectiveness and the integrity of the Group’s system of internal control;
 - with the external auditors, their audit report including management letter on internal control weaknesses and the management’s responses thereof ;
 - the assistance given by the employees of the Company to the external auditors ;
 - the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work ;
 - the internal audit program, processes, the results of the internal audit program, processes and investigation undertaken and whether or not appropriate actions have been taken on the recommendations of the internal audit functions ;
 - the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on :
 - (a) changes in or implementation of major accounting policy changes ;
 - (b) significant and unusual events ;
 - (c) compliance with accounting standards and other legal requirements, and the going concern assumption ; and
 - (d) the accuracy and adequacy of the information disclosed ;
 - any related party transactions and conflict of interest situations that may arise within the Group and with any related parties outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - any letter of resignation from the external auditors of the Company ;
 - whether there is a reason (supported by grounds) to believe that the Company’s external auditors are not suitable for reappointment;
 - nomination of external auditors and to fix their terms of appointment and remuneration ; and
 - any other matters as directed by the Board from time to time.

Audit Committee Report *(cont'd)*

(B) In discharging the above functions, the Audit Committee shall at the cost of the Company :

- have the authority to investigate any matter within its terms of reference;
- have the resources which are required to perform its duties;
- have full and unrestricted access to any information pertaining to the Group;
- have direct communication channels with the external auditors and persons carrying out the internal audit functions;
- be able to obtain independent professional and other advices and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
- be able to convene meeting with the external auditors excluding the attendance of the executive member of the Audit Committee, whenever deemed necessary.

Meeting

The Audit Committee shall meet four (4) times a year and additional meetings may be convened as and when deemed necessary. The quorum for each meeting shall be two (2) members, all of whom must be Independent Directors. Agenda shall be sent to all members of the Audit Committee and any other persons who may be required to attend the meeting at least seven (7) days prior to the meeting unless the members in the meeting waive such requirement. The Audit Committee may invite other Directors and employees of the Group to attend any meeting, as it deems fit.

Decision of the Audit Committee shall be by a majority of votes. In the case of equality of votes, the Chairman, or if he is absent, the Chairman of the meeting elected from amongst the members attending the meeting, shall have a second and casting vote.

Minutes

Minutes of each meeting, signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting, shall be deemed a correct recording of the proceedings thereat without any further proof of the fact stated thereof. The Secretary shall keep the minutes. Copies of the minutes shall be distributed to all members of the Audit Committee and the Board for information.

MEMBERS AND MEETINGS

During the financial year, the members of the Audit Committee comprised the Directors listed below. The Audit Committee held three (3) meetings which is one (1) meeting short of the required number of meetings due to the absence of a quorum. The Board has itself taken the responsibility to review and approve the Quarterly Interim Financial Results Announcement and the Internal Audit Progress Report as the Audit Committee meeting was not able to be convened. Moores Rowland Risk Management Sdn Bhd, the Internal Auditors and BDO Binder, the External Auditors attended two (2) Audit Committee meetings respectively. The attendance by each member at the Audit Committee meetings during the financial year is as follows :

Name of Directors	Attendance
Dato' Mohd Ismail bin Che Rus (Chairman)	3/3
Dato' Johari Razak (Member)	2/3
Edmond Cheah Swee Leng (Member) – Member of the Malaysian Institute of Accountants (MIA)	3/3

Audit Committee Report *(cont'd)*

SUMMARY OF ACTIVITIES

The activities of the Audit Committee during the financial year included the following :

Financial Results

- Review of the unaudited Quarterly Interim Financial Results Announcements with the management before recommending them for the Board's approval; and
- Review of the Audited Financial Statements with the External Auditors prior to recommending same to the Board for approval.

The reviews above included the review of the Group's compliance with the provisions of the Companies Act, 1965, the Listing Requirements, the approved accounting standards of the Malaysian Accounting Standard Board ("MASB") and other statutory and regulatory requirements with regards to the unaudited Quarterly Interim Financial Results Announcements and Audited Financial Statements.

External/Internal Audits

- Review of Internal Audit's plan and programmes with the Internal Auditors;
- Review of Internal Audit Progress Reports and improvement actions recommended by the Internal Auditors;
- Review of implementation of these recommendations through follow up audit reports;
- Review of external audit scope and audit plan based on the External Auditors' presentations of audit strategy and plan; and
- Review of the External and Internal Auditors' fees and made recommendation for their reappointment to the Board.

Related Party Transactions

- Review of the related party transactions entered into by the Company and the Group.

Employees Share Option Scheme

- The Company has not established any share option scheme and has no subsisting share option scheme for its employees during the financial year under review.

During the respective Board Meeting, the Chairman of the Audit Committee briefed the Board on issues raised in respect of the internal audit and internal control, the unaudited Quarterly Interim Financial Results Announcements, Audited Financial Statements and the recommendations of the Committee thereon.

INTERNAL AUDIT FUNCTION

During the financial year, the Company has outsourced its internal audit function to Moores Rowland Risk Management Sdn Bhd whose primary responsibility was to independently assess and report to the Board, through the Audit Committee, the systems of internal control of the Group.

The outsourced internal audit function independently focused on the key areas of business risk based on an internal audit plan agreed with the Audit Committee. The Internal Auditors adopted a risk based approach in the planning and conducting of internal audits. In addition to assisting in evaluating and reporting on the Group's principle business risks, the Internal Auditors also assisted the Audit Committee in ensuring the risk management mechanisms were pro-actively embedded within the Group's existing operational framework.

Audit Committee Report *(cont'd)*

Amongst the responsibilities of the Internal Auditors were:

1. to assist the Board in reviewing the adequacy, integrity and effectiveness of the Group's internal control system;
2. to support the Audit Committee in identifying and evaluating the existing internal control system and consequently to determine the future requirements for internal control system and to co-develop a prioritized action plan;
3. to perform a risk assessment of the Group to identify the business processes within the Group that internal audit should focus on; and
4. to allocate audit resources to areas within the Group that provide the management and the Audit Committee with efficient and effective level of audit coverage.

At each of the meeting, the Audit Committee received and discussed the Internal Audit Progress Reports which highlighted internal control weaknesses and the Internal Auditors' assessment of the risk profile of the weaknesses. The Reports also contained the Internal Auditors' recommendations and management responses with regards to these audit findings in the systems and controls of the respective operations audited. In subsequent Internal Audit Progress Reports, the Internal Auditors reported on their findings on the follow up reviews to the Audit Committee.

CONCLUSION

Based on the above, the Audit Committee is of the opinion that it has discharged its duties in accordance with the Terms of Reference as established above.

Please refer pages 30 to 31 of this Annual Report for the Statement on Internal Control.

Statement on Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that a listed company should maintain a sound system of internal control to safeguard its shareholders' investment and its assets.

Pursuant to paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Board is pleased to provide the Group's Statement on Internal Control for the financial year ended 31 May 2006 in the ensuing paragraphs. This Statement has been prepared in accordance with the "Standard of Internal Control – Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia with the support and endorsement of Bursa Malaysia Securities Berhad.

For the purpose of this Statement, the Group means the Company and its subsidiary companies, excluding the associated companies. This Statement does not cover the associated companies as the Company does not have control over the operations, management and internal control system of these companies.

RESPONSIBILITY FOR INTERNAL CONTROL

The Board acknowledges the importance of good practice of corporate governance. The Board is committed to maintaining a sound system of internal control which includes the establishment of an appropriate control environment and framework, and the subsequent periodic review of the effectiveness, adequacy and integrity of the system of internal control.

However, it should be recognized that a system of internal control is designed to manage and mitigate, rather than to eliminate, the risk that may impede the achievement of the Group's business objectives. Further, the cost of control procedures should not outweigh or exceed the benefits to be gained from such control procedures. Due to these inherent limitations, the internal control system can only provide reasonable and not absolute assurance against material misstatement of management or financial information or against financial losses or frauds.

KEY ELEMENTS OF INTERNAL CONTROL

The principal features of the Group's internal control system during the financial year ended 31 May 2006 are as follows :

Organization structure and responsibility levels

The Group has in placed an organization structure with clearly defined reporting lines within the Group which aligned with its business and operations requirements. Each operating function is headed by a Divisional Managing Director who is "hands-on" in running the respective division. The Group has also defined the management structure with clear lines of accountability and authority. Experienced and competent staff are placed in positions of responsibility to ensure that the objectives of the Group's internal control system are achieved.

Audit Committee and internal audit

The Audit Committee is established to assist and provide the Board with added focus in discharging the Board's duties and responsibilities in relation to internal control. To further assist the Audit Committee in discharging its duties and responsibilities, the Board had outsourced the internal audit function to an independent professional accounting firm.

Statement on Internal Control *(cont'd)*

The internal audit function has carried out a risk assessments of the Group's key business processes to determine an internal audit plan which primarily covered the areas of internal audit focus. Regular internal audit visits have been carried out by the internal auditors to review the effectiveness of the control procedures.

As part of the review process, the internal auditors advised operational management on weaknesses noted and recommended corrective actions to improve the system of internal control. Follow-up reviews were performed subsequently by the internal auditors to determine the extent to which the recommendations have been implemented.

The internal audit reports were deliberated by the Audit Committee, and were subsequently presented to the Board on a quarterly basis. The Audit Committee was satisfied that there were continuous effort by management to address and resolve areas with control weaknesses and that the control procedures were in place and were being followed.

Risk management

The Board recognized that effective risk management is an essential and indispensable part of corporate management to ensure achievement of business objectives. The Group has an informal on-going process whereby the significant risk profile of the Group's business is identified and evaluated for its possible impact on the Group's business. The Group strived to manage risk effectively with a view to protect its assets and enhance shareholders' value. The Board, through the Audit Committee and the internal audit function, had reviewed and is satisfied with the adequacy and integrity of the Group's internal control system and management information system, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Reporting and review

The Executive Chairman and the Group Managing Director met with the Divisional Managing Directors and senior management regularly to discuss and resolve operational, corporate, financial and key management issues. Periodic reviews were performed on achievement of business objectives/targets and financial performance.

The announcements of the Quarterly Interim Financial Results Announcements of the Group would be made after being reviewed by the Audit Committee and approved by the Board.

Group Policies and Procedures

The Group's Policies and Procedures are a formal guide to the management and employees of the Group in carrying out their day-to-day duties. The Group's Policies and Procedures cover the following core areas ; authority limits and authorization mandates, protection and maintenance of assets, human resources management, sales, financial, procurement and operations. The Limits of Authority in the Group's Policies and Procedures will delineate authority limits to the appropriate persons to ensure accountability and segregation of duties.

CONCLUSION

The Board is of the view that the system of internal control being instituted throughout the Group was satisfactory and has not resulted in any material losses, contingencies or uncertainties during the financial year under review.

The Board recognizes that the system of internal control has to be enhanced continuously to support the Group's operations. The Board will continually evaluate and take steps to further strengthen the Group's internal control environment.

Directors' Responsibilities Statement on Financial Statements

In preparing the annual Financial Statements of the Company and of the Group, the Directors are collectively responsible to ensure that these Financial Statements have been prepared to give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit and loss of the Company and of the Group for the financial year, in accordance with the provisions of the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors hereby confirm that the Company and the Group maintain adequate accounting records and sufficient internal control to enable the Company to disclose, with reasonable accuracy and without any material misstatement, the financial position of the Company and of the Group as at 31 May 2006 and the profit and loss of the Company and the Group for the financial year ended 31 May 2006.

In preparing the Financial Statements for the financial year ended 31 May 2006, the Directors have adopted appropriate accounting policies, which are consistently applied and supported by reasonable and prudent judgements and estimates, and have ensured that all applicable approved accounting standards have been followed.

The Directors have provided the auditors with every opportunity to take all steps, undertake all inspections and seek all explanations they considered appropriate to enable them to give their audit report on the Financial Statements.

Financial Statements

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Directors' Report

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiary companies.

The principal activities of the subsidiary companies are disclosed in Note 48 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) after tax	13,603	(14,687)
Minority interests	(9,342)	-
Net profit/(loss) attributable to shareholders	4,261	(14,687)

DIVIDENDS

Since the end of the previous financial year, the Company had on 25 November 2005, paid a final dividend of approximately 5 sen, less income tax, amounting to RM6,633,000 for the financial year ended 31 May 2005 by distributing 9,298,797 Treasury Shares (as defined under Section 67A (3A) (b) of the Companies Act, 1965) instead of RM7,253,000 (estimated based on weighted average cost of Treasury Shares as at 31 May 2005) proposed for that financial year. The reduction in final dividend paid of RM620,000 was due to:

- (i) share buy back of 6,890,000 ordinary shares of RM1 each which, as at the book closure date to determine the entitlement for the final dividend, were retained as Treasury Shares by the Company and were therefore, not entitled to the final dividend; and
- (ii) changes in original cost of purchase of Treasury Shares between the financial year end (31 May 2005) and the entitlement date (28 October 2005).

For the financial year ended 31 May 2006, the Directors proposed a final share dividend of approximately 5 sen, less income tax, amounting to RM6,681,000 (estimated based on weighted average cost of Treasury Shares as at 31 May 2006) by way of distribution of one (1) Treasury Share for every twenty (20) existing ordinary shares of RM1 each in the Company held at a date to be announced. The proposed final share dividend is subject to the approval of the shareholders at the Company's forthcoming annual general meeting.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

Directors' Report

WARRANTS 2005/2008

During the financial year, the Company completed the renounceable rights issue of 97,771,983 warrants ("Warrants") at an issue price of RM0.02 per Warrant on the basis of one (1) Warrant for every two (2) ordinary shares of RM1 each held in the Company.

As at the end of the financial year, a total of 97,771,983 Warrants are still outstanding. Each outstanding Warrant will entitle its holder to subscribe for one (1) new ordinary share of RM1 each in the Company at any time not later than 22 June 2008 at the exercise price of RM1 per ordinary share.

REPURCHASE OF SHARES

At the 36th Annual General Meeting held on 25 October 2005, shareholders of the Company, by an ordinary resolution, renewed the authority given to the Directors to purchase the Company's own shares based on the following terms:

- (i) The number of ordinary shares to be purchased shall, in aggregate with the Treasury Shares then still held by the Company, not exceed 10% of the total issued and paid up share capital of the Company for the time being;
- (ii) The amount to be utilised for the purchase of shares by the Company shall not exceed the total retained profits and share premium of the Company as at 31 May 2005; and
- (iii) The Directors may retain the ordinary shares so purchased as Treasury Shares and may resell such Treasury Shares or distribute the Treasury Shares as share dividend in a manner they deem fit in accordance with the Companies Act, 1965 and the applicable guidelines of Bursa Malaysia Securities Berhad.

The details of shares purchased by the Company during the financial year are as follows:

	Number of shares purchased	Purchase price			Total consideration RM'000
		Lowest RM	Highest RM	Average RM	
2005					
June	1,517,200	0.590	0.680	0.626	954
July	1,419,500	0.625	0.800	0.706	1,007
August	1,456,300	0.650	0.695	0.669	979
September	772,600	0.615	0.670	0.640	498
October	2,367,400	0.630	0.695	0.673	1,599
November	1,012,800	0.675	0.740	0.696	708
December	766,100	0.655	0.700	0.677	521
2006					
January	277,000	0.655	0.700	0.686	191
February	1,292,500	0.690	0.730	0.713	926
March	1,464,800	0.675	0.730	0.702	1,033
April	203,700	0.675	0.725	0.701	143
May	768,100	0.650	0.695	0.671	518
	<u>13,318,000</u>				<u>9,077</u>

The shares repurchased above are retained by the Company as Treasury Shares pursuant to Section 67A (3A) (b) of the Companies Act, 1965.

Together with the 8,990,800 Treasury Shares held since the previous financial year and the distribution of 9,298,797 Treasury Shares as share dividend during the financial year, a total of 13,010,003 Treasury Shares at a total cost of RM9,206,000 were held by the Company as at 31 May 2006.

There is no resale or cancellation of Treasury Shares during the financial year.

Directors' Report

DIRECTORS

The Directors who held office since the date of the last report are:

Dato' Johari Razak	(Executive Chairman)
Dato' Siew Ka Wei	(Group Managing Director)
Dato' Siew Nim Chee	(Advisor)
Tan Sri Dato' Dr Lin See Yan	
Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP	
Dato' Mohd Ismail bin Che Rus	
Chan Thye Seng	
Edmond Cheah Swee Leng	

Dato' Siew Nim Chee retires in accordance with Section 129(2) of the Companies Act, 1965. The Board recommends that Dato' Siew Nim Chee be re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 and, to hold office until the conclusion of the next annual general meeting.

In accordance with Article 81 of the Company's Articles of Association, Dato' Johari Razak and Dato' Siew Ka Wei retire from the Board by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

Except as stated below, no other Directors who held office at the end of the financial year had any beneficial interests in the ordinary shares and warrants of the Company and its related corporations during the financial year ended 31 May 2006 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965:

←		Number of shares			→	
Balance at		Share			Balance at	
1.6.2005	Bought	dividend	received	Sold	31.5.2006	

Ordinary shares of RM1 each in the Company

Direct interests:

Dato' Johari Razak	748,688	-	37,433	-	786,121
Dato' Siew Ka Wei	13,062,600	-	653,130	(735,000)	12,980,730
Tan Sri Dato' Dr Lin See Yin	150,000	-	7,500	-	157,500

Indirect interests:

Dato' Siew Ka Wei	13,049,128	735,000	654,280	-	14,438,408
Chan Thye Seng	22,499,233	-	1,124,961	-	23,624,194

Shares in subsidiary companies

Ordinary shares of RM1 each in Nylex (Malaysia) Berhad

Direct interests:

Dato' Johari Razak		75,000	-	-	75,000
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Directors' Report

Shares in subsidiary companies (cont'd)	Number of shares			Balance at 31.5.2006
	Balance at 1.6.2005	Bought	Sold	
Ordinary shares of RM1 each in MSTi Corporation Sdn. Bhd.				
Indirect interests:				
Dato' Siew Ka Wei	1,571,460	-	(1,571,460)	-
Ordinary shares of RM0.50 each in Tamco Corporate Holdings Berhad				
Direct interests:				
Dato' Johari Razak	150,000	-	-	150,000
Datuk Haji Mohamed Al Amin bin Haji Abdul Majid, JP	6,128,500	-	-	6,128,500
Dato' Mohd Ismail bin Che Rus	175,000	28,000	-	203,000

Warrants 2005/2008 of RM0.02 each in the Company	Number of warrants			Balance at 31.5.2006
	Balance at 1.6.2005	Bought	Sold	
Direct interests:				
Dato' Johari Razak	-	377,705	-	377,705
Dato' Siew Ka Wei	-	6,962,900	(2,333,350)	4,629,550
Tan Sri Dato' Dr Lin See Yin	-	75,000	(75,000)	-
Indirect interests:				
Dato' Siew Ka Wei	-	6,198,913	(2,689,250)	3,509,663
Chan Thye Seng	-	11,249,616	(4,625,000)	6,624,616

By virtue of his interests in the shares and warrants of the Company, Dato' Siew Ka Wei is deemed to be interested in the shares of all the subsidiary companies to the extent the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company 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 31 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements to which the Company is a party, during and at the end of the financial year, which had the object of enabling any Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than those disclosed above.

Directors' Report

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (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 have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
 - (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) 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) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) 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 substantially affect the abilities of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

Directors' Report

SIGNIFICANT EVENTS

The significant events are disclosed in Note 45 to the financial statements.

