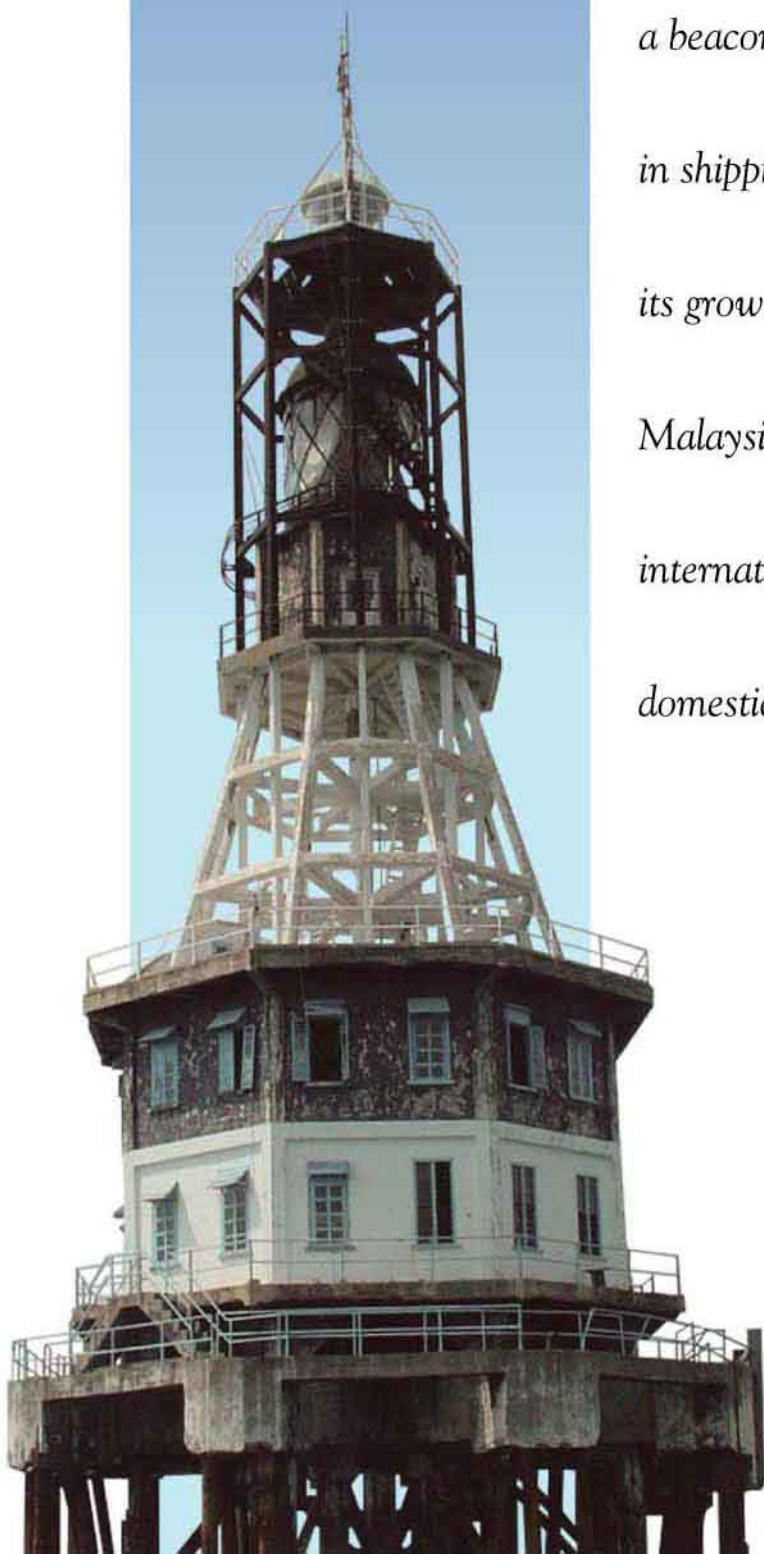


THE RIGHT COURSE   
ANNUAL REPORT 2006



HALIM MAZMIN BERHAD  
(330820-P)



*The Light house at the One Fathom*

*Bank, off Port Klang, Malaysia stands as*

*a beacon lighting up the vast opportunities*

*in shipping that HMB seeks to exploit in*

*its growth as a resourceful and resilient*

*Malaysian shipping company trading in*

*international and*

*domestic waters.*

# Contents

## Halim & Mazmin: The Seeds of Success

Halim Mazmin Berhad (“HMB”) traces its roots back to 26 years ago when the dawn of the nation’s offshore oil and gas industries opened opportunities for local companies to engage in ship agency and husbanding services.

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

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

Right on course, the path to progress of HMB received a further boost with its transfer to the Main Board of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 17 January 2002, signaling its expanding role in the nation’s international trade.

<b>3</b>	Five-Year Financial Highlights
<b>4</b>	Group Corporate Structure
<b>5</b>	Corporate Information
<b>6</b>	Profile of Board of Directors
<b>12</b>	Senior Management
<b>13</b>	Chairman’s Statement
<b>20</b>	Network of Office And Main Ports Of Call
<b>22</b>	List of Vessels/Investment Property
<b>23</b>	Terms of Reference of The Audit Committee
<b>26</b>	Statement on Internal Control
<b>28</b>	Corporate Governance Statement
<b>34</b>	Directors’ Responsibility Statement
<b>35</b>	Directors’ Report And Financial Statements
<b>88</b>	Analysis of Shareholdings
<b>91</b>	Notice of Annual General Meeting and Notice of Dividend Entitlement
<b>95</b>	Statement Accompanying Notice of Annual General Meeting
<b>96</b>	Appendix A
	Proxy Form

