

# Directors' report and financial statements

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# Directors' report

for the year ended 31 December 2004

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2004.

## 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 as set out in note 6 to the financial statements. There have been no significant changes in these activities during the financial year except as disclosed in note 6.

## RESULTS

	<b>Group RM</b>	<b>Company RM</b>
Profit after taxation	71,709,126	78,647,097
Minority interests	(2,779,164)	-
Profit attributable to shareholders	68,929,962	78,647,097
Retained profit brought forward	86,957,741	52,609,992
Profit available for appropriation	155,887,703	131,257,089
Dividend	(5,664,743)	(5,664,743)
Bonus issue	(45,063,631)	(45,063,631)
Retained profit carried forward	105,159,329	80,528,715

## DIVIDEND

During the financial year, the Company paid a first and final tax exempt dividend of 7 sen per ordinary share of RM1.00 each, amounting to RM5,664,743 in respect of the financial year ended 31 December 2003.

The directors now recommend a first and final tax exempt dividend of 7 sen per share in respect of the financial year ended 31 December 2004 which, subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company, will be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. Based on the outstanding issued and paid up share capital as at 31 December 2004 of 321,350,720 ordinary shares of RM0.50 each, the proposed first and final tax exempt dividend amounts to RM22,494,550. Such dividend, if approved by the shareholders will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2005.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in note 18 to the financial statements.

## ISSUE OF SHARES

### a) Authorised share capital

On 13 September 2004, the authorised share capital of the Company was increased from RM100,000,000 to RM200,000,000 by the creation of 100,000,000 ordinary shares of RM1.00 each. The shares of the Company were subdivided from RM1.00 each to RM 0.50 each based on the entitlement date of 22 November 2004. This subdivision exercise was completed on 2 December 2004.

### b) Paid up share capital

During the financial year, the issued and paid up ordinary share capital of the Company was increased from RM69,927,000 to RM160,675,360 by way of:

- i) the issuance of 11,011,900 (2003: 1,237,000) new ordinary shares of RM1.00 when RM11,011,900 (2003: RM1,237,000) ICULS were converted into shares at the rate of RM1.00 nominal value of ICULS plus RM0.27 in cash for every one fully paid ordinary share;
- ii) on the maturity date of 30 June 2004, all the remaining ICULS of RM267,100 were mandatorily converted to 210,300 ordinary shares of RM1.00 each at a rate of RM1.27 nominal value of ICULS for one new Halim Mazmin Berhad ordinary share of RM1.00 each;
- iii) bonus issue of 64,919,360 ordinary shares of RM1.00 each from the reserves of the Company on the basis of four (4) new ordinary shares of RM1.00 each for every five (5) existing ordinary shares held; and
- iv) private placement of 14,606,800 ordinary shares of RM1.00 each at an issue price of RM1.58 per ordinary share for cash.

These new shares rank pari passu in all respects with the existing shares in issue of the Company.

During the financial year, the 160,675,360 ordinary shares of RM1.00 each were subdivided into 321,350,720 ordinary shares of RM0.50 each.

## SHARE OPTION

During the financial year, the Company did not grant any option to any person to take up the unissued shares of the Company.

## SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in note 32 to the financial statements.

## SUBSEQUENT EVENT

Event subsequent to the financial year is disclosed in note 33 to the financial statements.

**DIRECTORS**

The directors who served since the date of the last report are:

Tan Sri Dato' Halim Bin Mohammad

Puan Sri Datin Mazmin Binti Noordin

Tuan Haji Mazlan Bin Nordin

Mr Patrick Lim Keng Lee

Dato' Edris @ Idris Bin Haji Wahed

Dato' Seri Haji Sulaiman Bin Mohd Amin

Mr Ee Beng Wat

Dato' Abdul Kadir Bin Mohd Deen (appointed on 20.8.04)

General (R) Dato' Sri Abdullah Bin Ahmad @ Dollah Bin Amad (appointed on 20.8.04)

In accordance with Article 89 of the Articles of Association, Tuan Haji Mazlan Bin Nordin and Mr Ee Beng Wat retire from the board at the forthcoming Annual General Meeting and being eligible offer themselves for re-election.

In accordance with Article 93 of the Articles of Association, Dato' Abdul Kadir Bin Mohd Deen and General (R) Dato' Sri Abdullah Bin Ahmad @ Dollah Bin Amad retire from the board at the forthcoming Annual General Meeting and being eligible offer themselves for re-election.

In accordance with Section 129 of the Companies Act, 1965, Dato' Seri Haji Sulaiman Bin Mohd Amin retires at the forthcoming Annual General Meeting and being eligible offers himself for re-election.

## DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' shareholdings, particulars of directors' interests in the shares and debentures of the Company at the end of the financial year are as follows:

	Number of Ordinary shares of RM1.00 each at beginning of year/RM0.50 each at end of year			Balance at 31.12.2004
	Balance at 1.1.2004	Addition	Sold	
Tan Sri Dato' Halim Bin Mohammad	29,275,000	76,115,000	-	105,390,000
Puan Sri Datin Mazmin Binti Noordin	7,702,500	58,334,100	-	66,036,600

	Number of ICULS of RM1.00 each			Balance at 31.12.2004
	Balance at 1.1.2004	Addition	Conversion/ Sold	
Tan Sri Dato' Halim Bin Mohammad	10,641,000	-	10,641,000	-
Puan Sri Datin Mazmin Binti Noordin	-	10,641,000	10,641,000	-

By virtue of their interests in the shares of the Company, Tan Sri Dato' Halim Bin Mohammad and Puan Sri Datin Mazmin Binti Noordin are also deemed to have an interest in the shares of all the subsidiaries of the Company to the extent the Company has an interest.

Other than as disclosed above, none of the directors in office at the end of the financial year had any interest in the shares and debentures of the Company or its subsidiaries during the financial year.

There were no significant changes in the above interests in the Company or its subsidiaries during the period from 31 December 2004 to 31 March 2005.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any 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 except as disclosed in note 28 and note 29 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangements which object was to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## OTHER STATUTORY INFORMATION

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 allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance 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 an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- i) which would render the amount written off as bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
- ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
- iii) which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the financial statements of the Group and of the Company misleading or inappropriate; and
- iv) not otherwise dealt with in this report or in the financial statements of the Group and of the Company, that would render any amount stated in the respective financial statements misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year, except as disclosed in note 31 to the financial statements.

No contingent liability or other liabilities of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

In the opinion of the directors:

- i) the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and
- ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

#### **AUDITORS**

The Auditors, ONG & WONG, have indicated their willingness to continue in office.

Signed in accordance with a resolution of the directors

#### **TAN SRI DATO' HALIM BIN MOHAMMAD**

Director

#### **PUAN SRI DATIN MAZMIN BINTI NOORDIN**

Director

Kuala Lumpur  
31 March 2005

# Statement by directors and statutory declaration

## STATEMENT BY DIRECTORS

(Pursuant to Section 169[15] of the Companies Act, 1965)

We, TAN SRI DATO' HALIM BIN MOHAMMAD and PUAN SRI DATIN MAZMIN BINTI NOORDIN, being two of the directors of HALIM MAZMIN BERHAD, do hereby state that, in the opinion of the directors, the financial statements set out on pages 35 to 69 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the states of affairs of the Group and of the Company as at 31 December 2004 and of the results of their operations, changes in equity and cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the directors

Director

**TAN SRI DATO' HALIM BIN MOHAMMAD**

Director

**PUAN SRI DATIN MAZMIN BINTI NOORDIN**

31 March 2005

Kuala Lumpur

## STATUTORY DECLARATION

(Pursuant to Section 169[16] of the Companies Act, 1965)

I, CHUNG KIN MUN, being the officer primarily responsible for the financial management of HALIM MAZMIN BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 35 to 69 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 Declaration Act, 1960.

Subscribed and solemnly declared by )  
 the abovenamed, at Kuala Lumpur )  
 in Wilayah Persekutuan on )  
 31 March 2005 )

**CHUNG KIN MUN**

Before me,

# Report of the auditors

## REPORT OF THE AUDITORS TO THE MEMBERS OF HALIM MAZMIN BERHAD

We have audited the financial statements set out on pages 35 to 69. 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 those 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 have conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by directors as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia, so as to give a true and fair view of:
  - (i) the 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 at 31 December 2004 and of the results of the operations and cash flows of the Group and of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies for which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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 audit reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

ONG & WONG  
AF 0241  
Chartered Accountants

ONG KONG LAI  
494/06/06(J)/PH)  
Partner of Firm

Kuala Lumpur  
31 March 2005

# Balance sheets

As at 31 December 2004

	Note	2004 RM	Group 2003 RM	2004 RM	Company 2003 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	4	230,364,256	448,868,357	398,191	631,967
Investment property	5	5,382,675	5,382,675	-	-
Subsidiary companies	6	-	-	41,402,955	41,402,955
Associated company	7	8,323,109	8,398,058	8,878,000	8,878,000
Investments	8	10,050,000	4,050,000	10,050,000	4,050,000
		<u>254,120,040</u>	<u>466,699,090</u>	<u>60,729,146</u>	<u>54,962,922</u>
<b>CURRENT ASSETS</b>					
Inventories		186,203	311,385	-	-
Trade receivables	9	2,897,011	6,968,660	-	-
Other receivables, deposits and prepayments	10	5,159,401	1,128,962	1,694,825	216,824
Amount due from subsidiary companies	11	-	-	214,503,478	158,229,749
Deposits with licensed banks	12	304,973,202	70,207,416	117,721,349	10,700,000
Cash and bank balances		17,605,697	4,021,370	338,410	559,963
		<u>330,821,514</u>	<u>82,637,793</u>	<u>334,258,062</u>	<u>169,706,536</u>
<b>CURRENT LIABILITIES</b>					
Trade payables	13	4,610,126	4,470,181	-	-
Other payables and accruals	14	23,852,794	10,457,050	661,572	1,046,379
Amount due to subsidiary companies	11	-	-	45,298,663	32,825,268
Hire purchase and lease payables	15	13,393,724	10,241,857	10,954	126,035
Term loans	16	59,550,222	44,046,222	-	-
		<u>101,406,866</u>	<u>69,215,310</u>	<u>45,971,189</u>	<u>33,997,682</u>
NET CURRENT ASSETS		<u>229,414,648</u>	<u>13,422,483</u>	<u>288,286,873</u>	<u>135,708,854</u>
		<u>483,534,688</u>	<u>480,121,573</u>	<u>349,016,019</u>	<u>190,671,776</u>
<b>REPRESENTED BY:</b>					
SHARE CAPITAL	17	160,675,360	69,927,000	160,675,360	69,927,000
RESERVES	18	122,704,201	113,535,499	88,340,659	69,454,822
SHAREHOLDERS' FUNDS		<u>283,379,561</u>	<u>183,462,499</u>	<u>249,016,019</u>	<u>139,381,822</u>
IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS	19	-	11,279,000	-	11,279,000
MINORITY INTERESTS		11,296,060	8,516,896	-	-
		<u>294,675,621</u>	<u>203,258,395</u>	<u>249,016,019</u>	<u>150,660,822</u>
NON-CURRENT LIABILITIES					
Long term liabilities	20	188,859,067	276,863,178	100,000,000	40,010,954
		<u>483,534,688</u>	<u>480,121,573</u>	<u>349,016,019</u>	<u>190,671,776</u>

The annexed notes form an integral part of these financial statements.

