

C o n t e n t s

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Halim & Mazmin: The Seeds of Success

Halim Mazmin Berhad ("HMB") traces its roots back to 22 years ago when the dawn of the nation's offshore oil and gas industries opened opportunities for local companies to engage in ship agency and husbanding services.

Swiftly emerging as the country's largest ship agency for tankers of world's oil majors calling at local ports, soon the foundation for shipowning for HMB was laid.

HMB, which started off as a joint endeavour between Tan Sri Dato' Halim Mohammad, and his wife, Puan Sri Datin Mazmin Noordin, is now a leading player in the Malaysian shipping industry, offering excellent and quality service to its customers.

Right on course, the path to progress of HMB received a further boost with its transfer to the Main Board of the Kuala Lumpur Stock Exchange ("KLSE") on 17 January 2002.

mission statement

To own, operate ships and engage in shipping and related synergistic activities consistent with our aspiration to be a reputable, profitable and a Company excelling to international standards and upholding universal values in business practice



corporate goals

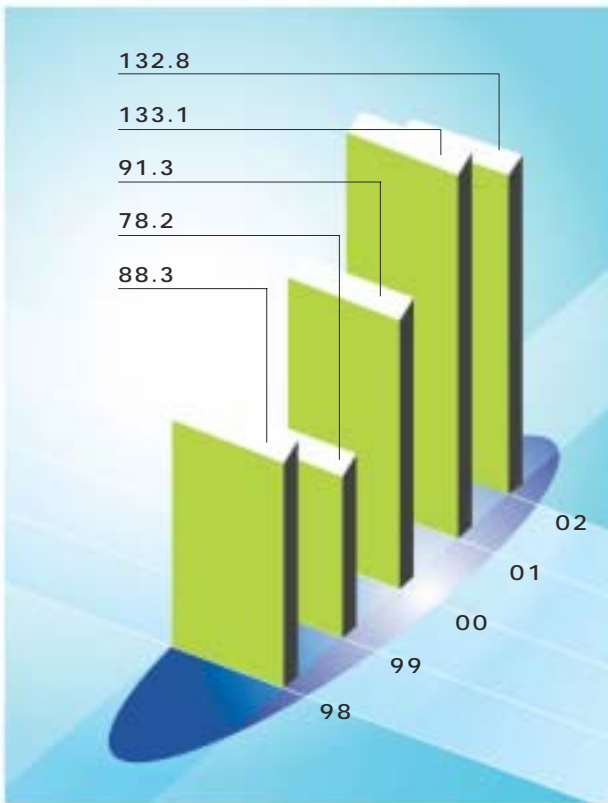
- To ensure financial sustainability and stability in the performance of the Company.
- To ensure good shareholders' value and stable returns on investment.
- To constantly seek to enhance staff skill, expertise, professionalism and motivation.

corporate values

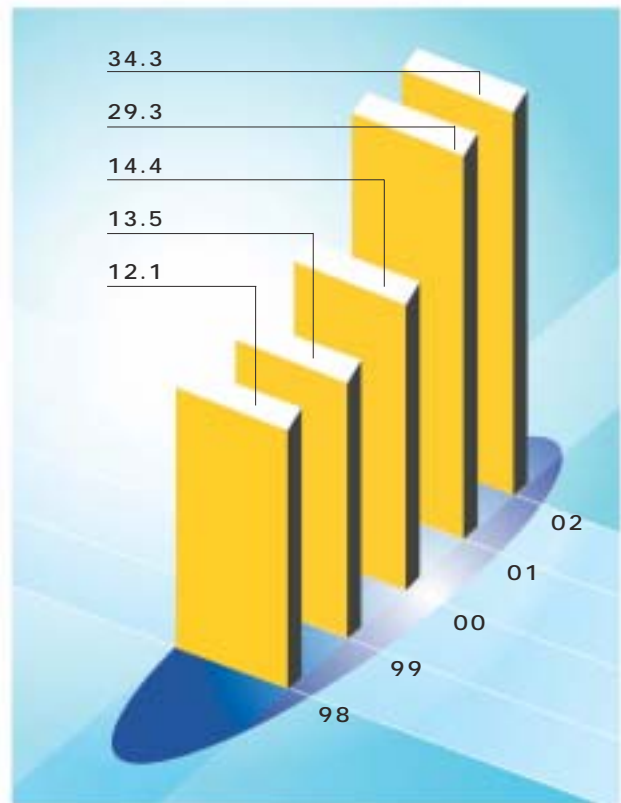
- To uphold the principle that the needs and interests of the clients always come first.
- To maintain a strong tradition and culture of excellence in our work by adopting standards and services that are hallmarks of professionalism.
- To adopt a strategic partnership approach with our clients and business associates that rewards all in an open, equitable and forthright manner.
- To ensure sustainability of the Company by constantly looking for opportunities and business activities that are viable and synchronistic with our core competencies.
- To promote good corporate citizenry and contribute towards fulfillment of national objectives and aspirations in the making of a maritime Malaysia.

Five-year Financial Highlights

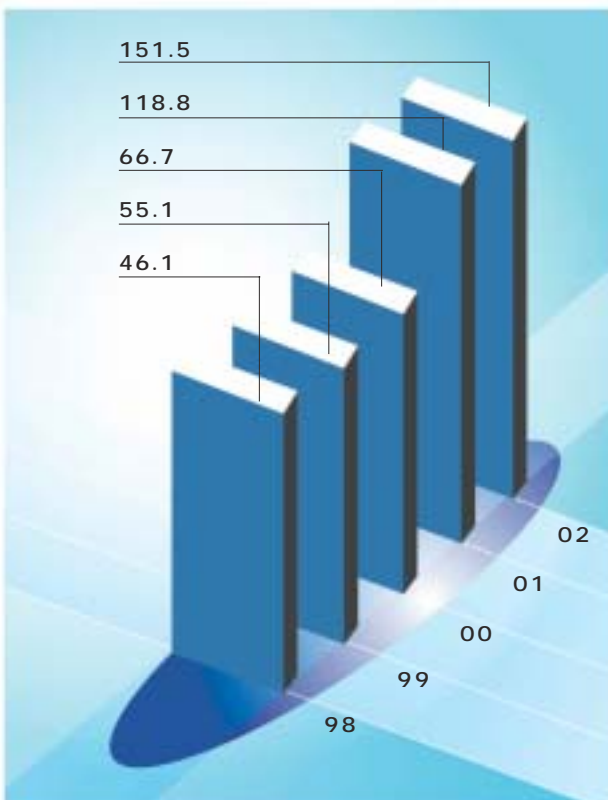
Turnover (RM Million)