# mission statement

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



# corporate goals

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

# corporate values

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

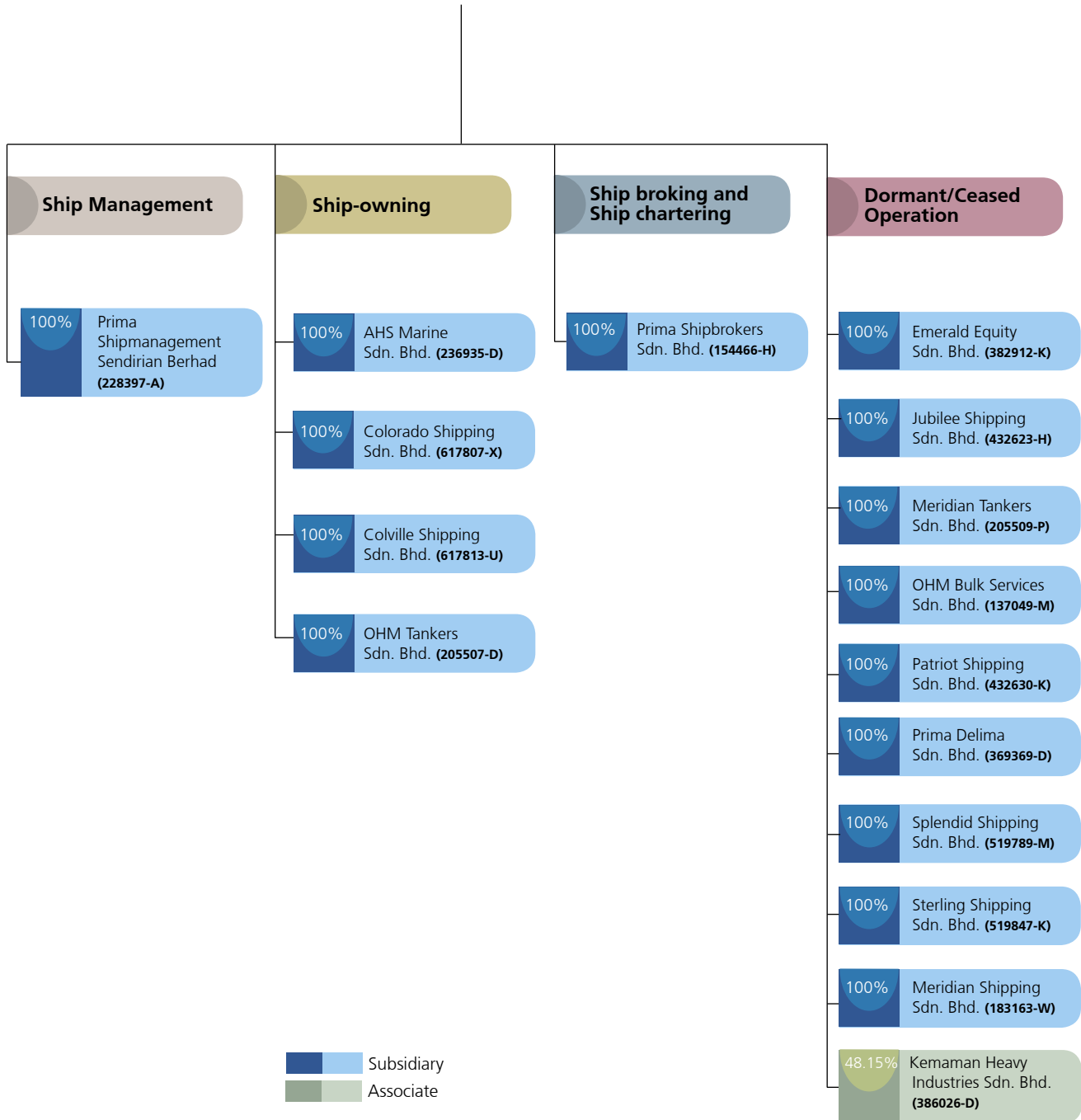
## Five-Year Financial Highlights

Year ended 31 December					
	2006	2005 (Restated)	2004 (Restated)	2003 (Restated)	2002 (Restated)
REVENUE (RM)	39,306,476	54,661,684	127,093,338	131,201,239	132,763,463
PROFIT BEFORE TAX (RM)	5,390,684	79,044,559	67,613,788	32,116,126	39,638,669
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RM)	5,379,077	48,338,494	65,467,366	28,582,306	33,044,953
PAID UP CAPITAL (RM)	159,000,000	160,675,360	160,675,360	69,927,000	68,690,000
SHAREHOLDERS' EQUITY (RM)	284,591,829	310,472,931	285,892,216	189,437,750	156,867,713
BASIC EARNINGS PER SHARE (SEN)	2.00	15.00	23.00	41.00	48.00
RETURN ON EQUITY	1.9%	15.6%	22.9%	15.1%	21.1%
RETURN ON ASSETS	1.2%	11.5%	11.1%	5.1%	5.6%
NET ASSETS PER SHARE (RM)	0.91	0.97	0.93	2.85	2.48
DIVIDEND RATE	10%	12%	14%	7%	7%
DIVIDEND PAYOUT (RM)	15,681,011	18,905,389	22,494,550	5,664,743	4,810,190

## Group Corporate Structure



HALIM MAZMIN BERHAD  
(330820-P)



## Corporate Information

### Board of Directors

Tan Sri Dato' Seri Halim Bin Mohammad  
*Executive Chairman and Managing Director*

Puan Sri Datin Seri Mazmin Binti Noordin  
*Executive Director*

Dato' Seri Sulaiman Bin Mohd Amin  
*Deputy Chairman*  
*Independent Non-Executive Director*

Mr. Patrick Lim Keng Lee  
*Senior Independent Non-Executive Director*

Dato' Edris @ Idris Bin Haji Wahed  
*Independent Non-Executive Director*

Mr. Ee Beng Wat  
*Independent Non-Executive Director*

Dato' Abdul Kadir Bin Mohd Deen  
*Independent Non-Executive Director*

Tuan Haji Mazlan Bin Nordin  
*Non-Independent Non-Executive Director*

General (R) Dato' Seri Mohd Azumi  
Bin Mohamed  
*Non-Independent Non-Executive Director*

### Audit Committee

Dato' Edris @ Idris Bin Haji Wahed  
*Chairman*  
*Independent Non-Executive Director*

Tan Sri Dato' Seri Halim Bin Mohammad  
*Executive Chairman and Managing Director*

Mr. Patrick Lim Keng Lee  
*Senior Independent Non-Executive Director*

Mr. Ee Beng Wat  
*Independent Non-Executive Director*

### Company Secretaries

Ms. Coral Hong Kim Heong  
Ms. Lim Seck Wah

### Senior Management

Mr. Panchacharam Ramasamy  
*Director, Business Development*

En. Hisham Bin Halim  
*General Manager, Group Operations*

Cik Mariana Binti Halim  
*General Manager, Corporate Affairs &  
Business Development*

Mr. Chung Kin Mun  
*General Manager, Finance*

En. Othman Bin Samat  
*Assistant General Manager,  
Business Development*

Captain Arshad Mahmood Bhatti  
*Senior Manager, Shipping Operations*

En. Che Khamsah Bin Che Othman  
*Senior Manager, Shipping Agency*

Ms. Tan Chon Huey  
*Manager, Finance*

Ms. Low Peck Chen  
*Manager, Finance*

En. Abdul Rashid Bin Abu Bakar  
*Assistant Manager,  
Special Events & Functions*

### Stock Exchange Listing

Main Board of Bursa Malaysia Securities Berhad  
Transferred to Main Board on 17 January 2002  
Listed on Second Board on 28 February 1996  
Stock Code : 7102  
Stock Name : Halim  
Sector : Trading/Services

### Place and date of Incorporation and Domicile

Incorporated in Malaysia on 16 January 1995

### Registrar

Mega Corporate Services Sdn. Bhd.  
15-2, Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel No: 603-26924271  
Fax No: 603-27325399

### Registered Office

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

### Auditors

Ong & Wong  
Chartered Accountants

### Solicitors

Messrs Joseph & Partners

### Principal Bankers

Affin Bank Berhad  
CIMB Bank Berhad  
Malayan Banking Berhad  
Public Bank Berhad

## Profile of Board of Directors



**Tan Sri Dato' Seri Halim Bin Mohammad**  
*Executive Chairman and Managing Director*

Tan Sri Dato' Seri Halim Bin Mohammad, a Malaysian, aged 56, is the Founding Director of the companies in Halim Mazmin Berhad ("HMB") Group. After completing his GCE "O" level in 1968, he pursued a sea-going career as a Cadet Navigating Officer with MISC Berhad and served as a Deck Officer on several types of ships.