AUDITORS

The auditors, BDO Binder, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

.....
Dato' Johari Razak
Director

.....
Dato' Siew Ka Wei
Director

Petaling Jaya
8 September 2006

Statement By Directors

In the opinion of the Directors, the financial statements set out on pages 42 to 104 have been drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of:

- (i) the state of affairs of the Group and of the Company as at 31 May 2006 and of their results for the financial year then ended; and
- (ii) the cash flows of the Group and of the Company for the financial year ended 31 May 2006.

On behalf of the Board,

Dato' Johari Razak
Director

Dato' Siew Ka Wei
Director

Petaling Jaya
8 September 2006

Statutory Declaration

I, Ahmad Johari bin Abdul Razak, being the Director primarily responsible for the financial management of Ancom Berhad, do solemnly and sincerely declare that the financial statements set out on pages 42 to 104 are, to the best of my knowledge and belief, 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 at)
Petaling Jaya,)
Selangor Darul Ehsan this)
8 September 2006)

Ahmad Johari bin Abdul Razak

Before me:
G. Vijayan @ Baskaran, PPN (No. B014)
Pesuruhjaya Sumpah
Malaysia

Report of The Auditors

to the members of Ancom Berhad

We have audited the financial statements set out on pages 42 to 104.

These financial statements are the responsibility of the Company's Directors.

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

We conducted our audit in accordance with approved standards on auditing in Malaysia. These 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 financial statement presentation. 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 applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company as at 31 May 2006 and of their results and cash flows for the financial year then ended; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 49 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements 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 subsidiary companies were not subject to any qualification and did not include any comment made under Section 174(3) of the Act.

BDO Binder

AF : 0206

Chartered Accountants

Siew Kah Toong

1045/03/08 (J)

Partner

Kuala Lumpur

8 September 2006

Balance Sheets

as at 31 May 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
ASSETS EMPLOYED					
PROPERTY, PLANT AND EQUIPMENT	6	275,746	297,569	21,374	21,671
INVESTMENT PROPERTY	7	390	390	-	-
INVESTMENT IN SUBSIDIARY COMPANIES	8	-	-	236,071	268,368
AMOUNTS OWING BY SUBSIDIARY COMPANIES	9	-	-	30,809	32,957
INVESTMENT IN ASSOCIATED COMPANIES	10	28,063	28,383	12,825	11,263
OTHER INVESTMENTS	11	22,041	9,807	18,462	5,998
INTANGIBLE ASSETS	12	10,932	13,043	-	-
DEFERRED TAX ASSETS	26	4,793	5,237	-	-
GOODWILL ON CONSOLIDATION	13	33,019	39,441	-	-
CURRENT ASSETS					
Inventories	14	160,249	171,373	-	-
Marketable securities	15	1,598	-	-	-
Receivables	16	356,044	349,377	4,288	301
Amounts owing by subsidiary companies	17	-	-	2,087	4,639
Amounts owing by associated companies	18	1,236	633	697	263
Tax recoverable		12,573	16,711	7,755	5,877
Short term deposits with licensed banks	19	51,530	25,350	-	-
Cash and bank balances		45,686	41,145	18	9
		628,916	604,589	14,845	11,089
LESS: CURRENT LIABILITIES					
Payables	20	225,240	179,463	13,222	881
Amounts owing to subsidiary companies	17	-	-	21,780	40,810
Amounts owing to associated companies	18	14,453	26,221	-	81
Borrowings	21	222,409	208,667	29,878	12,726
Tax liabilities		4,873	1,713	-	-
		466,975	416,064	64,880	54,498
NET CURRENT ASSETS/(LIABILITIES)		161,941	188,525	(50,035)	(43,409)
		536,925	582,395	269,506	296,848
FINANCED BY					
SHARE CAPITAL	24	201,857	201,857	201,857	201,857
RESERVES	25	90,870	90,514	69,823	97,874
LESS: TREASURY SHARES, AT COST		(9,206)	(6,762)	(9,206)	(6,762)
SHAREHOLDERS' EQUITY		283,521	285,609	262,474	292,969
MINORITY INTERESTS		135,860	133,248	-	-
DEFERRED AND LONG TERM LIABILITIES					
Borrowings	21	87,083	129,029	3,681	433
Deferred tax liabilities	26	25,229	27,856	3,351	3,446
Provision for retirement benefits	27	5,232	4,796	-	-
Advances from director of a subsidiary company	28	-	1,857	-	-
		536,925	582,395	269,506	296,848

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

Income Statements

for the financial year ended 31 May 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Operating revenue	29	1,205,514	1,101,600	12,511	42,035
Cost of sales		(1,034,639)	(967,814)	-	-
Gross profit		170,875	133,786	12,511	42,035
Other operating income	30	23,624	22,127	6,262	30,827
Selling and distribution costs		(54,482)	(51,515)	-	-
Administration expenses		(65,008)	(65,068)	(8,937)	(10,116)
Other operating expenses	30	(30,835)	(25,694)	(21,169)	(20,052)
Profit/(Loss) from operations		44,174	13,636	(11,333)	42,694
Finance costs		(16,313)	(16,108)	(2,048)	(1,852)
Share of results in associated companies		(531)	3,052	-	-
Profit/(Loss) before tax	31	27,330	580	(13,381)	40,842
Tax expense	32				
Company and subsidiary companies		13,627	12,102	1,306	8,107
Share of tax expense in associated companies		100	909	-	-
		(13,727)	(13,011)	(1,306)	(8,107)
Profit/(Loss) after tax		13,603	(12,431)	(14,687)	32,735
Minority interests		(9,342)	12,561	-	-
Net profit/(loss) for the financial year		4,261	130	(14,687)	32,735
Earnings per ordinary share (sen)	33	2.24	0.06		
Gross dividend per ordinary share (sen)	34	5	5	5	5

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

Statements of Changes In Equity

for the financial year ended 31 May 2006

	Share capital RM'000	Warrants RM'000	Share premium RM'000	Merger reserve RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Foreign exchange		Capital redemption		Retained profits RM'000	Total RM'000
							reserve RM'000	reserve RM'000	shares RM'000	reserve RM'000		
GROUP												
Balance as at 31 May 2004	201,857	-	9,116	1,282	15,747	2,400	(2,481)	(1,473)	4,933	34,856	266,237	
Currency translation differences	-	-	-	-	-	-	(888)	-	-	-	(888)	
Surplus on revaluation of property, plant and equipment	-	-	-	-	10,596	-	-	-	-	-	10,596	
Deferred tax liabilities on revaluation surplus	-	-	-	-	(1,316)	-	-	-	-	-	(1,316)	
Accretion of interest in subsidiary companies	-	-	-	-	-	-	-	-	-	20,409	20,409	
Net gain/(loss) not recognised in the consolidated income statements	-	-	-	-	9,280	-	(888)	-	-	20,409	28,801	
Share issue expenses	-	-	(25)	-	-	-	-	-	-	-	(25)	
Repurchase of shares	-	-	-	-	-	-	-	(5,289)	-	-	(5,289)	
Net profit for the financial year	-	-	-	-	-	-	-	-	-	130	130	
Dividends	-	-	-	-	-	-	-	-	-	(4,245)	(4,245)	
Balance as at 31 May 2005	201,857	-	9,091	1,282	25,027	2,400	(3,369)	(6,762)	4,933	51,150	285,609	

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

Statements of Changes In Equity

for the financial year ended 31 May 2006

	Share capital		Warrants		Share premium		Merger reserve		Revaluation reserve		Capital reserve		Foreign exchange reserve		Treasury shares		Capital redemption reserve		Retained profits		Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
GROUP																							
Balance as at 31 May 2005	201,857	-	9,091	1,282	25,027	2,400	(3,369)	(6,762)	4,933	51,150	285,609												
Currency translation differences	-	-	-	-	-	-	(40)	-	-	-	(40)												(40)
Under provision of deferred tax liabilities on revaluation surplus in prior year	-	-	-	-	(118)	-	-	-	-	-	-												(118)
Accretion of interest in subsidiary companies	-	-	-	-	-	-	-	-	-	-	962												962
Net (loss)/gain not recognised in the consolidated income statements	-	-	-	-	(118)	-	(40)	-	-	-	962												804
Realisation of reserve upon deconsolidation of subsidiary companies	-	-	-	(1,127)	(58)	(2,349)	-	-	(16)	-	3,550												-
Realisation of reserve upon redemption of preference shares in a subsidiary company	-	-	-	-	-	-	-	-	70	(70)	-												-
Realisation of reserve upon partial disposal of shares in a subsidiary company	-	-	-	-	(264)	(3)	-	-	-	267	-												-
Warrant issue expense	-	-	(31)	-	-	-	-	-	-	-	(31)												(31)
Issue of warrants	-	1,955	-	-	-	-	-	-	-	-	1,955												1,955
Repurchase of shares	-	-	-	-	-	-	-	(9,077)	-	-	(9,077)												(9,077)
Net profit for the financial year	-	-	-	-	-	-	-	-	-	-	4,261												4,261
Dividends (Note 34)	-	-	-	-	-	-	-	6,633	-	(6,633)	-												-
Balance as at 31 May 2006	201,857	1,955	9,060	155	24,587	48	(3,409)	(9,206)	4,987	53,487	283,521												

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

Statements of Changes In Equity

for the financial year ended 31 May 2006

	Share capital RM'000	Warrants RM'000	Share premium RM'000	Merger reserve RM'000	Revaluation reserve RM'000	Capital redemption reserve RM'000	Treasury shares RM'000	Retained profits RM'000	Total RM'000
Balance as at 31 May 2004	201,857	-	9,116	32,495	11,553	4,917	(1,473)	11,085	269,550
Share issue expenses	-	-	(25)	-	-	-	-	-	(25)
Repurchase of shares	-	-	-	-	-	-	(5,289)	-	(5,289)
Realisation of revaluation reserve upon disposal of land and building	-	-	-	-	(3,922)	-	-	3,922	-
Surplus on revaluation of land and buildings	-	-	-	-	338	-	-	-	338
Deferred tax liabilities on revaluation reserve	-	-	-	-	(95)	-	-	-	(95)
Net (loss)/gain not recognised in the income statement	-	-	-	-	(3,679)	-	-	3,922	243
Net profit for the financial year	-	-	-	-	-	-	-	32,735	32,735
Dividends	-	-	-	-	-	-	-	(4,245)	(4,245)
Balance as at 31 May 2005	201,857	-	9,091	32,495	7,874	4,917	(6,762)	43,497	292,969

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

Statements of Changes In Equity

for the financial year ended 31 May 2006

	Share capital RM'000	Warrants RM'000	Share premium RM'000	Merger reserve RM'000	Revaluation reserve RM'000	Capital			Retained profits RM'000	Total RM'000
						redemption reserve RM'000	Treasury shares RM'000			
COMPANY										
Balance as at 31 May 2005	201,857	-	9,091	32,495	7,874	4,917	(6,762)	43,497	292,969	
Warrant issue expenses	-	-	(31)	-	-	-	-	-	(31)	
Issue of warrant	-	1,955	-	-	-	-	-	-	1,955	
Repurchase of shares	-	-	-	-	-	-	(9,077)	-	(9,077)	
Under provision of surplus on revaluation of land and buildings in prior year	-	-	-	-	19	-	-	-	19	
Net (loss)/gain not recognised in the income statement	-	-	-	-	19	-	-	-	19	
Realisation of merger reserve upon deconsolidation of a subsidiary company	-	-	-	(8,674)	-	-	-	-	(8,674)	
Net loss for the financial year	-	-	-	-	-	-	-	(14,687)	(14,687)	
Dividends (Note 34)	-	-	-	-	-	-	6,633	(6,633)	-	
Balance as at 31 May 2006	201,857	1,955	9,060	23,821	7,893	4,917	(9,206)	22,177	262,474	

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

Cash Flow Statements

for the financial year ended 31 May 2006

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	27,330	580	(13,381)	40,842
Adjustments for:				
Allowance for doubtful debts	4,642	1,357	5,000	-
Allowance for doubtful debts no longer required	(217)	(5)	-	-
Allowance for inventories obsolescence	2	-	-	-
Amortisation of intangible assets	7,135	3,742	-	-
Bad debts written off	1,174	6,304	-	-
Deficit arising from subsidiary companies not consolidated	48	-	-	-
Depreciation of property, plant and equipment	27,085	27,140	1,009	1,120
Dividend income (gross)	(4,361)	(2,099)	(12,272)	(41,728)
Gain on disposal of associated companies	-	(565)	-	-
Gain on disposal of investment property	-	(1,150)	-	-
Gain on disposal of marketable securities	(17)	-	-	-
Gain on disposal of property, plant and equipment	(69)	(13,450)	(200)	(308)
Gain on disposal of subsidiary companies	(10,482)	-	-	(30,215)
Gain on liquidation of a subsidiary company	(106)	-	(2,817)	-
Gain on partial disposal of shares in subsidiary companies	(1,518)	-	-	-
Gain on redemption of preference shares in a subsidiary company	-	-	(2,842)	-
Goodwill written off	1,612	-	-	-
Impairment loss on investment in an associated company	10	-	-	-
Impairment loss on investment in subsidiary companies	-	-	16,165	20,000
Impairment loss on property, plant and equipment	578	-	-	-
Impairment of goodwill in subsidiary companies	9,219	2,496	-	-
Interest expense	16,012	16,853	1,869	1,626
Interest income	(1,396)	(750)	(52)	(71)
Inventories written off	10	2,888	-	-
Loss on dilution of interest in a subsidiary company	694	-	-	-
Loss on disposal of investments	130	52	-	52
Property, plant and equipment written off	140	98	32	77
Provision for diminution in value of marketable securities	482	-	-	-
Provision for retirement benefits	1,246	1,568	-	-
Share of results of associated companies	531	(3,052)	-	-
Revaluations deficit on property, plant and equipment	-	596	-	-
Translation adjustment	259	(209)	-	-
Unrealised loss on foreign exchange	2,747	324	-	-
Operating profit/(loss) before working capital changes	82,920	42,718	(7,489)	(8,605)
Decrease/(Increase) in inventories	9,780	(24,167)	-	-
(Increase)/Decrease in receivables	(21,234)	(5,522)	(3,299)	720
Increase/(Decrease) in payables	35,673	2,469	(14)	(401)
Increase in amounts owing by associated companies	(603)	(385)	(204)	(259)
(Decrease)/Increase in amounts owing to associated companies	(11,768)	9,412	(81)	81
Cash generated from/(used in) operations	94,768	24,525	(11,087)	(8,464)

Cash Flow Statements

for the financial year ended 31 May 2006

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest paid	(1,222)	(1,817)	(20)	(9)
Retirement benefits paid	(811)	(620)	-	-
Interest received	1,396	750	14	65
Dividend received	4,343	2,071	2,839	31,312
Tax (paid)/refund	(7,995)	(7,520)	-	1,378
Net cash from/(used in) operating activities	90,479	17,389	(8,254)	24,282
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of marketable securities	(2,346)	-	-	-
Purchase of investments	-	(184)	-	-
Purchase of investment property	-	(390)	-	-
Proceeds from partial disposal of shares in subsidiary companies	5,583	-	-	-
Proceeds from liquidation of a subsidiary company	106	-	-	-
Dividends received from an associated company	752	300	467	-
Acquisition of subsidiary companies (Note 35)	-	(26,093)	-	-
Disposal of a subsidiary company (Note 36)	17,746	-	-	7,500
Withdrawal of short term deposits pledged to licensed banks	15	956	-	-
Proceeds from disposal of investments	100	6,260	-	6,260
Proceeds from disposal of investment property	-	3,250	-	-
Proceeds from disposal of property, plant and equipment	5,022	23,913	200	7,417
Purchase of additional shares in existing subsidiary companies	(8,462)	(5,025)	(7,098)	(4,106)
Purchase of additional shares in an existing associated company	(1,562)	-	(1,562)	-
Purchase of intangible assets	(4,840)	(5,543)	-	-
Purchase of other investments	-	-	-	(96)
Purchase of property, plant and equipment (Note 38)	(13,953)	(24,306)	(282)	(125)
Interest received from subsidiary and associated companies	-	-	-	6
Net advances to subsidiary companies	-	-	(3,555)	(7,172)
Proceeds from disposal of shares in associated company	616	1,075	-	-
Acquisition of associated companies	-	(11,387)	-	(8,070)
Redemption of preference shares in a subsidiary company	-	-	7,000	-
Subsidiary companies under winding-up not consolidated (Note 37)	(100)	-	-	-
Proceeds from disposal of marketable securities	283	-	-	-
Net cash (used in)/from investing activities	(1,040)	(37,174)	(4,830)	1,614

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

Cash Flow Statements

for the financial year ended 31 May 2006

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment to director of a subsidiary company	(1,857)	(529)	-	-
Proceeds from issue of ICULS to minority interests	-	3,173	-	-
Share issue expenses	-	(25)	-	(25)
Warrant issue expenses	(31)	-	(31)	-
Dividend paid	-	(4,245)	-	(4,245)
Dividends paid to minority interests	(3,879)	(1,174)	-	-
Interest paid	(14,790)	(15,036)	(971)	(1,617)
Proceeds from issue of warrants	1,955	-	1,955	-
Net advances from/(repayment to) subsidiary companies	-	-	1,279	(8,875)
Proceeds from issue of shares to minority interests	280	17,500	-	-
Purchase of Company's own shares	(9,077)	(5,289)	(9,077)	(5,289)
Repayment of hire-purchase creditors	(3,668)	(4,444)	(234)	(426)
Net (repayment)/drawdown of borrowings	(22,275)	26,374	19,710	(4,510)
Net cash (used in)/from financing activities	(53,342)	16,305	12,631	(24,987)
Effect of exchange rate changes	80	-	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	36,177	(3,480)	(453)	909
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	47,344	52,788	(600)	(1,509)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(160)	(1,964)	-	-
	47,184	50,824	(600)	(1,509)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 39)	83,361	47,344	(1,053)	(600)

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

Notes to the Financial Statements

31 May 2006

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at Level 14, Uptown 1, No. 1, Jalan SS 21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The principal place of business of the Company is located at 102-1002, Block A, Pusat Dagangan Phileo Damansara I, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements are presented in Ringgit Malaysia (RM).

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency risk, liquidity risk, interest rate risk and credit risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group's financial risk management policies.

It is, and has been throughout the financial year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Group's financial instruments are foreign currency risk, liquidity risk, interest rate risk and credit risk. The management reviews and agrees policies for managing each of these risks and they are summarised below:

Foreign currency risk

The Group is exposed to foreign currency risk as a result of its net investments in overseas subsidiary companies and normal trading activities, both external and intra-Group, where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Group's policy is to minimise the exposure of overseas operating subsidiary companies to transaction risk by matching local currency income against local currency costs.

Liquidity risk

It is the Group's policy to ensure continuity in servicing its cash obligations in the future by way of measuring and forecasting its cash commitments, monitoring and maintaining a level of cash and cash equivalents deemed adequate for the Group's operations.

Interest rate risk

The Group's exposure to interest rate risk arises mainly from the Group's borrowings and deposits, and is managed through the use of fixed and floating rate debts, and term and call deposits.

Credit risk

Cash deposits and receivables may give rise to credit risk which require the loss to be recognised if a counter party failed to perform as contracted. It is the Group's policy to monitor the financial standing of these counter-parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

Notes to the Financial Statements

31 May 2006

3. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiary companies.

The principal activities of the subsidiary companies are disclosed in Note 48 to the financial statements.

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

4. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention (as modified by the revaluation of certain land and buildings) unless otherwise indicated in the significant accounting policies.

The preparation of financial statements in conformity with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. The Company adopts both the acquisition and merger method of consolidation.

