

**2004**  
annual report

establishing our presence as a

***leading integrated total logistics***

and ***EPCC provider***



**HARBOUR-LINK GROUP BERHAD**  
(592902-D)

# Values & Mission



## VALUES

- **WE BELIEVE**  
that our success is hinged on our customer's total satisfaction
- **WE BELIEVE**  
that our people are the foundation of our existence and will do their best when their contributions are acknowledged
- **WE BELIEVE**  
that our ability to innovate energises our growth and provides opportunities to serve our people and customers

## MISSION

- **TO ESTABLISH**  
our position as a leading integrated total logistics and EPCC provider in the region by providing innovative services to our clients through creativity, efficiency and vitality
- **TO SEEK**  
continuous improvement in all aspects of our operations and to be flexible and adaptive to changes
- **TO CREATE**  
trust and teamwork among our employees, clients, contractors and the community
- **TO CARE**  
for our employees, our clients, our community and our environment
- **TO CARRY**  
out our duties with diligence and dedication and taking care of all our shareholders' interest



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# notice of annual general meeting

**NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting (“AGM”) of the Company will be held at the Millennium Ballroom 2, ParkCity Everly Hotel, Jalan Tun Razak, 97000 Bintulu, Sarawak on Wednesday, 24 November 2004 at 3.00 p.m. for the following businesses:-**

## **AGENDA**

1. To receive the Financial Statements for the financial year ended 30 June 2004 together with the reports of the Directors and Auditors thereon. **RESOLUTION 1**
2. To approve the Directors' fees for the financial year ended 30 June 2004. **RESOLUTION 2**
3. To re-elect the following Directors retiring in accordance with Article 109 of the Company's Articles of Association and being eligible, offer themselves for re-election:-
  - (i) Yong Piaw Soon **RESOLUTION 3**
  - (ii) Dato' Mohamed Salleh Bin Bajuri **RESOLUTION 4**
  - (iii) Wong Siong Seh **RESOLUTION 5**
  - (iv) Toh Guan Seng **RESOLUTION 6**
  - (v) Hooi Yen Peng **RESOLUTION 7**
  - (vi) Lee Seng Chiong **RESOLUTION 8**
  - (vii) Hii Kwong Wui **RESOLUTION 9**
  - (viii) Lau Chii Hung **RESOLUTION 10**
  - (ix) Lau Sii Hin **RESOLUTION 11**
  - (x) Ch'ng Kong San **RESOLUTION 12**
  - (xi) Yeow See Yuen **RESOLUTION 13**
4. To re-appoint Messrs Ernst & Young as Auditors of the Company to hold office until the conclusion of the next AGM and to authorise the Board of Directors to fix their remuneration. **RESOLUTION 14**

## **AS SPECIAL BUSINESS**

To consider, and if thought fit, to pass the following Resolutions:-

5. **SPECIAL RESOLUTION**  
**PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL AND AMENDMENT TO THE MEMORANDUM OF ASSOCIATION**

"THAT the authorised share capital of the Company be and is hereby increased from RM200,000,000.00 comprising 200,000,000 ordinary shares of RM1.00 each to RM500,000,000.00 comprising 500,000,000 ordinary shares of RM1.00 each by the creation of an additional 300,000,000 new ordinary shares of RM1.00 each.

AND THAT in consequence thereof, Clause 7 of the Company's Memorandum of Association on the authorised share capital of the Company be amended accordingly."

**RESOLUTION 15**

6. **ORDINARY RESOLUTION**

**AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

"THAT pursuant to Section 132D of the Companies Act, 1965 ("Act") and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten (10) per cent of the issued share capital of the Company for the time being.

AND THAT the Directors be and are also hereby empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued.

AND THAT such authority shall continue in force until the conclusion of the next AGM following the forthcoming 2nd AGM of the Company."

**RESOLUTION 16**

7. **ORDINARY RESOLUTION**

**Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a Revenue or Trading Nature entered into with Bintulu Supplies & Services Sdn. Bhd., BCM Mortgage Sdn. Bhd., Kidurong Tyre & Machinery Sdn. Bhd., Sri-Minah Enterprise Sdn. Bhd. and Marup Quarry Sdn. Bhd.**

**RESOLUTION 17**

**ORDINARY RESOLUTION**

**Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a Revenue or Trading Nature entered into with Navasco Shipping Sdn. Bhd.**

**RESOLUTION 18**

**ORDINARY RESOLUTION**

**Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a Revenue or Trading Nature entered into with Sun Swee Trading Co. and Utama Bena Engineering**

**RESOLUTION 19**

**ORDINARY RESOLUTION**

**Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a Revenue or Trading Nature entered into with Eastern Solder (M) Sdn. Bhd.**

**RESOLUTION 20**

"THAT all the past recurrent related party transactions of a revenue or trading nature ("RRPT") entered into by the Company and its subsidiaries as set out in Sections 2.4.1, 2.4.2, 2.4.3 & 2.4.4 of the Circular to Shareholders dated 2 November 2004 ("Circular") which are necessary for the day-to-day operations of the Company and its subsidiaries in the ordinary course of business and on terms not more favourable to the related parties than those generally available to the public and not detrimental to minority shareholders, from the Company's date of listing on 6 January 2004 up to the date of the forthcoming 2nd AGM to be held on 24 November 2004 be hereby approved and ratified ("Proposed Shareholders' Ratification").

AND THAT the Directors be and are hereby authorised to do all such acts and things and execute all necessary documents to give full effect to the Proposed Shareholders' Ratification with full power to assent to or make any modifications, variations and/or amendments as may be required by the relevant authorities."

8. **ORDINARY RESOLUTION**

**Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature proposed to be entered into with Bintulu Supplies & Services Sdn. Bhd., BCM Mortgage Sdn. Bhd., Kidurong Tyre & Machinery Sdn. Bhd., Sri-Minah Enterprise Sdn. Bhd. and Marup Quarry Sdn. Bhd.**

**RESOLUTION 21**

# notice of annual general meeting (cont'd)

## **ORDINARY RESOLUTION**

**Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature proposed to be entered into with Navasco Shipping Sdn. Bhd.**

**RESOLUTION 22**

## **ORDINARY RESOLUTION**

**Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature proposed to be entered into with Sun Swee Trading Co. and Utama Bena Engineering**

**RESOLUTION 23**

## **ORDINARY RESOLUTION**

**Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature proposed to be entered into with Eastern Soldar (M) Sdn. Bhd.**

**RESOLUTION 24**

"THAT approval be and is hereby given to the Company and its subsidiaries to enter into the RRPT as set out in Sections 2.4.1, 2.4.2, 2.4.3, & 2.4.4 of the Circular which are necessary for the day to day operations of the Company and its subsidiaries provided that such transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not detrimental to minority shareholders and such approval shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following the forthcoming 2nd AGM, at which such mandate was passed, at which time it will lapse, unless by a resolution passed at such AGM, such authority is renewed;
  - (b) 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 Act (but shall not extend to such extension as may be allowed pursuant to Section 143 (2) of the Act); or
  - (c) revoked or varied by resolution(s) passed by the shareholders in a general meeting;
- whichever is the earliest; (collectively referred to as "Proposed Shareholders' Mandate");

AND THAT the Directors be and are hereby authorised to do all such acts and things and execute all necessary documents to give full effect to the Proposed Shareholders' Mandate with full power to assent to or make any modifications, variations and/or amendments as may be required by the relevant authorities."

9. To transact any other business of which due notice shall have been given in accordance with the Act.

By Order of the Board

**LIM SECK WAH (MAICSA NO. 0799845)**  
**M. CHANDRASEGARAN A/L S. MURUGASU**  
**(MAICSA NO. 0781031)**  
Company Secretaries

Sarawak  
2 November 2004

#### Notes:-

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or more proxies to attend. A proxy may but need not be a member of the Company and that where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
2. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
4. The instrument appointing the proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of attorney, must be deposited at the Registered Office of the Company at 1st Floor, 39 & 40, BDA-Shahida Commercial Centre, 97000 Bintulu, Sarawak not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.
5. Explanatory note on Special Business:-
  - 5.1 Special Resolution 15  
In order to accommodate the future increase in the issued and paid up capital and flexibility to Board members, the Directors are proposing that the authorised share capital of the Company be increased from RM200,000,000.00 comprising 200,000,000 ordinary shares of RM1.00 each to RM500,000,000.00 comprising 500,000,000 ordinary shares of RM1.00 each by the creation of an additional 300,000,000 new ordinary shares of RM1.00 each.  
  
The present authorised share capital of the Company is RM200,000,000.00 divided into 200,000,000 ordinary shares of RM1.00 each.
  - 5.2 Ordinary Resolution 16  
The effect of the resolution under item 6 of the agenda, if passed, will give the flexibility and authority to the Directors of the Company, from the date of the forthcoming 2nd AGM, to issue and allot shares in the Company up to and not exceeding in total 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 following the forthcoming 2nd AGM.
  - 5.3 Ordinary Resolutions 17,18,19 & 20  
The proposed Resolutions 17 to 20, if passed, will ratify all the past RRPT entered into by the Company and its subsidiaries from the Company's date of listing on 6 January 2004 up to the date of the forthcoming 2nd AGM to be held on 24 November 2004. Details of the categories of the RRPT entered into with the related parties are set out in Sections 2.4.1 to 2.4.4 of the Circular.
  - 5.4 Ordinary Resolutions 21, 22, 23 & 24  
The proposed resolutions 21 to 24, if passed, will give the Company and its subsidiaries the authority to enter into RRPT from the date of the forthcoming 2nd AGM until the next AGM following the forthcoming 2nd AGM. Details of the categories of the RRPT proposed to be entered into with the related parties are set out in Sections 2.4.1 to 2.4.4 of the Circular.