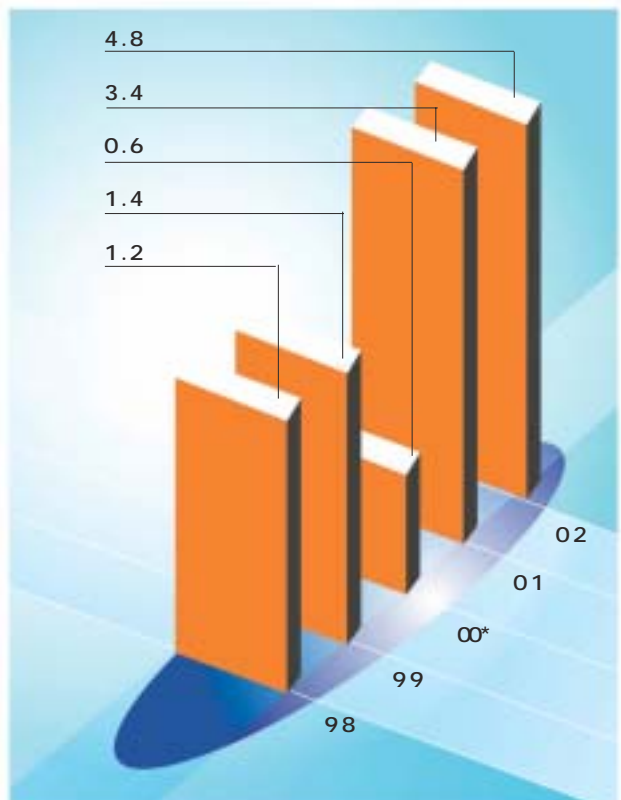
Profit After Tax (RM Million)



Shareholders' Funds (RM Million)



Dividends (RM Million)



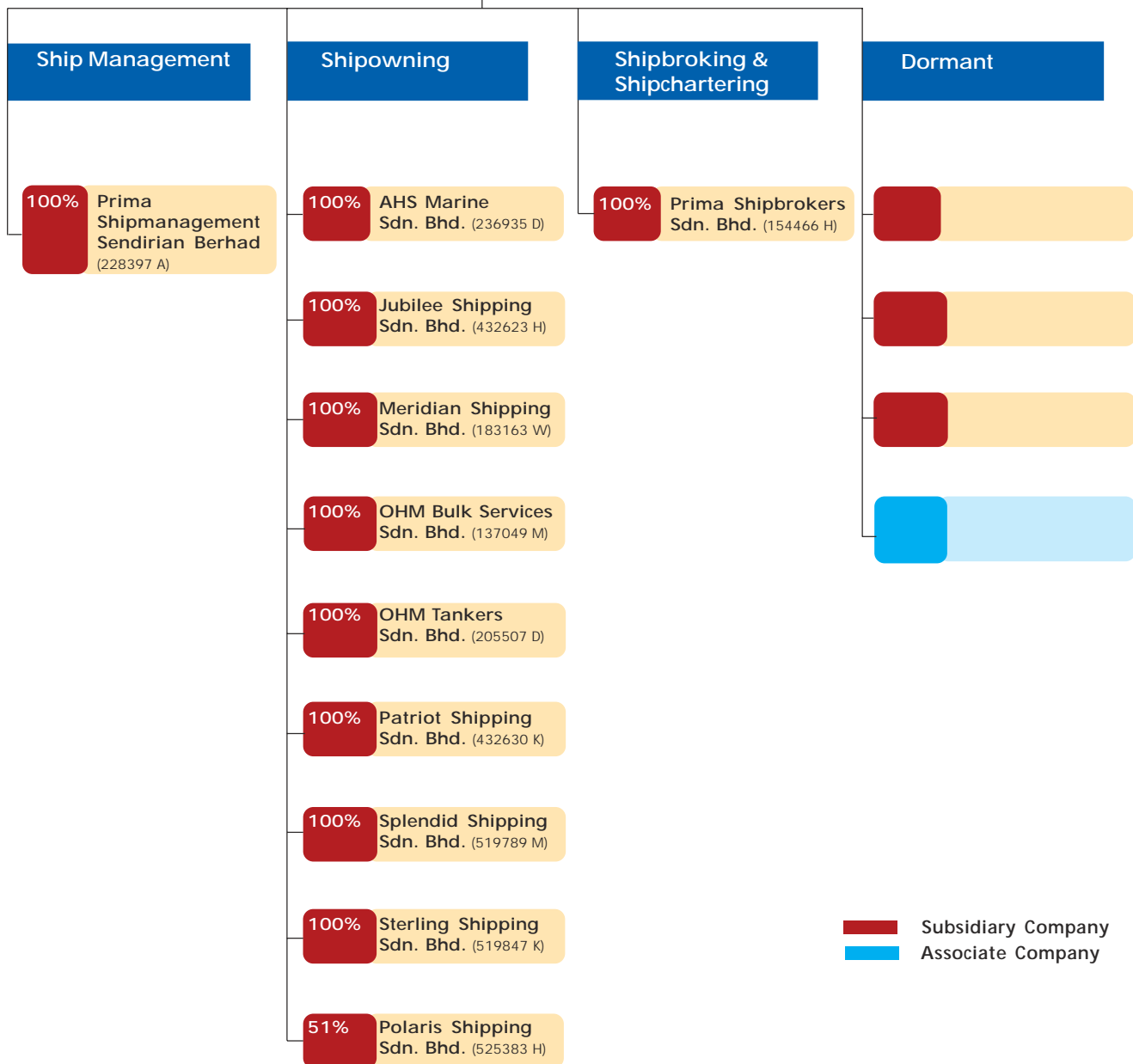
* Bonus issue of 3 for 2 was declared

Group Corporate Structure



HALIM MAZMIN BERHAD

(330620 F)