In 1975, he joined Harisson & Crossfield and later, in 1978, left for Esso Production where he served on board a storage tanker, off Terengganu shore. In 1982 he left Esso to pursue his own business.

His success in forging the growth of HMB as an important player in the national maritime industry saw him being appointed, in 1994, by the Honorable Minister of Transport, as a Board Member of the Port of Kemaman, Terengganu.

In the international arena, he was acknowledged for his experience and vast knowledge when he was elected by the Paris-based Bureau Veritas – one of the largest international ship classification societies – as a member of its Sub-Committee for Asia-Australia. He also sits as a Board Member of the UK-based North of England P&I Club.

In 2001, he was elected as a Fellow of the Chartered Institute of Logistics & Transport (UK).

In 2003, he was made a Fellow of Malay Chamber of Commerce, City of Kuala Lumpur and received the award from His Majesty the Yang Di-Pertuan Agong.

In 2003, he was appointed to head the Maritime Committee of the Malaysian Industry-Government Group for High Technology (MIGHT). He also has been appointed as Chairman of the Malaysia External Trade Development Corporation (MATRADE) and sits as a Board Member of the Universiti Teknologi Malaysia.

In 2004, he was appointed as Chairman of the Technical Resource Group Logistics to draw up the Industrial Master Plan 3 (2006 - 2020). In 2007, he was appointed as Board member of Malaysian Logistics Council.

For his services to the nation and contributions to the industry, he was, in 1995, conferred the Darjah Kebesaran Dato' Paduka Mahkota Terengganu (D.P.M.T) by DYMM Sultan of Terengganu and later, in 1999, he was conferred the Darjah Kebesaran Mahkota Selangor (D.P.M.S) by DYMM Sultan of Selangor. These two awards carry the title of "Dato".

In 2000, His Majesty the Yang Di-Pertuan Agong (the King of Malaysia) conferred on him the Darjah Kebesaran Panglima Setia Mahkota (P.S.M.) which carries the title of "Tan Sri". In July 2005, he was conferred the Darjah Seri Setia Sultan Mizan Zainal Abidin by DYMM Sultan of Terengganu, which carries the title of "Dato' Seri".

In April 2005, he was commissioned as a Honorary Captain of RMNRV of Royal Malaysian Navy. In August 2005, University of Malaya conferred him a Honorary Degree of Doctor of Business *honoris causa* (HonsDBus). He is also an Adjunct Professor at the same University.

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

YBhg. Tan Sri Dato' Seri Halim Bin Mohammad is related to two (2) of the Directors of HMB, namely YBhg. Puan Sri Datin Seri Mazmin Binti Noordin (his spouse) who serves as Executive Director of HMB and Tuan Haji Mazlan Bin Nordin (his brother-in-law) who serves as HMB's Non-Independent/ Non-Executive Director.





**Puan Sri Datin Seri Mazmin Binti Noordin**  
*Executive Director*

Puan Sri Datin Seri Mazmin Binti Noordin, a Malaysian, aged 56. She is also the Founding Director of the companies in Halim Mazmin Berhad ("HMB") Group. She completed her early education at Sekolah Menengah Convent, Klang, Selangor.

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

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

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

YBhg. Puan Sri Datin Seri Mazmin Binti Noordin is related to two (2) of the Directors of HMB, YBhg. Tan Sri Dato' Seri Halim Bin Mohammad (her spouse) who serves as HMB's Executive Chairman and Managing Director and Tuan Haji Mazlan Bin Nordin (her brother) who serves as HMB's Non-independent/Non-executive Director.





**Dato' Seri Sulaiman Bin Mohd Amin**

*Deputy Chairman*

*Independent Non-Executive Director*

Dato' Seri Sulaiman Bin Mohd Amin, a Malaysian, aged 77, was appointed to the Board on 26 February 1999. He began his career in the civil service and held several appointments in the public sector since 1950 before being promoted into the Administrative and Diplomatic Service, then known as Malayan Civil Service (MCS), and held various positions in the Malaysian Government Services.

In the late quarter of 1969 after the May 13 incident, he was picked to head the Ministry of Youth, Culture and Sports as its permanent Secretary. In late 1970, he was appointed as the first head of the Department of Public Complaints Bureau in the Prime Minister's Department. In late 1972, he was seconded to Keretapi Tanah Melayu where he served as its Deputy General Manager for two (2) years. He was then appointed as Deputy Secretary General of the Ministry of Energy, Science & Technology, and subsequently in the same capacity in the Ministry of Public Works & Utilities. After that he was promoted as Secretary General to the Ministry of Culture, Youth and Sports for the second times from 1977. He was made the State Secretary of Selangor in 1981 and upon his retirement in early 1984, he was invited by Permodalan Nasional Berhad ("PNB") to serve as its nominee on the Board of several companies owned by PNB.

He is presently the Chairman of Berjaya Capital Berhad, a public company listed on the Main Board of Bursa Malaysia Securities Berhad. He also holds directorships in various subsidiaries of the Berjaya Group of Companies and other private companies.

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



**Mr. Patrick Lim Keng Lee**

*Senior Independent Non-Executive Director*

Mr. Patrick Lim Keng Lee, a Malaysian, aged 54, was appointed to the Board on 20 November 1995. He was appointed as the Senior Independent Non-Executive Director of HMB on 19 November 2003. He received his education from St. Xavier's Institution, Penang.

He was formerly the Managing Director of P&O Nedlloyd for Malaysia and Brunei from 1991 till 2006. He has over 33 years container shipping experience and has held various senior management positions.

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

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



**Dato' Edris @ Idris Bin Haji Wahed**

*Independent Non-Executive Director*

Dato' Edris @ Idris Bin Haji Wahed, a Malaysian, aged 65, was appointed to the Board on 22 May 1997. He obtained his Diploma in Police Science from University Kebangsaan Malaysia and the p.s.c. of Maktab Turus Angkatan Tentera Malaysia.