# Income statements

For the year ended 31 December 2004

	<b>Note</b>	<b>2004 RM</b>	<b>Group 2003 RM</b>	<b>2004 RM</b>	<b>Company 2003 RM</b>
Revenue	21	127,093,338	131,201,239	80,105,600	51,600,000
Other operating income	22	42,493,159	1,432,591	3,126,215	1,171,725
		169,586,497	132,633,830	83,231,815	52,771,725
Administrative expenses		(8,236,561)	(9,506,613)	(986,985)	(1,546,232)
Other operating expenses		(77,499,556)	(79,278,454)	-	-
Profit from operations		83,850,380	43,848,763	82,244,830	51,225,493
Finance costs		(12,033,125)	(13,557,323)	(3,597,733)	(5,770,318)
Loss from associated company		(67,888)	(42,030)	-	-
Profit before taxation	23	71,749,367	30,249,410	78,647,097	45,455,175
Taxation	24	(40,241)	(34,447)	-	-
Profit after taxation		71,709,126	30,214,963	78,647,097	45,455,175
Minority interest		(2,779,164)	(1,433,133)	-	-
Pre-acquisition profit		-	(832,433)	-	-
Net profit for the year		68,929,962	27,949,397	78,647,097	45,455,175
Earnings per share:	25				
- Basic		24 sen	11 sen	-	-
- Fully diluted		23 sen	10 sen	-	-
Dividend per share	26	7 sen	7 sen	7 sen	7 sen

The annexed notes form an integral part of these financial statements.

# Consolidated statement of changes in equity

For the year ended 31 December 2004

	Note	Share Capital RM	Share Premium RM	Reserve on consolidation RM	Merger Adjustment RM	Retained profit RM	Total RM
At 1 January 2003		68,690,000	16,547,390	10,453,237	(7,983,789)	63,818,534	151,525,372
Net profit for the year		-	-	-	-	27,949,397	27,949,397
Dividend	26	-	-	-	-	(4,810,190)	(4,810,190)
Issue of shares		1,237,000	-	-	-	-	1,237,000
Premium arising from conversion of ICULS		-	333,990	-	-	-	333,990
ICULS expenses		-	(19,163)	-	-	-	(19,163)
Listing expenses		-	(17,387)	-	-	-	(17,387)
Reserve on consolidation		-	-	7,263,480	-	-	7,263,480
At 31 December 2003		69,927,000	16,844,830	17,716,717	(7,983,789)	86,957,741	183,462,499
Net profit for the year		-	-	-	-	68,929,962	68,929,962
Dividend	26	-	-	-	-	(5,664,743)	(5,664,743)
Bonus issue	32(b)	64,919,360	(19,855,729)	-	-	(45,063,631)	-
Issue of shares		25,829,000	8,471,944	-	-	-	34,300,944
Premium arising from conversion of ICULS		-	3,030,013	-	-	-	3,030,013
ICULS expenses		-	(3,446)	-	-	-	(3,446)
Listing expenses		-	(675,668)	-	-	-	(675,668)
At 31 December 2004		160,675,360	7,811,944	17,716,717	(7,983,789)	105,159,329	283,379,561

The annexed notes form an integral part of these financial statements

# Statement of changes in equity

For the year ended 31 December 2004

	Note	Share Capital RM	Share Premium RM	Retained profit RM	Total RM
At 1 January 2003		68,690,000	16,547,390	11,965,007	97,202,397
Net profit for the year		-	-	45,455,175	45,455,175
Dividend	26	-	-	(4,810,190)	(4,810,190)
Issue of shares		1,237,000	-	-	1,237,000
Premium arising from conversion of ICULS		-	333,990	-	333,990
ICULS expenses		-	(19,163)	-	(19,163)
Listing expenses		-	(17,387)	-	(17,387)
At 31 December 2003		69,927,000	16,844,830	52,609,992	139,381,822
Net profit for the year		-	-	78,647,097	78,647,097
Dividend	26	-	-	(5,664,743)	(5,664,743)
Bonus issue	32(b)	64,919,360	(19,855,729)	(45,063,631)	-
Issue of shares		25,829,000	8,471,944	-	34,300,944
Premium arising from conversion of ICULS		-	3,030,013	-	3,030,013
ICULS expenses		-	(3,446)	-	(3,446)
Listing expenses		-	(675,668)	-	(675,668)
At 31 December 2004		160,675,360	7,811,944	80,528,715	249,016,019

The annexed notes form an integral part of these financial statements

# Cash flow statements

For the year ended 31 December 2004

	Note	2004 RM	Group 2003 RM	2004 RM	Company 2003 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before taxation		71,749,367	30,249,410	78,647,097	45,455,175
Adjustments for:					
Gain on disposal of property, plant and equipment		(39,134,617)	-	-	-
Provision for doubtful debt		4,785,554	-	-	-
Depreciation of property, plant and equipment		24,919,599	26,045,773	313,475	308,143
Property, plant and equipment written off		50	36	-	-
Share of loss in associated company		67,888	42,030	-	-
Interest expense		12,033,125	13,557,323	3,597,733	5,770,318
Interest income		(3,358,542)	(1,432,591)	(3,126,215)	(1,171,725)
Operating profit before working capital changes		71,062,424	68,461,981	79,432,090	50,361,911
Decrease/(increase) in inventories		125,182	(97,138)	-	-
Increase in receivables		(4,732,747)	(6,926,289)	(57,751,730)	(28,061,278)
Increase/(decrease) in payables		10,587,082	(2,374,577)	12,088,588	31,263,851
Cash generated from operations		77,041,941	59,063,977	33,768,948	53,564,484
Tax (paid)/refund		(44,779)	2,021	-	9,762
Interest paid		(12,033,125)	(13,557,323)	(3,597,733)	(5,770,318)
Interest received		3,358,542	1,432,591	3,126,215	1,171,725
Net cash generated from/(used in) operating activities		68,322,579	46,941,266	33,297,430	48,975,653
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Land and development expenditure		-	(168,450)	-	-
Acquisition of property, plant and equipment	B	(79,699)	(216,211)	(79,699)	(173,851)
Acquisition of investment		(6,000,000)	-	(6,000,000)	-
Acquisition of subsidiary companies	C	-	-	-	(4)
Acquisition of additional shares in investments in subsidiary companies	D	-	(2)	-	(2)
ICULS expenses		(3,446)	(19,163)	(3,446)	(19,163)
Proceeds from disposal of property, plant and equipment		235,912,575	-	-	-
Listing expenses		(675,668)	(17,387)	(675,668)	(17,387)
Net cash generated from/(used in) investing activities		229,153,762	(421,213)	(6,758,813)	(210,407)

The annexed notes form an integral part of these financial statements

# Cash flow statements

For the year ended 31 December 2004

	Note	2004 RM	Group 2003 RM	2004 RM	Company 2003 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from ICULS conversion		2,973,213	333,990	2,973,213	333,990
Proceeds from long term borrowings		60,000,000	93,425,112	60,000,000	-
Proceeds from leasing		-	58,000,000	-	-
Proceeds from private placement		23,078,744	-	23,078,744	-
Increase in deposit pledged to licensed bank		(8,839)	(34,687)	-	-
Payment for hire purchase and leasing		(26,187,220)	(322,634)	(126,035)	(115,819)
Payment for long term borrowings		(103,326,222)	(193,339,328)	-	(49,482,892)
Dividend paid		(5,664,743)	(4,810,190)	(5,664,743)	(4,810,190)
Net cash (used in)/generated from financing activities		(49,135,067)	(46,747,737)	80,261,179	(54,074,911)
Net increase/(decrease) in cash and cash equivalents		248,341,274	(227,684)	106,799,796	(5,309,665)
Cash and cash equivalents at beginning of year		73,990,550	74,218,234	11,259,963	16,569,628
Cash and cash equivalents at end of year	A	322,331,824	73,990,550	118,059,759	11,259,963

## NOTE

### A. CASH AND CASH EQUIVALENTS

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

	2004 RM	Group 2003 RM	2004 RM	Company 2003 RM
Deposits with licensed banks	304,973,202	70,207,416	117,721,349	10,700,000
Deposit pledged with licensed bank (Note 12)	(247,075)	(238,236)	-	-
Cash and bank balances	17,605,697	4,021,370	338,410	559,963
	322,331,824	73,990,550	118,059,759	11,259,963

**B. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT**

During the financial year, the Group and the Company acquired the property, plant and equipment by:

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Cash	79,699	216,211	79,699	173,851
Hire purchase and lease payables	165,198	88,000	-	-
	<u>244,897</u>	<u>304,211</u>	<u>79,699</u>	<u>173,851</u>

**C. ACQUISITION OF SUBSIDIARY COMPANIES****i) Effects on financial results**

The effect of this acquisition on the financial results of the Group for the previous financial year is shown below:

	<b>2003</b>
	<b>RM</b>
Revenue	17,176,380
Other operating income	63,518
	<u>17,239,898</u>
Administrative and other operating expenses	(10,419,266)
Profit from operations	<u>6,820,632</u>
Finance costs	(1,047,421)
	<u>5,773,211</u>

**ii) Effects on financial position**

The effect of this acquisition on the financial position of the Group for the previous financial year is as follows:

	<b>2003</b>
	<b>RM</b>
Property, plant and equipment	138,729,547
Other receivables, deposits and prepayments	87,305
Deposits with licensed banks	18,540,000
Cash and bank balances	530,446
Trade payables	(692,819)
Other payables and accruals	(64,439,264)
Long term borrowings	(86,982,000)
	<u>5,773,215</u>

**C. ACQUISITION OF SUBSIDIARY COMPANIES (CONT'D)**iii) **Effects on cash flow statement**

The effect of this acquisition on the cash flow statement of the Group for the previous financial year is as follows:

	<b>2003</b>
	<b>RM</b>
Cash in hand	4
Less: Cash consideration	(4)
	<hr/>
Cash inflow on acquisition, net cash in hand acquired	-
	<hr/>

**D. ACQUISITION OF ADDITIONAL SHARES IN INVESTMENT IN SUBSIDIARY COMPANIES**i) **Effects on financial results**

The effect of this acquisition on the financial results of the Group during the financial year is shown below:

	<b>2003</b>
	<b>RM</b>
Revenue	17,123,584
Other operating income	565,973
	<hr/>
Administrative and other operating expenses	(10,077,547)
Profit from operations	7,612,010
Finance costs	(1,069,212)
Profit attributable to shareholders	6,542,798
Loss attributable to previous shareholdings by the Group	(3,925,679)
Pre-acquisition profit	(832,433)
	<hr/>
Increase in net profit for the financial year	1,784,686
	<hr/>

**D. ACQUISITION OF ADDITIONAL SHARES IN INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)****ii) Effect on financial position**

The effect of this acquisition on the financial position of the Group during the financial year is as follows:

	<b>2003</b>
	<b>RM</b>
Property, plant and equipment	934
Trade receivables	3,466,954
Other receivables, deposits and prepayments	1,911,892
Cash and bank balances	74,767
Trade payables	(232,211)
Other payables and accruals	(46,884)
	<hr/>
Net assets	5,175,452
Attributable to shares previously held and treated as subsidiaries	(11,350,253)
	<hr/>
Decrease in Group net assets	(6,174,801)

**iii) Effects on cash flow statement**

The effect of this acquisition on the cash flow statement of the Group during the financial year is as follows:

	<b>2003</b>
	<b>RM</b>
Property, plant and equipment	144,426,206
Trade receivables	16,800,940
Other receivables, deposits and prepayments	19,759
Deposits with licensed banks	3,610,000
Cash and bank balances	391,617
Trade payables	(1,347,221)
Other payables and accruals	(15,401,546)
Shareholder's loans	(32,936,000)
Long term borrowings	(96,646,666)
	<hr/>
Fair value of net assets at date of acquisition	18,917,089
Attributable to shares previously held and treated as subsidiaries	(11,350,253)
	<hr/>
Waiver of loan	7,566,836
Reserve on consolidation	(303,354)
Net cash used for acquisition of additional shares in investment in subsidiary companies	(7,263,480)
	<hr/>
	2

# Notes to the financial statements -

31 December 2004

## 1. GENERAL

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 as set out in note 6 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

The registered office is located at 49, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

## 2. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policies seek to ensure that adequate financial resources are available for development of the Group's businesses whilst managing its risks.