# statement accompanying notice of annual general meeting

## 1. DIRECTORS STANDING FOR RE-ELECTION

The Directors who are standing for re-election at the Second Annual General Meeting of Harbour-Link Group Berhad are as follows:-

- (i) Yong Piaw Soon
- (ii) Dato' Mohamed Salleh Bin Bajuri
- (iii) Wong Siong Seh
- (iv) Toh Guan Seng
- (v) Hooi Yen Peng
- (vi) Lee Seng Chiong
- (vii) Hii Kwong Wui
- (viii) Lau Chii Hung
- (ix) Lau Sii Hin
- (x) Ch'ng Kong San
- (xi) Yeow See Yuen

Further details of the above Directors are set out in the Profile of Directors on pages 8 to 11 of this Annual Report and Statement of Directors' shareholdings on page 67 of this Annual Report.

## 2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

The Board has met twice during the financial year ended 30 June 2004 since the listing of the Company on the Main Board of the Bursa Malaysia Securities Berhad in place of Tongkah Holdings Berhad on 6 January 2004. Details of attendance of the Directors are as follows:-

Name of Directors	No. of Meetings Attended/Held During Directors' Tenure in Office	% of Attendance
Yong Piaw Soon	2/2	100
Dato' Mohamed Salleh Bin Bajuri	2/2	100
Wong Siong Seh	2/2	100
Toh Guan Seng	2/2	100
Hooi Yen Peng	2/2	100
Lee Seng Chiong	2/2	100
Hii Kwong Wui	2/2	100
Lau Chii Hung	2/2	100
Lau Sii Hin	2/2	100
Ch'ng Kong San	2/2	100
Yeow See Yuen	2/2	100
Wong Siau Chiin	2/2	100

## 3. PLACE, DATE AND TIME OF MEETING

The Second Annual General Meeting of the Company will be held at the Millennium Ballroom 2, ParkCity Everly Hotel, Jalan Tun Razak, 97000 Bintulu, Sarawak on Wednesday, 24 November 2004 at 3.00 p.m.



# corporate information

## BOARD OF DIRECTORS

### Yong Piaw Soon

Group Managing Director,  
Non-Independent Executive Director

### Dato' Mohamed Salleh Bin Bajuri

Director,  
Independent Non-Executive Director

### Wong Siong Seh

Director,  
Non-Independent Executive Director

### Toh Guan Seng

Director,  
Non-Independent Executive Director

### Hooi Yen Peng

Director,  
Non-Independent Executive Director

### Lee Seng Chiong

Director,  
Non-Independent Executive Director

### Hii Kwong Wui

Director,  
Non-Independent Executive Director

### Lau Chii Hung

Director,  
Non-Independent Executive Director

### Lau Sii Hin

Director,  
Non-Independent Executive Director

### Ch'ng Kong San

Director,  
Independent Non-Executive Director

### Yeow See Yuen

Director,  
Independent Non-Executive Director

### Wong Siau Chiin

Director,  
Independent Non-Executive Director

## COMPANY SECRETARIES

Lim Seck Wah (MAICSA 0799845)  
M. Chandrasegaran A/L S. Murugasu  
(MAICSA 0781031)

## REGISTERED OFFICE

1st Floor, No. 39 & 40  
BDA-Shahida Commercial Centre  
97000 Bintulu, Sarawak  
e-mail: [bintulu@harbour.com.my](mailto:bintulu@harbour.com.my)

## REGISTRARS

Mega Corporate Services Sdn. Bhd.  
Level 11-2, Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel: (03) 2692 4271  
Fax: (03) 2732 5388  
e-mail: [info@megacorp.com.my](mailto:info@megacorp.com.my)

## AUDIT COMMITTEE

### Ch'ng Kong San

Chairman,  
Independent Non-Executive Director

### Yeow See Yuen

Member,  
Independent Non-Executive Director

### Yong Piaw Soon

Member,  
Non-Independent Executive Director

## REMUNERATION COMMITTEE

### Dato' Mohamed Salleh Bin Bajuri

Chairman,  
Independent Non-Executive Director

### Ch'ng Kong San

Member,  
Independent Non-Executive Director

## Yeow See Yuen

Member,  
Independent Non-Executive Director

## Yong Piaw Soon

Member,  
Non-Independent Executive Director

## NOMINATION COMMITTEE

### Ch'ng Kong San

Chairman,  
Independent Non-Executive Director

## Yeow See Yuen

Member,  
Independent Non-Executive Director

## Dato' Mohamed Salleh Bin Bajuri

Member,  
Independent Non-Executive Director

## AUDITORS

Ernst & Young  
Chartered Accountants  
115, 1st Floor,  
Parkcity Commerce Square  
Jalan Tun Ahmad Zaidi  
P.O Box 421  
97008 Bintulu, Sarawak

## PRINCIPAL BANKERS

Malayan Banking Berhad  
RHB Bank Berhad  
Bumiputra-Commerce Bank Berhad  
Hong Leong Bank Berhad  
AmBank Berhad

## STOCK EXCHANGE LISTING

Main Board of the Bursa Malaysia  
Securities Berhad  
Stock Name: HARBOUR  
Stock Code: 2062

# board of directors'



from left to right:

Yong Piaw Soon  
Dato' Mohamed Salleh Bin Bajuri  
Wong Siong Seh

## **YONG PIAW SOON** (Group Managing Director) / Malaysian

Yong Piaw Soon, 52, is the Group Managing Director of the Company. He was appointed to the Board of Harbour-Link Group Berhad on 27 December 2003. On 12 February 2004, he was appointed to the Remuneration Committee of the Company. He is a founder member of Harbour-Link Group Berhad ("Harbour-Link Group") and is one of the pioneer in the shipping and freight forwarding industries in East Malaysia since early 1970s. He started his business in early 1970s in timber export and other logging related activities. In 1975, he embarked into forwarding and shipping business. With his excellent business foresight and the indepth knowledge of the shipping and forwarding industries, have well positioned him as the Managing Director of the Harbour-Link (M) Sdn Bhd ("HLM") Group, in charge of the overall management and business development.

Under his leadership, the HLM Group has grown and developed into one of the major players in the shipping and forwarding industries in the region. He has managed to bring the HLM Group to another height of business achievement in the 1990s where the HLM Group expanded its business to provide total integrated logistics services for the construction of petro-chemical plant projects in Bintulu and the booming timber industries within the region. This marked a major milestone on the success of penetration into this lucrative market in the oil and gas industry, timber based industry and infrastructure works and which laid a good foundation for the future growth of the Harbour-Link Group. He sits on the Board of several subsidiary companies of Harbour-Link Group.

He does not hold any directorships in other public companies.

## **DATO' MOHAMED SALLEH BIN BAJURI** (Independent Non-Executive Director) / Malaysian

Dato' Mohamed Salleh Bin Bajuri, 53, was appointed as an Independent Non-Executive Director of Harbour-Link Group Berhad on 27 December 2003. On 12 February 2004, he was appointed to the Nomination Committee and Remuneration Committee of the Company. Dato' Mohamed Salleh is a Chartered Accountant by profession. He started his career in Malaysia as an auditor with Peat Marwick & Co. 1978. In 1979, he joined Mayban Finance Berhad as Manager and was promoted in 1982 to General Manager, a position which he held until 1987, thereafter he was transferred to Malayan Banking Berhad ("Maybank"). He left Maybank in 1992 to join JB Securities Sdn Bhd as Managing Director. In 1996, he was appointed as Group Executive Director of CRSC Holdings Berhad, a position he holds today.

His directorship in other public listed companies includes Seacera Tiles Berhad, Asian Pac Holdings Berhad, Eden Enterprises (M) Berhad, Seal Polymer Industries Berhad and LKT Industrial Berhad.

## **WONG SIONG SEH** (Executive Director) / Malaysian

Wong Siong Seh, 42, is an Executive Director of the Company. He was appointed to the Board of Harbour-Link Group Berhad on 27 December 2003 and is a founder member of Harbour-Link Group. He started his career in early 1980s working as an executive in Pan Sarawak Co. Sdn Bhd in Sibul. His involvement in the shipping industry has gained him a vast and firm foundation in this industry which includes ship management, freighting, chartering services and other related services. In 1983, he joined Antah Transact Sdn Bhd as an Operations Manager. He was attached to the company for 9 years where he was involved in providing logistic services in the oil and gas industry. He left Antah Transact Sdn Bhd in 1992 to join HLM Group and later was appointed as Director on 1 March 1994.

# profile

from left to right:

Toh Guan Seng  
Hooi Yen Peng  
Lee Seng Chiong



He is in charge of the Harbour-Link Group's operations, management and business development. He also sits on the Board of several subsidiary companies of Harbour-Link Group.

He does not hold any directorships in other public companies.