He has had a long tenure of service with the Royal Malaysian Police where among others, has served as the Chief of IGP's Secretariat, Assistant Director of Management and the Chief Police of Terengganu Darul Iman. He was conferred with Federal and States awards and among others, the Darjah Sultan Mahmud Terengganu, Darjah Indera Mahkota Pahang, Darjah Kepahlawan Pasukan Polis, Johan Setia Mangku Negara and Ahli Mangku Negara. YBhg. Dato' Edris is also the Chairman of the Audit Committee of HMB.

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



**Tuan Haji Mazlan Bin Nordin**

*Non Independent Non-Executive Director*

Tuan Haji Mazlan Bin Nordin, a Malaysian, aged 54, was appointed to the Board on 20 November 1995. He completed his education at Anderson School in Ipoh in 1972 after obtaining Higher School Certificate. He then joined Din's Trading Sendirian Berhad ("DTSB"), a forwarding, trading, warehousing company, as a Manager in its Freight Forwarding Division. In 1980, he was promoted to the position of General Manager in the same division and was given the task of developing the company's trucking and heavylift division.

In 1983, he left DTSB to further his studies and obtained a Certificate in Business Administration from Arizona International Business Institute in the United States of America. Upon his return, he rejoined DTSB as Managing Director and held the responsibility to oversee the warehousing, freight forwarding and trucking divisions. In this position, he was responsible to the Board on contract management and supervision of international freight forwarding for various projects to clients within Malaysia and the Asean region. Currently, he is still attached to DTSB as Managing Director and has served the company for 32 years since 1973.

Tuan Haji Mazlan is related to two (2) of the Directors of Halim Mazmin Berhad ("HMB"), Puan Sri Datin Seri Mazmin Binti Noordin (his sister) who serves as HMB's Executive Director and Tan Sri Dato' Seri Halim Bin Mohammad (his brother-in-law) who is the Executive Chairman and Managing Director of HMB.



**Mr. Ee Beng Wat**

*Independent Non-Executive Director*

Mr. Ee Beng Wat, a Malaysian, aged 58, was appointed to the Board on 21 January 2002 and is a member of the Audit Committee of Halim Mazmin Berhad ("HMB").

He is a fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) and is also a member of the Malaysian Institute of Accountants (MIA). He holds a Dealer's Representative License under the Securities Industry Act 1983.

He began his career as Group Internal Auditor with Harper Gilfillan (M) Bhd from 1977 to 1980. In 1980, he joined Malaysia Container Bhd as Chief Financial Officer cum Company Secretary and left in 1981. He was appointed a Partner in K.K. San & Liew from 1982 to 1984. He left the partnership and joined Rashid Hussain Securities Sdn Bhd as General Manager from 1985 to 1988. Subsequently in 1989 he was appointed Company Secretary and Senior Vice President for Corporate Affairs in Rashid Hussain Berhad. In 1991, he joined Botly Securities Sdn. Bhd. as General Manger and was later promoted as Chief Executive Officer and Executive Director until his retirement in 2004.

He is currently with TA Securities Holdings Bhd (Ipoh Branch) as President of Dealings. Mr. Ee does not have any family relationship with any other Directors, and/or a major shareholder of the Company and has no conflict of interest with the Company.



**Dato' Abdul Kadir Bin Mohd Deen**

*Independent Non-Executive Director*

Dato' Abdul Kadir Bin Mohd Deen, a Malaysian, aged 63, was appointed to the Board on 20 August 2004. He holds B.A. (HONS) from University of Lancaster, United Kingdom.

He had held various positions at Ministry of Foreign Affairs, Malaysia for 34 years, among others were Assistant Secretary; Principal Assistant Secretary (SEA I); and, Under Secretary (East and South Asia). YBhg. Dato' Abdul Kadir had also served at the Embassy of Malaysia in Manila, Kuwait, the United Nation in New York, Beijing and Tokyo. In 1992, he was appointed High Commissioner of Malaysia to Sri Lanka and Maldives; and was later transferred as High Commissioner to South Africa in 1997. In 1999, he was appointed Ambassador of Malaysia to the Federal Republic of Germany; concurrently accredited to Switzerland and Greece. He is presently the Chairman of MMC Metrail Sdn. Bhd.

In 1997, YBhg. Dato' Abdul Kadir was conferred the Darjah Dato' Paduka Mahkota Perak (DPMP) and Kesatria Mangku Negara (KMN).

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



**General (R) Dato' Seri Mohd Azumi Bin Mohamed**

*Non-Independent Non-Executive Director*

General (R) Dato' Seri Mohd Azumi Bin Mohamed, a Malaysian, aged 59, was appointed to the Board on 18 April 2007. He received his early military training at the Officer Cadet School Portsea Australia and the United States Army Infantry School. He attended the Joint Services Staff College Australia and the National Defense University Washington DC graduating with a Master of Science in Natural Resources and Strategy and a Graduate Diploma in Strategy to prepare himself for Higher Command.

General (R) Dato' Seri Mohd Azumi Bin Mohamed rose through the ranks to become General and was promoted to Chief of the Army in the year 2003. Highlights of his military career include command of the;

- 10 Parachute Brigade, the Army's response to the Malaysian Armed Forces ("MAF") Rapid Deployment Force.
- First Infantry Division in Sabah/Sarawak with the rank of Lieutenant General.
- Service with the United Nation Military Observation Mission in Iraq/Kuwait following the First Gulf War, where he assisted the Foran Commission in the return of war property and drew the policing plan of the Demilitarized Zone.
- Colonel Operations in the Department of Army where he had responsibility in the deployment of the MAF in United Nation peacekeeping duties in Bosnia Herzegovina, Somalia, and Cambodia.
- Represented Malaysia at the United Nation Troop Contributing Meeting in Zagreb.
- Military Assistant and Principal Staff Officer to the Chief of Defense Forces.

General (R) Dato' Seri Mohd Azumi Bin Mohamed is presently an Independent Non-Executive Director, Member of the Audit Committee and Remuneration Committee of both Atlan Holdings Berhad and RC Group (Holdings) Limited (a company incorporated in Hong Kong and listed on the Alternative Investment Market (AIM) of London Stock Exchange); a director in Idris Hydraulic (Malaysia) Berhad; he also sits on the Board of Advisor of Natural Resources Indonesia, a company that specializes in promoting investments in Indonesia.

General (R) Dato' Seri Mohd Azumi Bin Mohamed does not have any family relationship with any other Directors and/or any major shareholders of the Company but he is deemed as a related party to YBhg. Tan Sri Dato' Seri Halim Bin Mohammad by virtue of the consultancy services provided by him to a company controlled by Tan Sri Dato' Seri Halim Bin Mohammad.