Corporate Governance Statement

The Board of Directors ("the Board") of Halim Mazmin Berhad ("the Company") recognizes that the implementation of sound corporate governance in conducting the business and affairs of the Company are vital for its continued progress and success. The Board therefore is committed to supporting the best practices in corporate governance and playing a primary role in ensuring that highest standards of corporate governance are being practiced. Necessary steps are being taken to implement the corporate governance pursuant to the Malaysian Code on Corporate Governance ("the Code") which was formalised in March 2001.

The corporate governance principles and practices that were in place during the financial year ended 31 December 2002 are set out below:-

A. THE BOARD OF DIRECTORS

i. Duties of Board of Directors

The Group is headed by an effective Board which leads and controls the activities of the Group. The Board of Directors has overall responsibility for corporate governance, strategic planning, formulation of policies and overseeing the investments and business of the Company.

ii. Board meeting

The Board meets at least four (4) times a year, with additional meetings convened as necessary. During the financial year, the Board met four (4) times on 19 February 2002, 20 May 2002, 28 August 2002 and 28 November 2002.

| Name | No of meetings Attended |
|--|-------------------------|
| Tan Sri Dato' Halim Bin Mohammad | 4/4 |
| Puan Sri Datin Mazmin Binti Noordin | 3/4 |
| Tan Sri Datuk Abdul Aziz Bin Ismail | 4/4 |
| Dato' Seri Haji Sulaiman Bin Mohd Amin | 4/4 |
| Dato' Edris @ Idris Bin Haji Wahed | 4/4 |
| Tuan Haji Mazlan Bin Nordin | 4/4 |
| Mr Patrick Lim Keng Lee | 4/4 |
| Mr Ee Beng Wat | 4/4 |

iii. Board composition

The Board currently has eight (8) members comprising the Executive Chairman who is also the Managing Director, Deputy Chairman, Executive Director, four (4) Independent Non-Executive Directors and one (1) Non Independent Non-Executive Director. The Board has identified Tan Sri Datuk Abdul Aziz Bin Ismail as the Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed.

The profiles of the Board members are set out in this Annual Report on page 11 to 14.

The presence of five (5) Independent Non-Executive Directors out of eight (8) Directors fulfill a pivotal role in corporate accountability by providing a broader view, independent and balanced assessment of proposals from Executive Directors and the management team of the Company. Although all the Directors have an equal responsibility for the Company's operations, the role of these Independent Non-Executive Directors is particularly important as they provide unbiased and independent views, advice and judgment.

iv. Appointment and Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by the shareholders at the Annual General Meeting ("AGM") subsequent to their appointment.

The Articles of Association of the Company provides that at least one third of the remaining Directors are subject to re-election by rotation at each AGM. In compliance with paragraph 7.28 of the KLSE Listing Requirements, the Company has changed the respective provision to provide for all Directors to retire from office at least once in every three (3) years but they shall be eligible for re-election.

v. Supply of information to the Board

All Directors are provided with an agenda and a set of Board papers at least seven (7) days prior to Board Meetings. They are issued in sufficient time to enable the Directors to obtain further explanation/clarification, where necessary, in order to be properly briefed before the meetings.

All Directors have access to the advice and services of the Company Secretary and all information within the Company. Where necessary, the Directors may engage independent professionals for advice on specialised issues at the Company's expense to enable them to discharge their duties with full knowledge of the cause and effect.

vi. Directors' training

All Directors have attended and completed the KLSE's Mandatory Accreditation Programme ("MAP") conducted by the Research Institute of Investment Analysts Malaysia ("RIIAM"), an affiliate of the KLSE.

B. BOARD COMMITTEES

i. Audit committee

The audit committee consists of four (4) members, out of which three (3) are Independent Non-Executive Directors with one (1), a member of the Malaysian Institute of Accountants. This is in compliance with the KLSE's Listing Requirements.

The main objectives of the Audit Committee, its terms of reference are as detailed in page 15 to 17 of the Annual Report.

ii. Nomination committee

The Board is involved in the process of assessing existing Directors and identifying, nominating, recruiting, appointing and orientating new Directors.

The Board itself currently functions as a nomination committee until such time that the size of the board justifies the establishment of an independent nomination committee.

iii. Remuneration committee

The Board presently decides on the remuneration policy and terms and conditions of service for the Group.

The Board itself currently functions as a remuneration committee. As described above, the Board shall establish an independent remuneration committee at such time that it views as suitable.

C. DIRECTORS' REMUNERATION

The Board as a whole, determines the remuneration of each Director. The remuneration of each Directors reflects the level of responsibility and commitment which goes with the Board membership. Directors' fees are approved by the shareholders at the AGM based on the recommendation from the Board. The Company reimburses reasonable expenses incurred by the Directors in the course of their duties as Directors.