Under the acquisition method, the difference between the purchase price and the fair value of the attributable net assets of the subsidiary companies at the date of acquisition is treated as goodwill or negative goodwill arising on consolidation. Goodwill on consolidation is stated at cost less impairment losses, if any. Negative goodwill arising on consolidation is not recognised as income and is presented as separate item in the balance sheet. The results of the subsidiary companies 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.

Under the merger method of accounting, the results of the subsidiary companies are presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the excess of the nominal value of the shares acquired over the cost of investment is treated as a merger reserve arising on consolidation. The results of subsidiary companies acquired are accounted for on a full year basis.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill on acquisition and exchange differences which were not previously recognised in the consolidated income statement.

Inter-company transactions and balances are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

Minority interest is measured at the minorities' share of net results and of net assets of subsidiary companies attributable to interests which are not owned directly by the Company or indirectly through the subsidiary companies.

Notes to the Financial Statements

31 May 2006

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 Investments

(a) Subsidiary companies

A subsidiary company is a company in which the Group and the Company have power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies which are eliminated on consolidation are stated at cost less impairment losses, if any.

(b) Associated companies

An associated company is a company in which the Group and the Company have a long term equity interest and where the Group and the Company are in a position to exercise significant influence over the financial and operating policies of the investee company.

Investment in associated companies are stated at cost less impairment losses, if any.

Investment in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. The Group's interests in associated companies are stated at costs plus adjustments to reflect changes in the Group's share of profits and losses in the associated companies.

Goodwill or negative goodwill arising on acquisition represents the difference between the costs of investment and the Group's share of the value of net assets of the associated companies at the date of acquisition.

Goodwill on acquisition is stated at cost less impairment losses, if any. Negative goodwill arising on acquisition is not recognised as income.

The Group's share of results and reserves in the associated companies acquired or disposed off is included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

(c) Other investments

Investments in shares held as long term investments are stated at cost unless there is a permanent diminution in value of such investments. Such diminution in value is recognised as an expense in the period in which the diminution in value is identified.

Marketable securities are stated at the lower of cost and market value.

5.4 Property, plant and equipment and depreciation

The gross carrying amounts of property, plant and equipment are initially measured at cost. Land and buildings, which have been subsequently revalued, are stated at valuation less accumulated depreciation and impairment losses, if any. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Land and buildings are revalued at a regular interval of at least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued land and buildings differ materially from the market values.

The surplus arising from such valuation is credited to shareholders' equity as a revaluation reserve and any subsequent deficit is charged against such surplus to the extent that the decrease offsets any increase. In all other cases, the deficit will be charged to the income statements.

Notes to the Financial Statements

31 May 2006

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 Property, plant and equipment and depreciation (cont'd)

For a revaluation increase subsequent to a revaluation deficit of the same asset, the surplus should be recognised as income to the extent that it reverses the deficit previously recognised as an expense with the balance of increase credited to shareholders' equity.

Upon disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the revaluation reserve related to those assets, if any, is transferred directly to retained profits.

Long term leasehold land and improvements to long term leasehold land are amortised over the lease period of 53-99 years. Ships are depreciated over 17-19 years after taking into account their estimated residual values. Capital work in progress and freehold land are not depreciated. Depreciation on other property, plant and equipment is calculated to write off the costs of the assets on a straight line basis over their estimated useful lives at the following principal annual depreciation rates:

Buildings	2% - 10%
Plant, machinery and equipment	7% - 33%
Motor vehicles	10% - 20%
Office equipment, fixtures and fittings	5% - 33%
Renovation	2% - 10%

5.5 Investment property

Investment property are investments in freehold land and buildings that are not substantially occupied for use by, or in the operations of the Group and are held for investment potential and rental income. They are accounted for as long term investments and are stated at cost less impairment losses, if any, and are not depreciated.

Upon disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

5.6 Impairment of assets

The carrying amount of the Group's and Company's assets other than inventories, deferred tax assets, and financial assets, but including investments in subsidiary and associated companies, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation reserve account to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to the income statement. All reversals of an impairment loss are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation reserve account of the same asset.

The impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and subsequent external events have occurred that reverse the effect of the specific event. In respect of other assets, an impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

31 May 2006

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7 Inventories

Inventories are valued at the lower of cost (determined on weighted average method) and net realisable value. Cost of raw materials, packing materials and consumables comprise the original cost of purchase plus the cost incurred in bringing the inventories to their present condition and location. Cost of finished goods and work-in-progress comprise the cost of raw materials, direct labour and an appropriate portion of manufacturing overheads.

5.8 Receivables

Receivables are carried at anticipated realisable value.

Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection. In addition, a general allowance based on a percentage of receivables is made to cover possible losses which are not specifically identified.

5.9 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.

5.10 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5.11 Intangible assets

Technical know-how obtained for the manufacture of certain products of a subsidiary company is amortised over a period of twenty years commencing from the financial year when commercial production and operating revenue commences.

Registration fees for the right to trade certain products of certain subsidiary companies overseas are stated at cost less impairment losses, if any.

Dry docking costs incurred by the subsidiary companies which enhance the useful lives of the vessels are amortised over the period of the ship's next dry docking cycle ranging from one to five years.

Research and development expenditure are written off to the income statement as and when incurred except that development expenditure relating to specific projects with commercial viability and for which there is a clear indication of the marketability of the products being developed, is carried forward. Such expenditure is amortised over the period in which the benefits are expected to be derived commencing in the period in which the related sales are first made.

5.12 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Company.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive, obligation to make such payments as a result of past events and when a reliable estimate can be made of the amount of the obligation.

Notes to the Financial Statements

31 May 2006

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.12 Employee benefits (cont'd)

(b) Defined contribution plans

The Company and subsidiary companies incorporated in Malaysia make contributions to a statutory provident fund and recognise the contribution payable:

- (i) after deducting contributions already paid as a liability; and
- (ii) as an expense in the financial year in which the employees render their services.

(c) Provision for retirement benefits

Certain subsidiary companies are obliged under non-contributory retirement benefit schemes and collective bargaining agreements to pay retirement benefits to certain employees who retire or leave the companies' employment after fulfilling certain conditions. Provision for retirement benefits is computed based on the length of service and a proportion of the basic salary earnings of the employees in each particular year of service.

5.13 Income tax

Income tax in the financial statements for the financial year comprises current tax expense and deferred tax.

(a) Current tax expense

Current tax expense includes all domestic and foreign taxes which are based on taxable profits. Current tax expense also includes other taxes, such as withholding taxes, which are payable by a foreign subsidiary company or associated company on distributions to the Group and Company, and real property gains taxes payable on disposal of properties.

(b) Deferred tax

Deferred tax, which includes deferred tax liabilities and assets, is provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowances.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities relate to the same taxation authority.

Notes to the Financial Statements

31 May 2006

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.14 Foreign currency transactions and translations

(a) Transactions and balances in foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia (RM) at the rates of exchange ruling on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia (RM) at the approximate rates of exchange at the balance sheet date except where there are related or matching forward contracts in respect of trading transactions, in which case, the rates of exchange specified in those contracts are used.

All gains or losses arising from the settlement of foreign currency transactions and from translating foreign monetary assets and liabilities are taken up in the income statement.

(b) Translation of foreign currency financial statements

For consolidation purposes, the assets and liabilities of foreign entities are translated into Ringgit Malaysia (RM) at the rates ruling at the balance sheet date. Income statement items are translated at exchange rates at the dates of transactions. The translation differences arising therefrom are taken up and reflected in the foreign exchange reserve.

Goodwill arising on the acquisition of a foreign entity and fair value adjustments to the carrying amounts of assets and liabilities acquired are translated at the exchange rate at the date of transaction.

(c) Principal closing rates

The principal closing rates used in the translation of foreign currency amounts are as follows:

	2006	2005
	RM	RM
1 US Dollar	3.62	3.79
1 Singapore Dollar	2.30	2.29
1 Australian Dollar	2.76	2.91
1 Chinese Renminbi	0.47	0.46
1 Hong Kong Dollar	0.47	0.46
1,000 Indonesia Rupiah	0.39	0.40
1 Euro	4.73	4.79
1 Sterling Pound	6.91	6.99
100 Japanese Yen	3.28	3.55
100 Qatar Riyal	99.04	103.35

5.15 Assets acquired under hire-purchase and lease agreements

Assets acquired under hire-purchase and lease arrangements which transfer substantially all the risks and rewards of ownership to the Group and the Company are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

Finance charges are allocated to the income statement over the period of the agreements to give a constant periodic rate of charge on the remaining hire-purchase and lease liabilities.

Notes to the Financial Statements

31 May 2006

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.16 Revenue recognition

Revenue from sale of goods and rendering of services are recognised in the income statement upon delivery of goods and customers' acceptance, and performance of services.

Interest income and rental income are recognised on an accrual basis in accordance with the substance of the relevant agreement.

Dividend income is recognised when the Group's or the Company's right to receive payment is established.

Freight income is recognised for cargoes loaded onto vessels up to the balance sheet date.

5.17 Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short-term, highly liquid investments which are readily convertible to cash and which are subject to insignificant risk of changes in value.

5.18 Segment information

Segment information is presented in respect of the Group's business and geographical segments. The primary reporting segment information is in respect of business segments as the Group's risk and return are affected predominantly by differences in the products it produces, while the secondary information is reported geographically.

A segment with a majority of operating income earned from providing products or services to external clients and whose operating results or assets are 10 percent or more of all the segments is reported separately.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise finance cost and corporate administration expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that is expected to be used for more than one period.

5.19 Financial instruments

5.19.1 Financial instruments recognised on the balance sheets

(a) Share capital

(i) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(ii) Share issue costs

Costs incurred directly attributable to the issuance of shares are accounted for as a deduction from share premium. Otherwise, they are charged to the income statement.

(iii) Dividends

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

Notes to the Financial Statements

31 May 2006

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.19 Financial instruments (cont'd)

5.19.1 Financial instruments recognised on the balance sheets (cont'd)

(a) Share capital (cont'd)

(iv) Purchase of own shares

Where the Company purchases its equity shares and the equity shares so purchased are retained as treasury shares, the consideration paid, including any attributable transaction costs, is deducted from total shareholders' equity until they are cancelled. Where the treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is shown as a movement in equity.

When the treasury shares are distributed as share dividends, the cost of the treasury shares will be reduced against the share premium account or the distributable reserves, or both.

(b) Borrowings

Interest bearing borrowings are recorded at the gross amount of proceeds received.

(c) Other financial instruments

The accounting policies for other financial instruments recognised on the balance sheet are disclosed in the individual policy associated with each item.

5.19.2 Financial instruments not recognised on the balance sheets

Foreign currency forward contracts

Foreign currency forward contracts are used to hedge foreign exposures as a result of receipts and payments in foreign currency. Any gains or losses arising from contracts entered into as hedges of anticipated future transactions are deferred until the dates of such transactions at which time they are included in the measurement of such transactions.

All other gains or losses relating to hedged instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items.

Notes to the Financial Statements

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6. PROPERTY, PLANT AND EQUIPMENT

Group	Balance at 1.6.2005	Additions	Disposals	Subsidiary company disposed of	Foreign exchange reserve	Written off	Adjustment	Reclassi- fication	Balance at 31.5.2006	Net book value at 31.5.2006	Net book value at 31.5.2005
2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Valuation											
Freehold land and buildings											
- at 2005 valuation	25,417	-	-	-	-	-	-	-	25,417	25,417	25,417
Long leasehold land and buildings											
- at 2005 valuation	85,832	58	-	-	6	-	-	-	85,896	78,214	81,015
Buildings											
- at 2005 valuation	41,351	-	-	(284)	-	-	(132)	-	40,935	40,099	41,035
Leasehold improvements											
- at 2005 valuation	107	-	-	(107)	-	-	-	-	-	-	107
- at cost	20	-	-	-	(1)	-	-	-	19	1	15
Plant, machinery and equipment	192,073	5,557	(2,123)	(16,625)	(394)	(46)	-	787	179,229	77,437	92,929
Motor vehicles	36,256	6,960	(3,535)	(776)	(71)	(73)	-	-	38,761	21,420	20,179
Office equipment, fixtures and fittings	28,839	2,524	(139)	(590)	(201)	(116)	-	3,287	33,604	14,882	12,711
Capital work in progress	7,340	2,987	-	-	-	-	-	(4,074)	6,253	6,253	7,340
Ships	21,124	-	(5,464)	-	-	-	-	-	15,660	8,459	12,942
Renovation	5,657	266	(8)	-	14	(35)	-	-	5,894	3,564	3,879
	444,016	18,352	(11,269)	(18,382)	(647)	(270)	(132)	-	431,668	275,746	297,569

Group	Balance at 1.6.2005	Charge for the financial year	Disposals	Subsidiary companies disposed of	Foreign exchange reserve	Written off	Adjustment	Reclassi- fication	Balance at 31.5.2006
2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation									
Freehold land and buildings									
- at 2005 valuation	-	-	-	-	-	-	-	-	-
Long leasehold land and buildings									
- at 2005 valuation	4,817	2,884	-	-	(5)	-	-	(14)	7,682
Buildings									
- at 2005 valuation	316	725	-	(73)	-	-	(132)	-	836
Leasehold improvements									
- at 2005 valuation	-	1	-	(1)	-	-	-	-	-
- at cost	5	-	-	-	(1)	-	-	14	18
Plant, machinery and equipment	98,807	14,396	(1,862)	(10,215)	(232)	(20)	-	3	100,877
Motor vehicles	16,077	4,502	(2,731)	(430)	(59)	(18)	-	-	17,341
Office equipment, fixtures and fittings	15,071	3,384	(108)	(422)	(177)	(80)	-	(3)	17,665
Capital work in progress	-	-	-	-	-	-	-	-	-
Ships	8,182	633	(1,614)	-	-	-	-	-	7,201
Renovation	1,778	560	(1)	-	5	(12)	-	-	2,330
	145,053	27,085	(6,316)	(11,141)	(469)	(130)	(132)	-	153,950

Group	Balance at 1.6.2005	Charge for the financial year	Balance at 31.5.2006
2006	RM'000	RM'000	RM'000
Impairment Losses			
Plant, machinery and equipment	337	578	915
Office equipment, fixtures and fittings	1,057	-	1,057
	1,394	578	1,972

Notes to the Financial Statements

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6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Balance at 1.6.2005 RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Balance at 31.5.2006 RM'000	Net book value at 31.5.2006 RM'000	Net book value at 31.5.2005 RM'000
2006							
Cost/Valuation							
Long leasehold land and buildings							
- at 2005 valuation	18,170	-	-	-	18,170	17,886	18,170
Motor vehicles	2,146	648	(650)	-	2,144	1,442	1,115
Office equipment, fixtures and fittings	1,852	93	-	(109)	1,836	826	995
Renovation	1,736	3	-	-	1,739	1,220	1,391
	23,904	744	(650)	(109)	23,889	21,374	21,671

Company	Balance at 1.6.2005 RM'000	Charge for the financial year RM'000	Disposals RM'000	Written off RM'000	Balance at 31.5.2006 RM'000
2006					
Accumulated depreciation					
Long leasehold land and buildings					
- at 2005 valuation	-	284	-	-	284
Motor vehicles	1,031	321	(650)	-	702
Office equipment, fixtures and fittings	857	230	-	(77)	1,010
Renovation	345	174	-	-	519
	2,233	1,009	(650)	(77)	2,515

(a) Net book value of property, plant and equipment acquired under hire-purchase agreements are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Motor vehicles	12,493	10,371	1,199	771
Plant, machinery and equipment	177	424	-	-
Capital work in progress	-	2,239	-	-
Office equipment, fixtures and fittings	550	716	550	716
	13,220	13,750	1,749	1,487

(b) Certain property, plant and equipment of the Group at net book value of RM26,223,000 (2005: RM26,907,000) have been charged as securities for banking facilities granted to the Group as disclosed in Notes 21 and 23 to the financial statements.

(c) Certain land and buildings of the Group and of the Company were revalued by the Directors based on a valuation carried out in 2005 by independent qualified valuers using the open market value method.

(d) The carrying amount of the revalued assets of the Company and certain subsidiary companies that would have been carried at cost less accumulated depreciation cannot be determined from available records. Hence, the carrying amounts of the Group's and of the Company's property, plant and equipment, had the revalued assets been carried at cost less accumulated depreciation, are not disclosed.

Notes to the Financial Statements

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7. INVESTMENT PROPERTY

	Group	
	2006 RM'000	2005 RM'000
Freehold land and buildings, at cost	390	390

8. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2006 RM'000	2005 RM'000
Shares quoted in Malaysia - at cost	74,381	68,533
Unquoted shares - at cost	201,178	226,000
	275,559	294,533
Less: Impairment loss of investment in unquoted shares	(39,488)	(26,165)
	236,071	268,368
Market value of quoted shares	75,987	41,234

In the previous financial year, quoted shares in Malaysia at carrying amount of RM68,533,000 have been pledged to a securities firm for facility granted to the Company.

The subsidiary companies are listed in Note 48 to the financial statements.

8.1 Additional investment in subsidiary companies

During the current financial year, the Group acquired the following:

- additional 208,000 ordinary shares of HK\$10 each representing 0.8% equity interest in ChemResources China (Agencies) Ltd ("CRC") for cash consideration of HK\$2,080,000 (equivalent to RM1,014,000) by way of capitalisation of the amount owing by CRC. Consequently, the Group's equity interest in CRC increased from 83.3% to 84.1%.
- additional 3,379,200 ordinary shares of RM1 each representing 4.3% equity interest in Nylex (Malaysia) Berhad ("Nylex") for cash consideration of RM2,341,000 from the open market. In addition, the Group also disposed of 2.3% equity interest in Nylex for cash consideration of RM3,486,000. Consequently, the Group's equity interest in Nylex increased from 54.0% to 56.0%.
- additional 8,717,900 ordinary shares of RM0.50 each representing 3.4% equity interest in Tamco Corporate Holdings Berhad ("Tamco") for cash consideration of RM2,833,000 from the open market. Consequently, the Group's equity interest in Tamco increased from 25.5% to 28.9%.
- The Group converted its entire 85,677,006 zero coupon irredeemable convertible unsecured loan stocks ("ICULS") in Synergy Trans-Link Sdn. Bhd. ("STL") into an equivalent number of new ordinary shares of RM0.10 each in STL. The Company subsequently purchased a further 18,031,318 ordinary shares of RM0.10 each in STL for cash consideration of RM1,250,000. Consequently, the Group's equity interest in STL increased from 73.4% to 77.6%.

Notes to the Financial Statements

31 May 2006

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

8.2 Acquisition of subsidiary companies

In the previous financial year, the Group acquired the following subsidiary companies:

- (a) 60% equity interest in Decom Ltd ("Decom"), a company incorporated in Hong Kong SAR, for a maximum cash consideration of EUR4.6 million (equivalent to RM22.0 million). A sum of EUR1.0 million was paid in November 2004 with the remaining EUR3.6 million to be paid in the next 3 years subject to fulfillment of certain conditions in the conditional sale and purchase agreement. Goodwill arising on this acquisition amounting to RM5.6 million was accounted for using the acquisition method of accounting with effect from September 2004.

As at the date of this report, no second payment has been made for this transaction.

- (b) 100% equity interest in Nylex Specialty Chemicals Sdn. Bhd. ("NSC") and 51% equity interest in Speciality Phosphates (Malaysia) Sdn. Bhd. ("SPM") for a total cash consideration of US\$5.3 million (equivalent to RM20.14 million, based on the exchange rate of RM3.80 to US\$1). Goodwill arising on this acquisition amounting to RM4.4 million was accounted for using the acquisition method of accounting with effect from March 2005.