**Other Information**

*None of the Directors have been convicted for any offence in the past ten years. Details of the Directors' attendance at Board meetings are set out in the Corporate Governance Statement of this Annual Report 2006.*

## Senior Management



Hisham Bin Halim  
*General Manager, Group Operations*

Mariana Binti Halim  
*General Manager, Corporate Affairs &  
Business Development*

Chung Kin Mun  
*General Manager, Finance*

Panchacharam Ramasamy  
*Director, Business Development*

Othman Bin Samat  
*Assistant General Manager,  
Business Development*

Capt Arshad Mahmood Bhatti  
*Senior Manager, Shipping Operations*

Coral Hong Kim Heong  
*Company Secretary*



Che Khamsah Bin Che Othman  
*Senior Manager, Shipping Agency*

Tan Chon Huey  
*Manager, Finance*

Low Peck Chen  
*Manager, Finance*

Abdul Rashid Bin Abu Bakar  
*Assistant Manager,  
Special Events & Functions*

## Chairman's Statement

We have  
maintained a  
prudent approach  
to investment  
in ships





*Courtesy, Northport, Malaysia*

On behalf of the Board of Directors, I am pleased to present the Annual Report of Halim Mazmin Berhad ("HMB") for the financial year ended 31 December 2006.

For the year under review we managed to record a profit, albeit at a lower level than the past years. The sustainability of the profitability of the Company was notwithstanding that during the year the scale of our shipping operation, and therefore the volume of our total business, was reduced considerably on account of the fact that we operated with fewer ships than we did in the previous years. Despite our desire to acquire additional ships, or replace some of the ships that

we had disposed off when ship prices soared to record levels, we refrained from new investments because ship prices continued to remain high.

We have maintained a prudent approach to investment in ships in the last 11 years since our Company was listed on Bursa Malaysia and we continued to exercise the same restraint in not willing to venture into this market.

For the financial year 2006, total revenue generated by HMB was RM39.31 million, declining from RM54.66 million. Profits before tax totaled RM5.39 million compared with RM79.04 million (restated) in the previous year.





*Courtesy, Westport, Malaysia*

# Overview

## OVERVIEW OF GLOBAL TRADE AND SHIPPING

The world economy was on course for another good year after four years of robust growth. The International Monetary Fund reported the global economy expanded by 5.4 per cent in 2006. According to the World Trade Organisation (WTO) preliminary report, the expansion of about 5 per cent in 2006 marked four straight years of solid global growth, the most "balanced and consistent" growth period in decades.

The world merchant fleet expanded to 960 million DWT at the beginning of 2006, up 7.2 per cent, one of the highest increases in recent years. (Source:UNCTAD Review of Maritime Transport 2006). The fleet of oil tankers and dry bulk carriers, which together made up 72.9 per cent of the total world fleet, increased by 5.4 per cent, and 7.9 per cent respectively. There was 13.3 per cent increase from 98.1 to 111.1 million DWT in the container ship fleet and a 7.5 per cent rise to 24.2 million DWT from 22.5 million DWT in the liquefied gas carrier fleet.

## OVERVIEW OF THE MALAYSIAN ECONOMY

The year also marked the launching of two major national development plans, namely the Ninth Malaysia Plan (2006-2010) and the Third Industrial Master Plan (2006-2020).

Malaysia's economy chalked up a growth rate of 5.9 per cent in 2006 (Source: Bank Negara). The trade value breached the magic trillion Ringgit barrier for the first time with exports totaling RM589 billion and imports totaling RM434 billion.

In line with the performance of the trade, cargo volumes at local ports registered satisfactory increase. Total throughput handled by principal ports in the country was 320 million tones, compared with 273 million tones. Container throughput in 2006 increased to 13.6 million TEUs compared with 12.0 million TEUs in 2005.

Shipping traffic at principal ports rose to 64,028 ship calls in 2006 compared with 62,508 ship calls the previous year.

During the year Malaysian merchant fleet expanded largely on account of deliveries of several LNG carriers, Ultra Large Crude Carriers, Aframax tankers and offshore supply vessels. Total Malaysian fleet at the end of 2006 was 12 million dwt (Source: Malaysian Shipowners' Association).

## COMPANY OVERVIEW

We continued to operate with 4 ships during the year, the same number of ships we had at the end of 2005. The fleet during the year consisted of 2 clean product tankers and 2 container ships. The financial performance was thus based on the operation and performance of these ships in the charter as well as carrying cargoes on the spot market. The container ships, which trade globally calling several major ports around the



*A Very Large Crude Oil Carrier*

world, continued with the charters with reputable charterers and continued to perform well.

The clean product tankers were deployed in the carriage of petroleum products in domestic and regional waters.

We positioned ourselves well with view to expanding our fleet during the year. Our position was favoured by the substantial capital gains the Company made from the disposal of some of our ships the previous years. Our cash reserves during the year stood at RM281.07 million at the end of the financial year under review. However, we were cautiously optimistic on the performance of the ship and freight markets that continued to show signs of instability. Our fears were not unfounded.



*A Capesize Bulkcarrier*

During the year under review, freight rates in container shipping fell by 8 per cent as supply rose and demand slacked by 13 per cent (Source: Containerisation International). The market further slacked by 11 per cent in the first quarter of 2007, confirming our doubts that the cyclical market had yet to settle down.

In the tanker market, ship prices prevailed at high levels as did the freight rates but offered no comfort on long-term concerns on returns on investment. As a Company committed to long-term view of investments rather than being given in to speculative spree, HMB adopted a policy to “wait-it-out” and seize window of opportunity when the clouds of uncertainty clears.

During the year under review, the Company signed a five-year facility agreement for an unsecured fixed rate term loan facility of up to maximum aggregate principal amount of RM46 million. The purpose of the Facility was for working capital and general corporate purposes of the Company.

## **FINANCIAL PERFORMANCE**

During the year under review, HMB Group achieved a turnover of RM39.31 million compared to RM54.66 million in the previous year. The sale of 2 vessels in 2005 resulted in the lower turnover in the current year.

## REVENUE ANALYSIS

Reflecting the scope of our shipping operation, the share of contributions by container ships to the total revenue went up to 82 per cent, from 62 per cent in 2005 while the share revenue contributions from the operations of our tankers fell to 18 per cent from 29 per cent the previous year.

	2006		2005	
	RM'000	%	RM'000	%
Tankers	6,996	18	16,023	29
Containers	32,310	82	33,704	62
Bulk carrier	-	-	4,867	9
Non-shipping	-	-	67	-

A profit after tax of RM5.38 million was recorded for the year in review compared with RM79.03 million (restated) posted in the previous year. However, after adjusting for one-off gain on disposal of vessels in 2005 amounting to RM72.77 million, the profit after tax from normal operations was approximately RM6.26 million (restated) in the previous year.