The aggregate remuneration of the Directors categorized into appropriate components is as follows:-

| Category | Fees (RM) | Salaries (RM) | Other Allowances (RM) |
|-------------------------|-----------|---------------|-----------------------|
| Executive Directors | - | 519,672 | 441,423 |
| Non-Executive Directors | - | - | - |
| Total | - | 519,672 | 441,423 |

The remuneration of the Directors, analysed into the following bands, is as follows:-

| Range of remuneration | Number of Directors | |
|------------------------|---------------------|---------------|
| | Executive | Non-Executive |
| RM100,001 to RM150,000 | 1 | - |
| RM850,001 to RM900,000 | 1 | - |

D. RELATIONS WITH SHAREHOLDERS AND INVESTORS

The AGM is the principal forum for dialogue with individual shareholders and investors. At the Company's AGM, shareholders have direct access to the Board and are given the opportunity to ask questions, on the resolutions being proposed or the Company's operations in general. Members of the Board as well as the external auditors of the Company are present to answer questions raised at the meeting. A press conference is normally held immediately after the meeting where the Executive Chairman answers questions on the Group's activities and performance.

The Company also has a very good relationship with reporters who have been playing very effective roles in conveying the Company's information to the public including the shareholders and investors.

Besides, the shareholders, investors and members of the public may also access the Company's website at www.halimazmin.com to obtain the latest information on the Group.

E. ACCOUNTABILITY AND AUDIT

i. Financial reporting

The company's financial statements are prepared in accordance with the requirement of the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The Board is responsible to ensure that the financial statements of the Company and the Group give a true and fair view of the state of affairs of the Company and the Group. The statement given by Directors' pursuant to Section 169(15) of the Companies Act, 1965 is set out in page 41 of the Annual Report.

In preparing the above financial statements, the Directors have:

- ● Adopted suitable accounting policies and methods;
- ● Ensured consistent application of the accounting policies and methods;
- ● Ensured that judgments and estimates are reasonable and prudent;
- ● Ensured applicable accounting standards have been complied with; and
- ● Prepared the financial statements on a going concern basis.

ii. Internal controls

The Directors are mindful of their responsibilities in relation to the maintenance of a system of internal controls and review its effectiveness. The Board is continuously reviewing the adequacy and integrity of its system of internal controls.

A Statement on Internal Control is set out on page 18 and 19 of the Annual Report.

iii. Relationship with auditors

The Board through its Audit Committee maintains a transparent relationship with the auditors in seeking their professional advice and towards ensuring compliance with the accounting standards.

COMPLIANCE WITH THE CODE

Save as disclosed below, the Group has substantially complied with the Principles and Best Practices of the Code:-

In cognisance of the recommendation from the Code, the Board will look into the establishment of the Nomination Committee and Remuneration Committee at such time that its views as suitable. Presently those functions are being carried out by the Board itself.

The Board will review its required mix of skills and experiences in the next financial year.

DIRECTORS' RESPONSIBILITY STATEMENT

In respect of the preparation of the audited financial statements (as required under paragraph 15.27(a) of the KLSE Listing Requirements):

The Directors are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and Group and of their results, and cash flows for that year. In preparing those financial statements, the Directors are required to:

- i) select suitable accounting policies and then apply them consistently;
- ii) make judgments and estimates that are reasonable and prudent; and
- iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company, to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

a. Utilisation of Proceeds

During the year, there were no utilization of proceeds raised from any proposal.

b. Share Buybacks

During the financial year ended 31 December 2002, there were no share buybacks by the Company.

c. Options, Warrants or Convertible Securities

During the financial year ended 31 December 2002 a total number of 10,000 Irredeemable Convertible Unsecured Loan Stocks ("ICULS") had been converted into 10,000 ordinary shares of RM1.00 each of the Company.

The Company has neither offered any options nor issued any warrants.

d. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

e. Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

f. Non-audit Fees

The amount of non-audit fees paid to external auditors for the financial year ended 31 December 2002 amounted to RM60,000.

g. Variation in Results

There are no material variation in results between the audited results for the financial year ended 31 December 2002 and the unaudited results for the quarter ended 31 December 2002 of the Group.

h. Profit Guarantees

During the year, there were no profit guarantees given by the Company.

i. Material Contracts

During the year, there were no material contracts on the Company and its subsidiaries involving Directors' and major shareholders' interests.

j. Revaluation of Landed Properties

The Company does not have a revaluation policy on landed properties.

k. Recurrent Related Party Transactions Statement

A general mandate have been granted by the shareholders of the Company at the Seventh Annual General Meeting held on 30 May 2002 pursuant to paragraph 10.09 of the KLSE Listing Requirements, authorizing the Company and its subsidiaries to enter into any Recurrent Related Party Transactions, of a revenue or trading nature. The approval for the renewal of shareholders' mandate for Recurrent Related Party Transactions will be obtained from the shareholders during the forthcoming AGM.

Corporate Information

Halim Mazmin Berhad

330820 P

Board of Directors

Tan Sri Dato' Halim Bin Mohammad
Executive Chairman & Managing Director

Puan Sri Datin Mazmin Binti Noordin
Executive Director

Dato' Seri Haji Sulaiman Bin Mohd Amin
Deputy Chairman

Dato' Edris @ Idris Bin Haji Wahed

Tan Sri Datuk Abdul Aziz Bin Ismail

Tuan Haji Mazlan Bin Nordin

Mr Patrick Lim Keng Lee

Mr Ee Beng Wat

Audit Committee

Dato' Edris @ Idris Bin Haji Wahed
Chairman (Independent/Non-Executive Director)

Tan Sri Dato' Halim Bin Mohammad
(Executive Chairman & Managing Director)

Mr Patrick Lim Keng Lee
(Independent/Non-Executive Director)

Mr Ee Beng Wat
(Independent/Non-Executive Director)