- (c) 51% equity interest in Hikmat Ikhlas Sdn. Bhd. ("HI") for a cash consideration of RM153,000. Goodwill arising on this acquisition amounting to RM194,000 was accounted for using the acquisition method of accounting with effect from October 2004.

The effects of the acquisition of Decom, NSC, SPM and HI on the financial results of the Group in the previous financial year were as follows:

	RM'000
Revenue	14,079
Operating costs	<u>(14,093)</u>
Decrease in Group net profit	<u>(14)</u>

The effects of the acquisition of Decom, NSC, SPM and HI on the financial position of the Group at the end of the previous financial year were as follows:

	RM'000
Property, plant and equipment	8,966
Goodwill	10,203
Investment in associates	5,858
Intangible assets	3,019
Inventories	6,359
Trade receivables	7,895
Other receivables, deposits and prepayments	16,181
Short term deposits and cash and bank balances	3,682
Amounts owing by related companies	1,407
Trade payables	(4,453)
Other payables and accruals	(696)
Borrowings	(8,619)
Tax liabilities	(654)
Minority interests	(989)
Amounts owing to related companies	(149)
Deferred tax liabilities	<u>(1,079)</u>
Increase in Group net assets	<u>46,931</u>

Details of the net assets acquired and cash flow arising from the acquisition are disclosed in Note 35 to the financial statements.

Notes to the Financial Statements

31 May 2006

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

8.3 Disposal of equity interests in subsidiary companies

During the financial year, the Group disposed of the following:

- its entire equity interest in Tubex Sdn. Bhd. ("Tubex") for a cash consideration of RM16,340,000.
- 5.1% equity interest in MSTi Corporation Sdn. Bhd. ("MSTi") for a cash consideration of RM689,000. Consequently, the Group equity interest in MSTi decreased from 50.1% to 45.0%.

The effects of the disposal of Tubex on the financial results of the Group for the financial year ended 31 May 2006 are as follows:

	Up to the date of disposal 2006 RM'000	*2005 RM'000
Operating revenue	3,616	14,066
Cost of sales	(3,327)	(10,646)
Other operating income	3	-
Operating costs	(143)	(930)
Gain on disposal of a subsidiary company	10,482	-
Profit from operations	10,631	2,490
Finance costs	(74)	(148)
	10,557	2,342
Tax expense	-	(187)
Increase in Group net profit	10,557	2,155

The effects of the disposal of Tubex on the financial position of the Group at the end of the financial year ended 31 May 2006 are as follows:

	At the date of disposal 2006 RM'000	*2005 RM'000
Fair value of assets and liabilities disposed of:		
Property, plant and equipment	7,241	6,430
Inventories	989	1,038
Receivables	6,643	5,748
Cash and bank balances	199	113
Payables	(1,700)	(1,253)
Bank overdrafts	(1,605)	(586)
Bank borrowings	(1,426)	(1,225)
Deferred tax liabilities	(728)	(728)
Decrease in Group net assets	9,613	9,537

The effects of the disposal of Tubex on the cash flows of the Group for the financial year ended 31 May 2006 are disclosed in Note 36 to the financial statements.

*The comparative figures represent financial results and financial positions of Tubex which had been consolidated in the financial statements of the Group in the previous financial year.

Notes to the Financial Statements

31 May 2006

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

8.4 Non-consolidation of subsidiary companies

(a) The consolidated financial statements of the Group do not deal with the following subsidiary companies which were placed under winding-up in 2004:

- (i) Sun Chemicals Sdn. Bhd.
- (ii) Consolidated Specialities Sdn. Bhd.

These companies are in the process of winding-up as at end of the financial year.

(b) The consolidated financial statements of the Group also do not deal with the following subsidiary companies which were placed under voluntary winding-up during the current financial year:

- (i) Elderberry Sdn. Bhd.
- (ii) Bullion Mining and Development Sdn. Bhd.

The effects of the non-consolidation of these companies on the financial results of the Group for the current financial year are as follows:

	Up to the date of non- consolidation 2006 RM'000	*2005 RM'000
Operating costs	(61)	(33)
Deficit arising from subsidiary companies not consolidated	(48)	-
Loss from operations	(109)	(33)
Tax expense	-	4
Decrease in Group net profit	(109)	(29)

The effects of the non-consolidation of these companies on the financial position of the Group for the current financial year are as follows:

	At the date of non- consolidation 2006 RM'000	*2005 RM'000
Receivables	-	7
Tax recoverable	139	139
Amount owing by immediate holding company	12,355	12,383
Cash and bank balances	100	100
Payables	(19)	(47)
Capitalised as other investment	12,575 (12,527)	12,582 -
Decrease in Group net assets	48	12,582

Notes to the Financial Statements

31 May 2006

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

8.4 Non-consolidation of subsidiary companies (cont'd)

The effects of the non-consolidation of these companies on the cash flows of the Group for the current financial year are disclosed in Note 37 to the financial statements.

*The comparative figures represent financial results and financial positions of the above companies that had been consolidated in the financial statements of the Group in the previous financial year.

8.5 Dilution of equity interests in subsidiary companies

During the financial year:

- Tamco PTX Technology (Singapore) Pte Ltd ("PTT") received a capital injection from a business associate amounting to USD180,000 (equivalent to RM652,000) representing the agreed 30% equity interest in PTT. Consequently, the Group's equity interest in PTT has been diluted from 25.5% to 20.2%.
- the issued and paid-up capital of OrganiGro Sdn. Bhd. ("OrganiGro") was increased from RM5,675,000 to RM5,875,000 by way of issuance of 200,000 ordinary shares of RM1 each at par for cash to a third party for working capital purposes. Consequently, the Group's equity interest in OrganiGro has been diluted from 77.4% to 74.7%.

9. AMOUNTS OWING BY SUBSIDIARY COMPANIES

	Company	
	2006 RM'000	2005 RM'000
Amounts owing by subsidiary companies	35,809	32,957
Less: Allowance for doubtful debts	(5,000)	-
	30,809	32,957

The amounts owing by subsidiary companies represent mainly advances and payments made on behalf which are unsecured, interest-free and not receivable within the next 12 months.

10. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unquoted shares - at cost	26,133	24,801	12,825	11,263
Group's share of post acquisition results	1,940	3,582	-	-
	28,073	28,383	12,825	11,263
Less: Impairment loss	(10)	-	-	-
	28,063	28,383	12,825	11,263

The Group's investment in associated companies is represented by:

Group's share of net assets	19,702	21,428
Goodwill on acquisition	8,361	6,955
	28,063	28,383

The details of the associated companies are disclosed in Note 48 to the financial statements.

Notes to the Financial Statements

31 May 2006

11. OTHER INVESTMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Long term				
- shares quoted in Malaysia	2,887	2,887	2,887	2,887
- unquoted investments	19,154	6,920	15,575	3,111
	22,041	9,807	18,462	5,998
Market value of shares quoted in Malaysia	1,376	1,199	1,376	1,199

In the previous financial year, quoted shares in Malaysia at cost of RM2,887,000 were pledged to a securities firm for margin facility granted to the Company.

12. INTANGIBLE ASSETS

	Group	
	2006 RM'000	2005 RM'000
At cost:		
Products registration fees	52	52
Technical know-how	1,927	1,344
Dry docking costs	3,572	4,859
Development expenditure	20,730	16,389
	26,281	22,644
Less: Accumulated amortisation	(15,349)	(9,601)
	10,932	13,043

13. GOODWILL ON CONSOLIDATION

	Group	
	2006 RM'000	2005 RM'000
At cost:		
As at beginning of the financial year	39,441	44,905
Arising from acquisition of subsidiary companies (Note 35)	-	10,203
Goodwill written off	(1,612)	-
Impairment of goodwill in subsidiary companies	(9,219)	(2,496)
Realisation upon disposal of a subsidiary company	2,313	-
Realisation upon re-organisation of subsidiary companies	-	(13,171)
Realisation upon partial disposal of shares in a subsidiary company	2,096	-
	33,019	39,441

Notes to the Financial Statements

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14. INVENTORIES

	Group	
	2006 RM'000	2005 RM'000
At cost		
Raw materials	76,730	41,829
Packing materials	307	228
Work-in-progress	32,829	43,454
Finished goods	47,163	83,061
Consumables	2,789	2,597
	159,818	171,169
At net realisable value		
Raw materials	31	-
Finished goods	400	204
	431	204
	160,249	171,373

Inventories of the Group with carrying amount of RM1,380,000 (2005: RM1,435,000) have been charged to a licensed bank for credit facilities granted to a subsidiary company.

15. MARKETABLE SECURITIES

	Group	
	2006 RM'000	2005 RM'000
Shares quoted in Malaysia, at cost	2,080	-
Less: Provision for diminution in value	(482)	-
	1,598	-
Market value of shares quoted in Malaysia	1,598	-

16. RECEIVABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables	340,686	326,204	-	-
Less: Allowance for doubtful debts (net of bad debts written off of RM4,648,000 (2005: Nil))	(10,569)	(11,316)	-	-
	330,117	314,888	-	-
Other receivables	15,942	28,677	691	19
Less: Allowance for doubtful debts	(204)	(202)	-	-
	15,738	28,475	691	19
Deposits	4,214	1,248	2,874	153
Prepayments	5,975	4,766	723	129
	25,927	34,489	4,288	301
	356,044	349,377	4,288	301

The normal credit term offered by the Group in respect of trade receivables ranged from 30 to 180 (2005: 30 to 180) days from date of invoice. Other credit terms are assessed and approved on a case by case basis.

Notes to the Financial Statements

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16. RECEIVABLES (CONT'D)

The currency exposure of the trade receivables and other receivables are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Ringgit Malaysia	181,355	193,642	691	19
US Dollar	52,878	81,553	-	-
Singapore Dollar	15,892	10,653	-	-
Chinese Renminbi	37,055	38,855	-	-
Sterling Pound	714	1,787	-	-
Hong Kong Dollar	14,831	13,944	-	-
Euro	756	3,486	-	-
Qatar Riyal	29,016	1,331	-	-
Others	24,131	9,630	-	-
	356,628	354,881	691	19

17. AMOUNTS OWING BY/TO SUBSIDIARY COMPANIES

	Company	
	2006 RM'000	2005 RM'000
Amounts owing by subsidiary companies: - non-interest bearing amount	2,087	4,639
Amounts owing to subsidiary companies: - amount which bears interest at 8% (2005: 8%) per annum - non-interest bearing amount	3,271 18,509	9,907 30,903
	21,780	40,810

The amounts owing by subsidiary companies represent advances and payments made on behalf of the subsidiary companies which are unsecured, interest-free and repayable on demand.

The amounts owing to subsidiary companies represent advances and payments made on the Company's behalf by the subsidiary companies which are unsecured and repayable on demand.

18. AMOUNTS OWING BY/TO ASSOCIATED COMPANIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Amounts owing by associated companies	1,676	1,073	697	263
Less: Allowance for doubtful debts	(440)	(440)	-	-
	1,236	633	697	263

The amounts owing by associated companies represent balances arising from normal trade transactions and advances which are unsecured and repayable on demand except for balances arising from trade transactions which are payable under normal credit terms. The advances bear interest at 8% (2005: 8%) per annum.

The amounts owing to associated companies represent balances arising from normal trade transactions which are unsecured, interest-free and payable under normal credit terms.

Notes to the Financial Statements

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19. SHORT TERM DEPOSITS WITH LICENSED BANKS

Included in the short term deposits of the Group are amounts totalling RM1,681,000 (2005: RM1,696,000) which have been pledged to licensed banks for banking facilities granted to subsidiary companies.

20. PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade payables	154,476	132,165	-	-
Other payables	20,671	29,300	270	394
Accruals	33,991	16,593	597	487
Amounts owing to subsidiary companies under winding-up not consolidated	12,355	-	12,355	-
Amounts owing to directors of subsidiary companies	658	232	-	-
Amounts owing to minority shareholders of subsidiary companies	3,089	1,173	-	-
	225,240	179,463	13,222	881

Amounts owing to directors of subsidiary companies represent advances which are unsecured, interest-free and repayable on demand.

Amounts owing to minority shareholders of subsidiary companies are in respect of trade transactions, dividends payable and advances which are unsecured, interest-free and repayable on demand.

The normal credit term available to the Group in respect of trade payables range from 30 to 90 (2005: 30 to 90) days from date of invoice.

The currency exposure of the payables, other than accruals, are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Ringgit Malaysia	132,973	98,519	12,625	394
US Dollar	25,598	30,124	-	-
Singapore Dollar	6,304	7,296	-	-
Sterling Pound	411	3,408	-	-
Euro	2,980	2,824	-	-
Chinese Renminbi	8,807	10,465	-	-
Australian Dollar	1,580	444	-	-
Hong Kong Dollar	8,045	3,282	-	-
Others	4,551	6,508	-	-
	191,249	162,870	12,625	394

Notes to the Financial Statements

31 May 2006

21. BORROWINGS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current liabilities				
Unsecured				
Bankers' acceptances	137,075	106,297	-	-
Revolving credits	26,600	34,391	26,600	11,890
Short term loan	5,796	28,760	-	-
Bank overdrafts	7,196	13,931	1,071	609
Current portion of long term loans (Note 23)	45	1,288	-	-
	176,712	184,667	27,671	12,499
Secured				
Bankers' acceptances	3,699	311	-	-
Bank overdrafts	4,978	3,524	-	-
Hire-purchase and lease creditors (Note 22)	2,992	3,277	273	227
Revolving credits	1,000	2,000	-	-
Short term loan	-	3,910	-	-
Trust receipts	645	-	-	-
Current portion of long term loans (Note 23)	32,383	10,978	1,934	-
	45,697	24,000	2,207	227
	222,409	208,667	29,878	12,726
Long term liabilities				
Unsecured				
Bill payable	640	-	-	-
Long term loans (Note 23)	64	15,496	-	-
	704	15,496	-	-
Secured				
Hire-purchase and lease creditors (Note 22)	4,124	3,376	615	433
Long term loans (Note 23)	82,255	110,157	3,066	-
	86,379	113,533	3,681	433
	87,083	129,029	3,681	433

Notes to the Financial Statements

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21. BORROWINGS (CONT'D)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Total borrowings				
Unsecured				
Bankers' acceptances	137,075	106,297	-	-
Revolving credits	26,600	34,391	26,600	11,890
Short term loan	5,796	28,760	-	-
Bank overdrafts	7,196	13,931	1,071	609
Bill payable	640	-	-	-
Long term loans (Note 23)	109	16,784	-	-
	177,416	200,163	27,671	12,499
Secured				
Bankers' acceptances	3,699	311	-	-
Bank overdrafts	4,978	3,524	-	-
Hire-purchase and lease creditors (Note 22)	7,116	6,653	888	660
Revolving credits	1,000	2,000	-	-
Short term loan	-	3,910	-	-
Trust receipts	645	-	-	-
Long term loans (Note 23)	114,638	121,135	5,000	-
	132,076	137,533	5,888	660
	309,492	337,696	33,559	13,159

Certain borrowings of the Group are secured by a fixed charge over the leasehold land and buildings of certain subsidiary companies as disclosed in Note 6 to the financial statements and are guaranteed by the Company.

The interest rates on the borrowings of the Group and of the Company ranged from 0.5% to 10.4% (2005: 2.2% to 8.0%) per annum and 4.3% to 8.3% (2005: 4.3% to 7.5%) per annum respectively.

The currency exposure of the borrowings are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Ringgit Malaysia	263,381	284,058	33,559	13,159
Singapore Dollar	16,473	20,458	-	-
Australian Dollar	7,076	11,190	-	-
US Dollar	10,151	11,462	-	-
Euro	5,696	4,859	-	-
Hong Kong Dollar	6,715	3,837	-	-
Chinese Renminbi	-	1,832	-	-
	309,492	337,696	33,559	13,159

Notes to the Financial Statements

31 May 2006

21. BORROWINGS (CONT'D)

The maturity dates of the borrowings and the exposure to interest risk are as follows:

	Islamic financing RM'000	Fixed rate RM'000	Floating Rate RM'000	Total RM'000
Group				
As at 31 May 2006				
Current liabilities:				
- within one year	27,000	4,926	190,483	222,409
Long term liabilities:				
- more than one year and less than five years	74,000	7,186	5,893	87,079
- more than five years	-	4	-	4
	101,000	12,116	196,376	309,492
Group				
As at 31 May 2005				
Current liabilities:				
- within one year	7,000	8,604	193,063	208,667
Long term liabilities:				
- more than one year and less than five years	94,000	3,315	19,749	117,064
- more than five years	7,000	61	4,904	11,965
	108,000	11,980	217,716	337,696
		Fixed rate	Floating Rate	Total
		RM'000	RM'000	RM'000
Company				
As at 31 May 2006				
Current liabilities:				
- within one year		2,207	27,671	29,878
Long term liabilities:				
- more than one year and less than five years		3,677	-	3,677
- more than five years		4	-	4
		5,888	27,671	33,559
Company				
As at 31 May 2005				
Current liabilities:				
- within one year		227	12,499	12,726
Long term liabilities:				
- more than one year and less than five years		433	-	433
		660	12,499	13,159

Notes to the Financial Statements

31 May 2006

22. HIRE-PURCHASE AND LEASE CREDITORS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Minimum hire-purchase and lease payments:				
- not later than one year	3,342	3,637	315	262
- later than one year and not later than five years	4,492	3,584	668	474
- later than five years	4	163	4	-
	7,838	7,384	987	736
Less: Future interest charges	(722)	(731)	(99)	(76)
Present value of hire-purchase and lease liabilities	7,116	6,653	888	660
Repayable as follows:				
Current liabilities:				
- not later than one year	2,992	3,277	273	227
Long term liabilities:				
- later than one year and not later than five years	4,120	3,315	611	433
- later than five years	4	61	4	-
	4,124	3,376	615	433
	7,116	6,653	888	660

23. LONG TERM LOANS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Secured				
Term loan I repayable by 6 equal bi-annual instalments of RM1,116,780 each commencing February 2006	5,000	-	5,000	-
Term loan II repayable by 120 equal monthly instalments of S\$83,425 each commencing February 2000. The monthly instalments payable were reduced to S\$75,156 with effect from July 2003	4,535	6,394	-	-
Term loan III repayable by 120 equal monthly instalments of S\$27,578 each commencing May 2001. The monthly instalments payable were reduced to S\$25,711 with effect from July 2003	3,226	3,798	-	-
Term loan IV repayable by 95 equal monthly instalments of RM68,000 each commencing March 1999	-	56	-	-
Term loan V repayable by 6 equal semi-annual instalments of RM250,000 each commencing October 2004	500	1,000	-	-
Balance carried forward	13,261	11,248	5,000	-

Notes to the Financial Statements

31 May 2006

23. LONG TERM LOANS (CONT'D)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Balance brought forward	13,261	11,248	5,000	-
Term loan VI repayable by 6 equal semi-annual instalments of RM250,000 each commencing October 2004	377	877	-	-
Term loan VII repayable by 60 equal monthly instalments of RM7,352 each commencing August 2002	-	119	-	-
Term loan VIII repayable by 60 equal monthly instalments of RM16,194 each commencing May 2003	-	331	-	-
Term loan IX repayable by 60 equal monthly instalments of RM20,470 each commencing January 2003	-	560	-	-
	13,638	13,135	5,000	-
Bai' Bithaman Ajjil	101,000	108,000	-	-
	114,638	121,135	5,000	-

Unsecured

Term loan X repayable by 6 instalments ranging from RM10,000 to RM30,000 commencing November 2006

Term loan XI repayable by 48 equal monthly instalments of RM166,670 each commencing 1 March 2006

Term loan XII repayable by 60 equal monthly instalments of RM133,000 each commencing 12 months from the date of first/full drawdown

Term loan XIII repayable by 60 equal monthly instalments of RM36,412 each commencing since 2002

109	-	-	-
-	8,000	-	-
-	8,000	-	-
-	784	-	-
109	16,784	-	-
114,747	137,919	5,000	-

Repayable as follows:

Current liabilities:

- not later than one year

Long term liabilities

- later than one year and not later than five years

- later than five years

32,428	12,266	1,934	-
82,319	113,826	3,066	-
-	11,827	-	-
82,319	125,653	3,066	-
114,747	137,919	5,000	-

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23. LONG TERM LOANS (CONT'D)

In August 2003, Tamco, a subsidiary company, issued Bai' Bithaman Ajil Serial Bonds ("BBA Serial Bonds") of RM80,000,000. The BBA Serial Bonds are negotiable non-interest bearing primary bonds together with secondary bonds which face value represents the semi-annual profit payment on the BBA Serial Bonds. The BBA Serial Bonds are issued in 2 series with tenure of 3 years and 5 years respectively from the date of issue and are redeemable at 100% of their face value upon maturity.