HMB Group has a cash reserve of RM281.07 million (2006) compared to RM250.68 million (2005). Net assets per share was RM0.91 (2006) compared to RM0.97 (2005 restated).

A First and Final Tax Exempt Dividend of 5 sen per share of RM0.50 each was proposed by the Board of Directors in respect of the financial year ended 31 December 2006. We have endeavoured



S.Y. Lili Marleen

to reward loyal shareholders with satisfactory dividend notwithstanding the lower turnover that we recorded during the year under review.

The proposed dividend payout for the current year is estimated at RM15.68 million compared with RM18.91 million paid out for year ended 31 December 2005.

## PROSPECTS AND CHALLENGES

Bank Negara is confident the economic strength seen through last year will be sustained in 2007 as the more diversified Malaysian economy will provide a strong foundation for further growth.

The outlook for 2007 remains favourable and because of the economy's flexibility, the country has a greater resilience to withstand external shocks.





The global economic outlook for 2007 remains broadly positive, in particular with the explosive growth of economies in the Asian region. On account of the sustained expansion of the global trade and economy, demand for shipping services is expected to be maintained at a high level. Thus although supply of shipping capacity has been forecast at high levels, the demand for shipping will absorb the capacity with continued stability in ship prices, freight market and charter hire market. The rates in the dry bulk cargo market are expected to remain firm.

It will be prudent on our part to keep a close watch on the development in the shipping market and remain on the sideline for the moment while waiting for window of opportunity to emerge for us to take advantage of attractive ship prices for acquisition presenting with a more stable freight market condition.

### APPRECIATION

On behalf of the Board, I wish to place on record my appreciation to all management and staff of HMB Group, including our committed ship masters and crew members of our fleet of ships.

I would also like to thank our valued clients, shareholders, relevant Government agencies, business associates and bankers for their continued support and assistance.



*STS Puteri Mahsuri*

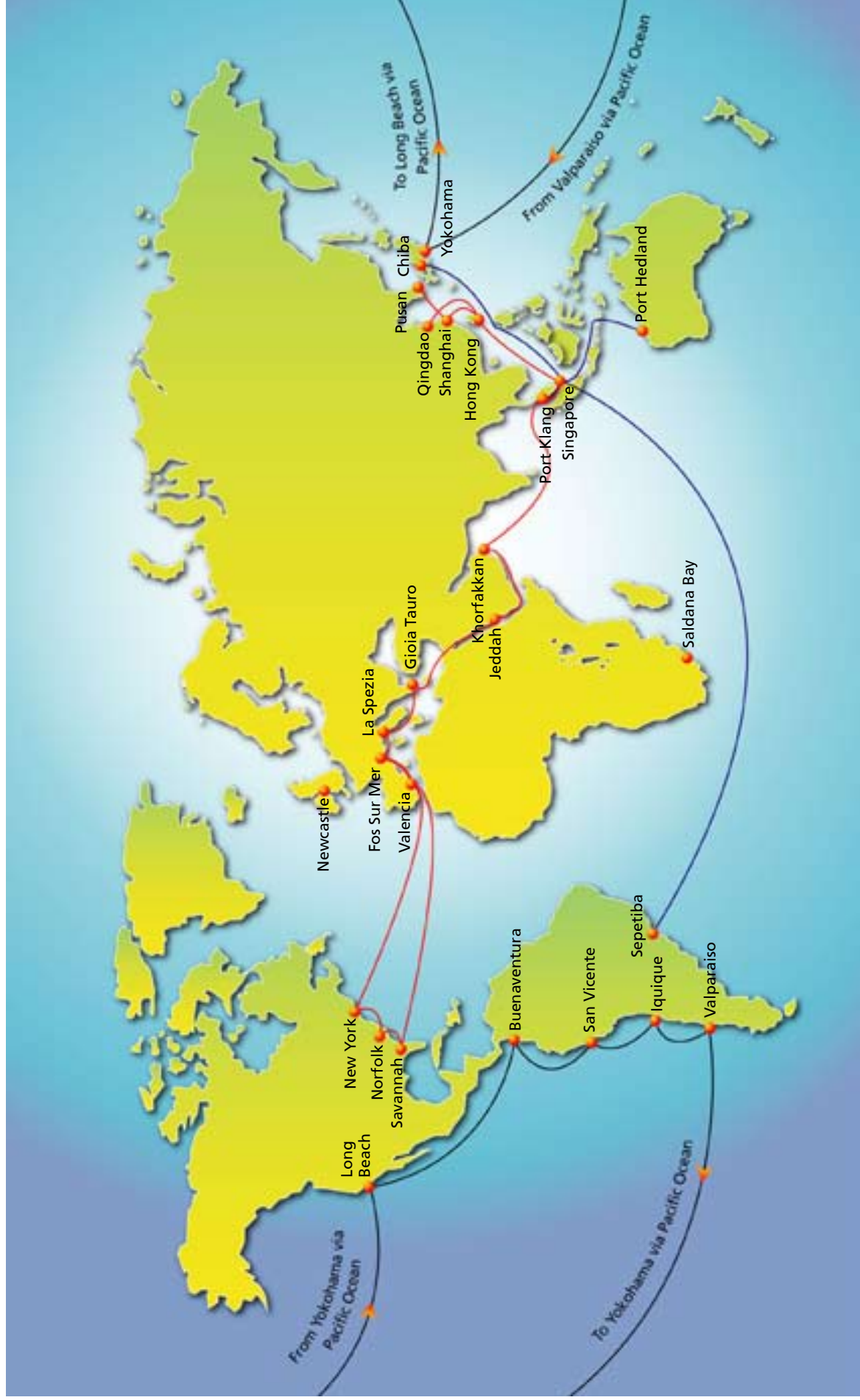
I would like to express my deepest gratitude to the Board of Directors for their valued advice, support and cooperation during the year. On this note, I would like to thank our non-independent non-executive Director, YBhg. General (R) Dato' Sri Abdullah Bin Ahmad who has resigned from the Board, for his services rendered to the Board and Company.

On behalf of the Board, I would also like to welcome the appointment of YBhg. General (R) Dato' Seri Mohd Azumi Bin Mohamed as non-independent non-executive Director to the Board of HMB.

Thank you.