Senior Management

Capt. Suresh E Abishegam
Senior General Manager

En Zaharudin Alias
General Manager, Corporate Affairs

Mr Chung Kin Mun
General Manager, Finance

Tuan Haji Sulaiman Abu Bakar
General Manager, Business Development

Mr Toshio Miyauchi
General Manager, Agencies

En Abd Hadi Ab Ghani
Company Secretary

En Othman Samat
Asst. General Manager, Business Development

Mr Shashi Harinarayanan
Senior Manager, Fleet

En Che Khamsah Che Othman
Senior Manager, Shipping Agency

Cik Mariana Halim
Manager, Corporate

En Mohd Azryl Shafri Ibrahim
Manager, Business Development

En Wan Mohamad Wan Ismail
Manager, Logistics

En Zaki Azzudin Ahmad Zaidee
Executive, Business Development

Principal Bankers

Affin Bank Berhad
Bank Industri & Teknologi Malaysia Berhad
Bumiputra-Commerce Bank Berhad
Maybank International (I) Ltd
Malayan Banking Berhad
RHB Bank Berhad

Stock Exchange Listing

Main Board
Kuala Lumpur Stock Exchange

Registrar

Mega Corporate Services Sdn. Bhd.
11-1, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel No: 603-26924271
Fax No: 603-27325399

Registered Office

49, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel No: 603-27305000
Fax No: 603-27305050

Auditors

Ong & Wong
Chartered Accountants

Solicitors

Messrs Richards Butler
Messrs Joseph Tan Jude Benny

Company Secretaries

En Abd Hadi Ab Ghani
(LS 008354)

Ms Lim Seck Wah
(MAICSA 0799845)

Board of Directors



Tan Sri Dato' Halim Bin Mohammad
Executive Chairman & Managing Director

51 years of age
Malaysian

He is the Founder Director of the Companies in the HMB Group. He completed his primary and secondary education in Kuala Terengganu. After completing GCE "O" level in 1968, he pursued a sea going career as a Cadet Navigating Officer with the Malaysian International Shipping Corporation ("MISC").

He left sea service in 1975 to join Harrison & Crossfield and in 1978, he left Harrison to join Esso Production to serve on board a storage tanker offshore Terengganu where he was responsible for overseeing the safe transfer of crude oil to export tankers. He left Esso in 1982 to pursue his own business.

In 1995, he was elected as Chairman of the Tanker Services Sub-Committee of Malaysia Shipowners' Association (MASA) and was elected as vice chairman of MASA in 2001. To benefit from his broad knowledge and experience in shipping, Bureau Veritas, one of the largest internationally recognised Ship Classification Society, elected him as a member of the Sub-Committee for Asia-Australia. On 1 September 1994, the Honorable Minister of Transport appointed him as a Board Member of the Port of Kemaman.

He was elected as a Fellow of Chartered Institute of Transport and presently he is also a member to the Board of Directors of Malaysia External Trade Development Corporation (MATRADE).

In 1995 he was conferred with the award of Darjah Kebesaran Dato' Paduka Mahkota Terengganu (D.P.M.T.) by DYMM Sultan of Terengganu before being conferred with the award of Darjah Kebesaran Dato' Paduka Mahkota Selangor (D.P.M.S.) by DYMM Sultan of Selangor in 1999. These two awards carries him with the title of **"DATO"**.

In recognition for his contribution to the development of maritime industry and for exemplary services to the Government of Malaysia, he was conferred the award of Darjah Kebesaran Panglima Setia Mahkota (P.S.M.) by His Majesty the Yang DiPertuan Agong on the 3 June 2000, which carries the title of **"TAN SRI"**.

He is currently the Executive Chairman and Managing Director of HMB. He also holds directorship in various subsidiaries of HMB and other private companies. He is a member of the Audit Committee of HMB.

YBhg Tan Sri Dato' Halim is related to two of the Directors of HMB, Puan Sri Datin Mazmin Binti Noordin (his spouse) who serves as HMB's Executive Director and Tuan Haji Mazlan Bin Nordin (his brother in law) who serves as HMB's Non-Independent/Non-Executive Director.



Puan Sri Datin Mazmin

Binti Noordin

Executive Director

51 years of age

Malaysian

She was appointed to the Board on 20 November 1995. She is also the Founder Director of the companies in the HMB Group. She completed her early education at the Sekolah Menengah Convent, Klang, Selangor.

Upon completion of her secondary education in 1970, she left for New Zealand to pursue a course in Business Studies at Auckland Technical Institute.

In 1973, she returned home to join Boustead Shipping Agencies Sdn Bhd ("Boustead") at their Port Klang Branch.

She left Boustead in 1982 to team up with her husband, Tan Sri Dato' Halim Bin Mohammad, to set up their own business. Puan Sri Datin Mazmin is actively involved in management and is a director of most of the companies in HMB Group. She also sits on the Board of several other private limited companies.

Puan Sri Datin Mazmin is related to two of the Directors of HMB, Tan Sri Halim (her spouse) who serves as HMB's Executive Chairman & Managing Director and Haji Mazlan (her brother) who serves as Non-Independent/Non-Executive Director.

**Dato' Seri Haji Sulaiman
Bin Mohd Amin**
Deputy Chairman
(Independent / Non-Executive)

73 years of age

Malaysian

He was appointed to the Board on 26 February 1999. He began his career in the civil service and held several appointments in the public sector since 1950 before being promoted into the Administrative and Diplomatic Service then known as Malayan Civil Service (MCS) and held various positions in the Malaysian Government Services.

In late 1972, he was seconded to Keretapi Tanah Melayu where he served as its Deputy General Manager for two years. He was then appointed as Deputy Secretary General of the Ministry of Energy, Science & Technology, and subsequently in the same capacity in the Ministry of Public Works & Utilities and after that promoted as Secretary

General to the Ministry of Culture, Youth and Sports twice, first from the 3rd quarter of 1969 to 1970 and as its Secretary General once again from 1977 to 1981. From 1981 to 1983, he was appointed as State Secretary of Selangor. Upon his retirement in early 1984, he was invited by Perbadanan Nasional Berhad ("PNB") to serve as its nominee on the Board of several companies owned by PNB.

He is presently the Chairman of Central Industrial Corporation Berhad and Berjaya Capital Berhad. He also holds directorships in various subsidiaries of the Berjaya Group of Companies and other private companies.