The secondary bonds are redeemable semi-annually, the first redemption commencing 6 months after the issue date of the BBA Serial Bonds.

Tamco sold all its rights, benefits and title under an Asset Purchase Agreement at the purchase price of RM80,000,000 and immediately entered into an Asset Sale Agreement to repurchase these assets for RM100,580,000 being the aggregate of the purchase price and the profit for the BBA Serial Bonds. The profit rate ranges from 5.3% to 5.8% per annum.

The BBA Serial Bonds are secured by way of a negative pledge over all the present and future fixed and floating assets of Tamco.

In August 2006, Tamco repaid the first series of the BBA Serial Bonds amounting to RM20,000,000 in accordance to the Trust Deed dated 15 August 2003.

In July 2004, Rhodemark Development Sdn. Bhd. ("RDSB"), a subsidiary company, signed an Asset Purchase Agreement to obtain RM28,000,000 under Bai' Bithaman Ajil ("BBA") Facility to redeem its term loan. The BBA Facility is repayable in 4 half-yearly instalments commencing 18 months after the first drawdown. The effective yield for the BBA Facility is 7.75%.

Other than as disclosed in Note 6 to the financial statements, the long term loans of the Group and of the Company are further secured by:

- (i) a fixed and floating charge over all the assets of a subsidiary company;
- (ii) deed of assignment over rental proceeds derived from lease of chemical tank farm of a subsidiary company;
- (iii) certain short term deposits of subsidiary companies;
- (iv) a first charge over 25% stake in an associated company and deed of assignment over dividend income received from the associated company; and
- (v) certain quoted investments in subsidiary companies.

24. SHARE CAPITAL

	Group and Company			
	2006		2005	
	Number of shares	RM'000	Number of shares	RM'000
Ordinary shares of RM1 each:				
Authorised	500,000,000	500,000	500,000,000	500,000
Issued and fully paid	201,856,767	201,857	201,856,767	201,857

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24. SHARE CAPITAL (CONT'D)

During the financial year, the Company purchased 13,318,000 of its ordinary shares from the open market at a total cost of RM9,077,000 and distributed 9,298,797 Treasury Shares as share dividends to the Company's shareholders. As at 31 May 2006, a total of 13,010,003 (2005: 8,990,800) shares at cost of RM9,206,000 (2005: RM6,762,000) are held as Treasury Shares by the Company.

The number of outstanding ordinary shares in issue after deducting the Treasury Shares is 188,846,764 (2005: 192,865,967) ordinary shares of RM1 each as at 31 May 2006.

During the financial year, the Company completed the renounceable rights issue of 97,771,983 Warrants at an issue price of RM0.02 per Warrant on the basis of one (1) Warrant for every two (2) ordinary shares of RM1 each in the Company.

As at the end of the financial year, a total of 97,771,983 Warrants are still outstanding. Each outstanding Warrant will entitle its holder to subscribe for one (1) new ordinary share of RM1 each in the Company at any time not later than 22 June 2008 at the exercise price of RM1 per ordinary share.

25. RESERVES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(i) Non-distributable				
Warrants	1,955	-	1,955	-
Share premium	9,060	9,091	9,060	9,091
Merger reserve arising from consolidation	155	1,282	23,821	32,495
Revaluation reserve arising from revaluation of land and buildings	24,587	25,027	7,893	7,874
Capital reserve	48	2,400	-	-
Foreign exchange reserve	(3,409)	(3,369)	-	-
Capital redemption reserve	4,987	4,933	4,917	4,917
(ii) Distributable				
Retained profits	53,487	51,150	22,177	43,497
	90,870	90,514	69,823	97,874

Subject to the agreement of the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to distribute dividend out of all its retained profits as at 31 May 2006 without incurring additional tax liability.

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26. DEFERRED TAX ASSETS/LIABILITIES

(a) The deferred tax assets/liabilities are made up of the following:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Balance as at 1 June 2005/2004	22,619	14,345	3,446	3,558
Recognised in the income statements (Note 32):				
- current year	(2,275)	4,080	(76)	(207)
- underprovision in prior year	768	283	-	-
	(1,507)	4,363	(76)	(207)
Deferred tax liability on revaluation reserve				
- current year	-	3,961	-	95
- under/(over) provision in prior year	118	-	(19)	-
Deferred tax of subsidiary companies acquired	-	1,044	-	-
Deferred tax of a subsidiary company disposed of	(728)	-	-	-
Exchange differences	(66)	(1,094)	-	-
As at end of the financial year	20,436	22,619	3,351	3,446
Represented by:				
- Deferred tax assets, net	(4,793)	(5,237)	-	-
- Deferred tax liabilities, net	25,229	27,856	3,351	3,446
	20,436	22,619	3,351	3,446

(b) The movements of deferred tax assets and liabilities during the financial year are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deferred tax assets				
Balance as at 1 June 2005/2004	5,237	9,776	-	-
Recognised in the income statements:				
Provisions	48	(673)	-	-
Unabsorbed capital allowances and tax losses	(513)	(5,003)	-	-
	(465)	(5,676)	-	-
Acquisition of subsidiary companies	-	(111)	-	-
Disposal of a subsidiary company	(39)	-	-	-
Exchange differences	60	1,248	-	-
As at end of the financial year	4,793	5,237	-	-
Deferred tax liabilities				
Balance as at 1 June 2005/2004	27,856	24,121	3,446	3,558
Recognised in the income statements:				
Excess of capital allowance over corresponding depreciation	(976)	(533)	(13)	-
Other taxable temporary differences	(930)	(564)	-	-
Revaluation reserves	(66)	(216)	(63)	(207)
	(1,972)	(1,313)	(76)	(207)
Exchange differences	(6)	154	-	-
Revaluation reserves				
- current year	-	3,961	-	95
- under/(over) provision in prior year	118	-	(19)	-
Disposal of a subsidiary company	(767)	-	-	-
Acquisition of subsidiary companies	-	933	-	-
As at end of the financial year	25,229	27,856	3,351	3,446

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26. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

(c) The components of deferred tax assets and liabilities as at the end of the financial year comprise the tax effect of:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deferred tax assets				
Provisions	2,100	1,947	-	-
Unabsorbed capital allowances and tax losses	2,605	3,290	-	-
Unrealised loss on foreign exchange	88	-	-	-
	4,793	5,237	-	-
Deferred tax liabilities				
Revaluation reserve	7,654	7,420	2,882	2,964
Excess of capital allowances over corresponding depreciation	16,493	19,721	469	482
Other taxable temporary differences	1,082	715	-	-
	25,229	27,856	3,351	3,446

(d) The amount of temporary differences for which no deferred tax assets have been recognised in the balance sheet are as follows:

	Group	
	2006 RM'000	2005 RM'000
Unabsorbed capital allowances and tax losses	58,604	78,374

27. PROVISION FOR RETIREMENT BENEFITS

	Group	
	2006 RM'000	2005 RM'000
As at beginning of the financial year	4,796	3,854
Charged to income statement	1,246	1,568
Utilised during the financial year	(811)	(620)
Exchange differences	1	(6)
As at end of the financial year	5,232	4,796

28. ADVANCES FROM DIRECTOR OF A SUBSIDIARY COMPANY

In 2005, these advances were unsecured, interest-free and have no fixed terms of repayment.

Notes to the Financial Statements

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29. OPERATING REVENUE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sale of goods	1,156,255	1,083,288	-	-
Rendering of services	49,107	18,065	8	50
Rental income	31	24	179	186
Interest income	74	124	52	71
Dividend income (gross)	40	99	12,272	41,728
Commission income	7	-	-	-
	1,205,514	1,101,600	12,511	42,035

30. OTHER OPERATING INCOME/(EXPENSES)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Included in other operating income are exceptional items as follows:				
Gain on disposal of an associated company	-	565	-	-
Gain on disposal of property, plant and equipment	69	13,450	200	308
Gain on disposal of subsidiary companies	10,482	-	-	30,215
Gain on liquidation of a subsidiary company	106	-	2,817	-
Gain on redemption of preference shares in a subsidiary company	-	-	2,842	-
Gain on disposal of marketable securities	17	-	-	-
Gain on partial disposal of shares in subsidiary companies	1,518	-	-	-

Included in other operating expenses are exceptional items as follows:

Deficit arising from subsidiary companies not consolidated	48	-	-	-
Goodwill written off	1,612	-	-	-
Impairment loss on investment in subsidiary companies	-	-	16,165	20,000
Impairment loss on investment in an associated company	10	-	-	-
Impairment loss on property, plant and equipment	578	-	-	-
Impairment of goodwill in subsidiary companies	9,219	2,496	-	-
Loss on dilution of interest in a subsidiary company	694	-	-	-
Loss on disposal of:				
- quoted investment	-	52	-	52
- unquoted investment	130	-	-	-
Provision for diminution in value of marketable securities	482	-	-	-
Reorganisational expenses	-	5,363	-	-
Revaluation deficit on properties	-	596	-	-

Notes to the Financial Statements

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30. OTHER OPERATING INCOME/(EXPENSES) (CONT'D)

Group

- (a) As at 31 May 2006, the goodwill arising on consolidation of certain subsidiary companies based on their net tangible assets has declined significantly since the date of their acquisition due to their poor economic performance in the past few years. Consequently, an impairment loss of RM9,219,000 on these investments has been recognised to reflect their recoverable amount. The recoverable amount of these investments was determined by reference to their value in use.

As at 31 May 2005, the goodwill arising on consolidation of a subsidiary company based on its net tangible assets has declined significantly since the date of its acquisition due to its poor economic performance in the past few years. Consequently, an impairment loss of RM2,496,000 on this investment was recognised to reflect its recoverable amount. The recoverable amount of this investment was determined by reference to its value in use.

- (b) Impairment loss of RM578,000 in respect of certain property, plant and equipment of subsidiary companies is recognised to reflect their recoverable amounts. The recoverable amounts of these assets are based on their estimated net selling price.

Company

As at 31 May 2006, the fair value of investment in certain subsidiary companies based on their net tangible assets has declined significantly since the date of their acquisition due to their poor economic performance in the past few years. Consequently, an impairment loss of RM16,165,000 on these investments has been recognised to reflect their recoverable amount. The recoverable amount of these investments was determined by reference to their value in use.

As at 31 May 2005, the fair value of an investment in a subsidiary company based on its net tangible assets has declined significantly since the date of its acquisition due to its poor economic performance in the past few years. Consequently, an impairment loss of RM20,000,000 on this investment was recognised to reflect its recoverable amount. The recoverable amount of this investment was determined by reference to its value in use.

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31. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit/(Loss) before tax is arrived at after charging:				
Allowance for doubtful debts	4,642	1,357	5,000	-
Allowance for inventories obsolescence	2	-	-	-
Amortisation of intangible assets	7,135	3,742	-	-
Auditors' remuneration:				
- statutory:				
- auditors of holding company:				
- current year	191	155	25	23
- under provision in prior years	15	3	1	5
- other auditors:				
- current year	552	739	-	-
- over provision in prior years	(37)	(7)	-	-
- non-statutory:				
- auditors of holding company	76	128	76	68
- other auditors	78	186	-	-
Bad debts written off	1,174	6,304	-	-
Depreciation of property, plant and equipment	27,085	27,140	1,009	1,120
Directors' remuneration:				
Fees				
- payable by the Company	183	193	183	193
- payable by the subsidiary companies	217	173	-	-
Salaries and other emoluments				
- paid by the Company	2,790	3,056	2,790	3,056
- paid by the subsidiary companies	1,520	1,779	-	-
Fees paid to a company in which a director of a subsidiary company has interests	-	50	-	-
Interest expense on:				
- bank overdrafts	1,222	1,817	20	9
- term loans, revolving credits and bankers' acceptance	7,511	7,163	934	379
- advances from subsidiary companies	-	-	878	1,181
- others	7,279	7,873	37	57
Inventories written off	10	2,888	-	-
Loss on foreign exchange:				
- realised	453	-	4	-
- unrealised	2,747	324	-	-
Property, plant and equipment written off	140	98	32	77
Provision for retirement benefits	1,246	1,568	-	-
Rental of:				
- land and premises	6,261	6,555	263	257
- others	2,255	3,333	6	-

Notes to the Financial Statements

31 May 2006

31. PROFIT/(LOSS) BEFORE TAX (CONT'D)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
And crediting:				
Allowance for doubtful debts no longer required	217	5	-	-
Bad debts recovered	151	-	-	-
Dividend (gross) from:				
- quoted investment in Malaysia	41	99	41	99
- marketable securities	35	-	-	-
- unquoted shares	4,285	2,000	-	-
- quoted subsidiary companies	-	-	3,045	784
- unquoted subsidiary companies	-	-	8,267	40,845
- associated companies	-	-	919	-
Gain on disposal of investment property	-	1,150	-	-
Realised gain on foreign exchange	-	3,698	-	-
Interest income from:				
- advances to a subsidiary company	-	-	3	-
- advances to an associated company	-	-	35	6
- others	1,396	750	14	65
Rental income from:				
- a subsidiary company	-	-	179	186
- others	1,438	3,281	-	-

The monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Company and the Group are estimated at RM76,700 (2005: RM66,800).

32. TAX EXPENSE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current tax expense based on profit for the financial year:				
Malaysia income tax	13,839	7,197	1,500	8,314
Foreign income tax	1,442	364	-	-
Deferred tax (Note 26)	15,281 (2,275)	7,561 4,080	1,500 (76)	8,314 (207)
(Over)/Under provision in prior years:	13,006	11,641	1,424	8,107
- tax expense	(147)	178	(118)	-
- deferred tax (Note 26)	768	283	-	-
	621	461	(118)	-
Share of tax in associated companies	13,627 100	12,102 909	1,306 -	8,107 -
	13,727	13,011	1,306	8,107

Notes to the Financial Statements

31 May 2006

32. TAX EXPENSE (CONT'D)

The reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit before tax	27,330	580	(13,381)	40,842
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	7,652	162	(3,747)	11,436
Tax effect in respect of:				
Depreciation on non-qualifying property, plant and equipment	322	177	211	-
Non-allowable expense	9,352	5,919	6,840	6,218
Non-taxable income	(4,930)	(3,448)	(1,817)	(9,530)
Tax incentives and allowances	(493)	(294)	-	-
Deferred tax assets not recognised	1,946	10,038	-	-
Reduction in statutory tax rate on first RM500,000 chargeable income	(217)	(111)	-	-
Real Property Gain Tax	-	804	-	190
Utilisation of previously unrecognised deferred tax assets	(849)	(1,421)	-	-
Higher tax rates in foreign jurisdiction	313	31	-	-
Crystallisation of deferred tax liabilities on revaluation reserve	(66)	(216)	(63)	(207)
Utilisation of reinvestment allowances	(24)	-	-	-
Share of tax in associated companies	100	909	-	-
	13,106	12,550	1,424	8,107
Under/(Over) provision in prior years:				
- taxation	(147)	178	(118)	-
- deferred tax	768	283	-	-
	621	461	(118)	-
Tax expense for the financial year	13,727	13,011	1,306	8,107

33. EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share for the financial year have been calculated based on the consolidated profit after tax and minority interests of RM4,261,000 (2005: RM130,000) and the weighted average number of 190,116,299 (2005: 198,327,309) ordinary shares in issue during the financial year.

There is no dilution in the earnings per share of the Company as the market value of the Company's ordinary shares was lower than the exercise price of the Warrants. Accordingly, there is no assumed full conversion of the Warrants to merit for adjusting for an increase in the number of ordinary shares which could result in a dilution of the Company's earnings per share.

34. DIVIDENDS

	Group and Company			
	2006		2005	
	Gross dividend per share Sen	Amount of dividend net of tax RM'000	Gross dividend per share Sen	Amount of dividend net of tax RM'000
Final share dividend proposed	5	6,681	5	6,633*

Notes to the Financial Statements

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34. DIVIDENDS (CONT'D)

*As proposed in the previous financial year, a final dividend of approximately 5 sen, less income tax, for the financial year ended 31 May 2005 was approved by the shareholders at the Annual General Meeting held on 25 October 2005 and an amount of RM6,633,000 was paid on 25 November 2005 by way of distribution of 9,298,797 Treasury Shares in the ratio of one (1) Treasury Share for every twenty (20) existing ordinary shares held in the Company as against the proposed amount of RM7,253,000 (estimated based on weighted average cost of Treasury Shares as at 31 May 2005). The reduction in final dividend paid of RM620,000 was due:

- (i) share buy back of 6,890,000 ordinary shares of RM1 each which, as at the entitlement date, were retained as Treasury Shares by the Company and were therefore, not entitled to the final dividend; and
- (ii) changes in original cost of purchase of Treasury Shares between the financial year end (31 May 2005) and the entitlement date (28 October 2005).

For the financial year ended 31 May 2006, the Directors proposed a final share dividend of approximately 5 sen, less income tax, amounting to RM6,681,000 (estimated based on weighted average cost of Treasury Shares as at 31 May 2006) by way of distribution of one (1) Treasury Share for every twenty (20) existing ordinary shares of RM1 each in the Company held at a date to be announced. The proposed final share dividend is subject to the approval of the shareholders at the Company's forthcoming annual general meeting.

The financial statements for the current financial year do not reflect this proposed final share dividend. This proposed dividend, if approved by shareholders, will be reduced against the share premium account in accordance with Section 67A of the Companies Act, 1965 or accounted for as an appropriation of retained profits, or both, in the financial year ending 31 May 2007.

35. ACQUISITION OF SUBSIDIARY COMPANIES

In the previous financial year, the Group acquired Decom, NSC, SPM and HI. The fair value of the assets acquired and liabilities assumed were as follows:

	Group 2005 RM'000
Property, plant and equipment	8,781
Inventories	7,033
Trade receivables	8,577
Other receivables, deposits and prepayments	246
Short term deposits and cash and bank balances	4,364
Investment in associates	2,785
Amount owing by related companies	3,060
Trade payables	(4,171)
Other payables and accruals	(918)
Borrowings	(5,282)
Amount owing to related companies	(1,740)
Tax liabilities	(517)
Deferred tax liabilities	(1,044)
Minority interests	(919)
Net assets acquired	20,255
Goodwill on consolidation	10,203
Total purchase consideration discharged by cash	30,458
Less: Cash and bank balances of the subsidiary companies acquired	(4,365)
Cash flow on acquisition, net of cash and bank balances acquired	26,093

There are no acquisition of subsidiary companies during the current financial year.