**Tan Sri Dato' Seri Halim Bin Mohammad**  
Executive Chairman and  
Managing Director

## International Ports of Call



## Branch Offices and Ports of Call in Malaysia



## List of Vessels and Investment Property

### List of Vessels

Name of Vessel	Type	Year Built	GRT	DWT
Meridian Vega	Product Tanker	1991	3,885	6,979
Meridian Mira	Product Tanker	1994	3,581	6,012
Cap Colville	Containership (1,510 TEU)	1997	17,613	24,066
Cap Colorado	Containership (1,510 TEU)	1997	17,613	24,066

### Investment Property

Location	Description	Tenure	Land area	Net book value
Precinct 5.3 Seksyen 14 Pusat Bandar, Shah Alam, Selangor Darul Ehsan.	Vacant land for development of office and commercial complex	Leasehold (99 years expiring on 11.5.2100)	5,814 sq.metres	RM 5.38mil



## Terms of Reference of the Audit Committee

# Audit Committee

### Chairman

**YBhg. Dato' Edris @ Idris Bin Haji Wahed**

*Independent Non-Executive Director*

### Members

**YBhg. Tan Sri Dato' Seri Halim Bin Mohammad**

*Executive Chairman and Managing Director*

**Mr. Patrick Lim Keng Lee**

*Senior Independent Non-Executive Director*

**Mr. Ee Beng Wat**

*Independent Non-Executive Director*

### A. Terms of Reference

#### i. Composition

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

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

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

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

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

The Board shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

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

#### ii. Objectives

The primary objectives of the Audit Committee are:

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

#### iii. Authority of the Audit Committee

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

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

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

#### iv Duties and responsibilities

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

#### v. Meetings

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

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

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

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

#### vi. Procedures of Audit Committee

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

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

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

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

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

## B. Activities of the Audit Committee for the Financial Year ended 31 December 2006

For the financial year under review, the Audit Committee met four (4) times. The details of the attendance of each member of the Audit Committee are as per table below:

Audit Committee Members	Number of Meetings Attended
Tan Sri Dato' Seri Halim Bin Mohammad	4/4
Dato' Edris @ Idris Bin Haji Wahed	4/4
Mr. Patrick Lim Keng Lee	4/4
Mr. Ee Beng Wat	4/4

In discharging their duties, the Audit Committee had undertaken the following activities:

- i. reviewed the unaudited quarterly financial results of the Group prior to the Board's approval;
- ii. reviewed the Company's compliance with the prevailing laws, regulations and accounting standards;
- iii. reviewed the internal audit plans, which included the Capital Asset Management, Treasury Cycle, Cash Management and Wrap up of findings for quarter one 2006;
- iv. reviewed the internal audit reports, which highlighted the audit issues recommendations with regards to system and controls weaknesses noted in the course of audit and the management's responses thereto; and
- v. reviewed the recurrent related party transactions to ascertain that the transactions are conducted at arm's length and on normal commercial terms.

## C. Internal Audit Function

The Committee acknowledges the need for an effective system of internal controls covering all aspects of activities including the mapping and management of risk in which the Group may be exposed to.

The Group's Internal Audit function is independent of the activities or operations of other operating units, its principle role is to undertake independent, regular and systematic reviews of the system of internal control so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively. The Internal Audit function reports directly to the Audit Committee and assists the Board in monitoring the internal controls to mitigate the risks.

## Statement on Internal Control

### INTRODUCTION

Paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad Listing Requirements requires a listed entity to include a statement of internal control in the Annual Report. The Malaysian Code on Corporate Governance provides that listed companies should maintain a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

The Board of Directors ("the Board") recognizes the vital role internal controls play in creating transparency, accountability and in safeguarding the assets of the Company, acknowledges its responsibility for ensuring the presence of sound and effective internal control and risk management practices. However, it should be noted that any system of internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

In striving for continuous improvement, the Board will put in place appropriate action plans, when necessary, to further enhance the Group's systems of internal control.

### SYSTEMS OF INTERNAL CONTROL

The following key processes have been established in reviewing the adequacy and integrity of the Group's system of internal controls:

#### **Clear Lines of Accountability and Reporting Within the Organization**

Key responsibilities and accountability in the organizational structure is clearly defined, with clear reporting lines up to the Board and its Committees. Established delegation of authority sets out the appropriate authority levels for decision-making, including matters requiring Board approval.

#### **Strategic Business Planning Processes**

Appropriate business plans have been established within which the Group's business objectives, strategies and targets are articulated. Business planning and budgeting is

undertaken annually, to establish plans and targets against which performance is monitored on an ongoing basis.

#### **Formalized and Documented Policies and Procedures**

Internal policies and procedures which are set out in a series of clearly documented standard operating manuals covering a majority of areas within the Group are maintained and subject to review as and when necessary.

#### **Financial Performance**

The preparation of periodic and annual results and the state of affairs, as published to shareholders, are reviewed and approved by the Board. The full year financial statements are also audited by the external auditors.

## 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 vetting 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.

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

## CONCLUSION

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group for the financial year ended 31 December 2006. The Group continues to take the necessary measures to ensure that the system of internal control is in place and functions effectively.

## Corporate Governance Statement

The Board of Directors is committed to ensuring that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of Halim Mazmin Berhad.

The following statement explains the manner in which the Group has applied the principles, and the state of compliance with the Best Practice provisions of the Malaysian Code of Corporate Governance ("Code") throughout the financial year ended 31 December 2006.

### 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. Details of each Director's attendance are as follows:

Directors	Number of meetings attended
Tan Sri Dato' Seri Halim Bin Mohammad	4/4
Puan Sri Datin Seri Mazmin Binti Noordin	4/4
Dato' Seri Haji Sulaiman Bin Mohd Amin	4/4
Dato' Edris @ Idris Bin Haji Wahed	4/4
Tuan Haji Mazlan Bin Nordin	4/4
Mr. Patrick Lim Keng Lee	4/4
Mr. Ee Beng Wat	4/4
Dato' Abdul Kadir Bin Mohd Deen	4/4
General (R) Dato' Sri Abdullah Bin Ahmad @ Dollah Bin Amad (resigned on 30 April 2007)	3/4

#### 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 comprises 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 or clarification, where necessary, in order to be properly briefed before the meeting. All Directors have access to the advice and services of the Company Secretaries and all information within the Company. Where necessary, the Directors may engage independent professionals for advice on specialized 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:-

- Executive Chairman who is also the Managing Director
- Deputy Chairman who is an Independent Non-Executive Director
- Executive Director
- Four (4) Independent Non-Executive Directors
- Two (2) Non-Independent Non-Executive Directors

The Board has appointed Mr. Patrick Lim Keng Lee as the Senior Independent Non-Executive Director, to whom any concerns may be conveyed.

The brief profile on each and every Director is set out in the Profile of the Board of Directors.

The presence of five (5) Independent Non-Executive Directors out of nine (9) Directors comply 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 also 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.

The Board attends the Continuing Education Programme ("CEP") from time to time, where necessary, to equip themselves with the knowledge to discharge their duties more effectively. The Directors attended the following courses:

**Course Attended**

• **Take Over and Mergers: Issues and Challenges**

Tan Sri Dato' Seri Halim Bin Mohammad  
Puan Sri Datin Seri Mazmin Binti Noordin

• **Preparation and Presentation of Quarterly Interim Financial Reporting Under the New FRS Regime**

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

YBhg. Dato' Abdul Kadir Bin Mohd Deen was registered for a CEP course scheduled in November 2006. However, the course was cancelled by the organizer. Due to his tight schedule, another course could not be arranged prior to the year end.