The main areas of the financial risks faced by the Group and the policies in respect of the major areas of treasury activities are set out as follows:

### a. Foreign Currency Risk

The Group operates internationally and is exposed to various currencies, mainly United States Dollar (USD) and Singapore Dollar (SGD). The Group maintains a natural hedge by receiving charter hire and funding its borrowings in USD.

### b. Interest Rate Risk

The interest rate exposure arises from the Group's borrowings and deposits and is managed through the use of fixed and floating rate debt.

### c. Credit Risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. This is done through reference to published credit ratings by prime financial institutions. In the absence of published ratings, an internal credit review is conducted if the credit risk is material.

### d. Liquidity and Cash Flow Risks

The Group seeks to achieve a balance between certainty of funding even in difficult times for the markets or the Group and a flexible, cost-effective borrowing structure. This is to ensure that at the minimum, all projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturity is to ensure that the amount of debt maturing in any one year is not beyond the Group's means to repay and refinance.

### 3. ACCOUNTING POLICIES

#### a. Basis of Accounting

The financial statements of the Company are prepared under the historical cost convention unless specifically stated otherwise and comply with approved accounting standards issued by the Malaysian Accounting Standards Board in material respects.

#### b. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. The results of the subsidiary companies acquired during the year are included in the consolidated income statement from the date of their acquisitions.

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

The difference between the purchase consideration and the fair value of net identifiable assets acquired is reflected in the financial statements as goodwill arising on consolidation or reserve on consolidation.

#### c. Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the fair value of the Group's share of their identifiable net assets at the date of acquisition.

Goodwill on acquisitions of subsidiaries are included in the balance sheet as intangible assets. Goodwill on acquisitions of jointly controlled entities and associates are included in investments in jointly controlled entities and associates respectively. Capitalised goodwill is amortised using the straight line method over its estimated useful life or 20 years, whichever is shorter. Goodwill on acquisitions was charged in full to shareholders' equity; such goodwill has not been retrospectively capitalised and amortised as it was impractical to reinstate.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of, the goodwill previously charged to shareholders' equity.

Negative goodwill represents the excess of the fair value of the Group's share of identifiable net assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those assets is recognised in the income statement immediately.

#### d. Subsidiary Companies

Investments in subsidiary companies are stated at cost except where the directors are of the opinion that there is a permanent diminution in the value of the investment, in which case allowance is made for the diminution in value.

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

### 3. ACCOUNTING POLICIES (CONT'D)

#### e. Associated Company

Investments in associated company is stated at cost except where the directors are of the opinion that there is a permanent diminution in the value of an investment, in which case allowance is made for the diminution in value.

Investments in associated company is accounted for in the consolidated financial statements by the equity method of accounting. Associated company is company in which the Group has a long term equity interest of between 20% to 50% to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated company but not control over those policies.

Equity accounting involves recognising in the income statement the Group's share of the results of associated company for the period. The Group's investment in associated company is carried in the balance sheet at an amount that reflects its share of the net assets of the associated company and includes goodwill on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gains on transactions between the Group and its associated company is eliminated to the extent of the Group's interest in the associated company; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated company to ensure consistency of accounting policies with the Group.

#### f. Inventories

Bunker and lubricant stocks held for own consumption are stated at lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Allowance is made for obsolescence, where applicable.

#### g. Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified.

#### h. Property, Plant and Equipment and Depreciation

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

Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method. The annual rates of depreciation used for the major groups of property, plant and equipment are as follows:

Office and other equipment	20% - 25%
Motor vehicles	20%
Renovation	20%

Vessels are amortised over the period of their respective lives which range from 18 to 25 years. Depreciation is computed on the straight line method to write off the cost of each asset over its estimated useful life.

### 3. ACCOUNTING POLICIES (CONT'D)

#### i. Investment Property

Investment property includes leasehold land which is held for long term investment purposes. This is carried at fair value. Any gain or loss arising from a change in fair value of an investment property is included in the income statement.

#### j. Revenue

Dividends from subsidiary companies are recognised in the income statement as and when declared and approved.

Interest income is recognised on received and receivable basis.

Revenue from all voyages, completed and uncompleted, up to the balance sheet date are included in the operating revenue for the year. For voyages that remained uncompleted as at the balance sheet date, the freight receivable for cargoes loaded onto the vessel up to the balance sheet date are accrued in the income statement. For time charter contracts, revenue is recognised on time apportionment basis.

#### k. Foreign Currencies

Transactions arising in foreign currencies are converted into Ringgit Malaysia at the exchange rates prevailing at the transaction dates or at contracted rates, where applicable. Assets and liabilities denominated in foreign currencies are translated into Ringgit Malaysia at the approximate rates of exchange prevailing at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

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

	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Singapore Dollar	2.32	2.23
United States Dollar	3.80	3.80

#### l. Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

### **3. ACCOUNTING POLICIES (CONT'D)**

#### **l. Income Tax (cont'd)**

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

#### **m. Investment**

Investment is held on a long term basis and are stated at cost, unless in the opinion of the directors there has been permanent diminution in value in which case allowance is made for the decline in value.

#### **n. Assets Held Under Hire Purchase and Finance Lease**

Assets acquired under hire purchase and finance lease agreements are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the hire purchase and finance leases, less accumulated depreciation and impairment losses. These assets are depreciated in accordance with the depreciation policy as set out above.

Outstanding obligation due under the hire purchase and finance lease agreements after deducting finance expenses are included as liabilities in the financial statements. The finance expenses of the hire purchase and finance lease are charged to the income statement over the periods of respective agreements so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

#### **o. Provisions for Liabilities**

Provisions for liabilities are recognised when the Group have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount a provision is the present value of the expenditure expected to be required to settle the obligation. The Group recognises its drydocking expenses based on MASB 20 "Provision, Contingent Liabilities and Contingent Assets".

#### **p. Statement of Cash Flows**

The statement of cash flows classifies changes in cash and cash equivalents according to operating, investing and financing activities. The Company does not consider any of the assets other than cash and bank balances and short term investments, reduced by bank overdrafts to meet the definition of cash and cash equivalents. The statement of cash flow is prepared using the indirect method.

Cash and cash equivalents comprise bank balances, cash in hand and short term highly liquid assets that are readily convertible to cash without significant risk of changes in value less bank borrowings that are not subject to fixed term of repayment.

### 3. ACCOUNTING POLICIES (CONT'D)

#### q. Impairment of Assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

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

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

#### r. Financial Instruments

Financial instruments carried on the balance sheet include deposits with licensed banks, cash and bank balances, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

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

**4. PROPERTY, PLANT AND EQUIPMENT**

	<b>As at 1.1.2004 RM</b>	<b>Addition RM</b>	<b>Disposal/ Retirement RM</b>	<b>As at 31.12.2004 RM</b>
<b>Group</b>				
2004				
<b>COST</b>				
Vessels	590,612,820	-	(271,771,931)	318,840,889
Office and other equipment	1,852,938	244,897	(93,157)	2,004,678
Motor vehicles	2,230,094	-	-	2,230,094
Renovation	376,574	-	-	376,574
	595,072,426	244,897	(271,865,088)	323,452,235
	<b>As at 1.1.2004 RM</b>	<b>Charge for the year RM</b>	<b>Disposal/ Retirement RM</b>	<b>As at 31.12.2004 RM</b>
<b>ACCUMULATED DEPRECIATION</b>				
Vessels	142,959,013	24,313,189	(77,942,582)	89,329,620
Office and other equipment	1,469,449	266,614	(93,107)	1,642,956
Motor vehicles	1,399,051	339,796	-	1,738,847
Renovation	376,556	-	-	376,556
	146,204,069	24,919,599	(78,035,689)	93,087,979
				<b>As at 31.12.2004 RM</b>
<b>NET BOOK VALUE</b>				
Vessels				229,511,269
Office and other equipment				361,722
Motor vehicles				491,247
Renovation				18
				230,364,256

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	<b>As at 1.1.2003 RM</b>	<b>Addition RM</b>	<b>Disposal/ Retirement RM</b>	<b>As at 31.12.2003 RM</b>
<b>Group</b>				
2003				
<b>COST</b>				
Vessels	590,612,820	-	-	590,612,820
Office and other equipment	1,977,672	188,211	(312,945)	1,852,938
Motor vehicles	2,114,094	116,000	-	2,230,094
Renovation	376,574	-	-	376,574
	<u>595,081,160</u>	<u>304,211</u>	<u>(312,945)</u>	<u>595,072,426</u>
	<b>As at 1.1.2003 RM</b>	<b>Charge for the year RM</b>	<b>Disposal/ Retirement RM</b>	<b>As at 31.12.2003 RM</b>
<b>ACCUMULATED DEPRECIATION</b>				
Vessels	117,534,438	25,424,575	-	142,959,013
Office and other equipment	1,553,820	228,538	(312,909)	1,469,449
Motor vehicles	1,006,391	392,660	-	1,399,051
Renovation	376,556	-	-	376,556
	<u>120,471,205</u>	<u>26,045,773</u>	<u>(312,909)</u>	<u>146,204,069</u>
				<b>As at 31.12.2003 RM</b>
<b>NET BOOK VALUE</b>				
Vessels				447,653,807
Office and other equipment				383,489
Motor vehicles				831,043
Renovation				18
				<u>448,868,357</u>

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	As at 1.1.2004 RM	Addition RM	Disposal/ Retirement RM	As at 31.12.2004 RM
<b>Company</b> 2004				
<b>COST</b>				
Motor vehicle	481,050	-	-	481,050
Office equipment	1,516,909	79,699	-	1,596,608
	<u>1,997,959</u>	<u>79,699</u>	<u>-</u>	<u>2,077,658</u>
	As at 1.1.2004 RM	Change for the year RM	Disposal/ Retirement RM	As at 31.12.2004 RM
<b>ACCUMULATED DEPRECIATION</b>				
Motor vehicle	192,420	96,210	-	288,630
Office equipment	1,173,572	217,265	-	1,390,837
	<u>1,365,992</u>	<u>313,475</u>	<u>-</u>	<u>1,679,467</u>
				As at 31.12.2004 RM
<b>NET BOOK VALUE</b>				
Motor vehicle				192,420
Office equipment				205,771
				<u>398,191</u>
	As at 1.1.2003 RM	Addition RM	Disposal/ Retirement RM	As at 31.12.2003 RM
<b>COMPANY</b> 2003				
<b>COST</b>				
Motor vehicle	481,050	-	-	481,050
Office equipment	1,343,058	173,851	-	1,516,909
	<u>1,824,108</u>	<u>173,851</u>	<u>-</u>	<u>1,997,959</u>

#### 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	As at 1.1.2003 RM	Change for the year RM	Disposal/ Retirement RM	As at 31.12.2003 RM
<b>ACCUMULATED DEPRECIATION</b>				
Motor vehicle	96,210	96,210	-	192,420
Office equipment	961,639	211,933	-	1,173,572
	<u>1,057,849</u>	<u>308,143</u>	<u>-</u>	<u>1,365,992</u>
				<b>As at 31.12.2003 RM</b>
<b>NET BOOK VALUE</b>				
Motor vehicle				288,630
Office equipment				343,337
				<u>631,967</u>

The vessels have been pledged to financial institutions for credit facilities granted to the Group (Note 16).

The cost of motor vehicles of the Group and of the Company acquired under hire purchase agreements amounted to RM1,407,041 (2003: RM1,752,401) and RM481,050 (2003: RM481,050) respectively.

The cost of office equipment of the Group acquired under lease agreements amounted to RM165,198 (2003: RMNil).

#### 5. INVESTMENT PROPERTY

	2004 RM	Group 2003 RM
Leasehold land - At fair value	5,382,675	5,382,675

Included in land cost is interest capitalised amounting to RM1,120,222 (2003: RM1,120,222).