Notes to the Financial Statements

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36. DISPOSAL OF A SUBSIDIARY COMPANY

During the current financial year, the Group disposed of Tubex. The fair values of assets and liabilities disposed of are as follows:

	Group 2006 RM'000
Property, plant and equipment	7,241
Inventories	989
Receivables	6,643
Cash and bank balances	199
Bank overdrafts	(1,605)
Payables	(1,969)
Short term bank borrowings	(1,157)
Deferred tax liabilities	(728)
Total net assets disposed of	9,613
Negative goodwill on consolidation	(2,313)
Minority interests	(1,442)
Gain on disposal of a subsidiary company	10,482
Total disposal proceeds	16,340
Cash and cash equivalents in subsidiary companies disposed of	1,406
Cash inflow on disposal, net of cash and cash equivalents disposed of	17,746

There were no disposals of subsidiary companies in the previous financial year.

37. SUBSIDIARY COMPANIES UNDER WINDING-UP NOT CONSOLIDATED

The effects of the non-consolidation of the subsidiary companies for the current financial year as mentioned in Note 8 on the cash flow of the Group are as follows:

	Group 2006 RM'000
Tax recoverable	139
Receivables	12,355
Payables	(19)
Deficit arising from subsidiary companies not consolidated	(48)
Capitalised as other investment	12,427
Cash flow on subsidiary companies under winding-up not consolidated	(100)

There were no subsidiary companies placed under winding-up not consolidated in the previous financial year.

Notes to the Financial Statements

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38. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Purchase of property, plant and equipment (Note 6)	18,352	27,019	744	642
Financed by hire-purchase and lease arrangements	(4,399)	(2,713)	(462)	(517)
Cash payments on purchase of property, plant and equipment	13,953	24,306	282	125

39. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Bank overdrafts	(12,174)	(17,455)	(1,071)	(609)
Short term deposits	51,530	25,350	-	-
Cash and bank balances	45,686	41,145	18	9
	85,042	49,040	(1,053)	(600)
Less:				
Short term deposits pledged with licensed banks (Note 19)	(1,681)	(1,696)	-	-
	83,361	47,344	(1,053)	(600)

The currency exposure on cash and bank balances are as follows:

Ringgit Malaysia	29,584	30,947	17	9
Singapore Dollar	2,226	796	-	-
US Dollar	5,255	2,328	1	-
Hong Kong Dollar	4,679	3,119	-	-
Chinese Renminbi	3,228	2,883	-	-
Others	714	1,072	-	-
	45,686	41,145	18	9

The interest rates of the deposits during the financial year range from 3.0% to 3.7% (2005: 2.2% to 3.0%) per annum.

The short term deposits have maturity periods ranging from 30 to 365 (2005: 30 to 210) days. Bank balances and deposits are held at call with licensed banks.

40. FINANCIAL INSTRUMENTS

(a) Credit risk

As at 31 May 2006, the Group has trade receivables of RM330,117,000 (2005: RM314,888,000), net of allowance for doubtful debts of RM10,569,000 (2005: RM11,316,000), and placement of RM51,530,000 (2005: RM25,350,000) in short term deposits with some major financial institutions in Malaysia and overseas. Other than as mentioned, the Group has no significant concentration of credit risk. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the balance sheet.

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40. FINANCIAL INSTRUMENTS (CONT'D)

(b) Foreign currency risk

During the financial year, the Group entered into forward foreign currency contracts to manage exposure to currency risk for receivables and payables where the receivables and payables are denominated in a currency other than the functional currency of the Group. The notional amounts of the forward foreign exchange contracts which mature within one year and which are outstanding as at 31 May 2006 are as follow:

	Currency	Notional amount	
		2006 RM'000	2005 RM'000
Forward contract used to hedge trade receivables	US Dollar	55,102	55,049
	Singapore Dollar	1,221	715
	Euro	4,975	-
		61,298	55,764
Forward contract used to hedge trade payables	Japanese Yen	-	670
	Sterling Pound	7,592	2,212
	Euro	221	476
		7,813	3,358
Forward contract used to hedge future sales	US Dollar	52,473	104,566
	Singapore Dollar	354	4,173
		52,827	108,739

(c) Fair values

The carrying amounts of the financial assets and liabilities of the Group and of the Company as at the balance sheet date approximate their fair values except as set out below:

	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
As at 31 May 2006				
Recognised				
Quoted investments other than quoted investments in a subsidiary company	2,887	1,376	2,887	1,376
Unquoted investments	18,911	#	15,332	#
Amounts owing by subsidiary companies	-	-	30,809	*
As at 31 May 2005				
Recognised				
Quoted investments other than quoted investments in a subsidiary company	2,887	1,199	2,887	1,199
Unquoted investments	6,614	#	2,805	#
Amounts owing by subsidiary companies	-	-	32,957	*
Advances from directors of subsidiary companies	1,857	*	-	-

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40. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair values (cont'd)

- # It is not practical to estimate the fair value of the long term unquoted investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. The Company believes that the carrying amount of these investments represents the recoverable value as the Group and the Company's share of net tangible assets reported by the investee companies as at 31 May 2006 amounted to RM16,615,000 (2005: RM4,232,000) and RM13,035,000 (2005: RM479,000) respectively.
- * It is not practical to estimate the fair value of amounts owing by subsidiary companies and advances from directors of subsidiary companies. This is principally due to the lack of fixed repayment terms and the inability to estimate fair value without incurring excessive costs. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The following methods and assumptions are used to determine the fair value of financial instruments:

- (i) The fair values of quoted investments in Malaysia are their quoted market prices at the balance sheet date.
- (ii) The fair values of the borrowings are estimated by discounting future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.
- (iii) The carrying amounts of other financial assets and liabilities maturing within 12 months approximate their fair values due to the relatively short term maturity of these financial instruments.

41. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group	
	2006 RM'000	2005 RM'000
Sales to:		
- Ancom Kimia Sdn. Bhd.	-	3,042
- Transmare-Chemie (S) Pte Ltd	-	587
Purchases from Ancom Kimia Sdn. Bhd.	161,926	188,028
Insurance premium paid to Pacific & Orient Insurance Co. Berhad	594	967
Freight and demurrage income from Ancom Kimia Sdn. Bhd.	679	1,639

These transactions are entered into in the ordinary course of business and have been established under negotiated terms.

The relationships between the Group and the related parties other than that stated below are disclosed in Note 48 to the financial statements.

Identity of related party

Pacific & Orient Insurance Co. Berhad

Relationship with the Group

A company in which a director of the Company has a substantial indirect shareholding

Notes to the Financial Statements

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42. CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
In respect of purchase of property, plant and equipment:				
Authorised and contracted for	32,971	22,383	642	-
Authorised but not contracted for	372	-	-	-
	33,343	22,383	642	-
In respect of investments:				
Authorised and contracted for	103,595	-	3,600	-
	136,938	22,383	4,242	-

43. NON-CANCELLABLE OPERATING LEASE COMMITMENTS

	Group	
	2006 RM'000	2005 RM'000
Future minimum lease payments:		
- not later than one year	2,358	2,071
- later than one year and not later than five years	6,031	7,104
- later than five years	18,776	22,758
	27,165	31,933

44. CONTINGENT LIABILITIES

Unsecured

	Group	
	2006 RM'000	2005 RM'000
Shipping guarantees	2,114	-
Bills discounted with banks	199	924
Potential performance-based consideration of acquisition by a subsidiary company	16,700	16,700
	19,013	17,624

Company - Unsecured

As at 31 May 2006, the Company has given corporate guarantees amounting to RM11,814,000 (2005: RM18,852,000) to financial institutions for credit facilities granted to and utilised by certain subsidiary companies.

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45. SIGNIFICANT EVENTS

During the financial year:

- (i) the Company further acquired 53,000 ordinary shares of RM1 each representing 4.9% equity interest in Meru Utama Sdn. Bhd. ("MU"), a company incorporated in Malaysia, for a consideration of RM1.56 million. The Company's interest in MU was increased to 30.0% after the acquisition.
- (ii) the Company completed the proposed renounceable rights issue of 97,771,983 Warrants at an issue price of RM0.02 per Warrant on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM1 each in the Company. The Warrants were listed on the Bursa Malaysia Securities Berhad in July 2005.
- (iii) Tamco Shanghai Switchgear Company Limited, a subsidiary company, has disposed of its entire 20% equity interest in Etah Shanghai Electrical Co. Ltd. for cash consideration of RM616,000.
- (vi) the Group/Company entered into the following transactions which are either pending completion or have been completed as at the date of this Report:

- (a) the Company entered into a conditional shares sale agreement and supplemental agreement respectively to acquire a further 10,300,114 ordinary shares of RM1 each representing 9.6% equity interest in RDSB for a minimum cash consideration of RM6.00 million and a maximum cash consideration of RM6.23 million.

This transaction is pending completion. Upon the completion of the transaction, the Company's shareholding in RDSB will be increased from 50.1% to 59.7%.

- (b) Nylex, a subsidiary company, proposes to undertake a private placement of up to 10% of its issued and paid up share capital involving the issuance of up to 17,667,000 new ordinary shares of RM1 each at a price to be determined and to placee(s) to be identified.

This transaction, which has been approved by the relevant authorities, is pending completion.

- (c) Nylex entered into a conditional share sale agreement to purchase the entire 4,000,000 ordinary shares of S\$1 each in CKG Chemicals Pte Ltd ("CKG"), a company incorporated in Singapore, for cash consideration of S\$40.0 million (equivalent to RM91.4 million).

This transaction has been completed subsequent to the financial year.

- (d) Nylex entered into a conditional shares sale agreement to acquire 39,976,670 ordinary shares of S\$0.20 each representing 29.99% equity interest in MegaChem Limited ("MegaChem"), a public listed company incorporated in Singapore, for cash consideration of S\$8.0 million (equivalent to RM18.3 million).

This transaction has been completed subsequent to the financial year.

- (e) Ancom Energy & Services Sdn. Bhd. entered into a conditional share sale agreement to sell its entire 153,000 ordinary shares of RM1 each representing 51% equity interest in HI to a third party for cash consideration of RM153,000.

This transaction is pending completion.

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46. NUMBER OF EMPLOYEES AND STAFF COSTS

	Group		Company	
	2006	2005	2006	2005
Number of employees, including Executive Directors, at the end of the financial year	1,940	2,124	27	29

The staff costs recognised in the income statements are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Salaries and wages	84,276	78,781	4,056	4,151
Defined contribution plan	7,950	7,949	412	432
Other employee benefits	4,547	5,137	45	33
	96,773	91,867	4,513	4,616

47. SEGMENTAL INFORMATION

The Group's operations comprise the following main business segments:

Investment holding	: Investment holding
Agricultural and industrial chemicals	: Manufacture and sale of agricultural and industrial chemical products
Oil and gas services	: Supply of goods and services to oil and gas industry
Logistic	: Ship-owning, ship-operating, transportation, container haulage, bulk cargo handling, chemicals warehousing and related services
Information technology ("IT")	: Provision of IT services and sales of computer hardware and software
Polymer	: Manufacturing and marketing of polymer products
Engineering	: Trading, contracting and marketing in electrical engineering products
Building products	: Manufacture and marketing of metal roof tiles

The inter-segment transactions were entered in the normal course of business and were on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

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47. SEGMENTAL INFORMATION (CONT'D)

(a) Business segment

2006	Investment holding RM'000	Agricultural and industrial chemicals					Oil and gas services		IT RM'000	Polymer RM'000	Engineering RM'000	Building products RM'000	Elimination RM'000	Consolidated RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000						
Revenue														
External sales	145	621,675	11,810	48,046	1,350	128,037	387,285	7,166	-	-	1,205,514			
Inter-segment sales	15,079	18,402	-	3,741	1,302	18	-	-	(38,542)	-	-			
Total	15,224	640,077	11,810	51,787	2,652	128,055	387,285	7,166	(38,542)	1,205,514				
Result														
Segment results	(10,613)	22,439	(3,228)	4,828	(2,902)	10,008	20,659	664	-	-	41,855			
Unallocated corporate expenses													2,319	
Operating profits														
Finance costs													44,174	
Share of results in associated companies	674	(918)	-	-	-	-	(287)	-	-	-	(531)		(16,313)	
Profit before tax													27,330	
Tax expense													(13,727)	
Profit from ordinary activities													13,603	
Minority interests													(9,342)	
Net profit for the financial year													4,261	

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47. SEGMENTAL INFORMATION (CONT'D)

(a) Business segment (cont'd)

2006	Investment holding		Agricultural and industrial chemicals		Oil and gas services		IT		Polymer		Engineering		Building products		Elimination		Consolidated		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Other information																			
Segment assets	356,792	253,078	10,248	91,737	4,317	122,512	378,549	10,664	(318,237)										909,660
Investment in associated companies	16,987	750	-	-	-	-	10,326	-	-	-	-	-	-	-	-	-	-	-	28,063
Goodwill on consolidation																			33,019
Unallocated corporate assets																			15,792
Total assets																			986,534
Segment liabilities	70,901	87,567	1,847	6,234	3,109	32,007	121,631	1,395	(89,738)										234,953
Unallocated corporate liabilities																			9,972
Total liabilities																			244,925
Capital expenditure	744	2,573	1,521	6,798	19	2,765	8,595	-	-	-	-	-	-	-	-	-	-	-	23,015
Unallocated capital expenditure																			-
Depreciation and amortisation	1,013	2,966	1,245	7,231	1,114	8,440	12,073	102	-	-	-	-	-	-	-	-	-	-	34,184
Unallocated depreciation																			36
Non-cash expenses, other than depreciation and amortisation	80	1,681	8,933	1,207	5,588	834	4,290	1,033	-	-	-	-	-	-	-	-	-	-	23,646
Unallocated non-cash expenses, other than depreciation and amortisation																			163

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47. SEGMENTAL INFORMATION (CONT'D)

(a) Business segment (cont'd)

2005	Agricultural and										Elimination	Consolidated
	Investment holding	industrial chemicals	Oil and gas services	Logistic	IT	Polymer	Engineering	Building products	RM'000	RM'000		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue												
External sales	247	590,351	22,101	45,042	3,166	118,559	305,619	16,515	-	-	-	1,101,600
Intra-segment sales	42,571	21,361	-	6,598	1,994	135	19	-	(72,678)	-	-	-
Total	42,818	611,712	22,101	51,640	5,160	118,694	305,638	16,515	(72,678)	(72,678)	1,101,600	1,101,600
Result												
Segment results	(13,332)	25,052	(2,365)	6,776	(2,400)	3,583	(1,746)	(530)	-	-	-	15,038
Unallocated corporate expenses												(1,402)
Operating profits												13,636
Finance costs												(16,108)
Share of results in associated companies	1,610	1,407	-	-	-	-	35	-	-	-	-	3,052
Profit before tax												580
Tax expense												(13,011)
Profit from ordinary activities												(12,431)
Minority interests												12,561
Net profit for the financial year												130

Notes to the Financial Statements

31 May 2006

47. SEGMENTAL INFORMATION (CONT'D)

(a) Business segment (cont'd)

2005	Agricultural and										Elimination RM'000	Consolidated RM'000
	Investment holding RM'000	industrial chemicals RM'000	Oil and gas services RM'000	Logistic RM'000	IT RM'000	Polymer RM'000	Engineering RM'000	Building products RM'000				
Other information												
Segment assets	387,293	276,921	24,304	95,056	6,269	147,934	341,168	17,000	(392,270)		903,675	
Investment in associated companies	16,242	1,036	-	-	-	-	11,105	-	-		28,383	
Goodwill on consolidation											39,441	
Unallocated corporate assets											5,012	
Total assets											976,511	
Segment liabilities	74,851	95,539	3,160	10,158	3,391	32,197	86,639	4,005	(108,958)		200,982	
Unallocated corporate liabilities											11,355	
Total liabilities											212,337	
Capital expenditure	642	9,352	635	1,391	117	15,828	9,801	133	-		37,899	
Unallocated capital expenditure											103	
Depreciation and amortisation	1,126	1,317	2,470	7,074	1,651	9,270	7,886	-	-		30,794	
Unallocated depreciation											88	
Non-cash expenses, other than depreciation and amortisation	101	30	277	(6)	330	2,494	9,492	2,496	-		15,214	
Unallocated non-cash expenses, other than depreciation and amortisation											113	

Notes to the Financial Statements

31 May 2006

47. SEGMENTAL INFORMATION (CONT'D)

(b) Geographical segment

The Group operates mainly in Malaysia. It also has operations in Singapore, China, Hong Kong, Australia and Indonesia. In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	Revenue		Segment assets		Capital expenditure	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Malaysia	582,447	557,737	697,012	692,326	15,261	19,509
Singapore	130,944	113,029	67,745	76,402	2,447	2,006
Philippines	45,704	44,225	-	-	-	-
China	69,304	108,494	71,526	70,534	871	2,239
Hong Kong	36,255	19,722	18,193	12,615	3,077	2,822
Australia	44,137	11,410	16,126	18,247	154	323
Indonesia	49,247	44,576	39,058	33,551	1,205	11,000
Middle East	108,601	98,269	-	-	-	-
Europe	10,060	5,694	-	-	-	-
Thailand	26,187	32,680	-	-	-	-
United Kingdom	25,978	1,606	-	-	-	-
Other countries	76,650	64,158	-	-	-	-
	1,205,514	1,101,600	909,660	903,675	23,015	37,899

48. SUBSIDIARY AND ASSOCIATED COMPANIES

Details of subsidiary companies are as follows:

Country of Company 2006	Effective Incorporation 2005	Equity Interest		Principal Activities
<i>Direct:</i>				
Ancom Crop Care Sdn. Bhd.	Malaysia	100%	100%	Manufacture and marketing of agricultural chemical products
Polytensides Sdn. Bhd.	Malaysia	100%	100%	Manufacture and sale of agricultural chemical products and chemicals
Timber Preservatives Sdn. Bhd.	Malaysia	51%	51%	Manufacture and distribution of timber preservatives and related chemical products

Notes to the Financial Statements

31 May 2006

48. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2006	2005	
<i>Direct:</i>				
Ancom Overseas Ventures Sdn. Bhd.	Malaysia	100%	100%	Investment holding company and provision of management services
Ancom Energy & Services Sdn. Bhd.	Malaysia	50.2%	50.2%	Supply of goods and services to oil and gas industry
▪Elderberry Sdn. Bhd.	Malaysia	100%	100%	Dormant - In the process of winding up
Synergy Tanker Sdn. Bhd.	Malaysia	100%	100%	Investment holding
WorldSOL.com Sdn. Bhd.	Malaysia	100%	100%	Provision of business to business exchange portal services, portal development services, web and multimedia design and other related services
*Syarikat Wandeerfull Sdn. Bhd.	Malaysia	100%	100%	Investment holding, dealing in and subletting of land
▪Bullion Mining and Developments Sendirian Berhad	Malaysia	100%	100%	Ceased operation - In the process of winding-up
*Rhodemark Development Sdn. Bhd.	Malaysia	50.1%	50.1%	Investment holding
HSO Business Systems Sdn. Bhd.	Malaysia	47.6%	47.8%	Trading of computer hardware and software and rendering of IT related consulting services. Ceased operation during the financial year
MSTi Corporation Sdn. Bhd.	Malaysia	45.0%	50.1%	Trading of computer hardware and software and rendering of IT related consulting services
Synergy Trans-Link Sdn. Bhd.	Malaysia	77.6%	73.4%	Investment holding
▪Sun Chemicals Sdn. Bhd.	Malaysia	100%	100%	Dormant - In the process of winding-up