YBhg Dato' Seri Haji Sulaiman does not have any family relationship with any other Directors and/or a major shareholder of the Company and has no conflict of interest with the Company.



**Tan Sri Datuk Abdul Aziz
Bin Ismail**
*(Senior Independent /
Non-Executive)*

60 years of age

Malaysian

He was appointed to the Board of HMB on 25 January 2002. He graduated from the University of Malaya with a Bachelor of Arts (Honours) degree and a holder of Master of Public Administration from University of Southern California, United States of America.

He has held various positions in the Government. This include Assistant Secretary of Ministry of Youth and Sports, Training and Development Director at Malaysian Agricultural Research and Development Institute (from 1966 to 1975), Deputy Secretary at Cabinet Division of Prime Minister's

Department and Deputy Principal Private Secretary to the Prime Minister (from 1977 to 1983), Principal Private Secretary to the Prime Minister (from 1983 to 1997) and was re-appointed on contract until 31 May 2000. Tan Sri Datuk Abdul Aziz also now sits on the Board of several listed companies as an independent director, namely, Paracorp Berhad and Chase Perdana Berhad. He is also the Chairman of two listed companies; Amtek Holding Berhad and Sitt Tatt Berhad. He also serves as Chairman of three unlisted companies; Naza Kia Sdn Bhd, Macorp Sdn Bhd and Kumpulan Jebco (M) Sdn. Bhd.

Tan Sri Datuk Abdul Aziz does not have any family relationship with any other Directors and/or a major shareholder of the Company and has no conflict of interest with the Company.



Dato' Edris @ Idris Bin Haji Wahed
(Independent / Non-Executive)

61 years of age

Malaysian

He was appointed to the Board on 22 May 1997. Obtained his Diploma in Police Science from University Kebangsaan Malaysia and P.S.C. of Maktab Turus Angkatan Tentera Malaysia.

He has had a long tenure of service with the Royal Malaysia Police where among others, has served as the Chief of IGP's Secretariat, Assistant Director of Management and the Chief Police of Terengganu Darul Iman. He was conferred with Federal and States awards

and among others, the Darjah Sultan Mahmud Terengganu, Darjah Indera Mahkota Pahang, Darjah Kehpahlawan Pasukan Polis and Johan Setia Mangku Negara. Dato' Edris is also the Chairman of the Audit Committee of HMB.

Dato' Edris does not have any family relationship with any other Directors and/or a major shareholder of the Company and has no conflict of interest with the Company.



Tuan Haji Mazlan Bin Nordin
(Non-Independent/Non-Executive)
50 years of age
Malaysian

He was appointed to the Board on 20 November 1995. He completed his education at Anderson School in Ipoh in 1972 after obtaining the Higher School Certificate. He then joined Din's Trading Sendirian Berhad ("DTSB"), a forwarding, trading, warehousing company, as a Manager in its Freight Forwarding Division. In 1980, he was promoted to the position of General Manager in the same division and was given the task of developing the company's trucking and heavy lift division.

In 1983, he left to further his studies and obtained a Certificate in Business Administration from Arizona International

Business Institute in the United States of America. Upon his return, he rejoined DTSB as Managing Director and held the responsibility to oversee the warehousing, freight forwarding and trucking divisions. In this position he was responsible to the Board on contract management and supervision of international freight forwarding for various projects to clients within Malaysia and the Asean region. Currently, he is still attached to DTSB as Managing Director and has served the company for 30 years since 1973.

Tuan Haji Mazlan is related to two of the Directors of HMB, Puan Sri Datin Mazmin Binti Noordin (his sister) who serves as HMB's Executive Director and Tan Sri Dato' Halim Bin Mohammad (Brother in law) who is the Executive Chairman & Managing Director of HMB.

Mr Patrick Lim Keng Lee
(Independent / Non-Executive)
50 years of age
Malaysian

He was appointed to the Board on 20 November 1995. He received his education from St. Xavier's Institution, Penang.

He is currently the Managing Director-Malaysia/Brunei of P&O Nedlloyd M.A. Sdn Bhd, a subsidiary of P&O Nedlloyd B.V. Rotterdam. Mr Patrick Lim has some 30 years experience in the cargo transportation industry and has held various management and administrative positions in Penang, Port Klang and Kuala Lumpur. He also sits on the Board of Damco (Malaysia) Sdn Bhd, a subsidiary of Damco International B.V. Rotterdam.

Mr Patrick Lim is a Fellow of The Chartered Institute of Transport, London as well as a Fellow of the Institute of Chartered Shipbrokers, London and holds a Masters of Business Administration from Heriot-Watt University, United Kingdom. Mr Patrick Lim is a member of the Audit Committee of HMB.

He is involved in industry activities through the Malaysian Dutch Business Council as a Board Member. He previously served in the International Shipowners Association of Malaysia as a member of the Executive Committee for 10 years in the 1980s/1990s.

Mr Patrick Lim does not have any family relationship with any other Directors and/or a major shareholder of the Company and has no conflict of interest with the Company.



Mr Ee Beng Wat
(Independent/Non-Executive)

54 years of age
Malaysian

He was appointed to the Board on 21 January 2002. He is currently an Executive Director of Botly Securities Sdn Bhd. He holds a Dealer's Representative License under the Securities Industry Act 1983. He is a fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) and is also a member of the Malaysian Institute of Accountants (MIA).

Prior to joining Botly Securities Sdn Bhd, he was a Senior Vice President in charge of Corporate Affairs in Rashid Hussain Securities Sdn Bhd. He joined Botly Securities Sdn Bhd in 1991 as its General Manager and later became the CEO/Executive Director. Mr Ee is a member of the Audit Committee of HMB.

Mr Ee does not have any family relationship with any other Directors and/or a major shareholder of the Company and has no conflict of interest with the Company.



Other Information

None of the Directors have any conviction for offences within the past ten years other than traffic offences.