## **TOH GUAN SENG (Executive Director) / Malaysian**

Toh Guan Seng, 49, is an Executive Director of the Company. He was appointed to the Board of Harbour-Link Group Berhad on 27 December 2003 and is a founder member of Eastern Solder Engineering & Construction Sdn Bhd ("ESEC"). He has more than 25 years experience in the oil and gas industry. He started his career as a Unit Group Leader with Jurong Engineering Pte. Ltd (Singapore) and later ventured into business by setting up his trading firm dealing with LPG safety equipments. In 1986, he founded ESEC, and over the period of 16 years, under his leadership, ESEC Group has managed to penetrate into the oil and gas and petrochemical industries resulting in the gradual and steady growth of ESEC.

He is the Deputy Chairman of the Negeri Sembilan Foundry & Engineering Industries Association and is a committee member of the Federation of Malaysia Manufacturer Negeri Sembilan.

He does not hold any directorships in other public companies.

## **HOOI YEN PENG (Executive Director) / Malaysian**

Hooi Yen Peng, 53, is an Executive Director of the Company. He was appointed to the Board of Harbour-Link Group Berhad on 27 December 2003 and is a founder member of ESEC. He started his career as a contractor in Port Dickson, undertaking projects in the oil and gas industry. He has more than 25 years experience in mechanical engineering works in the oil and gas industry.

He does not hold any directorships in other public companies.

## **LEE SENG CHIONG (Executive Director) / Malaysian**

Lee Seng Chiong, 45, is an Executive Director of the Company. He was appointed to the Board of Harbour-Link Group Berhad on 27 December 2003. He started his career in 1981 as a Shipping Executive where thereafter, he acquired experience in the shipping industry including shipping operations, marketing and management. He joined HLM Group and was appointed as Regional Director in 1994 and presently is in charge of the Bintulu region shipping operations, management and business development. He also sits on the Board of several subsidiary companies of Harbour-Link Group.

He does not hold any directorships in other public companies.

## board of directors' profile (cont'd)



from left to right:

Hii Kwong Wui  
Lau Chii Hung  
Lau Sii Hin

### **HII KWONG WUI** (Executive Director) / Malaysian

Hii Kwong Wui, 42, is an Executive Director of the Company. He was appointed to the Board of Harbour-Link Group Berhad on 27 December 2003. He started his career in Pan Sarawak Co. Sdn Bhd in 1981 as a Shipping Executive. In 1994, he joined HLM Group and was appointed as the Regional Director in charge of the Kuching and Sibu regions in 1996. He has more than 20 years' experience in the shipping industry. He is responsible for the daily operations, management and business development of both the Sibu and Kuching regions. He also sits on the Board of several subsidiary companies of Harbour-Link Group.

He does not hold any directorships in other public companies.

### **LAU CHII HUNG** (Executive Director) / Malaysian

Lau Chii Hung, 41, is an Executive Director of the Company. He was appointed to the Board of Harbour-Link Group Berhad on 27 December 2003. He holds a Bachelor of Science double degree in Computer Science and Mathematics from Brandon University, Canada. He started his career in 1984 in Brighton (Oiltown) Shipping Agencies Sdn Bhd as a Manager where he has managed a medium size shipping company. In 1994, he joined HLM Group and was appointed as Regional Director in 1996, and presently takes charge of the business development operations and management of Miri and Sabah regions. He also sits on the Board of several subsidiary companies of Harbour-Link Group.

He does not hold any directorships in other public companies.


### **LAU SII HIN** (Executive Director) / Malaysian

Lau Sii Hin, 53, is an Executive Director of the Company. He was appointed to the Board of Harbour-Link Group Berhad on 27 December 2003. In the early 1980s, he joined Sri Minah Enterprise Sdn Bhd as a Logging Manager. He joined HLM Group in 1994 and was appointed as Regional Director in the same year. He has more than 30 years experience in the transportation, inventory and mechanical industries. He is one of the key personnel who controls the transport department which includes workshop repair maintenance and store procurement as well as day-to-day transport operations. He also sits on the Board of several subsidiary companies of Harbour-Link Group.

He does not hold any directorships in other public companies.

### **CH'NG KONG SAN** (Independent Non-Executive Director) / Malaysian

Ch'ng Kong San, 41, was appointed as an Independent Non-Executive Director of Harbour-Link Group Berhad on 27 December 2003. He was appointed to the Nomination Committee and Remuneration Committee of the Company on 12 February 2004. He is a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom and a Chartered Accountant with the Malaysian Institute of Accountants. He has 16 years experience in corporate debt restructuring, merger and acquisitions and corporate finance. He started his career with Coopers & Lybrand (now a merged entity of PricewaterhouseCoopers) under the Corporate Care and Insolvency Service Division. He later joined BHL Bank Berhad in 1998 as a Senior Executive in the Corporate Banking Division. He



from left to right:

Ch'ng Kong San  
Yeow See Yuen  
Wong Siau Chiin

left BHL Bank Berhad shortly after that and joined Amsteel Berhad as a Senior Accountant in 1990. He was promoted to General Manager for the China Project in 1992. Subsequently, he joined the Hong Leong Group in 1996 as the Financial Controller for several of the companies of the group. Later in 2000, he joined Sitt Tatt Berhad and Chase Perdana Berhad as the Group Financial Controller. He is presently the Managing Director of Citaman Corporation Sdn Bhd and K.S.CH'NG Holdings Sdn Bhd. He is also the independent director of Sumatec Resources Berhad.

#### **YEOW SEE YUEN (Independent Non-Executive Director) / Malaysian**

Yeow See Yuen, 37, was appointed as an Independent Non-Executive Director of Harbour-Link Group Berhad on 27 December 2003. He was appointed to the Nomination Committee and Remuneration Committee of the Company on 12 February 2004. He holds a first class honors degree in Accountancy from the National University of Singapore. He started his career with Coopers & Lybrand Singapore in 1991 in the audit division. He left the firm in 1994 to join Deutsche Securities Asia Limited ("Deutsche Securities") where he spent 9 years working in the Equity Research Department. During the period, he progressed through a series of positions including Deputy Head of Indonesia Research, Head of Malaysian Research and Head of Consumer Research Asia. Since leaving Deutsche Securities a year and a half ago, he has been actively involved in investment banking related work, including investor relations, corporate advisory and research consultancy. He is presently a Director in Lynck Capital Associates Sdn. Bhd., a boutique financial consultancy outfit.

He does not hold any directorships in other public companies.

#### **WONG SIAU CHIIN (Independent Non-Executive Director) / Malaysian**

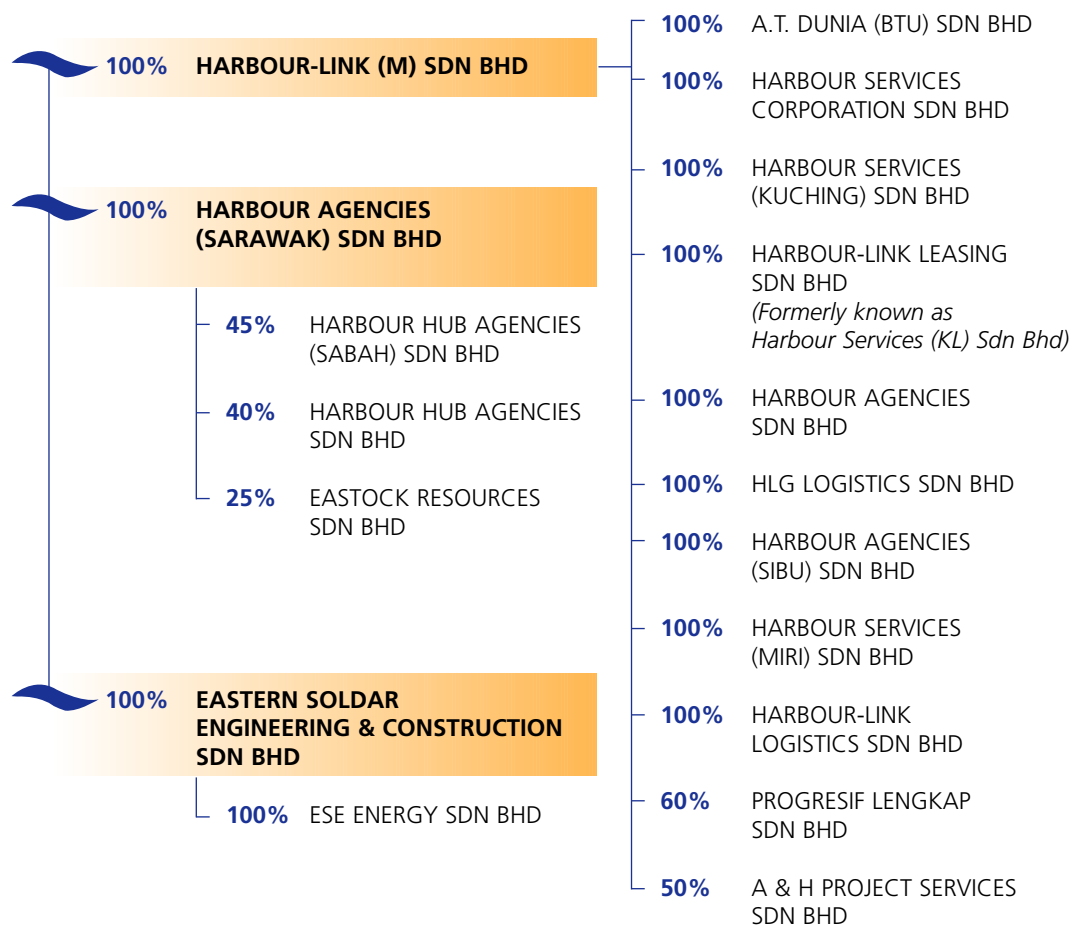
Wong Siau Chiin, 24, was appointed as an Independent Non-Executive Director of Harbour Link Group Berhad on 27 November 2003. She obtained her Undergraduate Degree in Bachelor of Commerce (Accounting and Finance) from Curtin University of Technology, Australia and is an associate member (ASA) of CPA Australia.