Notes to the Financial Statements

31 May 2006

48. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2006	2005	
<i>Indirect:</i>				
Fermpro Sdn. Bhd.	Malaysia	56.0%	54.0%	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products
Perusahaan Kimia Gemilang Sdn. Bhd.	Malaysia	56.0%	54.0%	Trading in petrochemicals and industrial chemicals
Kumpulan Kesuma Sdn. Bhd.	Malaysia	56.0%	54.0%	Manufacture and marketing of sealants and adhesive products
Wedon Sdn. Bhd.	Malaysia	56.0%	54.0%	Marketing of sealants and adhesive products
Ancom-ChemQuest Terminals Sdn. Bhd.	Malaysia	39.6%	37.4%	Build, own, operate, lease and manage chemical tank farm and warehouse
Synergy Concepts Sdn. Bhd.	Malaysia	77.6%	73.4%	Ship-owning and ship-operating
Synergy Point Sdn. Bhd.	Malaysia	77.6%	73.4%	Ceased operation during the financial year
Ancom Ship Management Sdn. Bhd.	Malaysia	77.6%	73.4%	Ship management services
OrganiGro Sdn. Bhd.	Malaysia	74.8%	77.4%	Manufacture and marketing of organic fertilizers
Ancom Bioscience Sdn. Bhd. (formerly known as Ancom Garden Products Sdn. Bhd.)	Malaysia	100%	100%	Trading of gardening products
*Ancom do Brasil Ltda	Brazil	99.9%	99.9%	Dormant. Holder of licenses for certain agricultural chemical products
*Ancom Australia Pty. Ltd.	Australia	100%	100%	Dormant. Holder of licenses for certain agricultural chemical products
*Malancom Agrochemicals (Pty.) Limited	South Africa	100%	100%	Dormant. Holder of licenses for certain agricultural chemical products
■Consolidated Specialities Sdn. Bhd.	Malaysia	100%	100%	Dormant - In the process of winding-up

Notes to the Financial Statements

31 May 2006

48. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2006	2005	
<i>Indirect:</i>				
*ChemResources China (Agencies) Limited	Hong Kong	84.1%	83.3%	Distributor of printing ink solvent and industrial chemicals
Tubex Sdn. Bhd.	Malaysia	-	42.7%	Provide threading and ancillary services
Akra Engineering Sdn. Bhd.	Malaysia	41.0%	41.0%	Manufacture of steel structures for oil and gas industries and other related maintenance and engineering services
AES Mayak Sdn. Bhd.	Malaysia	50.2%	50.2%	Dormant
Indah Segar Sdn. Bhd.	Malaysia	42.7%	42.7%	Technical and consulting services in the field of corrosion protection, material design, evaluation and environment engineering related work activities
Hikmat Ikhlas Sdn. Bhd.	Malaysia	32.5%	31.7%	Trading and contracting in electrical engineering products
*SM Integrated Transware Pte. Ltd.	Singapore	77.6%	73.4%	Providing transportation, container haulage, bulk cargo handling, chemical warehousing and drumming services
*Pengangkutan Cogent Sdn. Bhd.	Malaysia	77.6%	73.4%	Providing transportation and related services
*Dynamic Chemical Trading Pte. Ltd.	Singapore	50.4%	48.6%	Trading in industrial chemicals
*Wandeerfull Industries Sdn. Bhd.	Malaysia	100%	100%	Dormant
*Nylex (Malaysia) Berhad	Malaysia	56.0%	54.0%	Investment holding and the manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting and other polymer products, including geotextiles and prefabricated sub-soil drainage systems

Notes to the Financial Statements

31 May 2006

48. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2006	2005	
<i>Indirect:</i>				
*Nycon Manufacturing Sdn. Bhd.	Malaysia	56.0%	54.0%	Manufacture and marketing of rotomoulded plastic products, including bulk chemical containers, road barriers, playground equipment and disposal bins
*Malaysian Roofing Industries Sdn. Bhd.	Malaysia	39.2%	37.8%	Dormant
*Nylex Polymer Marketing Sdn. Bhd. (formerly known as Zonson Sports (Malaysia) Sdn. Bhd.)	Malaysia	56.0%	54.0%	Trading of PU and PVC synthetic leather, films and sheets
*PT Indomalay Ekatana Roofing Industries	Indonesia	27.4%	26.5%	Manufacture and marketing of metal roofing tiles
*PT Nylex Indonesia	Indonesia	36.4%	35.1%	Manufacture, marketing and distribution of PVC and PU leather cloth
*Nylex Specialty Chemicals Sdn. Bhd.	Malaysia	56.0%	54.0%	Manufacture and sale of phosphoric acid
*Speciality Phosphates (Malaysia) Sdn. Bhd.	Malaysia	28.5%	27.5%	Manufacture and sale of chemicals
*Tamco Corporate Holdings Berhad	Malaysia	28.9%	25.5%	Design, manufacture, supply, installation, commissioning and maintenance of switchgear equipment and systems for power distribution and motor control
*Tamco Electrical (Malaysia) Sdn. Bhd. (formerly known as Tamco Systems (Malaysia) Sdn. Bhd.)	Malaysia	28.9%	25.5%	Trading and contracting in electrical engineering products
*Tamco Systems (Singapore) Pte. Ltd.	Singapore	28.9%	25.5%	Trading and contracting in electrical engineering products
*Tamco Systems (Hong Kong) Limited	Hong Kong	28.9%	25.5%	Trading and contracting in electrical engineering products

Notes to the Financial Statements

31 May 2006

48. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2006	2005	
<i>Indirect:</i>				
*Tamco Components Sdn. Bhd.	Malaysia	19.3%	17.0%	Manufacturing and marketing of low voltage switchgear
*Tamco Shanghai Switchgear Company Limited	China	28.9%	25.5%	Manufacture and marketing of switchgear and related products
*A.C.N. 103777359 Pty Limited	Australia	28.9%	25.5%	Dormant
*Tamco Static Systems (Far East) Limited	Hong Kong	28.9%	25.5%	The company was deregistered on 9 June 2006
*TEE Power & Engineering Sdn. Bhd.	Malaysia	-	25.5%	The company was deregistered on 23 March 2006
*Tamco Electrical Industries Australia Pty Limited	Australia	28.9%	25.5%	Manufacture and marketing of switchgear and related products
*Kontrol Sales Pty Limited	Australia	28.9%	25.5%	Dormant - In the process of deregistered
*PT Kontrol Ragam Indonesia	Indonesia	28.9%	25.5%	Manufacture and trading of control switchboard
*Universal Motor Kontrol Hong Kong Limited	Hong Kong	28.9%	25.5%	Sales and marketing of switchgear and related products
*Tamco Electrical & Electronics (Singapore) Pte Ltd.	Singapore	28.9%	25.5%	Dormant
*Tamco PTX Technology (Singapore) Pte Ltd.	Singapore	20.2%	25.5%	Dormant
*Decom GmbH	Germany	17.3%	15.3%	Provision of management services
*Deteg GmbH	Singapore	12.4%	11.5%	Manufacture and sales of medium voltage switchgear
*Decom Limited	Hong Kong	17.3%	15.3%	Distribution and development of medium voltage switchgear and other power products and related services

Notes to the Financial Statements

31 May 2006

48. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2006	2005	
*German Switchcraft GmbH	Germany	10.4%	9.2%	Manufacture and sales of medium voltage switchgear
*Tamco Systems Technology (Shanghai) Co.	China	20.2%	25.5%	Dormant
I-Enterprise Online.Com Sdn. Bhd.	Malaysia	23.0%	25.6%	Provision of IT services
* Not audited by BDO Binder or member firms of BDO International.				
▪ In the process of deregistration/members' voluntary liquidation.				
Details of associated companies are as follows:				
<i>Direct:</i>				
*Nufarm Technologies (Malaysia) Sdn. Bhd.	Malaysia	49.0%	49.0%	Trading in timber wood preservative and other chemical products
*iSpring Capital Sdn. Bhd.	Malaysia	42.0%	42.0%	Providing and sourcing private equity finance and providing related consultancy services, business acceleration and other value added facilities and services to technology ventures
*Vision IP Services Sdn. Bhd.	Malaysia	36.1%	36.1%	Providing call centre services
*Meru Utama Sdn. Bhd.	Malaysia	30.0%	25.1%	General traders and rental of media space at airport, baggage trolleys and signages
<i>Indirect:-</i>				
Ancom Kimia Sdn. Bhd.	Malaysia	16.8%	16.1%	Distributor of petrochemicals and industrial chemicals
*Transmare - Chemie (Singapore) Pte. Ltd.	Singapore	36.0%	36.0%	Distributor of printing ink solvent and industrial chemicals
+Ancom Philippines Inc.	Philippines	39.6%	39.6%	Dormant. Holder of licenses for certain agricultural chemical products

Notes to the Financial Statements

31 May 2006

48. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2006	2005	
▪ Suistulin Sdn. Bhd.	Malaysia	14.4%	12.8%	In application to the Companies Commission of Malaysia ("CCM") to strike off from the register of CCM
* Tamco Chongqing Switchgear Company Limited	China	14.2%	12.5%	Manufacturing and marketing of switchgear and related products
* Etah Shanghai Electric Co. Ltd	China	-	5.1%	Manufacture and sales of transformers and related products
* CGIS (Shanghai) Electrics Ltd	China	4.6%	4.1%	Manufacture and sale of medium voltage switchgear
* I & D Switchgear Sdn. Bhd.	Malaysia	5.5%	4.8%	Manufacture and sale of medium voltage switchgear
* Guangxi Yinhe Decom Electric Co Ltd.	China	5.5%	4.8%	Manufacture and sale of medium voltage switchgear
▪ Sinaran Takhta - Tamco Sdn. Bhd.	Malaysia	8.7%	7.7%	The Company was wound up by the Kuala Lumpur High Court on 5.11.2003 and is currently in the process of being liquidated

* Not audited by BDO Binder or member firms of BDO International.

+ Audited by member firms of BDO International.

▪ In the process of deregistration/liquidation.

49. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors on 8 September 2006.

Additional Information

in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad

SHARE BUY BACK

The Company purchased a total of 13,318,000 ordinary shares in the Company pursuant to Section 67A of the Companies Act, 1965 during the financial year, the details of which are in the Directors' Report.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year, the Company completed its renounceable rights issue of warrants ("Warrants") at an issue price of RM0.02 per Warrant on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM1 each held in the Company. A total of 97,771,983 Warrants were issued and allotted on 23 June 2005. The Warrants were listed on Bursa Malaysia Securities Berhad on 1 July 2005.

Other than the Warrants, the Company did not issue any options or convertible securities during the financial year.

UTILISATION OF PROCEEDS

The Company raised total proceeds of RM1.95 million from the issue of Warrants. The proceeds were used for working capital purposes.

AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year.

SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant authorities during the financial year.

NON-AUDIT FEE

A total of RM76,000 was paid to the external auditors of the Company in the financial year for non-audit assignments.

VARIATION IN RESULTS

There were no material variances between the results for the financial year ended 31 May 2006 and the unaudited results previously announced. The Company did not announce any profit estimates, forecasts and projections for the financial year.

PROFIT GUARANTEE

The Company did not give any profit guarantee in respect of the financial year ended 31 May 2006.

MATERIAL CONTRACTS INVOLVING DIRECTORS'/MAJOR SHAREHOLDERS' INTERESTS

During the financial year, the Company did not enter into any material contract involving Directors'/major shareholders' interests.

REVALUATION POLICY

The Group revalues its properties once in every five (5) years. The Group's properties were not revalued during the financial year ended 31 May 2006.

Additional Information

in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad

RECURRENT RELATED PARTY TRANSACTIONS (“RRPT”)

Details of the RRPT entered into during the financial year in accordance with the shareholders’ mandate obtained in the last annual general meeting of the Company are as follows :

Related Party	Nature of Transaction	Interested directors, major shareholders and connected persons	Value of RRPT (RM)
Pacific & Orient Insurance Co. Berhad	Purchase of general insurance	Pacific & Orient Berhad Chan Thye Seng	594,000
MSTi Corporation Sdn Bhd and its subsidiaries namely: - i-Enterprise Online.com Sdn Bhd - HSO Business Systems Sdn Bhd	Purchase of computer hardware/ software and receiving of IT related consultancy services Provision of management services by holding company	Dato’ Siew Nim Chee Dato’ Siew Ka Wei Siew Ka Kheong Datin Young Ka Mun Quek Lay Kheng Silver Dollars Sdn Bhd Siew Nim Chee & Sons Sdn Bhd	1,072,976 Nil
Perusahaan Kimia Gemilang Sdn Bhd	Provision of freight/ shipping services Provision of transportation services Provision of storage Purchase of industrial chemical products	Dato’ Johari Razak	} 3,953,066 1,678,018 52,250

List Of Properties

as at 31 May 2006

Location	Tenure	Land Area	Descriptions	Net Book Value As At 31 May 2006 (RM'000)	Date of Revaluation
Ancom Berhad					
1. Q.T.(R) 4353 Mukim of Damansara Daerah Klang, Selangor	Unexpired leasehold interest of 62 years (Expiring on 20 April 2068)	2.22 hectares	Office and factory buildings Age of buildings : approximately 36 years	11,946	18 May 2005
2. P.T. 4227 Mukim of Kapar Daerah Klang, Selangor	Unexpired leasehold interest of 80 years (Expiring on 9 June 2086)	2.52 hectares	Office and factory buildings Age of buildings : approximately 15 years	5,940	18 May 2005
OrganiGro Sdn Bhd					
1. P.T. 2978 Mukim of Chuping, Perlis and Part of P.T.1113 Mukim of Chuping, Perlis	Unexpired leasehold interest of 52 years (Expiring on 7 February 2059) Unexpired leasehold interest of 40 years (Expiring on 22 November 2046)	0.81 hectare 0.08 hectare	Office and factory buildings Age of buildings : approximately 4 years	3,334 (Building only)	18 May 2005
Ancom Energy & Services Sdn Bhd					
1. Lot 153, Section 5, Phase 2B, Pulau Indah Industrial Park West Port, Selangor	Unexpired leasehold interest of 92 years (Expiring on 5 March 2099) (Land held under Master Title P.N.7938, Lot 74075)	0.22 hectare	Office and factory buildings Age of buildings : approximately 4 years	1,306	18 May 2005
2. Lot 140, Section 4, Phase 2B, Pulau Indah Industrial Park West Port, Selangor	Unexpired leasehold interest of 95 years (Expiring on 25 July 2101) (Land held under Master Title P.N.7938, Lot 74075)	0.22 hectare	Vacant land	445	18 May 2005
Akra Engineering Sdn Bhd					
1. Lot 118, Senawang Industrial Estate, Seremban, Negeri Sembilan	Unexpired leasehold interest of 66 years (Expiring on 22 March 2073)	0.81 hectare	Office with covered workshop Age of building : approximately 31 years	2,731	18 May 2005
Ancom-ChemQuest Terminals Sdn Bhd					
1. Jeti Petrokimia, Pelabuhan Barat Pelabuhan Klang Selangor	Unexpired lease period of 18 years (Expiring on 31 August 2024)	N/A	Office and warehouse Age of building : approximately 9 years	543 (Building only)	N/A

List Of Properties

as at 31 May 2006

Location	Tenure	Land Area	Descriptions	Net Book Value As At 31 May 2006 (RM'000)	Date of Revaluation
SM Integrated Transware Pte Ltd					
1. 32 Tanjong Penjur Singapore 609028	Unexpired lease period of 41 years (Expiring on 30 June 2047)	N/A	Office and warehouse Age of building : approximately 19 years	18,887 (S\$8,202,000) (Building only)	N/A
2. 52 Tanjong Penjur Singapore 609034	Unexpired lease period of 3 years (Expiring on 30 June 2009)	N/A	Warehouse and yard Age of building : approximately 27 years	811 (S\$352,000) (Building only)	N/A
3. 7 Kwong Min Road Singapore 628710	Unexpired lease period of 22 years (Expiring on 30 July 2028)	N/A	Office and warehouse Age of building : approximately 5 years	6,878 (S\$2,987,000) (Building only)	N/A
Syarikat Wandeerfull Sdn Bhd					
1. Apartment 8E Kayangan Apartments Genting Highlands, Pahang	Freehold	190 sq.m.	Apartment Age of building : approximately 27 years	220	N/A
2. Shoplot No. 1.30 First Floor, Wisma Cosway Kuala Lumpur	Freehold	40 sq.m.	Shoplot Age of building : approximately 30 years	150	N/A
3. Geran 11679, Lot 40268 Mukim of Batu Daerah Wilayah Persekutuan	Freehold	597 sq.m.	Vacant land	20	N/A
Nylex (Malaysia) Berhad					
1. Q.T.(R) 32 Persiaran Selangor, Section 15 Shah Alam Industrial Estate Shah Alam, Selangor	Unexpired leasehold interest of 64 years (Expiring on 19 July 2070)	2.93 hectares	Office and factory buildings Age of buildings : approximately 35 years	28,463	18 May 2005
2. H.S.(D) 209 Persiaran Selangor, Section 15 Shah Alam Industrial Estate Shah Alam, Selangor	Unexpired leasehold interest of 68 years (Expiring on 10 February 2075)	1.21 hectares	Warehouse, factory and buildings Age of buildings : approximately 26 years		18 May 2005
Fermpro Sdn Bhd					
1. H.S.(M) 748, Lot 1113 Mukim of Chuping, Perlis	Unexpired leasehold interest of 48 years (Expiring on 22 November 2046)	1.62 hectares	Office and factory buildings Age of buildings : approximately 18 years	2,069	18 May 2005
2. H.S.(M) 1804, P.T. 2977 Mukim of Chuping, Perlis	Unexpired leasehold interest of 52 years (Expiring on 7 February 2059)	2.43 hectares	Spent molasses treatment pond	1,155	18 May 2005
3. H.S.(M) 1803 P.T. 2978 Mukim of Chuping, Perlis and Part of P.T. 1113 Mukim of Chuping, Perlis	Unexpired leasehold interest of 52 years (Expiring on 7 February 2059) Unexpired leasehold interest of 40 years (Expiring on 22 November 2046)	0.81 hectare 0.08 hectare	Office and factory buildings Age of buildings : approximately 4 years	486 (Building only)	18 May 2005

List Of Properties

as at 31 May 2006

Location	Tenure	Land Area	Descriptions	Net Book Value As At 31 May 2006 (RM'000)	Date of Revaluation
Perusahaan Kimia Gemilang Sdn Bhd					
1. Lot 1506 & 1507, Mukim 12 Seberang Perai Selatan Pulau Pinang	Freehold	0.12 hectare	1½ storey semi-detached factory Age of building : approximately 12 years	583	18 May 2005
2. PT 4228 Mukim of Kampar Daerah Klang, Selangor	Unexpired leasehold interest of 80 years (Expiring on 9 June 2086)	2.85 hectares	Office and warehouse Age of building : approximately 15 years	6,838	18 May 2005
Nylex Specialty Chemicals Sdn Bhd					
1. H.S.(M) 5507 PT 593, Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang	Unexpired leasehold interest of 68 years (Expiring on 1 September 2074)	0.87 and hectare	Warehouse, factory office buildings Age of buildings : approximately 31 years	2,646	18 May 2005
2. H.S.(M) 6588 PT 624, Persiaran Raja Lumu Pandamaran Industrial Estate Port Klang	Unexpired leasehold interest of 70 years (Expiring on 19 February 2076)	0.83 hectare	Warehouse, factory and office buildings Age of buildings : approximately 29 years	4,024	18 May 2005
Tamco Corporate Holdings Berhad ("TCH")					
1. H.S.(D) 7524 2A, Jalan 13/2 Petaling Jaya, Selangor	Unexpired leasehold interest of 99 years (Expiring in 2105) Note 1	1.31 hectares	Office and factory buildings Age of buildings : approximately 21 to 31 years	18,246	18 May 2005
2. H.M.30892 Lot 24 Mukim of Kapar Daerah Klang, Selangor	Freehold	2.75 hectares	Office and factory buildings Age of buildings : approximately 14.5 years	18,006	18 May 2005
Tamco Shanghai Switchgear Company Ltd ("TSS")					
1. 1997-000180 & 1997-000181 You Ai Village Tangwan Town Minhang District Shanghai, China	Unexpired leasehold interest of 39 years (Expiring on 2 October 2045) Note 2	3.34 hectares	Official and factory buildings Age of buildings : approximately 13 years	7,648	31 January 1997 Note 3

Note 1

On 18 April 2006, TCH has obtained approval from the relevant authorities to extend the lease period for another 99 years from the date of approval.