Audit Committee

Audit Committee

Chairman

Dato' Edris @ Idris Bin Haji Wahed
(Independent/Non-Executive Director)

Members

Tan Sri Dato' Halim Bin Mohammad
(Executive Chairman and Managing Director)

Mr Patrick Lim Keng Lee
(Independent/Non-Executive Director)

Mr Ee Beng Wat
(Independent/Non-Executive Director)

A. Terms of Reference

i. Composition

The Board of Directors shall elect an Audit Committee from amongst themselves (pursuant to a resolution of the Board of Directors) comprising of not less than three (3) members where the majority of them shall be independent non-executive members of the Board.

At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience and:

- a) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
- b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

No alternate director can be a member of the Audit Committee. The member of an Audit Committee shall elect a chairman from amongst their members who shall be an independent director.

All members of the Audit Committee including the Chairman will hold office only as long as they serve as Directors of the Company. Should any member of the Audit Committee cease to be a Director of the Company, his membership in the Audit Committee would cease forthwith.

The Board shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and

members have carried out their duties in accordance with their terms of reference.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of the composition as detailed above, the Board shall fill the vacancy within three (3) months.

ii. Objectives

The primary objectives of the Audit Committee are :

- a) To provide assistance to the Board in fulfilling its fiduciary responsibilities particularly relating to business ethics, policies and practices, financial reporting and auditing;
- b) To provide greater emphasis on the audit functions by increasing the objectivity and the independence of the external and internal auditors and providing a forum for discussion that is independent of the management.

iii. Authority of the Audit Committee

The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any sources or any employee and all employees are directed to co-operate with any request made by the Committee so as to ensure that the Committee has full and unrestricted access to any information pertaining to the Group.

The Audit Committee shall be empowered to convene meetings with the external auditors without the presence of the executive members of the Audit Committee, whenever deemed necessary. The Committee shall have direct communication channels with the external auditors and person(s) carrying out the internal audit functions or activity, if any.

The Committee is empowered by the Board to engage persons having special competence as necessary to assist the Committee in fulfilling its responsibilities.

iv. Duties and responsibilities

- a) To meet with management and the external auditors to discuss the scope of their audit plan, to evaluate the audit report on the financial statements and the results of the audit before recommending for approval by the Board;
- b) To meet with the internal and external auditors concerning any comments they may have with respect to improving the internal control system;
- c) To review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- d) To review the internal audit plan and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
- e) To review the quarterly and year end financial statements of the Company, focusing particularly on:
 - ● changes in or implementation of major accounting policy changes;
 - ● significant and unusual events; and
 - ● compliance with accounting standards and other legal requirements.
- f) To assist the Board on the appointment and resignation of the external auditors, to recommend the nomination of persons as external auditors, the audit fees and to evaluate the basis of billings, if necessary;
- g) To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- h) To promptly report to KLSE of matters reported by the Audit Committee to the Board of Directors of the Company which has not been satisfactorily resolved resulting in a breach of the KLSE Listing Requirements;
- i) Any other functions, which may be agreed by the Audit Committee and the Board of Directors.

v. Meetings

No other directors or employees shall attend the Audit Committee meeting except by invitation. The Audit Committee shall not hold less than three (3) meetings a year and the quorum for each meeting shall be two (2) and the majority of the members present must be independent directors.

Attendance of a meeting may be by being present in person or through participating by means of tele-video conferencing.

Minutes of each meeting shall be kept and distributed to each member of the Committee and also to the other members of the Board. The Committee Chairman shall report on each meeting to the Board.

The Company Secretary shall act as the Secretary to the Audit Committee.

vi. Procedures of Audit Committee

Notice of a meeting of the Audit Committee shall be given to all members in writing via facsimile or be hand delivered or by courier.

The Committee may deal with matters by way of a circular resolution in lieu of convening a formal meeting.

The Chairman of the Audit Committee shall be the Chairman of the meeting. If at any meeting the Chairman is not present, the members present may choose one of their members who is an independent director to be the Chairman of the meeting. Upon request of the external auditor, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the directors and shareholders.

The decision of the Audit Committee shall be by a majority of votes. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

Minutes of each meeting shall be kept by the Secretary and distributed to each member of the Audit Committee. The Chairman shall as soon as reasonably practicable report on each meeting to the Board. All minutes of meetings shall be open to inspection by the Audit Committee and the Board of Directors.

B. Activities of the Audit Committee

For the financial year under review, the Audit Committee met five (5) times and all Members of the committee were present. The details of the attendance of each member of the Audit Committee are as per table below. In discharging their duties, the Audit Committee had undertaken the following activities in the year 2002:-

- i. reviewed the unaudited quarterly financial results for each quarter of the Group prior to the Board of Directors' approval;
- ii. reviewed the Company's compliance with the prevailing regulations;
- iii. reviewed the 2002/2003 Internal Audit Plan which included Human Resources Function, Procurement Process, Insurance Management and Purchasing & Disbursements Processes.

| Audit Committee Members | No. of Meetings Attended |
|------------------------------------|---------------------------------|
| Dato' Edris @ Idris Bin Haji Wahed | 5/5 |
| Tan Sri Dato' Halim Bin Mohammad | 5/5 |
| Mr Patrick Lim Keng Lee | 5/5 |
| Mr Ee Beng Wat | 5/5 |

C. Internal Audit Function

The Internal Audit Function has assisted the Audit Committee and the Board of Directors in reviewing the system of internal controls of the Company in line with the KLSE Listing Requirements and the Code of Corporate Governance.

The Internal Audit Function provides assurance to the management and Audit Committee that all the requisite controls are in place and managed appropriately and assists the Company in the effective discharge of responsibilities, promoting the establishment of cost-effective controls, assessing risks and recommending measures to mitigate those risks.

It also furnishes top management with independent analysis, appraisals, counsel and information on activities that they review.