## 6. SUBSIDIARY COMPANIES

	<b>2004</b>	<b>Company</b>
	<b>RM</b>	<b>2003</b>
		<b>RM</b>
Unquoted shares, at cost:		
- As at 1 January	41,402,955	41,402,949
- Addition during the year	-	6
- As at 31 December	41,402,955	41,402,955

The shares of all subsidiary companies are held directly by the Company. Details of the subsidiary companies are as follows:

	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Equity interest</b>	
			<b>2004</b>	<b>2003</b>
AHS Marine Sdn. Bhd.	Malaysia	Shipowning	100%	100%
Meridian Shipping Sdn. Bhd.	Malaysia	Shipowning	100%	100%
OHM Bulk Services Sdn. Bhd.	Malaysia	Ceased operation	100%	100%
OHM Tankers Sdn. Bhd.	Malaysia	Shipowning	100%	100%
Jubilee Shipping Sdn. Bhd.	Malaysia	Ceased operation	100%	100%
Patriot Shipping Sdn. Bhd.	Malaysia	Ceased operation	100%	100%
Splendid Shipping Sdn. Bhd.	Malaysia	Ceased operation	100%	100%
Sterling Shipping Sdn. Bhd.	Malaysia	Ceased operation	100%	100%
Polaris Shipping Sdn. Bhd.	Malaysia	Shipowning	51%	51%
Prima Shipbrokers Sdn. Bhd.	Malaysia	Shipbroking and ship chartering	100%	100%
Prima Shipmanagement Sendirian Berhad	Malaysia	Ship management services	100%	100%
Emerald Equity Sdn. Bhd.	Malaysia	Dormant	100%	100%
Meridian Tankers Sdn. Bhd.	Malaysia	Dormant	100%	100%
Prima Delima Sdn. Bhd.	Malaysia	Dormant	100%	100%
Colville Shipping Sdn. Bhd.	Malaysia	Shipowning	100%	100%
Colorado Shipping Sdn. Bhd.	Malaysia	Shipowning	100%	100%

## 7. ASSOCIATED COMPANY

	<b>2004</b>	<b>Group</b>	<b>2004</b>	<b>Company</b>
	<b>RM</b>	<b>2003</b>	<b>RM</b>	<b>2003</b>
		<b>RM</b>		<b>RM</b>
Unquoted shares, at cost	8,878,000	8,878,000	8,878,000	8,878,000
Share of accumulated loss of associated company	(554,891)	(479,942)	-	-
	<u>8,323,109</u>	<u>8,398,058</u>	<u>8,878,000</u>	<u>8,878,000</u>
Represents by:				
Group's share of net tangible assets	<u>8,323,109</u>	<u>8,398,058</u>		

## 7. ASSOCIATED COMPANY (CONT'D)

There is no goodwill arising from the acquisition of this associated company.

The shares of the associated company are held directly by the Company. Details of the associated company are as follows:

	Country of incorporation	Principal activities	Equity interest	
			2004	2003
Kemaman Heavy Industries Sdn. Bhd.	Malaysia	Dormant	48.15%	48.15%

## 8. INVESTMENTS

	Group and Company	
	2004	2003
	RM	RM
Unquoted shares, at cost	50,000	50,000
Unquoted bonds, at cost	10,000,000	4,000,000
	<u>10,050,000</u>	<u>4,050,000</u>

## 9. TRADE RECEIVABLES

	Group	
	2004	2003
	RM	RM
Trade receivables	7,682,566	6,968,660
Allowance for doubtful debts	(4,785,554)	-
	<u>2,897,012</u>	<u>6,968,660</u>

Included in trade receivables is an amount of RM1,715,805 (2003: RM2,254,057) due from Prima Shipping Sdn. Bhd., a company in which certain directors, Tan Sri Dato' Halim Bin Mohammad and Puan Sri Datin Mazmin Binti Noordin have interests.

## 10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Other receivables	4,656,451	504,155	1,514,378	32,865
Deposits	269,693	273,651	180,447	183,959
Prepayments	233,257	351,156	-	-
	<u>5,159,401</u>	<u>1,128,962</u>	<u>1,694,825</u>	<u>216,824</u>

**11. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES**

These balances are unsecured, interest free and have no fixed terms of repayment except for an amount of approximately RM49,252,075 (2003: RM23,121,000) due from subsidiary companies which bear interests ranging from 3.00% to 3.70% (2003: 1.02% to 4.25%) per annum.

**12. DEPOSITS WITH LICENSED BANKS**

	<b>2004</b>	<b>Group</b>	<b>2004</b>	<b>Company</b>
	<b>RM</b>	<b>2003</b>	<b>RM</b>	<b>2003</b>
		<b>RM</b>		<b>RM</b>
Deposits with licensed banks	304,973,202	70,207,416	117,721,349	10,700,000

Deposits with licensed banks comprise of fixed deposits and short term repo. The fixed deposits are renewable monthly.

Included in these balances is an amount of RM247,075 (2003: RM238,236) which has been pledged to a bank as security for banking facility extended to a subsidiary company.

**13. TRADE PAYABLES**

	<b>2004</b>	<b>Group</b>
	<b>RM</b>	<b>2003</b>
		<b>RM</b>
Included in trade payables are:		
Amount due to City Connections Travel Sdn. Bhd., a company in which certain directors, Tan Sri Dato' Halim Bin Mohammad and Puan Sri Datin Mazmin Binti Noordin have interests	8,251	7,347
Amount due to OHM Maritime Sdn. Bhd., a company in which certain directors, Tan Sri Dato' Halim Bin Mohammad and Puan Sri Datin Mazmin Binti Noordin have interests	22,006	14,577
Amount due to OHM Maritime Services Pte. Ltd., a company in which Mr Suresh Emmanuel Abishegam, a key management personnel has interests	1,779	990

**14. OTHER PAYABLES AND ACCRUALS**

	<b>2004</b>	<b>Group</b>	<b>2004</b>	<b>Company</b>
	<b>RM</b>	<b>2003</b>	<b>RM</b>	<b>2003</b>
		<b>RM</b>		<b>RM</b>
Other payables	20,804,999	4,819,078	8,257	98,163
Accruals	3,047,795	5,637,972	653,315	948,216
	<u>23,852,794</u>	<u>10,457,050</u>	<u>661,572</u>	<u>1,046,379</u>

	<b>2004</b>	<b>Group</b>
	<b>RM</b>	<b>2003</b>
		<b>RM</b>
Included in other payables are:		
Amount due to City Connections Travel Sdn. Bhd., a company in which certain directors, Tan Sri Dato' Halim Bin Mohammad and Puan Sri Datin Mazmin Binti Noordin have interests	19,305	-
Amount due to Prima Shipping Sdn. Bhd., a company in which certain directors, Tan Sri Dato' Halim Bin Mohammad and Puan Sri Datin Mazmin Binti Noordin have interests	-	6,646

These balances are unsecured, interest free and have no fixed terms of repayment.

**15. HIRE PURCHASE AND LEASE PAYABLES**

	<b>2004</b>	<b>Group</b>	<b>2004</b>	<b>Company</b>
	<b>RM</b>	<b>2003</b>	<b>RM</b>	<b>2003</b>
		<b>RM</b>		<b>RM</b>
Hire purchase payables:				
Minimum payment				
- not later than one year	213,946	377,024	11,025	132,420
- later than one year and not later than five years	144,336	226,357	-	11,025
	<u>358,282</u>	<u>603,381</u>	<u>11,025</u>	<u>143,445</u>
Future finance charges on hire purchase	(31,247)	(54,324)	(71)	(6,456)
Present value of hire purchase payables	<u>327,035</u>	<u>549,057</u>	<u>10,954</u>	<u>136,989</u>
Current	193,724	341,857	10,954	126,035
Non-current (Note 20)	133,311	207,200	-	10,954
	<u>327,035</u>	<u>549,057</u>	<u>10,954</u>	<u>136,989</u>
Present value of hire purchase payables				
- not later than one year	193,724	341,857	10,954	126,035
- later than one year and not later than five years	133,311	207,200	-	10,954
	<u>327,035</u>	<u>549,057</u>	<u>10,954</u>	<u>136,989</u>

**15. HIRE PURCHASE AND LEASE PAYABLES (CONT'D)**

	<b>2004</b>	<b>Group</b>	<b>2004</b>	<b>Company</b>
	<b>RM</b>	<b>2003</b>	<b>RM</b>	<b>2003</b>
		<b>RM</b>		<b>RM</b>
Lease payables (Ijarah Muntahiyah Bit-Tamlik):				
Minimum payment				
- not later than one year	14,281,843	12,646,080	-	-
- later than one year and not later than five years	19,827,875	52,456,092	-	-
	<u>34,109,718</u>	<u>65,102,172</u>	-	-
Future finance charges on leasing	(1,909,718)	(7,102,172)	-	-
Present value of lease payables	<u>32,200,000</u>	<u>58,000,000</u>	-	-
Current	13,200,000	9,900,000	-	-
Non-current (Note 20)	19,000,000	48,100,000	-	-
	<u>32,200,000</u>	<u>58,000,000</u>	-	-
Present value of lease payables				
- not later than one year	13,200,000	9,900,000	-	-
- later than one year and not later than five years	19,000,000	48,100,000	-	-
	<u>32,200,000</u>	<u>58,000,000</u>	-	-
Total				
- Current	13,393,724	10,241,857	10,954	126,035
- Non-current	19,133,311	48,307,200	-	10,954

**16. TERM LOANS**

	<b>2004</b>	<b>Group</b>	<b>2004</b>	<b>Company</b>
	<b>RM</b>	<b>2003</b>	<b>RM</b>	<b>2003</b>
		<b>RM</b>		<b>RM</b>
Term loans (secured)	120,759,778	224,086,000	-	-
Term loans (unsecured)	100,000,000	40,000,000	100,000,000	40,000,000
Payable within one year	(59,550,222)	(44,046,222)	-	-
Payable after one year (Note 20)	<u>161,209,556</u>	<u>220,039,778</u>	100,000,000	40,000,000
The breakdown of amount payable after one year is as follows:				
Between two to five years	151,544,890	181,832,890	100,000,000	40,000,000
After five years	9,664,666	38,206,888	-	-
	<u>161,209,556</u>	<u>220,039,778</u>	100,000,000	40,000,000

## 16. TERM LOANS (CONT'D)

The term loans of the Company are unsecured and are repayable after 5 years from the date of loan drawdown.

The term loans of the subsidiary companies are secured by way of charge over the Group's vessels (Note 4) and corporate guarantee (Note 31) of the Company and are repayable within a period of 7 to 10 years from the date of loan drawdown. During the financial year, some term loans were fully settled.

## 17. SHARE CAPITAL

	<b>Group and Company</b>	
	<b>2004</b>	<b>2003</b>
Authorised:		
Number of ordinary shares of RM0.50 (2003: RM1.00) each		
At 1 January	100,000,000	100,000,000
Created during the year	100,000,000	-
Share split	200,000,000	-
At 31 December	400,000,000	100,000,000
	<b>RM</b>	<b>RM</b>
Ordinary shares of RM0.50 (2003: RM1.00) each		
At 1 January	100,000,000	100,000,000
Created during the year	100,000,000	-
At 31 December	200,000,000	100,000,000
Issued and fully paid:		
Number of ordinary shares of RM0.50 (2003: RM1.00) each		
At 1 January	69,927,000	68,690,000
Issued during the year	90,748,360	1,237,000
Share split	160,675,360	-
At 31 December	321,350,720	69,927,000
	<b>RM</b>	<b>RM</b>
Ordinary shares of RM0.50 (2003: RM1.00) each		
At 1 January	69,927,000	68,690,000
Issued during the year	90,748,360	1,237,000
At 31 December	160,675,360	69,927,000

On 13 September 2004, the authorised share capital of the Company was increased from RM100,000,000 to RM200,000,000 by the creation of 100,000,000 ordinary shares of RM1.00 each. The shares of the Company were subdivided from RM 1.00 each to RM 0.50 each based on the entitlement date of 22 November 2004. This subdivision exercise was completed on 2 December 2004.

## 17. SHARE CAPITAL (CONT'D)

During the financial year, the issued and paid up ordinary share capital of the Company was increased from RM69,927,000 to RM160,675,360 by way of ICULS conversion, bonus issue and private placement. These new shares rank pari passu in all respects with the existing shares in issue of the Company.