She does not hold any directorships in other public companies.

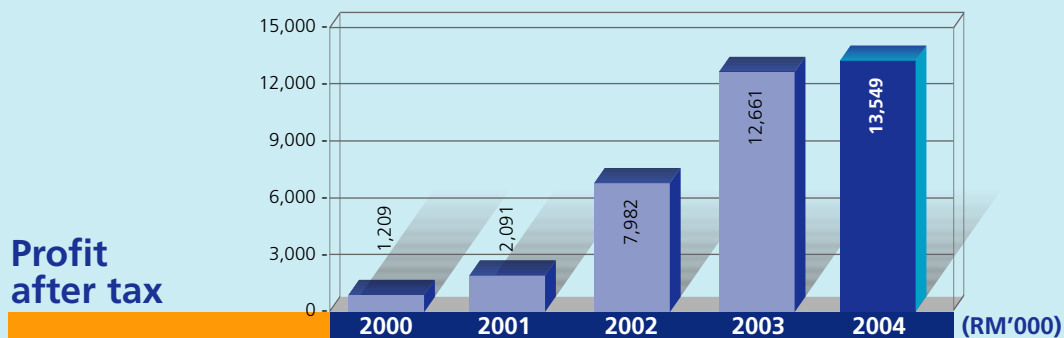
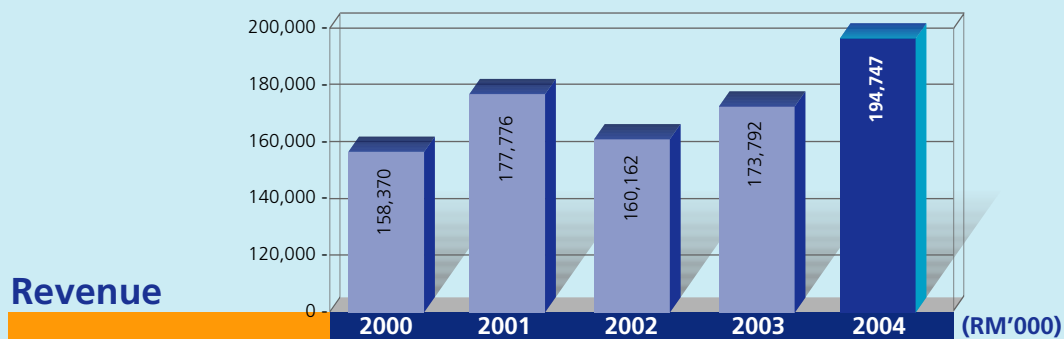
#### **OTHER INFORMATION**

- (a) Family Relationship  
None of the Directors have any family relationship with any director and/or major shareholder of the Company.
- (b) Conflict of Interest  
The Company has entered into recurrent related party transactions with parties in which the Directors of the Company, namely Yong Piau Soon, Wong Siong Seh, Toh Guan Seng and Hooi Yen Peng have direct and/or indirect interests. Save for the above mentioned disclosure, none of the other Directors have any conflict of interest with the Company.
- (c) Conviction of Offences  
None of the Directors have any conviction for offences within the past 10 years other than traffic offences.

# corporate structure



# group financial highlights



The revenue and profit after taxation for the financial years ended 30 June 2004 are based on the proforma audited consolidated income statement of Harbour-Link Group Berhad, prepared on the assumption that the current structure of the Harbour-Link Group Berhad has been in existence throughout the period. The proforma consolidated revenue and profit after taxation are presented for illustrative purposes only.

# chairman's statement

**"On a proforma basis, for the financial year ended 30 June 2004, Group revenue increased by 12.0% in comparison to the previous year from RM173.8 million to RM194.7 million."**



On behalf of the Board of Directors, I have great pleasure in presenting you with the Group's maiden Annual Report for the financial year ended 30 June 2004.

Harbour-Link Group was founded in 1994. Riding on the waves of development and economic growth brought on by the birth of the oil and gas industry in Bintulu, the Group built its core business initially as a local shipping and forwarding agent to evolve today, an integrated logistics service provider nationwide and across the intra-Asian region. As a strategic extension of our capabilities, the Group has put in place, an established engineering arm to undertake regional projects for the oil and gas, power industries and infrastructure engineering works.

The Group's 9 years of hard work was vindicated in January 2004 following our listing on the Main Board of Bursa Malaysia Securities Berhad.

In 2004, one of our main tasks was to consolidate the existing divisions and businesses and generate organic growth in the form of additional business and new customers. We have increased our focus in assuming operational management throughout all companies and participating interests acquired with a view to integrating them. In order to strengthen our core business, we will also take the same approach in the financial year 2005 which is currently underway.





## Financial Results

On a proforma basis, for the financial year ended 30 June 2004, Group revenue increased by 12.0% in comparison to the previous year from RM173.8 million to RM194.7 million. In addition, on a proforma basis, the net profit after tax and minority interests but before extraordinary item has also improved by 7.0% when compared to that in 2003.

Whilst we are pleased with our better results, it is our intention to continue to focus on expense controls so that every ringgit of revenue we earn can be reinvested in developing value-added chains within logistics and thereby building value for shareholders.

The Board does not recommend any dividend payment for the financial year ended 30 June 2004.

## Prospects

The successful implementation of the corporate exercise has resulted in the creation of a focused Group with strong market positions, excellent facilities and improved cash flow. The major focus of the Group for the forthcoming year will be continued growth, better performance, greater debt-reduction and ultimately a more sustainable earnings growth.



## The Board

We are pleased to have progressed in our commitment to practicing good corporate governance – not the box-ticking variety, but that which safeguards and builds value for shareholders. We have strengthened the independent non-executive representation on the Board following the appointment of four members of which two are also members of the Audit Committee, headed by Mr. Ch'ng Kong San.

## Appreciation

On behalf of our Board of Directors, I would like to express our sincere gratitude and appreciation to our shareholders, customers, suppliers and business associates for their steadfast support. To our staff, we thank you for your dedication and hard work in building up a strong foundation from which Harbour-Link Group will continue to grow.

**Yong Piaw Soon**  
Group Managing Director

# corporate governance statement

The Board of Directors of Harbour-Link Group Berhad ("The Board") is committed to the Principles and Best Practices of the Malaysian Code on Corporate Governance ("Code"), introduced in March 2000 which sets out the principles and best practices on structures and processes that companies may use in their operations towards achieving the ultimate objectives of maximising shareholders' value.

The Board ensures that these high standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and financial performance of the Group.

## THE BOARD OF DIRECTORS

The Board has overall responsibility for the strategic direction, establishing corporate goals and monitoring the achievement of these goals.

The Board meets on a quarterly basis with additional meetings being convened as necessary. For the financial year ended 30 June 2004, the Board met twice (2), on 12 February 2004 and 22 May 2004. The attendance of the Directors who held office during the financial year is set out below:

Directors	Attendance
Yong Piaw Soon	2/2
Dato' Mohamed Salleh Bin Bajuri	2/2
Wong Siong Seh	2/2
Toh Guan Seng	2/2
Hooi Yen Peng	2/2
Lee Seng Chiong	2/2
Hii Kwong Wui	2/2
Lau Chii Hung	2/2
Lau Sii Hin	2/2
Ch'ng Kong San	2/2
Yeow See Yuen	2/2
Wong Siau Chiin	2/2

## Board Composition

The Board currently has twelve (12) members comprising:

- The Group Managing Director
- Seven (7) Executive Directors
- Four (4) Independent Non-Executive Directors

The Board has met the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the requirements of the Code for Independent Directors to comprise at least two or one-third, (whichever is the higher) of the Board's composition.

The Board members have diverse professional and entrepreneurial background, varied skills and experiences for effective management of the Group. A brief profile of each Director is presented on pages 8 to 11 of the Annual Report.

The role of the Group Managing Director is assumed by Mr. Yong Piaw Soon. He has overall responsibility for the Group's business operations, effective direction, implementation of Board policies, management of the Group's businesses and decisions. Nevertheless, the ultimate responsibility for the final decision on all major matters is referred to the Board of Directors for consideration and deliberation.

The presence of Independent Non-Executive Directors is to provide independent and unbiased views and advice for the interest of the Group as well as shareholders and investors.