Note 2

During the financial year, TSS has entered into an agreement with Wujing Town Development office to relocate its plant to a new premise. TSS would receive Chinese Renmibi ("RMB") 26 million (or approximately RM11.7 million based on exchange rate of RMB2.2115 : RM1.00) as compensation for the relocation.

Note 3

Date of Acquisition.

Analysis of Shareholdings

as at 8 September 2006

No. of Holders of Each Class of Equity Securities

Class of securities	:	Ordinary shares of RM1 each ("Share(s)")
Total no. issued	:	201,856,767
No. of holders	:	10,296
Voting rights	:	One vote per Share on a poll
	:	One vote per shareholder on a show of hands

Class of securities	:	Three (3)-Year Warrants 2005/2008 of RM0.02 each ("Warrant(s)")
Total no. issued/unexercised	:	97,771,983
Exercise period	:	23/06/2005 – 22/06/2008
Exercise price	:	RM1 each
Exercise rights	:	Each Warrant entitles the holder to subscribe for one new Share at the Exercise Price at any time during the Exercise Period
No. of holders	:	2,654
Voting rights	:	One vote per Warrant on a poll
	:	One vote per warrant holder on a show of hands
		} In the meeting of warrant holders

Distribution Schedule

	No. of Holders	Total Holdings	%
Shares			
Less than 100	264	13,855	0.00
100 to 1,000	513	311,899	0.17
1,001 to 10,000	7,632	28,133,783	14.98
10,001 to 100,000	1,760	43,621,669	23.23
100,001 to less than 5% of issued Shares	125	87,453,534	46.58
5% and above of issued Shares	2	28,229,324	15.04
	10,296	187,764,064	100.00
Treasury Shares	-	14,092,703	-
	10,296	201,856,767	100.00
Warrants			
Less than 100	81	4,165	0.00
100 to 1,000	280	243,174	0.25
1,001 to 10,000	1,594	7,019,699	7.18
10,001 to 100,000	591	18,559,889	18.98
100,001 to less than 5% of issued Warrants	106	51,047,748	52.21
5% and above of issued Warrants	2	20,897,308	21.38
	2,654	97,771,983	100.00

Analysis of Shareholdings

as at 8 September 2006

Substantial Holders

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Shares				
Dato' Siew Ka Wei	12,980,730	6.91	14,438,408 ^(a)	7.69
Pacific & Orient Berhad	17,249,233	9.18	5,250,000 ^(b)	2.80
Chan Thye Seng	-	-	23,624,194 ^(c)	12.59
Lembaga Tabung Haji	10,117,630	5.39	-	-
Warrants				
Dato' Siew Ka Wei	3,940,300	4.03	16,164,713 ^(a)	16.53
Siew Nim Chee & Sons Sdn Bhd	14,272,692	14.60	-	-
Pacific & Orient Berhad	6,624,616	6.78	-	-
Chan Thye Seng	-	-	6,624,616 ^(c)	6.78

Note :

- (a) Held through Silver Dollars Sdn Bhd, Siew Nim Chee & Sons Sdn Bhd, Siew Ka Kheong, Datin Young Ka Mun and Quek Lay Kheng.
- (b) Held through Pacific & Orient Insurance Co. Berhad, a wholly-owned subsidiary of Pacific & Orient Berhad.
- (c) Deemed interest by virtue of his shareholding in Pacific & Orient Berhad.

Directors' Holdings

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Shares				
Dato' Johari Razak	586,121	0.31	-	-
Dato' Siew Ka Wei	12,980,730	6.91	14,438,408 ^(a)	7.69
Professor Tan Sri Dato' Dr Lin See Yan	157,500	0.08	-	-
Chan Thye Seng	-	-	23,624,194 ^(b)	12.59
Warrants				
Dato' Johari Razak	377,705	0.39	-	-
Dato' Siew Ka Wei	3,940,300	4.03	16,164,713 ^(a)	16.53
Chan Thye Seng	-	-	6,624,616 ^(b)	6.78

Note :

- (a) Held through Silver Dollars Sdn Bhd, Siew Nim Chee & Sons Sdn Bhd, Siew Ka Kheong, Datin Young Ka Mun and Quek Lay Kheng.
- (b) Deemed interest by virtue of his shareholding in Pacific & Orient Berhad.

Analysis of Shareholdings

as at 8 September 2006

Thirty Largest Holders as Per Record of Depositors

(Without aggregating securities from different securities accounts belonging to the same person)

Shares

Name	No. of Shares	%
1. Pacific & Orient Berhad	13,213,444	7.037
2. Lembaga Tabung Haji	10,117,630	5.388
3. Lim Chui Kui @ Lim Chooi Kui	6,805,946	3.625
4. Mayban Nominees (Asing) Sdn Bhd - <i>Sword Investments Private Limited</i>	6,802,162	3.623
5. HDM Nominees (Tempatan) Sdn Bhd - <i>HDM Capital Sdn Bhd for Siew Ka Wei</i>	6,288,765	3.349
6. Pacific & Orient Berhad	4,898,250	2.609
7. Malaysia Nominees (Tempatan) Sendirian Berhad - <i>Silver Dollars Sdn Bhd</i>	4,502,556	2.398
8. Malaysia Nominees (Tempatan) Sendirian Berhad - <i>Siew Nim Chee & Sons Sdn Bhd</i>	4,248,874	2.263
9. Pacific & Orient Insurance Co Berhad	3,625,650	1.931
10. EB Nominees (Tempatan) Sendirian Berhad - <i>E & O Developers Sdn Bhd</i>	3,470,250	1.848
11. Southern Nominees (Tempatan) Sdn Bhd - <i>Domestic Star Sdn Bhd</i>	3,465,000	1.845
12. ECM Libra Securities Nominees (Tempatan) Sdn Bhd - <i>ECM Libra Partners Sdn Bhd for Siew Ka Wei</i>	3,323,775	1.770
13. HDM Nominees (Tempatan) Sdn Bhd - <i>HDM Capital Sdn Bhd for Siew Nim Chee & Sons Sdn Bhd</i>	3,150,000	1.678
14. Malaysia Nominees (Tempatan) Sendirian Berhad - <i>Tan Sri Dato' Thong Yaw Hong</i>	2,362,500	1.258
15. Southern Investment Bank Berhad - <i>Employee's Provident Fund</i>	2,280,765	1.215
16. EB Nominees (Tempatan) Sendirian Berhad - <i>Eastern & Oriental Berhad</i>	1,735,125	0.924
17. Chua Ching Geh	1,612,327	0.859
18. Pacific & Orient Insurance Co Berhad	1,510,425	0.804
19. Kam Loong Mining Sdn Bhd	1,428,045	0.761
20. Malaysia Nominees (Tempatan) Sendirian Berhad - <i>Siew Ka Wei</i>	1,227,425	0.654
21. Quek Lay Kheng	1,138,150	0.606
22. Public Nominees (Tempatan) Sdn Bhd - <i>William Chung Thin Seng</i>	967,627	0.515
23. Astro (M) Sdn Bhd	906,648	0.483
24. Mayban Nominees (Asing) Sdn Bhd - <i>Baxterley Holdings Private Limited</i>	881,212	0.469
25. Ng Wing Kong	748,571	0.418
26. TA Nominees (Tempatan) Sdn Bhd - <i>Zulfadzli bin Mohd Yusoff</i>	721,350	0.384
27. Tan Aik Kuai	652,050	0.347
28. Thong Yaw Hong	618,975	0.330
29. Eu Sim Chuan @ Eu Sam Yan	596,229	0.318
30. Cimsec Nominees (Tempatan) Sdn Bhd - <i>CIMB Bank for Ahmad Johari bin Tun Abdul Razak</i>	586,121	0.312
Total	93,885,847	50.021

Analysis of Shareholdings

as at 8 September 2006

Thirty Largest Holders as Per Record of Depositors

(Without aggregating securities from different securities accounts belonging to the same person)

Warrants

Name	No. of Shares	%
1. TA Nominees (Tempatan) Sdn Bhd - <i>Siew Nim Chee & Sons Sdn Bhd</i>	14,272,692	14.598
2. Pacific & Orient Berhad	6,624,616	6.776
3. Mayban Nominees (Asing) Sdn Bhd - <i>Sword Investments Private Limited</i>	3,220,750	3.294
4. OSK Nominees (Asing) Sdn Berhad - <i>DMG & Partners Securities Pte Ltd for Saw Joo Suan</i>	2,655,800	2.716
5. HDM Nominees (Tempatan) Sdn Bhd - <i>HDM Capital Sdn Bhd for Siew Ka Wei</i>	2,494,650	2.551
6. Lim Chui Kui @ Lim Chooi Kui	2,340,927	2.394
7. Ho Yip Yin	2,251,500	2.303
8. Chua Ching Geh	2,217,775	2.268
9. Lim Seng Choy	2,059,800	2.107
10. Ku Lian Sin	1,512,600	1.547
11. Malaysia Nominees (Tempatan) Sendirian Berhad - <i>Silver Dollars Sdn Bhd</i>	1,510,741	1.545
12. Southern Investment Bank Berhad - <i>Employee's Provident Fund</i>	1,445,650	1.479
13. Lim Phee Lin	1,210,000	1.238
14. TCL Nominees (Tempatan) Sdn Bhd - <i>Pua Lay Tee</i>	1,125,000	1.151
15. Thew Lew @ Teo Gek	1,105,000	1.130
16. HSBC Nominees (Asing) Sdn Bhd - <i>Exempt An for Royal Bank of Canada (Asia) Limited</i>	1,000,000	1.023
17. TA Nominees (Tempatan) Sdn Bhd - <i>Zulfadzli bin Mohd Yusoff</i>	1,000,000	1.023
18. Liong Teck Sin	835,000	0.854
19. CitiGroup Nominees (Tempatan) Sdn Bhd - <i>Chong Chee Ken</i>	752,000	0.769
20. Lim Li Li	700,000	0.716
21. Mayban Nominees (Tempatan) Sdn Bhd - <i>Lim Shew Poh</i>	633,200	0.648
22. Mak Ngia Ngia @ Mak Yoke Lum	540,000	0.552
23. Mak Ngia Ngia @ Mak Yoke Lum	540,000	0.552
24. Cheah Kuan Beng	507,000	0.519
25. Tan Poh Suat	501,000	0.512
26. Chua Eng Ho Wa'a @ Chua Eng Wah	500,000	0.511
27. CitiGroup Nominees (Tempatan) Sdn Bhd - <i>Mok Wan Seng</i>	500,000	0.511
28. Hau Beng Han	500,000	0.511
29. Yap Sook Chin	500,000	0.511
30. Tham Kum Thoung	460,000	0.471
Total	55,515,701	56.780

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 37th Annual General Meeting of the Company will be held at Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No. 2 Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, on Tuesday, 31 October 2006 at 2.30 p.m. to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS

1. To receive the audited financial statements of the Company and of the Group, reports of the Directors and the Auditors thereon for the financial year ended 31 May 2006; (Please refer Explanatory Note 1)
2. To approve the distribution of a share dividend of 1 treasury share for every 20 existing ordinary shares of RM1 each held, fractions of treasury shares to be disregarded, in respect of the financial year ended 31 May 2006; [Resolution 1]
3. To approve Directors' fees for the financial year ended 31 May 2006; [Resolution 2]
4. To re-elect the following Directors who retire pursuant to Article 81 of the Company's Articles of Association:
 - 4.1 Dato' Johari Razak [Resolution 3]
 - 4.2 Dato' Siew Ka Wei [Resolution 4]
5. To re-appoint Dato' Siew Nim Chee, a Director who retires pursuant to Section 129 of the Companies Act, 1965 to hold office until the next annual general meeting of the Company; [Resolution 5]
6. To re-appoint BDO Binder as Auditors of the Company and to authorise the Board of Directors to fix their remuneration; [Resolution 6]

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

7. Proposed Issuance Of New Ordinary Shares Of RM1 Each Pursuant To Section 132D of the Companies Act, 1965

"THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue new ordinary shares of RM1 each in the Company from time to time and upon such terms and conditions to such persons and for such purposes as the Directors may deem fit provided that the aggregate number of new ordinary shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued share capital of the Company and that such authority shall commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company AND THAT the Directors are further authorised to make such applications to Bursa Malaysia Securities Berhad and to do all such things and upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company for the listing of and quotation for the new ordinary shares to be issued pursuant to this resolution."

[Resolution 7]
8. Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature ("Proposed RRPT Mandate Renewal")

"THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the Company shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature and with those related parties as specified in Section 2.3 of Part A of the Circular to Shareholders dated 9 October 2006 subject further to the following:

 - (i) that the transactions are in the ordinary course of business, made on arm's length and on normal commercial terms and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders;
 - (ii) that disclosure is made in the annual report a breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year with particulars of the types of transactions made and the names of the related parties involved in each type of transactions made and their relationships with the Company and that such approval shall unless revoked or varied by an ordinary resolution by the shareholders of the Company in general meeting commence upon the passing of this resolution and shall remain valid until the conclusion of the next annual general meeting of the Company or after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act ; and

Notice of Annual General Meeting

(iii) that the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.”

[Resolution 8]

9. Proposed Renewal Of Shareholders' Mandate To Purchase Ancom Berhad's Own Shares ("Proposed SBB Mandate Renewal")

“THAT subject to the provisions of the Companies Act, 1965 (“Act”), the Articles of Association of the Company, the regulations and guidelines issued from time to time by Bursa Malaysia Securities Berhad (“Bursa Securities”) or any other regulatory authorities, the Directors be and are hereby authorised to utilise an amount not exceeding the total audited share premium and retained profits of the Company as at 31 May 2006 of RM9,060,000 and RM22,177,000 respectively to purchase such number of ordinary shares of the Company provided that the ordinary shares so purchased shall [in aggregate with the treasury shares as defined under section 67A of the Act (“Treasury Shares”) then still held by the Company] not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company for the time being AND THAT such authority shall commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting AND THAT the Directors may cancel the ordinary shares so purchased or to retain same as Treasury Shares and may distribute the Treasury Shares as share dividend or may resell same in a manner they deem fit and expedient as prescribed by the Act and the applicable regulations and guidelines of Bursa Securities and any other relevant authorities for the time being in force AND THAT authority be and is hereby given to the Directors to take all such steps to implement, finalise and to give effect to the aforesaid transactions with full power to assent to any conditions modifications variations and amendments as may be imposed by the relevant authorities and to do all such acts and things and upon such terms and conditions as the Directors may in their discretion deem fit and expedient in the best interest of the Company in accordance with the aforesaid Act, regulations and guidelines.”

[Resolution 9]

OTHER BUSINESS

10. Other Ordinary Business

To transact any other business that may be transacted at an annual general meeting of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By order of the Board,

CHOO SE ENG
WONG WEI FONG
Secretaries

Petaling Jaya
9 October 2006

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote for him. A proxy may but need not be a member of the Company.
2. In the case of a corporate shareholder, the instrument appointing a proxy shall be under its Common Seal or its attorney.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 14, Uptown 1, No.1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting.

Notice of Annual General Meeting

EXPLANATORY NOTES

1. Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval by the shareholders for the audited financial statements and hence, is not put forward for voting.

2. Item 7 of the Agenda

Resolution 7 proposed under item 7 of the Agenda, if passed, will give the Directors authority to issue and allot new ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the shareholders of the Company at a general meeting, expire at the next annual general meeting.

3. Item 8 of the Agenda

Resolution 8 proposed under item 8 of the Agenda, if passed, will give the Company authority to enter into recurring transactions of a revenue or trading nature with its related parties as defined in the Listing Requirements of Bursa Malaysia Securities Berhad. This authority will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the shareholders of the Company at a general meeting, expire at the next annual general meeting.

4. Item 9 of the Agenda

Resolution 9 proposed under item 9 of the Agenda, if passed, will give the Directors authority to purchase and/or hold up to 10% of the total issued and paid-up share capital of the Company for the time being. This authority will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the shareholders of the Company at a general meeting, expire at the next annual general meeting.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

1. The venue, date and time of the Company's 37th Annual General Meeting are as follows:

Venue : Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya
No. 2 Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Date : Tuesday, 31 October 2006
Time : 2.30 p.m.

2. The name of Directors who are standing for re-election at this Annual General Meeting:

(i) Under Article 81 of the Company's Articles of Association:

- Dato' Johari Razak
- Dato' Siew Ka Wei

(ii) Under Section 129 of the Companies Act, 1965:

- Dato' Siew Nim Chee

3. The attendance record at Board Meetings and other details of the above named Directors required under Appendix 8A of the Listing Requirements of Bursa Malaysia Securities Berhad can be found in pages 21 to 25 and pages 10 to 12 in the Company's Annual Report 2006.

**ANCOM BERHAD**(Company No: 8440-M)
(Incorporated in Malaysia)**FORM OF PROXY**

CDS A/C No.
No. of shares held

I/We _____
(Full Name In Block Letters)of _____
(Full Address)

being (a) member(s) of ANCOM BERHAD, hereby appoint(s) _____

_____ of _____ or

(Full Address)

_____ of _____ or

(Full Address)

failing *him / her, the Chairman of the Meeting as *my / our proxy to attend and to vote for me / us on my / our behalf at the 37th Annual General Meeting of the Company to be held at Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No. 2 Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, on Tuesday, 31 October 2006 at 2.30 p.m. or any adjournment thereof and to vote as indicated below -

Item	Agenda	Resolution	For	Against
1.	To receive audited financial statements and the reports thereon.			
2.	To approve the distribution of share dividend.	1		
3.	To approve Directors' fees.	2		
4.	To re-elect the following retiring Directors who retire pursuant to Article 81 of the Company's Articles of Association :			
	Dato' Johari Razak	3		
	Dato' Siew Ka Wei	4		
5.	To re-appoint Dato' Siew Nim Chee, a Director who retires pursuant to Section 129 of the Companies Act, 1965 to hold office until the next annual general meeting.	5		
6.	To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.	6		
7.	To approve the issue of new ordinary shares pursuant to Section 132D of the Companies Act, 1965.	7		
8.	To approve the renewal of recurring related party transaction mandate.	8		
9.	To approve the renewal of share buy-back mandate.	9		

(Please indicate with "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.)

Dated this _____ day of October 2006

[Signature / Common Seal of shareholder(s)]

Telephone no. during office hours : _____

[*Delete if not applicable]

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote for him. A proxy may but need not be a member of the Company.
2. In the case of a corporate shareholder, the instrument appointing a proxy shall be under its Common Seal or its attorney.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 14, Uptown 1, No.1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting.

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AFFIX
STAMP

ANCOM BERHAD
(Company No. : 8440-M)
Registered Office :
c/o PFA Corporate Services Sdn Bhd
Level 14, Uptown 1,
No. 1 Jalan SS21/58,
Damansara Uptown,
47400 Petaling Jaya,
Selangor Darul Ehsan
Malaysia

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