During the financial year, the 160,675,360 ordinary shares of RM1.00 each were subdivided into 321,350,720 ordinary shares of RM0.50 each.

## 18. RESERVES

	2004 RM	Group 2003 RM	2004 RM	Company 2003 RM
<b>Non-distributable</b>				
<b>Share premium</b>				
At 1 January	16,844,830	16,547,390	16,844,830	16,547,390
Bonus issue	(19,855,729)	-	(19,855,729)	-
Issue of shares	8,471,944	-	8,471,944	-
Premium arising from conversion of ICULS	3,030,013	333,990	3,030,013	333,990
ICULS expenses	(3,446)	(19,163)	(3,446)	(19,163)
Listing expenses	(675,668)	(17,387)	(675,668)	(17,387)
At 31 December	7,811,944	16,844,830	7,811,944	16,844,830
<b>Reserve on consolidation</b>				
Reserve on consolidation	17,934,873	17,934,873	-	-
Goodwill on consolidation	(218,156)	(218,156)	-	-
	17,716,717	17,716,717	-	-
Total non-distributable reserves	25,528,661	34,561,547	7,811,944	16,844,830
<b>Distributable</b>				
<b>Retained profit</b>				
At 1 January	86,957,741	63,818,534	52,609,992	11,965,007
Net profit for the year	68,929,962	27,949,397	78,647,097	45,455,175
Dividend paid	(5,664,743)	(4,810,190)	(5,664,743)	(4,810,190)
Bonus issue	(45,063,631)	-	(45,063,631)	-
At 31 December	105,159,329	86,957,741	80,528,715	52,609,992
<b>Merger adjustment</b>	(7,983,789)	(7,983,789)	-	-
Total distributable reserves	97,175,540	78,973,952	80,528,715	52,609,992
<b>Total Reserves</b>	122,704,201	113,535,499	88,340,659	69,454,822

The merger adjustment represents the excess of nominal value of shares issued as consideration over the nominal value of shares acquired.

**19. 8% IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS  
1999/2004 (ICULS)**

	<b>Group and Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
At 1 January	11,279,000	12,516,000
Amount converted to ordinary shares during the financial year	(11,279,000)	(1,237,000)
At 31 December	<u>-</u>	<u>11,279,000</u>

The 8% Irredeemable Convertible Unsecured Loan Stocks 1999/2004 ("ICULS") at nominal value of RM1.00 each were constituted by a Trust Deed dated 13 May 1999 and Supplemental Trust Deed dated 4 April 2000 made by the Company and the Trustee for the holders of the ICULS. The main features of the Company's ICULS were as follows:

- (a) The ICULS shall be convertible into fully paid ordinary shares of the Company during the period from 1 July 1999 to the maturity date at 30 June 2004 by either:
- \* Tendering RM1.27 nominal value of ICULS, for cancellation by the Company, for each new share; or
  - \* Partly tendering the ICULS at nominal value towards satisfying a sum equal to RM1.00 or multiples thereof and partly by paying the balance of the conversion price for each new share in cash.
- (b) Upon conversion of the ICULS into new ordinary shares, such shares should rank pari passu in all respects with the ordinary shares of the Company in issue at the time of conversion except that they would not be entitled to any dividend or other distributions declared in respect of a financial period prior to the financial period in which the ICULS are converted or any interim dividend declared prior to the date of conversion of the ICULS.
- (c) The interest on the ICULS is payable annually in arrears.

During the financial year, RM11,011,900 ICULS were converted into 11,011,900 ordinary shares of RM1.00 each at a rate of RM1.00 nominal value of ICULS plus RM0.27 cash. On maturity date at 30 June 2004, all the remaining ICULS of RM267,100 were mandatory converted to 210,300 ordinary shares of RM1.00 each at a rate of RM1.27 nominal value of ICULS for one new Halim Mazmin Berhad ordinary share of RM1.00 each.

**20. LONG TERM LIABILITIES**

	<b>2004</b>	<b>Group</b>	<b>2004</b>	<b>Company</b>
	<b>RM</b>	<b>2003</b>	<b>RM</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Hire purchase payables (Note 15)	133,311	207,200	-	10,954
Ijarah Muntahiyah Bit- Tamlík (Note 15)	19,000,000	48,100,000	-	-
Term loans (Note 16)	161,209,556	220,039,778	100,000,000	40,000,000
Loan from corporate shareholder of a subsidiary company	8,516,200	8,516,200	-	-
	<u>188,859,067</u>	<u>276,863,178</u>	<u>100,000,000</u>	<u>40,010,954</u>

The loan from corporate shareholder of a subsidiary company to the respective company is unsecured, interest free and has no fixed terms of repayment.

**21. REVENUE**

	<b>2004</b>	<b>Group</b>	<b>2004</b>	<b>Company</b>
	<b>RM</b>	<b>2003</b>	<b>RM</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Freight charges	127,093,338	131,201,239	-	-
Dividend	-	-	80,000,000	51,600,000
Management fee	-	-	105,600	-
	<u>127,093,338</u>	<u>131,201,239</u>	<u>80,105,600</u>	<u>51,600,000</u>

**22. OTHER OPERATING INCOME**

	<b>2004</b>	<b>Group</b>	<b>2004</b>	<b>Company</b>
	<b>RM</b>	<b>2003</b>	<b>RM</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Gain on disposal of property, plant and equipment	39,134,617	-	-	-
Interest income	3,358,542	1,432,591	3,126,215	1,171,725
	<u>42,493,159</u>	<u>1,432,591</u>	<u>3,126,215</u>	<u>1,171,725</u>

### 23. PROFIT BEFORE TAXATION

The following items have been charged in arriving at profit before taxation:

	<b>2004</b>	<b>Group</b>	<b>2004</b>	<b>Company</b>
	<b>RM</b>	<b>2003</b>	<b>RM</b>	<b>2003</b>
		<b>RM</b>		<b>RM</b>
Auditors' remuneration				
- Current year's provision	52,600	51,600	4,000	4,000
- Under/provision in prior year	-	400	-	-
Crew cost	15,802,602	16,275,458	-	-
Depreciation of property, plant and equipment	24,919,599	26,045,773	313,475	308,143
Directors' remuneration				
- Fee	126,000	120,000	126,000	120,000
- Other emoluments				
- Directors of the corporation	1,026,655	1,028,704	-	-
- Other directors of subsidiary companies	432,600	421,898	-	-
Finance costs				
- Bank overdraft interest	-	13,486	-	13,486
- Borrowing cost	175,000	-	175,000	-
- Hire purchase interest	47,853	65,063	6,385	16,601
- ICULS 8% interest	(418,720)	949,640	(418,720)	949,640
- Lease interest	2,372,469	851,042	-	-
- Term loan interest	9,856,523	11,678,092	3,835,068	4,790,591
Loss on foreign exchange	98,287	35,062	-	-
Preliminary expenses	-	2,440	-	-
Property, plant and equipment written off	50	36	-	-
Rental of premises	1,260,000	1,260,000	-	-
Staff costs	2,615,334	2,534,350	285,217	372,832

The total number of employees of the Group and of the Company (including directors) at the financial year end were 48 (2003: 63) and 11 (2003: 15) respectively.

**24. TAXATION**

	<b>2004</b>	<b>Group</b>	<b>2004</b>	<b>Company</b>
	<b>RM</b>	<b>2003</b>	<b>RM</b>	<b>2003</b>
		<b>RM</b>		<b>RM</b>
Current year's tax charge	33,491	32,700	-	-
Overprovision in prior year	(311)	(4,789)	-	-
	33,180	27,911	-	-
Share of tax of an associated company	7,061	6,536	-	-
	40,241	34,447	-	-
	2004	2003	2004	2003
	%	%	%	%
Applicable tax rate	28	28	28	28
Tax effect of:				
- Expenses not deductible for tax purposes	9	6	-	3
- Income not subject to tax	(37)	(106)	(28)	(32)
Unrecognised deferred taxation assets	-	72	-	1
Average effective tax rate	-	-	-	-

The income of the Group derived from the operations of sea-going Malaysian registered ships is tax exempt under Section 54A of the Income Tax Act, 1967. The taxation charge of the Group is attributable to other income.

Subject to agreement with the Inland Revenue Board, the Company has the followings:

	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Unabsorbed tax losses	2,305,000	1,817,000
Unabsorbed capital allowances	1,347,000	1,219,000
Section 108	42,000	42,000
Tax exempt account	203,098,000	128,763,000

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt account to frank payment of dividends out of its entire retained profit.

## 25. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Group's profit after taxation and minority interest of RM68,929,962 (2003: RM27,949,397) by the weighted average number of shares issued during the financial year of 287,480,677 (2003: 249,308,748).

The fully diluted earnings per share has been calculated based on the adjusted profit after taxation and minority interest of RM69,166,475 (2003: RM29,095,343) and on the adjusted weighted average number of shares issued and issueable for the financial year of 298,123,513 (2003: 289,913,148).

Comparative earnings per share information has been restated to take into account the effects of bonus shares issued and share split.

## 26. DIVIDENDS

Dividends declared or proposed in respect of the financial year ended 31 December 2004 are as follows:

	Year ended 31.12.2004		Year ended 31.12.2003	
	Gross dividend per share Sen	Dividend net of tax RM	Gross dividend per share Sen	Dividend net of tax RM
First and final tax exempt dividend paid	7	5,664,743	7	4,810,190
Proposed final dividend	7	22,494,550	7	4,894,890

At the forthcoming Annual General Meeting, a final gross dividend in respect of the financial year ended 31 December 2004 of 7 sen per share (2003: 7 sen per share) amounting to RM22,494,550 (2003: RM4,894,890) will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accrued as a liability in the financial year ending 31 December 2005 when approved by shareholders.

## 27. DEFERRED TAXATION

As at 31 December 2004, the amount of estimated net deferred tax assets of the Company measured at current tax rate which are not recognised in the financial statements, are as follows:

	2004 RM	Company 2003 RM
Temporary difference between book depreciation and capital allowance on property, plant and equipment	(10,000)	(46,000)
Unabsorbed capital allowances	377,000	341,000
Unabsorbed tax losses	646,000	509,000
	<u>1,013,000</u>	<u>804,000</u>

**28. SIGNIFICANT INTER-COMPANY TRANSACTIONS**

	<b>2004</b>	<b>Company</b>
	<b>RM</b>	<b>2003</b>
		<b>RM</b>
Dividend income received from subsidiary companies	80,000,000	51,600,000
Interest income received from subsidiary companies	1,733,817	721,283
Management fee received from subsidiary companies	105,600	-

**29. RELATED PARTY TRANSACTIONS**

	<b>2004</b>	<b>Group</b>
	<b>RM</b>	<b>2003</b>
		<b>RM</b>
Nature of transactions:		
Rental of premises paid to Mentari Muara Sdn. Bhd., a company in which certain directors, Tan Sri Dato' Halim Bin Mohammad and Puan Sri Datin Mazmin Binti Noordin have interests	1,260,000	1,260,000
Freight charges from Prima Shipping Sdn. Bhd., a company in which certain directors, Tan Sri Dato' Halim Bin Mohammad and Puan Sri Mazmin Binti Noordin have interests	15,723,050	13,969,276
Air fare paid to City Connections Travel Sdn. Bhd., a company in which certain directors, Tan Sri Dato' Halim Bin Mohammad and Puan Sri Datin Mazmin Binti Noordin have interests	860,199	769,196
Agency and crew attendance fees paid to OHM Maritime Sdn. Bhd., a company in which certain directors, Tan Sri Dato' Halim Bin Mohammad and Puan Sri Datin Mazmin Binti Noordin have interests	126,180	163,515
Agency and crew attendance fees paid to OHM Maritime Services Pte. Ltd., a company in which Mr Suresh Emmanuel Abishegam, a key management personnel has interests	15,514	33,909

The above related party transactions are undertaken in the ordinary course of business at arm's length

Amount outstanding at 31 December :

	<b>2004</b>	<b>Group</b>
	<b>RM</b>	<b>2003</b>
		<b>RM</b>
Due from Prima Shipping Sdn. Bhd.	1,715,805	1,689,907
Due to City Connections Travel Sdn. Bhd.	27,556	7,347
Due to OHM Maritime Sdn. Bhd.	3,100	6,020
Due to OHM Maritime Services Pte. Ltd.	702	-

**30. SEGMENTAL ANALYSIS**

There is no disclosure of segment information as required by MASB 22 : Segment Reporting, as the Group operates principally in shipping industry and related activities.