# corporate governance statement (cont'd)

## Supply of Information

All Directors have full access to information concerning the Company and the Group. The Directors are provided with the relevant agenda and a set of Board papers in sufficient time prior to every Board meeting to enable them to obtain further explanation, where necessary in order to be properly informed before the meeting. The Board papers circulated include quarterly and annual financial statements, minutes of meeting of all Committees of the Board, report on recurrent related party transactions, updates from all regulatory authorities, internal and external audit reports and reports on the Group's financial, operational and corporate developments. All matters requiring Board's approvals are also circulated prior to the Board Meeting and, during Board Meetings these matters are duly discussed and deliberated with senior management before decisions are made.

The Directors also have access to the advice and services of the Company Secretaries, senior management staff as well as independent professional advisers including the external auditors.

## Board Committees

The following Board Committees have been established to assist the Board in the execution of its duties. The terms of reference of these Committees have been approved by the Board.

- (a) **Audit Committee**  
The Audit Committee which was established in December 2003, comprises one Executive Director and two Independent Non-Executive Directors. The composition, responsibilities, detailed terms of reference and the activities of the Audit Committee during the financial year are set out separately in the Audit Committee Report on pages 21 and 22 of the Annual Report.
- (b) **Nomination Committee**  
The Nomination Committee was established in February 2004. The Committee meets at least once a year. The members of the Nomination Committee who served during the financial year are:

- **Ch'ng Kong San**  
Chairman, Independent Non-Executive Director
- **Yeow See Yuen**  
Member, Independent Non-Executive Director
- **Dato' Mohamed Salleh Bin Bajuri**  
Member, Independent Non-Executive Director

- (c) **Remuneration Committee**

The Remuneration Committee was established in February 2004. The Committee meets at least once a year. The members of the Remuneration Committee who served during the financial year are:

- **Dato' Mohamed Salleh Bin Bajuri**  
Chairman, Independent Non-Executive Director
- **Ch'ng Kong San**  
Member, Independent Non-Executive Director
- **Yeow See Yuen**  
Member, Independent Non-Executive Director
- **Yong Piaw Soon**  
Member, Non-Independent Executive Director

## Appointments to the Board

The terms of reference of the Nomination Committee include the recommending of new candidates to the Board, Directors to fill the seats on Board Committees and assessing the effectiveness of the Board and Board Committees. The Nomination Committee will assist the Board in reviewing the required mix of skills and experience of the Non-Executive Directors.

## Directors' Training

All the Directors have completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia, an affiliate company of the Bursa Securities. The Directors will continue to undergo relevant training programmes and seminars to further enhance their knowledge in the latest statutory and regulatory developments in compliance with Practice Note No. 15/2003 of the Listing Requirements of the Bursa Securities on Continuing Education Programme ("CEP") to enable them to discharge their responsibilities more effectively.

## Re-election of Directors

In accordance with the Company's Articles of Association, all Directors appointed by the Board are required to retire and seek re-election by the shareholders at the first Annual General Meeting ("AGM") immediately after their appointment. One third of the remaining existing Directors including the Managing Director are required to submit themselves for re-election by rotation at least once every three years at each AGM.

## DIRECTORS' REMUNERATION

The Remuneration Committee is responsible for recommending to the Board the framework of executive remuneration and the remuneration package of the Executive Directors. The level of

remuneration reflects the experience and level of responsibilities undertaken by the Executive Directors. The remuneration package offered to the Executive Directors and fees payable to Non-Executive Directors are the responsibility of the entire Board and individual Directors are required to abstain from discussion on their own remuneration and fees.

### Details of Directors' Remuneration

The aggregate Directors' remuneration paid and payable to all Directors of the Company by the Group for the financial period from 27 December 2004 to 30 June 2004, and categorised into appropriate components and bands are as follows:

	Director's Fees RM	Salaries & Allowance RM	Benefits-in-kind RM	Total RM
Executive Directors	–	693,408	12,213	705,621
Non-Executive Directors	30,000	7,500	–	37,500
	30,000	700,908	12,213	743,121

Remuneration Bands	No. of Directors		
	Executive	Non-Executive	Total
RM1 – RM50,000	–	4	4
RM 50,001 – RM 100,000	6	–	6
RM100,001 – RM150,000	2	–	2
<b>Total</b>	<b>8</b>	<b>4</b>	<b>12</b>

## RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Group recognises the importance of effective and timely communication with shareholders and investors to keep them informed on the Group's latest business and corporate developments. Such information is disseminated via the Company's annual reports, circulars to shareholders, quarterly financial results, the various announcements made from time to time and notices of general meeting published in national newspapers. In addition, the management also had dialogues with institutional investors, fund managers and analysts.

The AGM remains the principal avenue for dialogue with shareholders and investors, where they may seek clarification on the Group's performance, major developments of the Group as well as on the resolutions being proposed. Members of the Board as well as the external auditors are present to answer questions raised.

In addition, shareholders and investors are able to access to the latest corporate, financial and market information of the Company via the Bursa Malaysia Berhad's website at [www.bursamalaysia.com](http://www.bursamalaysia.com)

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board aims to present a balanced, clear and comprehensive assessment of the Group's financial position and prospects primarily through its annual report and quarterly interim financial results. In the process of preparing these financial statements, the Board, with the assistance of the Audit Committee, reviewed the accounting policies and practices to ensure that they are consistently applied throughout the financial year. In cases where judgement and estimates were made, they were based on reasonableness and prudence. The financial statements have been prepared in conformity with the applicable approved accounting standards.

# corporate governance statement (cont'd)

## Statement of Directors' Responsibility in Relation to the Financial Statements

In the preparation of the Financial Statements as set out on pages 25 to 66 of the Annual Report, the Directors are of the view that:

- (a) The Group has used appropriate accounting policies that were consistently applied;
- (b) Reasonable and prudent judgements and estimates were made; and
- (c) All applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Company maintains accounting records, which disclose with reasonable accuracy the financial position of the Company and the Group, and that the Financial Statements comply with the Companies Act, 1965. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 30 of the Annual Report.

## Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal controls which provides reasonable assurance of effective and efficient operations, and complies with regulations as well as with internal procedures and guidelines.

A Statement on Internal Control of the Group is set out on page 23 of the Annual Report.

## Relationship with Auditors

Through the Audit Committee, the Group has always maintained a transparent and appropriate relationship with the internal and external auditors. The Audit Committee meets with the external auditors at least once a year to review audit plans and to facilitate exchange of views on issues requiring attention. In addition, audit findings and reports are highlighted to the Audit Committee and the Board.

## ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with paragraph 9.25 of the Listing Requirements of the Bursa Securities:

### Share Buyback

There were no share buyback during the financial year.

## American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

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

## 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 during the financial year.

## Non-Audit Fees

The amount of non-audit fees paid and payable to external auditors by the Group for the financial year ended 30 June 2004 amounted to RM60,000.

## Profit Guarantee

Pursuant to the Debt Restructuring Scheme of Tongkah Holdings Berhad, the vendors of Harbour-Link (M) Sdn. Bhd., Harbour Agencies (Sarawak) Sdn. Bhd. and Eastern Soldar Engineering & Construction Sdn. Bhd. have jointly and severally, covenanted and warranted to Harbour-Link Group Berhad the profit guarantee on the Group's profit after tax of RM12,590,000 for the financial year ended 30 June 2004. The above guaranteed profit was met without any shortfall.

Save as disclosed above, the Company did not give any profit guarantee during the financial year.

## Material Contracts

During the financial year, there were no material contracts of the Company and its subsidiaries involving Directors' and major shareholders' interests other than those entered into pursuant to the Debt Restructuring Scheme of Tongkah Holdings Berhad and those of a revenue or trading nature entered into in the ordinary course of business for which shareholders' ratification and mandate will be obtained under Ordinary Resolutions 17 to 24 in the forthcoming 2nd Annual General Meeting of Harbour-Link Group Berhad.

## Revaluation Policy on Landed Properties

The revaluation of landed properties will only be undertaken by the Company upon the approval of the Board of Directors of the Company or should there be an intended sale or should the market values be materially changed.

# audit committee report

The Board of Directors of Harbour-Link Group Berhad ("the Board") is pleased to present the report of the Audit Committee for the financial year ended 30 June 2004.

## MEMBERS

The Audit Committee was established on 29 December 2003. The present members of the Audit Committee and their respective designations are as follows:

- **Ch'ng Kong San**  
Chairman, Independent Non-Executive Director
- **Yeow See Yuan**  
Member, Independent Non-Executive Director
- **Yong Piaw Soon**  
Member, Non-Independent Executive Director

## TERMS OF REFERENCE

The terms of reference of the Audit Committee had been revised to conform to the Listing Requirements of the Bursa Securities.

### Objective

The primary function of the Audit Committee is to assist the Board in fulfilling the following objectives on the Group's activities:

- Assess the Group's processes relating to its risks and control environment;
- Oversee financial reporting; and
- Evaluate the internal and external audit processes.

### Membership

The Audit Committee shall be appointed by the Board from among its members and shall consist of no fewer than three (3) members, with a majority of the Audit Committee being Independent Non-Executive Directors and at least one of whom must be a member of the Malaysian Institute of Accountants or possesses such other qualifications and/or experience as approved by the Bursa Securities.

The members of the Audit Committee shall elect a chairman from among their members who is not an executive director or employees of the Company or any related corporation. The chairman elected shall be subjected to endorsement by the Board.