**B. BOARD COMMITTEES**

**i. Audit Committee**

The Audit Committee consists of four (4) members, out of which three (3) are Independent Non-Executive Directors. One of the three (3) Independent Non-Executive Directors is a member of the Malaysian Institute of Accountants. This is in compliance with Bursa Securities Listing Requirements.

The main objectives of the Audit Committee and its terms of reference are as detailed in the Terms of Reference of the Audit Committee of the Annual Report.

**ii. Nomination Committee**

The Board is regularly reviewing 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 determines 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 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	40	616	410
Non-Executive Directors	144	-	-
Total	184	616	410

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

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Less than 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 value of 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 releases.

#### 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.

Also, the shareholders, investors and members of the public may access the Company's website at [www.halimazmin.com](http://www.halimazmin.com) to obtain the latest information of 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 in 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 in 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 in the Terms of Reference of the Audit Committee of the Annual Report.

### F. ADDITIONAL COMPLIANCE INFORMATION

#### i. Utilization of Proceeds

The utilization of 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 2006 are set out in item G of this Statement.



## ii. Share Buy-Back

During the financial year ended 31 December 2006, the Company bought back the following shares:

Month	Consideration (RM)	Highest Price (RM)	Lowest Price (RM)	Average Price (RM)	No. of Shares Bought Back
January	241,253	0.740	0.715	0.744	324,400
February	1,159,418	0.755	0.735	0.746	1,554,600
March	124,032	0.755	0.740	0.748	165,800
April	684,516	0.825	0.780	0.810	845,400
May	1,402,424	0.825	0.725	0.817	1,717,600
June	351,514	0.725	0.700	0.716	490,800
July	5,937	0.710	0.710	0.715	8,300
August	-	-	-	-	-
September	188,540	0.675	0.640	0.674	279,600
October	126,827	0.710	0.670	0.684	185,300
November	305,438	0.705	0.650	0.682	447,600
December	-	-	-	-	-
<b>Sub total for year 2006</b>	<b>4,589,899</b>	<b>0.825</b>	<b>0.640</b>	<b>0.763</b>	<b>6,019,400</b>
Balance b/f from 2005	1,263,228	0.745	0.680	0.738	1,711,100
<b>Total</b>	<b>5,853,127</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,730,500</b>
Shares cancelled *					(3,350,720)
<b>Total Number Of Shares Retained In Treasury</b>					<b>4,379,780</b>

\* On 24 November 2006, the Company cancelled 3,350,720 shares out of the Treasury Shares Account of 7,730,500 shares, resulting in the issued shares of the Company adjusted to 318,000,000 shares of RM0.50 each.

## iii. Options, Warrants or Convertible Securities

The Company has not issued any options, warrants or convertible securities during the financial year.

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

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

## 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 2006 is RM1,000.

## vii. Variation in Results

There are no material variation between the audited results for the financial year ended 31 December 2006 and the unaudited results for the financial year ended 31 December 2006 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 2006 pursuant to a mandate given by the shareholders on 31 May 2006 are set out in Note 28 to the financial statements 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. Private Placement of 14,606,800 new ordinary shares at an issue price of RM1.58 each ("Private Placement")

Pursuant to SC's letter approving the Private Placement dated 29 June 2004, HMB is required to disclose the status of the utilization arising from the Private Placement in its quarterly and annual reports until the proceeds are fully utilized. The Board of Directors of HMB had on 12 August 2005, approved the following:

- (a) the extension of time frame for the completion of the utilization of the Private Placement proceeds from 31 December 2005 to within the first half of 2006.
- (b) that any unutilized amount allocated under the estimated expenses relating to the Private Placement to be applied towards paying for fleet operating costs.

The proceeds arising from the Private Placement have been fully utilized in the first quarter ended 31 March 2006 as follows:

	ORIGINAL UTILIZATION AS APPROVED BY SC RM'000	REVISED UTILIZATION RM'000	UTILIZATION TIMEFRAME						
			FINANCIAL YEAR ENDED / ENDING 31 DECEMBER						
			2004 RM'000		2005 RM'000		2006 RM'000		
			PROPOSED	ACTUAL	PROPOSED	ACTUAL	PROPOSED	ACTUAL	
WORKING CAPITAL:-									
- FLEET DRY-DOCK	8,500	3,000	-	-	1,339	1,339	1,661	1,661	
- FLEET OPERATING COSTS*	13,919	19,442	5,000	5,000	14,419	14,442 <sup>^</sup>	-	-	
ESTIMATED EXPENSES RELATING TO THE CORPORATE PROPOSAL#	660	637	660	587	-	50	-	-	
TOTAL	23,079	23,079	5,660	5,587	15,758	15,831	1,661	1,661	

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

<sup>^</sup> An amount of RM23,000 being the unutilized amount allocated under the estimated expenses relating to the Private Placement has been applied towards paying for fleet operating costs in the financial year ended 31 December 2005.

# Corporate Proposal involving Private Placement, bonus issue (completed on 27 October 2004) and share split (completed on 2 December 2004).

**ii. Disposal of Two (2) Container Vessels, Namely MSC Tasmania and MSC America, ("MSC Disposals")**

Pursuant to the SC's approval for:

- (a) the MSC Disposals not being deemed disposals that would result in a significant change in business direction of HMB (vide their letter dated 4 January 2005);
- (b) the modification of the corresponding disclosure requirements (vide their letter dated 21 February 2005); and
- (c) subsequently, for the variation to the utilization of proceeds (vide their letter dated 13 July 2005).

HMB is required to disclose the following in its quarterly results and annual reports:

- (d) 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; and
- (e) the status of utilization of the MSC Disposals proceeds until the proceeds have been fully utilized.

Disclosure on the matters relating to part (d) above was set out in HMB's Annual Report for the year ended 31 December 2004.

At present, the MSC Disposals proceeds have been partially utilized for the repayment of HMB's banking facility of RM25.6 million on 22 July 2005 (as approved by the SC vide their letter dated 13 July 2005). Save for the payment, there is no specific utilization identified for the MSC Disposals proceeds. In the interim, the balance of proceeds of RM134.8 million has been placed in fixed deposits.

## Directors' Responsibility Statement

The Directors are responsible to ensure that the financial statements of the Group and of the Company for each financial year are drawn up in accordance with the applicable MASB approved accounting standards in Malaysia for entities other than private entities ("applicable approved accounting standards"), the provisions of the Companies Act, 1995 ("the Act") and the Bursa Securities listing Requirements ("Listing Requirements").

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

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

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

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