### 31. CONTINGENT LIABILITIES (UNSECURED)

Corporate guarantees extended by the Company to financial institutions for credit facilities granted to its subsidiary companies:

	Limit RM	Exposure as at 31.12.2004 RM
Jubilee Shipping Sdn. Bhd.	77,000,000	-
Patriot Shipping Sdn. Bhd.	77,000,000	-
Polaris Shipping Sdn. Bhd.	37,209,600	23,798,640
Colorado Shipping Sdn. Bhd.	46,712,556	37,047,889
Colville Shipping Sdn. Bhd.	46,712,556	37,047,889

### 32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- a) From 1 January 2004 to 30 June 2004, the Company converted the balance of the convertible loan stocks to ordinary shares of RM1.00 each amounting to 11,222,200 ordinary shares.
- b) On 13 September 2004, the Company increased its authorised share capital from RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each to RM200,000,000 comprising 200,000,000 ordinary shares of RM1.00 each. The share of the Company were subdivided from RM 1.00 each to RM 0.50 each based on the entitlement date of 22 November 2004. This subdivision exercise was complete on 2 December 2004.
- c) On 18 October 2004, the Company issued 64,919,360 new ordinary shares of RM1.00 each as bonus issue on the basis of four bonus shares for every five ordinary shares of RM1.00 each held.
- d) On 18 October 2004, the Company issued 14,606,800 new ordinary shares of RM1.00 each, representing not more than 10% of the enlarged issued and paid-up share capital of HMB after the bonus issue, as private placement.
- e) During the financial year, the 160,675,460 ordinary shares of RM1.00 each were subdivided into 321,350,720 ordinary shares of RM0.50 each.
- f) During the financial year, OHM Bulk Services Sdn. Bhd., Patriot Shipping Sdn. Bhd. and Jubilee Shipping Sdn. Bhd., three of the wholly-owned subsidiary companies of the Company disposed their respective vessels for a total consideration of RM 235,912,575.

### 33. EVENT SUBSEQUENT TO THE FINANCIAL YEAR

On 22 March 2005, Polaris Shipping Sdn. Bhd., one of the subsidiary companies has disposed its vessel for a total consideration of RM 141,911,000.

### 34. MATERIAL LITIGATION

Kemaman Heavy Industries Sdn. Bhd. (KHISB) a 48.15% owned associated company is involved in litigation as defendant for a liquidated sum of RM1,581,821.39 on an alleged contract for services. The solicitors of KHISB is of the opinion that the claim for the liquidated sum is unlikely to succeed as the documents of the plaintiff evidenced that there was no firm agreement between the parties. In view of the aforesaid, the directors of Halim Mazmin Berhad are and have always been of the view that the plaintiff is unlikely to succeed on its claim and are certain that this suit will not in any way affect the position or business of Halim Mazmin Berhad.

### 35. FINANCIAL INSTRUMENTS

#### a. (i) Interest Rate Risk

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interest rates, and the interest rates on classes of financial assets and financial liabilities as at financial year end, are as follows :

	RM	2004 Interest rate %	RM	2003 Interest rate %
<b>Group</b>				
Financial Assets				
- Deposits with licensed banks	304,973,201	0.50 - 3.70	70,207,416	0.50 - 3.20
- Other investments	10,050,000	0.00 - 14.29	4,050,000	0.00 - 6.50
Financial Liabilities				
- Term loan				
- Fixed interest rate	40,000,000	5.00	40,000,000	5.00
- Fixed interest rate	60,000,000	5.25	-	-
- Floating interest rate	120,759,778	2.08 - 3.55	224,086,000	2.08 - 3.40
<b>Company</b>				
Financial Assets				
- Deposits with licensed banks	117,721,349	1.95 - 3.00	10,700,000	2.60 - 3.20
- Other investments	10,050,000	0.00 - 14.29	4,050,000	0.00 - 6.50
Financial Liabilities				
- Term loan				
- Fixed interest rate	40,000,000	5.00	40,000,000	5.00
- Fixed interest rate	60,000,000	5.25	-	-

The management actively reviews the Group's debt portfolio to consider entering into hedging instruments such as interest rate swaps as and when it deemed fit.

#### (ii) Credit Risk

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

The Group has no significant concentration of credit risk with any single counterparty. In respect of investment in cash, the policy is to transact with financial institutions that have at least a short term counterparty rate.

At 31 December 2004, the Group had no significant credit risk associated with its exposure to potential counterparty failure to settle outstanding foreign currency.

**35. FINANCIAL INSTRUMENTS (CONT'D)**

## b. Fair Values of Financial Instruments

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company as at financial year end approximated their fair values because of their short term maturity period.

The fair value of long term borrowings is estimated based on the quoted market prices for the same or similar issues or on the current rates available for borrowings with the same maturity profile.

**36. AUTHORISATION FOR ISSUE**

The financial statements of the Company for the financial year ended 31 December 2004 were authorised for issue in accordance with a resolution of the Board of Directors on 31 March 2005.

# Corporate Governance Statement

The Board fully supports the best practices of the Malaysian Code on Corporate Governance (“the Code”) and is committed to maintaining highest standards of corporate governance pursuant to the Code. This Corporate Governance Statement contained the principles and practices of the Code that the Group has adhere to.

## 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 Meetings

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 25 February 2004, 20 May 2004, 20 August 2004 and 24 November 2004.

### iii. Supply of Information to the Board

All Directors are provided with an agenda and a set of Board papers prior to each Board meeting which comprising the quarterly financial results and other relevant information to enable the Board to discharge their duties and responsibilities. The agenda and Board papers 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 Secretaries and all information within

Directors	Attendance of Directors			
	25/02/04	20/05/04	20/8/04	24/11/04
Tan Sri Dato' Halim Bin Mohammad	✓	✓	✓	✓
Puan Sri Datin Mazmin Binti Noordin	✓	✓	✓	✓
Dato' Seri Haji Sulaiman Bin Mohd Amin	✓	✓	✓	✓
Dato' Edris @ Idris Bin Haji Wahed	✓	✓	✓	✓
Tuan Haji Mazlan Bin Nordin	✓	✓	✓	✓
Mr Patrick Lim Keng Lee	✓	✓	✓	✓
Mr Ee Beng Wat	✓	✓	✓	✓
Dato' Abdul Kadir Bin Mohd Deen*	N/A	N/A	✓	✓
General (R) Dato' Sri Abdullah Bin Ahmad @ Dollah Bin Amad*	N/A	N/A	✓	✓

✓ - present

N/A - Not applicable

\* Appointed as Directors on 20 August 2004

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.

#### iv. Board Composition and Balance

The Board currently has nine (9) members comprising:-

- (a) Executive Chairman who is also the Managing Director
- (b) Deputy Chairman who is an Independent/Non-Executive Director
- (c) Executive Director
- (d) Four (4) Independent/Non-Executive Directors
- (e) Two (2) Non-Independent/Non-Executive Director

In order to contribute a wide range of business, industrial and financial experience to lead the Company, two (2) new directors were appointed during the year, namely Dato' Abdul Kadir Bin Mohd Deen (Independent/Non-Executive Director) and General (R) Dato' Sri Abdullah Bin Ahmad @ Dollah Bin Amad (Non-Independent/Non-Executive Director).

The brief profile on each and every Director is presented on pages 6 to 11 in this Annual Report.

The presence of five (5) Independent/Non-Executive Directors out of nine (9) Directors which complies with Bursa Securities Listing Requirements and 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. The Executive Chairman's responsibility is to ensure the effectiveness of the Board and to provide general strategic business directions for the organization.

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.

#### v. 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 re-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. All Directors to retire from office at least once in every

three (3) years on a rotation basis and are eligible to offer themselves for re-election at the Company's AGM.

#### vi. Directors' Training

In view of the changing laws, regulations and business environment, the Directors are encouraged to attend continuous training to further their knowledge and to equip themselves to effectively discharge their duties as directors.

All Members of the Board have attended the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Securities Listing Requirements. During the year 2004, they have also attended the Continuing Education Programme ("CEP") except the two (2) newly appointed directors.

### 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 Bursa Securities Listing Requirements.

The main objectives of the Audit Committee, its terms of reference are as detailed in pages 12 to 14 of the Annual Report.

#### ii. Nomination Committee

The Board is regularly review the structure, size and composition of the Directors and 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 determined the policy on executive remuneration and fixing the remuneration packages of individual directors. 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 Company pays annual fees to the Directors. The Directors' fees are approved by the shareholders at the AGM based on the recommendation from the Board. The Board as a whole determines the remuneration of each Director.

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

Category	(RM'000)		
	Fees	Salaries	Other Allowances
Executive Directors	36	549	478
Non-Executive Directors	90	-	-
Total	126	549	478

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

Range of remuneration	Number of Directors	
	Executive	Non Executive
RM0 to RM50,000	-	7
RM150,001 to RM200,000	1	-
RM850,001 to RM900,000	1	-

### D. SHAREHOLDERS

#### i. Investors' Relations and Shareholders' Communication

The Board recognizes the values dialogue with investors and shareholders and the importance of accountability to them. As such, the Board is disseminating proper, timely and adequate information to the investors and shareholders through annual report, announcements, circulars to shareholders and press release.

#### ii. AGM

At the Company's AGM, shareholders have direct access to the Board and are given the opportunity to enquire about the Company's activities and performance. 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.

Besides, the shareholders, investors and members of the public may also access the Company's website at [www.halimazmin.com](http://www.halimazmin.com) to obtain the latest information on the Group.

### E. ACCOUNTABILITY AND AUDIT

#### i. Financial Reporting

The Board is responsible to ensure the financial statements represent a true, clear and fair assessment of the Company and Group's financial positions and prospects in all its quarterly results announcements and annual reports. A statement on Directors' Responsibility is set out on page 77 of the Annual Report.

#### ii. Internal Controls

The Directors are mindful of their responsibilities in relation to the maintenance of a sound system of internal controls which provides reasonable assessment and review of the Company's effectiveness to safeguard shareholders' investment and Group's assets. The Board is continuously reviewing the adequacy and integrity of its system of internal controls.

A Statement on Internal Control is set out on pages 76 to 77 of the Annual Report.

#### iii. Relationship with External Auditors

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

The role of the Audit Committee in relation with the external auditors is set out on pages 12 to 14 of the Annual Report.

### F. ADDITIONAL COMPLIANCE INFORMATION

#### i. Utilisation of Proceeds

The utilisation proceeds from the private placement of 14,606,800 new ordinary shares of RM1.00 each at an issue price of RM1.58 each and the disposal of two (2) container vessels, namely MSC Tasmania and MSC America for the financial year ended 31 December 2004 are set out on pages 73 to 75 of the Annual Report.

**ii. Share Buyback**

During the financial year ended 31 December 2004, there was no share buyback by the Company.

**iii. Options, Warrants or Convertible Securities**

During the financial year ended 31 December 2004, a total number of 11,279,000 Irredeemable Convertible Unsecured Loan Stocks ("ICULS") which were matured on 30 June 2004 had been converted into 11,222,200 ordinary shares of RM1.00 each as set out on page 61 of the Annual Report.

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

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

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

**v. 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.

**vi. Non-audit Fees**

The amount of non-audit fees paid to external auditors for the financial year ended 31 December 2004 is RM 21,000.