If a member of the Audit Committee resigns, dies or for any other reasons ceases to be a member with the results that the number is reduced below three (3) members, the Board shall, within three (3) months of such event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

### Authority

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and have full and unrestricted access to any information pertaining to the Company. The Audit Committee has direct communication channels with the internal and external auditors and allowed to convene meetings with the external auditors, excluding the attendance of the executive members of the Audit Committee, whenever deemed necessary. The Audit Committee shall be empowered to obtain external legal or other independent professional advice and also retain persons having special competence as necessary to assist the Audit Committee in fulfilling its responsibilities.

### Meetings

The Audit Committee shall meet at least four (4) times a year or more frequently as need arises. Meetings will be attended by the members of the Audit Committee and the Company Secretary who shall act as the Secretary of the Audit Committee. The agenda for Audit Committee meetings shall be circulated before each meeting to members of the Audit Committee. Other Board members, senior management personnel, internal auditors, representative of the external auditors (at least once a year) may also attend the meeting upon invitation by the Audit Committee. The external auditors shall have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee. A quorum shall be two (2) members, and the majority of members present must be Independent Directors.

### Responsibilities and Duties of the Audit Committee

The duties and responsibilities of the Audit Committee shall include:

- To review the effectiveness of internal control systems and to consider major findings on internal investigations and management's response;

# audit committee report (cont'd)

- To review the quarterly and annual financial statements of the Group, focusing particularly on:-
  - (a) any changes in accounting policies and practices;
  - (b) significant adjustments and unusual events arising from the audit;
  - (c) the going concern assumption; and
  - (d) compliance with applicable approved accounting standards, the Listing Requirements of the Bursa Securities and other regulatory requirements.
- To consider the appointment, resignation and dismissal of the external auditors and the audit fees;
- To oversee all matters pertaining to audit including the audit plan and report;
- To discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- To review with the external auditors, their evaluation of the effectiveness of the system of internal controls, and in particular review the external auditors' management letter and the management's response;
- To review related party transactions entered into by the Company and its subsidiary companies, to ensure that such transactions are undertaken on the Group's normal commercial terms and that such transactions are reported annually to shareholders via the annual report; and
- To undertake any other functions as may be defined by the Board.

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year ended 30 June 2004, two (2) Audit Committee meetings were held. The details of attendance of the Committee members are as follows:

Name of Committee Member	No. of Meetings Attended/Held During Directors' Tenure in Office	% of Attendance
Ch'ng Kong San	2/2	100
Yeow See Yuen	2/2	100
Yong Piaw Soon	2/2	100

In line with the terms of reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year ended 30 June 2004 in the discharge of its functions and duties:

- Reviewed the quarterly and year-end financial statements to ensure the Company's compliance with the Listing Requirements of the Bursa Securities, standards issued by Malaysian Accounting Standards Board and other legal and regulatory requirements before recommending them for the Board's approval;
- Reviewed the related party transactions and conflict of interest that have arisen within the Company and the Group;
- Reviewed and assessed the appropriateness of the Group's accounting policies and the adequacy of management reporting requirements;
- Considered the appointment of the external auditors and audit fees;
- Discussed the appointment of an external professional consultancy firm to undertake the internal audit function including risk management measures and arranged the setting-up of an internal audit function within the Group;
- Reviewed the external auditors' scope of work and audit plans for the financial year prior to the commencement of audit; and

- Reviewed and recommended to the Board for approval the Statement on Internal Control and the Corporate Governance Statement for inclusion in the Annual Report.

## INTERNAL AUDIT FUNCTIONS

The Audit Committee is aware that an independent and adequately resourced internal audit function is essential to ensuring the implementation of a sound internal control system. Accordingly, an external professional consultancy firm was appointed on 13 January 2004 to assume the internal audit function of the Group. The objective of the internal audit function is to provide independent assurance to the Board that the Group's system of internal controls is adequate and functioning as intended. The Group is in the process of setting up a proper Internal Audit Division. Senior management staffs are currently appointed to assist the Audit Committee in the discharge of its duties and responsibilities. The Board and the Audit Committee feel that although the current arrangement is not the best practice advocated, it provides sufficient assurance in obtaining regular review and/or appraisal of the effectiveness of the system of internal controls within the Group. The Internal Audit Division which will be independent and adequately equipped to assist the Audit Committee in obtaining the assurance it requires regarding the effectiveness of the Group's system of internal controls should be fully functional by the next financial year.



# statement on internal control

The Board of Directors is committed to maintaining a sound system of internal control in the Group to safeguard shareholders' investment and Group's assets. In pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements, the Board is pleased to provide the following Statement on Internal Control which outlines the nature and scope of internal control of the Group during the financial year.

## Accountability of The Board

The Board acknowledges its overall responsibility of ensuring the adequacy and effectiveness of the internal control system covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objective and it should be noted that any system can only provide reasonable and not absolute assurance against material misstatement, fraud or loss. In pursuing this objective, the management's role is to ensure the implementation and compliance of those internal controls in its day to day operations.

## Risk Management Framework

The Board is mindful of the risk attendant on the Group's business and shall endeavour to exercise due care to anticipate such risk. To this end, the Group is in the process of developing a formal risk management framework to facilitate the identification and assessment of its principal risks.

Regular reviews were conducted to determine existence and monitor all identifiable risk as and when required, albeit the absence of a formal risk management framework. The Board will be incorporating a monitoring and reporting process to continuously evaluate and monitor the principal risks in a formalised manner, which would entail establishing procedures for reporting and monitoring of risks and controls in the near future.

These initiatives would ensure that the Group has in place a formalised ongoing process for identifying, evaluating, monitoring and managing the principal risks that affects the achievement of its business objectives.

## Internal Audit Function

The Board has enhanced the Group's Internal Audit Function by engaging the services of an external professional consultancy firm. The Board and the Audit Committee feel that although the current arrangement is not the best practice advocated, it nevertheless provides sufficient assurance in obtaining regular review and/or appraisal of the effectiveness of the system of internal controls within the Group. The current arrangement enhances the independence and adequately equipped the Group's Internal Audit Function to assist the Audit Committee in obtaining the assurance it requires regarding the effectiveness of the Group's system of internal controls should be fully functional by the next financial year. The Internal Audit Function that reports directly to the Audit Committee and shall undertake an objective, independent and constructive review of the implementation of internal control system so as to provide reasonable assurance that such systems continue to operate satisfactory and effectively.

## Key Features of the System of Internal Control

The Group also has in place an organisational structure with defined line of responsibility, delegation of authority and a process of hierarchical reporting. The existence of Limits of Authority which provides the authority limits of the employees in the approval of various transactions and a Human Resource Policy Manual which highlights terms and conditions of employment, remuneration, training and development, performance review and misconduct which are relevant across the Group's operations.

The other key features of the Group's internal control systems include:

- Scheduled operations and management meetings;
- Employment of qualified and capable work force;
- Active participation by members of the Board in the day-to-day running of the operations and regular dialogues with senior management on operational matters;
- Review and approval of all proposals relating to significant capital and investment acquisition by the Board;
- Quarterly reviews of the performance of business units by the Board;
- The Internal Audit Function provides objective and independent periodic reports on the adequacy and effectiveness of the Group's internal control system;
- A detailed budgeting process takes place annually, where management of each business unit prepares its own budget for the next financial year and the budgets are then compiled for Executive Directors' review before submitting to Audit Committee and the Board for formal approval;
- The Board is furnished with timely and detailed Board papers and the Board is further briefed on all significant matters for their consideration and deliberation.

## Weaknesses in Internal Controls that Result in Material Losses

There were no material losses incurred during the financial year as a result of weaknesses in internal control and the Board and Management continue to take measures to strengthen the control environment within the Group.

# financial statements



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# directors' report

## DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2004.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are provision of management services and investment holding. The principal activities of the subsidiary companies are described in Note 12 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year other than the addition of the business of shipping and provision of road safety consultancy and training services.

## RESULTS

	Note	Group 27.12.2003 to 30.06.2004 RM	Company 01.07.2003 to 30.06.2004 RM
Profit after taxation		8,864,511	13,903
Minority interest		340	–
Net profit from ordinary activities		8,864,851	13,903
Extraordinary items	9	(28,058,832)	(28,058,832)
		<u>(19,193,981)</u>	<u>(28,044,929)</u>

The Group's result for the financial period reflects the post acquisition results since 27 December 2003.

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than extraordinary items as disclosed in Note 9 to the financial statements.

## DIVIDENDS

No dividend had been paid or declared during the current financial year.

## DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Wong Siau Chiin  
Yong Piaw Soon (Appointed on 27.12.2003)  
Dato' Mohamed Salleh Bin Bajuri (Appointed on 27.12.2003)  
Wong Siong Seh (Appointed on 27.12.2003)  
Lau Chii Hung (Appointed on 27.12.2003)  
Lau Sii Hin (Appointed on 27.12.2003)  
Lee Seng Chiong (Appointed on 27.12.2003)  
Hii Kwong Wui (Appointed on 27.12.2003)  
Toh Guan Seng (Appointed on 27.12.2003)  
Hooi Yen Peng (Appointed on 27.12.2003)  
Ch'ng Kong San (Appointed on 27.12.2003)  
Yeow See Yuen (Appointed on 27.12.2003)  
Wong Kong Chuang (Resigned on 29.12.2003)

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial period, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Director as shown in Note 6 to the financial statements or the fixed salary of the 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 33 to the financial statements.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporation during the financial year were as follows:

Holding Company	Number of Ordinary Shares of RM1 Each			
	1 July 2003	Allotted/ Bought	Sold	30 June 2004
<b>Harbour-Link Group Berhad</b>				
<b>Direct interest</b>				
Wong Siau Chiin	—	1	—	1
Yong Piaw Soon	—	2,689,745	—	2,689,745
Dato' Mohamed Salleh Bin Bajuri	—	409,832	—	409,832
Ch'ng Kong San	—	8,000,000	—	8,000,000
Toh Guan Seng	—	300,000	—	300,000
Hooi Yen Peng	—	300,000	—	300,000
<b>Deemed interest</b>				
Yong Piaw Soon	—	97,100,000	(7,368,225)	89,731,775
Wong Siong Seh	—	97,100,000	(7,368,225)	89,731,775
Toh Guan Seng	—	22,500,000	—	22,500,000
Hooi Yen Peng	—	22,500,000	—	22,500,000
Ch'ng Kong San	—	1,000,000	—	1,000,000

## DIRECTORS' INTERESTS (cont'd)

By virtue of their substantial interest in shares of the Company, Mr Hooi Yen Peng, Mr Toh Guan Seng, Mr. Wong Siong Seh and Mr. Yong Piaw Soon are also deemed to be interested in the shares of its subsidiary companies to the extent the holding company has an interest.

## OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; 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 or of the Company for the financial year in which this report is made.

## ISSUE OF SHARES

The issued and paid-up share capital of the Company was increased from RM2 to RM155,000,002 on 26 December 2003 through an allotment of 155,000,000 new ordinary shares of RM1.00 each at par as settlement for the purchase considerations of Harbour-Link (M) Sdn. Bhd., Harbour Agencies (Sarawak) Sdn. Bhd. and Eastern Soldar Engineering & Construction Sdn. Bhd.

On 31 December 2003, the issued and paid-up share capital of the Company was increased from RM155,000,002 to RM182,000,002 through an allotment of 27,000,000 new ordinary shares of RM1.00 each at par as full settlement of debts and capital repayment to the creditors and existing shareholders of Tongkah Holdings Berhad as required under the debt restructuring scheme and share exchange.

## SIGNIFICANT EVENTS

### *Restructuring Scheme*

On 30 September 2002, the Company entered into a Master Agreement with Enricharvest Sdn. Bhd., United Joy Sdn. Bhd. and Tongkah Holdings Berhad ("THB"), an affected listed issuer pursuant to Practice Note 4/2001 ("PN4") of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), for the purposes of implementing a restructuring scheme to regularise the financial condition of THB. The restructuring scheme which was completed on 26 December 2003, involved, inter-alia, the following:-

- (i) Setting up of the Company to take over the listing status of THB;
- (ii) Share exchange under Section 176 of the Companies Act, 1965 whereby the entire issued and paid up share capital of 192,519,955 ordinary shares of RM1.00 each in THB ("THB Shares") was exchanged with 2,000,000 new ordinary shares of RM1.00 each in the Company on the basis of one (1) new Harbour-Link Group Berhad ("HLG") Share in the Company for every 96.26 existing THB Shares ("Share Exchange Scheme");
- (iii) Settlement of debts owing by THB to its creditors estimated at RM715 million as at 28 February 2003 by the issuance of 25,000,000 new ordinary shares of RM1.00 each in the Company ("Debt Restructuring Scheme");
- (iv) Acquisitions of:-
  - (a) the entire issued and paid-up capital of Harbour-Link (M) Sdn. Bhd. ("HLM") for a purchase consideration of RM73,000,000 which was satisfied by the issuance of 73,000,000 new ordinary shares of RM1.00 each in the Company at par;
  - (b) the entire issued and paid-up capital of Harbour Agencies (Sarawak) Sdn. Bhd. ("HAS") for a purchase consideration of RM37,000,000 which was satisfied by the issuance of 37,000,000 new ordinary shares of RM1.00 each in the Company at par; and
  - (c) the entire issued and paid-up capital of Eastern Soldar Engineering & Construction Sdn. Bhd. ("ESEC") for a purchase consideration of RM45,000,000 which was satisfied by the issuance of 45,000,000 new ordinary shares of RM1.00 each in the Company at par;

All shares of acquiree companies were acquired from the vendors free from all liens, charges, pledges, equities, mortgages and encumbrances to the Company via separate share sale agreements upon the terms and subject to the condition therein.

- (v) The listing of and quotation for the Company's shares on the Main Board of the Bursa Securities in place of THB on 6 January 2004.

## **SIGNIFICANT EVENTS (cont'd)**

### ***Acquisition of Subsidiaries***

On 1 March 2004, the Group acquire 60% equity interest in Progresif Lengkap Sdn Bhd, a company incorporated in Malaysia and engaged in the provision of road safety consultancy and training services, for a cash consideration of RM720,000. The acquisition were accounted for by way of the acquisition method of accounting.

### ***Incorporation of an Associate***

On 15 July 2004, a wholly-owned subsidiary of the Company, ESEC incorporated an associate company under the Companies Act, 1965, known as Zecon - ESEC Engineering Sdn. Bhd. ("ZEE"). The authorised share capital of ZEE is RM100,000 divided into 100,000 ordinary shares of RM1.00 each. The paid-up share capital is RM100 made up of 100 ordinary shares of RM1.00 each where 51 ordinary shares is held by Zecon Engineering Berhad and the remaining 49 ordinary shares is held by ESEC.

The principal activities of ZEE is to act as contractors of technical and professional services to the oil drilling and production industries and to enter into business contracts and to undertake sales and after-sales services of products connected with oil and petroleum industries of every description.

### ***Disposal of a Subsidiary***

The Company disposed off its entire shareholding of 192,519,955 ordinary shares of RM1.00 each in THB representing 100% of the issued and paid-up capital of THB, which was acquired via share exchange during the restructuring scheme, to Awal Karib Sdn. Bhd. for a total cash consideration of RM2.00.

## **AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

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

### **TOH GUAN SENG**

Director

### **YONG PIAW SOON**

Director

Bintulu, Malaysia  
8 October 2004

# statement by directors

pursuant to Section 169(15) of the Companies Act, 1965

We, **TOH GUAN SENG** and **YONG PIAW SOON**, being two of the Directors of **HARBOUR-LINK GROUP BERHAD.**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 32 to 66 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2004 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

**TOH GUAN SENG**  
Director

**YONG PIAW SOON**  
Director

Bintulu, Malaysia  
8 October 2004

# statutory declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, **YONG PIAW SOON**, being the Director primarily responsible for the financial management of **HARBOUR-LINK GROUP BERHAD.**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 32 to 66 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**YONG PIAW SOON**

Subscribed and solemnly declared by the abovenamed **YONG PIAW SOON** at Kuching in the State of Sarawak on 8 October 2004.

Before me

**LO FONG MENG**  
No. 0045  
Commissioner for Oaths

Kuching, Sarawak



# report of the auditors

## to the members of Harbour-Link Group Berhad

We have audited the accompanying financial statements set out on pages 32 to 66. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing 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 principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with 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 financial position of the Group and of the Company as at 30 June 2004 and of the results and the cash flows of the Group and of the Company for the financial period then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**ERNST & YOUNG**  
**AF: 0039**  
**Chartered Accountants**

**YONG CHUNG SING**  
**No. 1052/9/06 (J)**  
**Partner**

Bintulu, Malaysia  
8 October 2004

# income statement

for the financial year ended 30 June 2004

		<b>Group</b>	<b>Company</b>	
		<b>27.12.2003</b>	<b>1.07.2003</b>	<b>17.09.2002</b>
	<b>Note</b>	<b>to</b>	<b>to</b>	<b>to</b>
		<b>30.06.2004</b>	<b>30.06.2004</b>	<b>30.06.2003</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>
Revenue	3	111,281,381	270,000	–
Cost of sales		(91,613,715)	–	–
Gross profit		19,667,666	270,000	–
Other operating income		1,686,689	–	–
Administrative and other expenses		(8,721,717)	(250,697)	(635,258)
Profit/(loss) from operations	4	12,632,638	19,303	(635,258)
Finance costs	7	(931,359)	–	–
Share of result in associated company		101,592	–	–
Share of result in jointly controlled entity		286,569	–	–
Profit/(loss) before taxation		12,089,440	19,303	(635,258)
Taxation	8			
– Company and subsidiaries		(3,144,690)	(5,400)	–
– Jointly controlled entity		(80,239)	–	–
Profit/(loss) after taxation		8,864,511	13,903	(635,258)
Minority interest		340	–	–
Net profit/(loss) from ordinary activities		8,864,851	13,903	(635,258)
Extraordinary items	9	(28,058,832)	(28,058,832)	–
Net loss for the financial year/period		(19,193,981)	(28,044,929)	(635,258)
Earnings/(loss) per share (sen)	10			
– before extraordinary items		4.87		
– after extraordinary items		(10.55)		