Internal Control Statement

The Malaysian Code on Corporate Governance requires the Board of Public Listed Companies to maintain a sound system of internal control to safeguard shareholders' investment and Group assets. The Board has taken steps to continuously improve the system of internal control and strengthen the transparency and efficiency of business operations.

RESPONSIBILITIES

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness whilst the role of management is to implement the Board's policies on risk and control.

The Board are of the view that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss regarding:

- (a) the safeguarding of assets against unauthorised use or disposition,
- (b) compliance with laws and regulations, and
- (c) the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The Board confirms that there is continuous process of identifying, evaluating and managing any significant risks faced by the Group. These have been in place for the financial year under review and up to the date of approval of the annual report and financial statement. This process is also regularly reviewed by the Board.

INTERNAL CONTROL AND RISK MANAGEMENT OF THE GROUP

In discharging its stewardship responsibilities, the Board recognises that risk management in Halim Mazmin Berhad,

- is a logical and systematic method of identifying, analyzing, assessing, treating and monitoring the Group's risks;
- is a continuous and an ongoing process;
- is an integral part of the Group's management practices; and
- enables the Group to not only minimize losses but maximize opportunities.

The Malaysian Code on Corporate Governance has made risk management a responsibility of the Board of Directors. Part 2 of "The Best Practices in Corporate Governance" states, in relation to risk management, that; "the Board should identify principal risks and ensure that the implementation of appropriate systems to manage these risks."

In dealing with its stewardship responsibilities, the Board of Directors recognises that effective risk management is an integral part of good business management practice. The Board acknowledges that all areas of the Group's business activities involve some degree of risk and it is committed to ensure that the Group has an effective risk management framework which allows the management to manage risks within defined risk parameters.

In Halim Mazmin Berhad, risk management is an inexorable component in the Group's decision-making process. It involves an interactive process consisting of steps undertaken in sequence, which enables continual improvement in our overall decision-making process. It is applied at different stages and in varying degrees of the Group's operations and for the duration of any particular activity, project or process. It involves identifying, analyzing, evaluating, monitoring and communicating any significant risks associated in such a way that enables the threats from materializing in losses, if any.

Risk management in Halim Mazmin Berhad is a group-wide process, multi faceted in dimension and best achieved by multi disciplinary teams at various levels. It must be a proactive, evolving process, considering the Group's objectives, internal organisation and its operating environment are continuously evolving, and as a result, the risks it faces is continually changing.

KEY PROCESSES

The process of governing the effectiveness and integrity of the system of internal control is carried throughout the various areas as follows:

Internal Audit

The external advisers which report to the Board's Audit Committee, performs scheduled reviews of its operations to ensure compliance with preset policies and procedures while assessing the effectiveness of its internal control. The Audit Committee reviews and scrutinises reports of the external advisers and also conducts annual assessment on the adequacy of the external advisers' scope of work and resources.

The external advisers submits the findings and recommendations for improving the internal control to the Audit Committee for review, comment and to implement corrective actions, which would enhance the internal control aspects of the relevant areas under review. The committee Chairman then report on each meeting to the Board.

Ship Management

The Ship Management Division, which reports regularly to the Management conducts regular audits on the Group vessels' physical and operational conditions, as well as matters pertaining to the manning of the vessels. The audits are designed to ensure vessel integrity and that regular maintenance are being performed to enhance safety and reliability of the vessels at all times. The audit also assesses the crews' discipline and competency.

In addition, HMB's vessels are subjected to stringent audits and vettings to meet the various regulatory and commercial requirements. These include vettings by oil majors and audits by the Malaysian Maritime Authority and ship classification societies to qualify for the international safety management certification under the relevant Codes.

Other Key Areas of Internal Control

The following are the other key areas of the Group's internal control systems:

The Board reviews quarterly reports from the Management on the key operating performances, legal, environmental and regulatory matters. Financial performances are deliberated at the Management Committee and also tabled to the Board on a quarterly basis.

The Group performs comprehensive annual budgeting and forecasting exercise, which include establishing the performance indicators against which business units and subsidiary companies can be evaluated. Variances against budget are analyzed and reported internally on a monthly basis and reported quarterly to the Board. The Group's strategic directions are also reviewed semi-annually, taking into account changes in the market conditions and any significant business risks.

Internal control procedures are documented in comprehensive standard operating procedure manuals with established guidelines on business planning, capital expenditures, financial operations, performance reporting, human resources and health, safety and environment.

The professionalism and competency of the staff are enhanced through a properly planned training and development program supported by a stringent recruitment process. A performance appraisal system of the staff is in place, with established targets and accountability, which is reviewed on an annual basis. Action plans are prepared to ensure that staff obtains the required skills to fulfil their responsibilities and that the Company can meet its future staffing requirements.

The Company has its own Code of Conduct for Officers and Staff, which is issued to all the staff upon joining. Staff are required to strictly adhere to the Code in performing their duties.

This statement is made in accordance with the resolution of the Board of Directors dated 9 April 2003.

Senior Management



Cik Mariana Halim
Manager, Corporate Affairs

En Zaharudin Alias
General Manager, Corporate Affairs

Capt. Suresh E Abishegam
Senior General Manager

En Othman Samat
Asst. General Manager, Business Development

Mr Chung Kin Mun
General Manager, Finance

Mr Toshio Miyauchi
General Manager, Chartering

Tuan Haji Sulaiman Abu Bakar
General Manager, Business Development



En Abd Hadi Ab Ghani
Company Secretary

Mr Shashi Harinarayanan
Senior Manager, Fleet

En Che Khamsah Che Othman
Senior Manager, Shipping Agency



En Zaki Azzudin Ahmad Zaidee
Executive, Business Development

En Wan Mohamad Wan Ismail
Manager, Logistics

En Mohd Azryl Shafri Ibrahim
Manager, Business Development





Petronas Twin Towers located in Kuala Lumpur is 88 storeys high and connected by an aerial bridge at the 40th floor. At 451.9 metres above sea-level, it is the tallest building in the world.