**vii. Variation in Results**

There are no material variation in results between the audited results for the financial year ended 31 December 2004 and the unaudited results for the quarter ended 31 December 2004 of the Group.

**viii. Profit Guarantees**

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

**ix. Material Contracts**

During the year, there were no material contracts outside the ordinary course of business entered into by the Company and its subsidiaries which involved Directors' and major shareholders' interests.

**x. Revaluation of Landed Properties**

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

**xi. Recurrent Related Party Transactions Statement**

The breakdown of the aggregate value of the recurrent transactions which the Group has entered into during the financial year 2004 pursuant to a mandate given by the shareholders on 28 June 2004 are set out on page 66 of the Annual Report.

**G. COMPLIANCE TO SECURITIES COMMISSION'S ("SC") REQUIREMENTS**

The Company is required by SC to make the following disclosures in relation to the following corporate exercises:-

**i. PROPOSED PRIVATE PLACEMENT**

Pursuant to SC's letter approving the Private Placement dated 29 June 2004, HMB is required to disclose the status of the utilisation proceeds arising from the Private Placement of 14,606,800 New Ordinary Shares at an issue price of RM1.58 each ("Private Placement") in its quarterly and annual reports until the proceeds are fully utilised. The status of the utilisation proceeds from the Private Placement for the financial year ended 31 December 2004 are as follows:

	Total Private Placement Proceeds	Utilisation Timeframe Financial year ended 31 Dec 2004	
	RM'000 (Actual)	RM'000 (Proposed)	RM'000 (Actual)
Working Capital:-			
- Fleet's drydock	8,500	-	-
- Fleet's operating costs *	13,919	5,000	5,000
Estimated expenses relating to the Corporate Proposal	660	660	587
	23,079	5,660	5,587

\* The fleet's operating costs include insurance for the vessels, crew costs, repair and maintenance costs.

**ii. DISPOSAL OF TWO (2) CONTAINER VESSELS, NAMELY MSC TASMANIA AND MSC AMERICA (“MSC DISPOSALS”)**

Pursuant to Chapter 12 of the Securities Commission’s Guidelines on Issue/Offer of Securities (“SC Guidelines”), the value of the sale consideration in the MSC Disposals had resulted in a percentage ratio that exceeded 100%. Thus, the MSC Disposals were deemed transactions that resulted in a significant change in business direction of HMB and required approval from the SC. Aseambankers Malaysia Berhad (“Aseambankers”), on behalf of HMB, had on 28 October 2004 submitted an application to SC for a waiver from subjecting the MSC Disposals to the approval of the SC (“Waiver”). The approval for the Waiver was obtained from the SC vide their letter dated 4 January 2005. Following this, on 27 January 2005, Aseambankers on behalf of HMB, submitted an application to the SC to modify the disclosure requirements stipulated in the SC’s approval letter dated 4 January 2005 (“Modification”). SC’s approval for the Modification was obtained vide their letter dated 21 February 2005.

**The terms and conditions of the SC are as follows:-**

HMB is to disclose the followings, but subject to the following terms and conditions:

- a. the basis and justification for the disposal price, future plans of the Group, and declaration of interest by the directors and substantial shareholders of HMB and persons connected with them in the MSC Disposals, in its quarterly and annual reports; and
- b. status of utilization of the MSC Disposals proceeds in their quarterly and annual reports until all the proceeds have been fully utilized.

In addition, HMB is to obtain SC’s prior approval should the MSC Disposals proceeds be utilised for acquisitions resulting in a significant change in business direction, acquisitions of substantial foreign assets, and/or acquisitions of assets from related parties.

**1. Basis and Justification for the MSC Disposals Price**

The disposal price of USD30.0 million each, amounting to an aggregate of USD60.0 million (representing approximately RM228.0 million) was arrived at on a willing buyer-willing seller basis after taking into consideration the market value of MSC Tasmania and MSC America of USD30.0 million each, ascribed by an independent valuer, Howe Robinson Marine Evaluations (a division of Howe Robinson & Co. Ltd), in their certificates of valuation dated 28 October 2004. The aggregate gain on the disposals were RM36.36 million.

The Board of HMB has considered the global shipping market which they note is presently experiencing an unprecedented boom wherein vessel prices and charter rates of all major sectors i.e. tankers, containers and dry cargo segments have increased significantly over the past 18 to 24 months. The increase is attributed by management to a combination of factors particularly strong demand from the China market for raw materials and a shortage of vessels.

Against this backdrop, the management of HMB views the MSC Disposals as a timely opportunity for the HMB Group to realise premium value for the 2 container vessels given that the vessels are now 11 years old and would be incurring higher maintenance cost as the vessels age.

**2. Future Plans of the Group**

After the completion of the MSC Disposals and the disposal of Meridian Polaris, a capesize bulk carrier, the HMB Group would still have a fleet of 5 vessels. The Board of HMB intends to continue with its core business of shipping. The proceeds from the disposals will enable HMB to build up its cash reserves to acquire additional vessels once the price of vessels comes down from the current historical high levels. The cash reserves will place HMB in a good position to take advantage of any opportunities that may arise during the shipping market downturn and acquire vessels at attractive prices.

As part of the decision making process to invest in additional vessels, the Board of HMB will take into consideration factors such as type and age of the vessel, the internal rate of return, the charterer of the vessel and the tenure of the charter party agreement. HMB will continue its prudent approach by taking a long-term view of its vessel investment.

**3. Declaration by the Directors and Substantial Shareholders of HMB and Persons Connected With Them**

None of the Directors, substantial shareholders of HMB and persons connected with them have any interest, direct or indirect, in the MSC Disposals.

**4. Status of Utilisation of the MSC Disposals Proceed**

At present, specific utilisation of the proceeds has not been identified. Meanwhile, the proceeds have been placed in term deposits.

# 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's assets. The Board is committed to continuously improve the Group's system of internal control and is pleased to provide the following statement.

## RESPONSIBILITIES

The Board of Directors ("Board") asserts the importance of a sound system of internal control, which covers financial, organisational, operational and compliance control. The Board also affirms its overall responsibility for the Group's systems of internal control and systems of compliance with applicable laws, regulations, rules, directives and guidelines. The Board is to review the effectiveness, adequacy and integrity of those systems. Such systems are designed to safeguard shareholders' investments and the Group's assets. It should be noted, however, that such systems are designed to manage rather than eliminate the risk of failure to meet the Group's business objectives. In pursuing those objectives, these systems can only provide reasonable, and not absolute, assurance against material misstatement of loss.

## CONTROL STRUCTURE AND ENVIRONMENT

The Board is fully committed to ensuring that a proper control environment is maintained within the organisation to govern the manner in which the Group and its employees conduct themselves. The key elements of controls are:

### Internal Audit Function

The periodic reviews carried out by the Internal Audit function on processes and state of internal controls as part of its internal audit plan are reported to the Board through the Audit Committee.

The systems of internal control described in this statement are considered by the Board to be adequate and the risks are considered by the Board to be at an acceptable level within the context of the business environment throughout the Group's business. However, such systems do not eliminate the possibility of human error, collusion or deliberate circumvention of control procedures by employees and others, nor the occurrence of unforeseeable circumstances due to poor

judgement in decision making. Nevertheless, the system of internal control that exist throughout the financial year provide a level of confidence on which the Board relies for assurance.

### Board Audit Committee

The Board Audit Committee comprises non-executive directors, a majority of whom are independent and all of whom bring with them a wide variety of experience. The Audit Committee has full and unimpeded access to both the internal as well as external auditors.

The Board Audit Committee, on behalf on the Board, regularly reviews and holds discussions with Management on the action taken on internal control issues identified in reports prepared by the internal auditors, the external auditors and the Management.

### Organisation Structure with Defined Roles and Responsibilities

The organisation has clearly defined delegation of responsibilities to committees of the Board and to management of the business, which is delegated as and when the Board deems fit to do so.

### 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 vetting 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 performance, 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.

Monthly and quarterly management reports containing key financial results and operational performance indicators compared to the approved budget and any variances resulting there from are then explained and reviewed.

All employees are encouraged to develop themselves through adequate training and continuous education.

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

This statement is made in accordance with the resolution passed at the Board of Directors' meeting held on 24 February 2005.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is responsible to ensure that the financial statements of the Company and Group for each financial year are drawn up in accordance with the approved accounting standard, Companies Act, 1965 and the Bursa Securities Listing Requirements.

The Board has to ensure that the financial statements of the Company and Group give a true and fair view of the state of affairs of the Company and Group.

In preparing those financial statements, the Directors are required to:

- i) adopt suitable accounting policies and 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 Board is 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 approved accounting standard, Companies Act, 1965 and Bursa Securities Listing Requirements. 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.

# Analysis of Shareholdings

## A. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of HMB (holding 5% or more of the issued and paid-up share capital of the Company) and their respective shareholdings in the Company according to the Register of Substantial Shareholders as at 15 April 2005 are as follows:-

Name	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
1. Tan Sri Dato' Halim Bin Mohammad	105,390,000	32.80	66,036,600 (i)	20.55
2. Puan Sri Datin Mazmin Bin Noordin	66,036,600	20.55	105,390,000 (ii)	32.80
3. Keystone Worldwide Limited	19,818,000 (iii)	6.17	-	-

## B. DIRECTORS' INTERESTS

Ordinary shares of RM0.50 each

The Directors of HMB and their respective shareholding in HMB as at 15 April 2005 are as follows:-

Name	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
1. Tan Sri Dato' Halim Bin Mohammad	105,390,000	32.80	66,036,600 (i)	20.55
2. Puan Sri Datin Mazmin Bin Noordin	66,036,600	20.55	105,390,000(ii)	32.80
3. Dato' Seri Haji Sulaiman Bin Mohd Amin	-	-	-	-
4. Dato' Edris @ Idris Bin Haji Wahed	-	-	-	-
5. Dato' Abdul Kadir Bin Mohd Deen	-	-	-	-
6. General (R) Dato' Sri Abdullah Bin Ahmad @ Dollah Bin Amad	-	-	-	-
7. Tuan Haji Mazlan Bin Nordin	-	-	157,000(iv)	0.05
8. Mr Patrick Lim Keng Lee	-	-	-	-
9. Mr Ee Beng Wat	-	-	-	-

### Notes:-

- (i) Deemed interest held by his spouse, Puan Sri Datin Mazmin Binti Noordin.
- (ii) Deemed interest held by her spouse, Tan Sri Dato' Halim Bin Mohammad.
- (iii) Held through HSBC Nominees (Asing) Sdn Bhd.
- (iv) Deemed interest held by his spouse, Zaimah Bt Ahmad.

## C. NUMBER OF SHAREHOLDERS ACCORDING TO TYPE OF SECURITIES

Type of securities	Voting rights	No. of holders
Ordinary Shares of RM0.50 each	On a show of hand, one vote for every member present. On a poll, one vote for every ordinary share held	1,801

**D. ANALYSIS BY SIZE OF HOLDINGS**

Ordinary shares of RM0.50 each

No. of shareholders	Holdings	No. of shares	%
6	Less than 100	364	0.00
113	100 to 1,000	97,828	0.03
1,045	1,001 to 10,000	5,375,328	1.67
566	10,001 to 100,000	15,352,478	4.78
68	100,001 to less than 5% of issued shares	109,280,122	34.01
3	5% and above of issued shares	191,244,600	59.51
<b>1,801</b>	<b>Total</b>	<b>321,350,720</b>	<b>100</b>

**E. TOP 30 SECURITIES ACCOUNT HOLDERS****Ordinary shares of RM0.50 each**

No	Shareholders' Names	No. of shares	%
1.	Tan Sri Dato' Halim Bin Mohammad	105,390,000	32.80
2.	Puan Sri Datin Mazmin Binti Noordin	66,036,600	20.55
3.	HSBC Nominees (Asing) Sdn Bhd (Beneficiary : Keystone Worldwide Limited)	19,818,000	6.17
4.	HSBC Nominees (Asing) Sdn Bhd (Beneficiary : Indivisa Financial Corp.)	14,033,200	4.37
5.	Universal Trustee (Malaysia) Berhad (Beneficiary : Mayban Unit Trust Fund)	10,656,000	3.32
6.	HSBC Nominees (Asing) Sdn Bhd (Beneficiary : UBS AG Zurich for Southaven Holdings Ltd)	10,656,000	3.32
7.	Employees Provident Fund Board	10,444,680	3.25
8.	Amanah Raya Berhad (Beneficiary : Amittikal)	6,261,080	1.95
9.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary : Mayban Trustees Berhad for Public Ittikal Fund) (N14011970240)	4,861,600	1.51
10.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Beneficiary : Public Islamic Equity Fund)	4,800,000	1.49
11.	HDM Nominees (Asing) Sdn Bhd (Beneficiary: Glasgow Global Fund Limited PCC for Glasgow Global Gamma Fund)	4,500,000	1.40
12.	Bank Kerjasama Rakyat Malaysia Berhad (As Beneficial Owner)	4,118,400	1.28
13.	RHB Nominees (Asing) Sdn Bhd - Kripalson International Ltd	4,068,000	1.27
14.	Manulife Insurance (Malaysia) Berhad	3,600,000	1.12
15.	HSBC Nominees (Tempatan) Sdn Bhd (Beneficiary : HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak)	3,044,000	0.95
16.	Lee Chee Ming	2,842,560	0.88
17.	HSBC Nominees (Asing) Sdn Bhd (Beneficiary : Den Norske Bank for Fearnley Fonds Asa)	1,879,200	0.58
18.	Universal Trustee (Malaysia) Berhad (Beneficiary: Malaysian Assurance Alliance Bhd)	1,760,000	0.55
19.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Beneficiary : Mayban Dana Ikhlas)	1,380,080	0.43
20.	Mayban Securities Nominees (Tempatan) Sdn Bhd [(Beneficiary : Labuan Reinsurance (L) Ltd (Dealer 001)]	1,251,000	0.39
21.	Quarry Lane Sdn Bhd	1,200,000	0.37
22.	HSBC Nominees (Tempatan) Sdn Bhd (Beneficiary : Koon Yew Yin)	1,175,400	0.37
23.	Suresh Emmanuel Abishegam	1,139,400	0.35
24.	PRB Nominees (Tempatan) Sdn Bhd (Beneficiary: Rubber Industry Smallholders Development Authority)	1,133,574	0.35
25.	Universal Trustee (Malaysia) Berhad (Beneficiary: KL City Smallcap Fund)	1,000,000	0.31
26.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Beneficiary : Mayban Dana Yakin)	927,900	0.29
27.	AMMB Nominees (Tempatan) Sdn Bhd [(Beneficiary: KAF Fund Management Sdn Bhd) (7/862-1)]	800,000	0.25
28.	TA Nominees (Tempatan) Sdn Bhd (Beneficiary : Oh Kim Sun)	679,680	0.21
29.	Universal Trustee (Malaysia) Berhad (Beneficiary : Mui Continental Insurance Bhd)	640,000	0.20
30.	Nican Asia Limited	622,800	0.19

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Tenth Annual General Meeting (“AGM”) of the Company will be held at Concorde Hotel Kuala Lumpur, 2 Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 8 June 2005 at 10.00 a.m. for the following purposes:

## AGENDA

### As Ordinary Business

1. To consider and receive the audited financial statements of the Company for the year ended 31 December 2004 and the Reports of the Directors and Auditors thereon.
2. To approve the payment of a First and Final Tax Exempt Dividend of 7 sen per ordinary share of RM0.50 each in respect of the year ended 31 December 2004.
3. To approve the payment of Directors’ fees of RM184,000 in respect of the year ended 31 December 2004.
4. To consider and if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965:-  
“THAT pursuant to Section 129 of the Companies Act, 1965, Y Bhg. Dato’ Seri Haji Sulaiman Bin Mohd Amin be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting.”
5. To re-elect the Director, Tuan Haji Mazlan Bin Nordin, who retires by rotation pursuant to Article 89 of the Company’s Articles of Association, and being eligible, offers himself for re-election.
6. To re-elect the Director, Mr Ee Beng Wat, who retires by rotation pursuant to Article 89 of the Company’s Articles of Association, and being eligible, offers himself for re-election.
7. To re-elect the Director, Y Bhg. Dato’ Abdul Kadir Bin Mohd Deen, who retires pursuant to Article 93 of the Company’s Articles of Association, and being eligible, offers himself for re-election.
8. To re-elect the Director, Y Bhg. General (R) Dato’ Sri Abdullah Bin Ahmad @ Dollah Bin Amad, who retires pursuant to Article 93 of the Company’s Articles of Association, and being eligible, offers himself for re-election.
9. To re-appoint Messrs Ong & Wong as Auditors and to authorize the Board of Directors to fix their remuneration.

**Resolution 1**

**Resolution 2**

**Resolution 3**

**Resolution 4**

**Resolution 5**

**Resolution 6**

**Resolution 7**

**Resolution 8**

**Resolution 9**

### As Special Business

To consider and, if thought fit, to pass the following ordinary resolutions with or without any modifications:-

#### 10. AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

“THAT subject to Section 132D of the Companies Act, 1965, and approvals from the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue new shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next AGM of the Company.”

**Resolution 10**

#### 11. PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED

**PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH RELATED PARTIES (“Proposed Renewal of Shareholders’ Mandate”)**

”THAT, the mandate granted by the shareholders of the Company at the Ninth AGM held on 28 June 2004 pursuant to paragraph 10.09 of the Bursa Securities Listing Requirements, authorizing the Company and its subsidiaries (“HMB Group”) to enter into any of the Recurrent Related Party Transactions, of a revenue or trading nature as set out in paragraph 2.2 of the Circular to Shareholders dated 13 May 2005 (“Circular”) with the Related Party mentioned therein which are necessary for the HMB Group’s day-to-day operations, be and is hereby renewed. That the HMB Group is hereby authorized to enter into the recurrent transactions with the related parties mentioned therein provided that:-

- i. the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the Related Party than those generally available to the public and are not to the detriment of the minority shareholders of the Company;
- ii. disclosure will be made in the annual report of the breakdown of the aggregate value of recurrent related party transactions conducted pursuant to the Proposed Renewal of Shareholders’ Mandate during the financial year based on the type of recurrent related party transactions made, the names of the Related Party involved in each type of recurrent related party transactions and their relationship with the Company;
- iii. in a meeting to obtain the shareholders’ mandate, the interested director, interested major shareholder or person connected with the interested director or major shareholder; and where it involves the interest of a person connected with a director or major shareholder, such director or major shareholder, or person connected must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that such person connected with him abstains from voting on the resolution approving the transactions;

AND THAT such approval shall continue to be in force until:-

- i. the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed Renewal of Shareholders’ Mandate is passed, at which time it will lapse, unless by a resolution passed at the said members’ meeting that such authority is renewed;
  - ii. the expiration of the period within which the next AGM of the Company subsequent to 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 extension as may be allowed pursuant to Section 143 (2) of the Act);
  - iii. revoked or varied by resolution passed by the shareholders in a general meeting;
- whichever is earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders’ Mandate”.

**Resolution 11**

12. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Subject to the approval of the shareholders, a First and Final Tax Exempt Dividend of 7 sen per ordinary share of RM0.50 each for the year ended 31 December 2004 will be paid on 20 June 2005 to Depositors registered in the Record of Depositors at the close of business at 5.00 p.m. on 13 June 2005.

A depositor shall qualify for entitlement only in respect of:

- a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 13 June 2005, in respect of ordinary transfers; and
- b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board

LIM SECK WAH (MAICSA 0799845)  
TAN LAY LING (MAICSA 7042375)  
Company Secretaries

Kuala Lumpur  
13 May 2005

### Notes:-

1. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. The provisions of Section 149(1)(a) and 149(1)(b) of the Companies Act, 1965 (the Act) shall not apply to the Company.*
2. *The instrument appointing a proxy must be deposited at the registered office of the Company not less than forty eight (48) hours before the time appointed for the meeting.*
3. *A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. The provision of Section 149(1)(c) of the Act shall apply to the Company.*
4. *Where a member appoints more than one proxy (subject always to a maximum of two (2) proxies at each meeting), the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
5. *In the case of a corporate member, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.*
6. *Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*
7. *Explanatory Notes on Special Business*
  - (a) *Ordinary Resolution No. 10 – Authority to allot shares pursuant to Section 132D of the Companies Act, 1965. The effect of the resolution under item 10 of the agenda, if passed, will give the flexibility and authority to the Directors of the Company, from the date of the above AGM, to issue and allot shares in the Company up to and not exceeding in total ten per cent (10%) of the issued and paid-up share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.*
  - (b) *Ordinary Resolution No. 11 – Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with related parties. The explanatory notes on the resolution under item 11 of the agenda is set out in the Circular to Shareholders dated 13 May 2005.*

# Statement Accompanying the Notice AGM

## 1. Directors who are standing for re-election or re-appointment.

- a. The Director standing for re-appointment pursuant to Section 129 of the Companies Act, 1965 is Y Bhg. Dato' Seri Sulaiman Bin Mohd Amin.
  
- b. The Directors retiring by rotation and standing for re-election pursuant to Article 89 of the Company's Articles of Association are:
  - i. Tuan Haji Mazlan Bin Nordin
  - ii. Mr Ee Beng Wat
  
- c. The Directors standing for re-election pursuant to Article 93 of the Company's Articles of Association are:
  - i. Y Bhg. Dato' Abdul Kadir Bin Mohd Deen
  - ii. Y Bhg. General (R) Dato' Sri Abdullah Bin Ahmad @ Dollah Bin Amad

Profile of the above Directors and their interests in shares of the Company are set out on pages 8 to 11 and 78 of the Annual Report.

## 2. Details of the attendance of Directors at Board Meetings

Four Board Meetings were held during the financial year and the attendance of the Directors are set out on page 70 of the Annual Report.

## 3. The date, time and place of the Tenth Annual General Meeting

Place : Concorde Hotel Kuala Lumpur, 2 Jalan Sultan Ismail, 50250 Kuala Lumpur  
Date : 8 June 2005  
Time : 10.00 a.m.

# Proxy Form

\*I/We.....  
of ..... being a member/  
members of HALIM MAZMIN BERHAD hereby appoint..... of.....  
or failing whom ..... of ..... or failing  
him/her, the chairman of the meeting as my/our proxy to vote and act for me/us on my/our behalf, at the Tenth Annual General Meeting of the Company to be held at Concorde Hotel Kuala Lumpur, 2 Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 8 June 2005 at 10.00 a.m. or at any adjournment thereof.

The proportion of \*my/our holding to be represented by\*my/our proxies are as follows:  
(The next paragraph must be completed if two proxies are appointed)

No. of Shares Held

First Proxy \_\_\_\_\_ %

Second Proxy \_\_\_\_\_ %

Resolutions	For	Against
Resolution 1		
Resolution 2		
Resolution 3		
Resolution 4		
Resolution 5		
Resolution 6		
Resolution 7		
Resolution 8		
Resolution 9		
Resolution 10		
Resolution 11		

Please indicate with an "X" in the appropriate space how you wish your votes to be cast. Unless otherwise instructed, the proxy will vote as he thinks fit.

Dated this .....day of ..... 2005

.....  
Signature/Common Seal of Shareholder

## Notes:-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. The provisions of Section 149(1)(a) and 149(1)(b) of the Companies Act, 1965 (the Act) shall not apply to the Company.
2. The instrument appointing a proxy must be deposited at the registered office of the Company not less than forty eight (48) hours before the time appointed for the meeting.
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4. Where a member appoints more than one proxy (subject always to a maximum of two (2) proxies at each meeting), the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. In the case of a corporate member, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.
6. Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

STAMP

The Company Secretary  
**HALIM MAZMIN BERHAD**  
No.49, The Boulevard  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