# balance sheets

as at 30 June 2004

	Note	Group 30.06.2004 RM	Company 30.06.2004 RM	30.06.2003 RM
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	11	48,544,954	–	–
Investment in subsidiary companies	12	–	155,000,000	–
Investment in jointly controlled entity	13	1,322,921	–	–
Investment in associated companies	14	495,921	–	–
Other investment	15	167,500	–	–
Goodwill on consolidation	16	95,207,285	–	–
Deferred tax assets	31	216,600	–	–
<b>CURRENT ASSETS</b>				
Inventories		353,379	–	–
Amount due from customers for contract works	17	11,370,625	–	–
Trade receivables	18	50,587,337	–	–
Other receivables	19	3,055,241	–	2
Fixed deposits with licensed banks	20	175,125	–	–
Amount due from subsidiary companies	21	–	205,200	–
Cash and bank balances	22	4,021,344	2,002	–
		69,563,051	207,202	2
<b>CURRENT LIABILITIES</b>				
Term loans, secured	23	1,498,918	–	–
Bank overdrafts, secured	24	7,103,978	–	–
Bankers acceptance	25	2,695,000	–	–
Lease payables	26	3,799,815	–	–
Trade payables	27	17,981,873	–	–
Other payables	28	4,396,427	110,000	635,258
Amount due to directors	29	36,000	–	–
Amount due to subsidiary companies	21	–	1,771,987	–
Tax payables		636,961	5,400	–
		38,148,972	1,887,387	635,258
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		31,414,079	(1,680,185)	(635,256)
		177,369,260	153,319,815	(635,256)
<b>FINANCED BY:</b>				
Share capital	30	182,000,002	182,000,002	2
Accumulated losses		(19,829,239)	(28,680,187)	(635,258)
<b>SHAREHOLDERS' EQUITY</b>		162,170,763	153,319,815	(635,256)
<b>LONG TERM AND DEFERRED LIABILITIES</b>				
Term loans, secured	23	8,772,724	–	–
Lease payables	26	2,664,973	–	–
Deferred tax liabilities	31	3,760,800	–	–
		15,198,497	–	–
		177,369,260	153,319,815	(635,256)

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

# consolidated statement of changes in equity

for the financial year ended 30 June 2004

	Share capital RM	Accumulated losses RM	Total RM
<b>At 17 September 2002 (date of incorporation)</b>	2	–	2
Net profit for the financial period	–	(635,258)	(635,258)
<b>At 30 June 2003</b>	2	(635,258)	(635,256)
<b>At 1 July 2003</b>	2	(635,258)	(635,256)
Issuance of shares during the financial year	182,000,000	–	182,000,000
Net loss for the financial year	–	(19,193,981)	(19,193,981)
<b>At 30 June 2004</b>	182,000,002	(19,829,239)	162,170,763

# company statement of changes in equity

for the financial year ended 30 June 2004

	Share capital RM	Accumulated losses RM	Total RM
<b>At 17 September 2002 (date of incorporation)</b>	2	–	2
Net loss for the financial period	–	(635,258)	(635,258)
<b>At 30 June 2003</b>	2	(635,258)	(635,256)
<b>At 1 July 2003</b>	2	(635,258)	(635,256)
Issuance of shares during the financial year	182,000,000	-	182,000,000
Net loss for the financial year	–	(28,044,929)	(28,044,929)
<b>At 30 June 2004</b>	182,000,002	(28,680,187)	153,319,815

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

# cash flow statements

for the financial year ended 30 June 2004

	<b>Group</b> <b>27.12.2003</b> <b>to</b> <b>30.06.2004</b> <b>RM</b>	<b>Company</b>	
		<b>1.07.2003</b> <b>to</b> <b>30.06.2004</b> <b>RM</b>	<b>17.09.2002</b> <b>to</b> <b>30.06.2003</b> <b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before taxation and extraordinary items	12,089,440	19,303	(635,258)
Adjustments for:			
Allowance for doubtful debts	1,092,075	–	–
Bad debts written off	177,638	–	–
Depreciation	1,742,988	–	–
Interest expenses	931,359	–	–
Property, plant and equipment written off	4,355	–	–
Allowance for doubtful debts no longer required	(793,019)	–	–
Bad debts recovered	(52,544)	–	–
Gain on disposal of property, plant and equipment	(579,606)	–	–
Interest income	(150)	–	–
Unrealised gain on foreign exchange	(9,254)	–	–
Share of result in associate companies	(101,592)	–	–
Share of result in jointly controlled entity	(286,569)	–	–
Operating profit/(loss) before working capital changes	14,215,121	19,303	(635,258)
Working capital changes:			
Inventories	(349,559)	–	–
Amount due from customers for contract works	(5,652,944)	–	–
Receivables	(3,890,495)	2	(2)
Amount due to directors	36,000	–	–
Payables	5,558,754	(525,258)	635,258
Subsidiary companies' balances	–	1,566,787	–
Cash generated from/(used in) operations	9,916,877	1,060,834	(2)
Tax paid	(4,657,971)	–	–
Interest paid	(931,359)	–	–
Net cash generated from/(used in) operating activities	4,327,547	1,060,834	(2)

# cash flow statements

for the financial year ended 30 June 2004 (cont'd)

		<b>Group</b>	<b>Company</b>	
	<b>Note</b>	<b>27.12.2003 to 30.06.2004 RM</b>	<b>1.07.2003 to 30.06.2004 RM</b>	<b>17.09.2002 to 30.06.2003 RM</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of subsidiary companies	12	(2,919,600)	(155,000,000)	–
Proceeds from disposal of property, plant and equipment		881,773	–	–
Acquisition of other investment		(27,500)	–	–
Acquisition of property, plant and equipment		(6,731,673)	–	–
Restructuring cost	9	(1,058,832)	(1,058,832)	–
Settlement under Debt Restructuring Scheme		–	(25,000,000)	–
Settlement under Share Exchange Scheme		–	(2,000,000)	–
		<hr/>	<hr/>	<hr/>
Net cash used in investing activities		(9,855,832)	(183,058,832)	–
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares		–	182,000,000	2
Proceeds from term loans		4,412,000	–	–
Net drawdown of bankers acceptances		1,883,000	–	–
Increase in fixed deposits pledged		(9,800)	–	–
Repayment of term loans		(828,417)	–	–
Repayment of lease payables		(3,011,132)	–	–
		<hr/>	<hr/>	<hr/>
Net cash generated from financing activities		2,445,651	182,000,000	2
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(3,082,634)	2,002	–
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR/PERIOD</b>		–	–	–
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR/PERIOD</b>	22	<hr/>	<hr/>	<hr/>
		(3,082,634)	2,002	–

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

# notes to the financial statements

30 June 2004

## 1. CORPORATE INFORMATION

The principal activities of the Company are provision of management services and investment holding. The principal activities of the subsidiary companies are disclosed in Note 12 to the financial statement. There have been no significant changes in the nature of the principal activities during the financial year other than the addition of the business of shipping and provision of road safety consultancy and training services.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 39 - 40, BDA-Shahida Commercial Centre, 97000 Bintulu, Sarawak.

The total number of employees in the Group at the end of the financial year is 444. The Company did not employ any person during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 8 October 2004.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 30 June 2004, the Group and the Company adopted the following MASB Standard for the first time:

MASB 29	Employee Benefits
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The adoption of the above MASB Standard has not given rise to any adjustments to the opening balances of accumulated losses of the prior and current year or to changes in comparatives.

### (b) Basis of Consolidation

#### (i) Subsidiary Companies

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary company at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Basis of Consolidation (cont'd)

#### (i) Subsidiary Companies (cont'd)

Minority interest in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities's share of movements in the acquiree's equity since then.

#### (ii) Jointly Controlled Entities

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which the Group has joint control over its economic activity established under a contractual arrangement.

Investments in jointly controlled entities are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the jointly controlled entities. Under the equity method of accounting, the Group's share of profits less losses of jointly controlled entities during the year is included in the consolidated income statement. The Group's interest in jointly controlled entities is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the assets transferred.

#### (iii) Associates

Associates are those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the management financial statements of the associates. Under the equity method of accounting, the Group's share of profit less losses of associates during the year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

### (c) Goodwill/Reserve on Consolidation

The difference between the purchase consideration and the fair value of net assets acquired is reflected as goodwill or negative goodwill. No amortisation of goodwill will be provided.

### (d) Investments in Subsidiaries, Associates and Jointly Controlled Entity

The Company's investments in subsidiary companies and jointly controlled entity are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

Freehold land is not depreciated. Leasehold land is depreciated over the period of the respective leases which range from 55 years to 59 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the period of its estimated useful life.

The annual rates applied are as follows:

Buildings	2%
Plant, machinery and vessel	8%
Motor vehicles	20%
Furniture, fittings and equipment	10% to 20%

During the financial year, the subsidiary companies changed the depreciation rates of plant and machinery from 12.5% per annum to 8% per annum. The change in the depreciation rate arose from a review of the useful lives of the assets concerned. The effect of the change in the depreciation rate is that the depreciation charge is lowered by approximately RM2,372,400.

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

### (f) Engineering Contracts

Where the outcome of a engineering contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a engineering contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is shown as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on contracts.

### (g) Inventories

Inventories comprise consumables such as spare parts and are expensed off upon utilisation. Inventories are stated at lower of cost (determined on the first-in, first-out basis) and net realisable value.

### (h) Statements of Cash Flows

The statements of cash flows classify changes in cash and cash equivalents according to operating, investing and financing activities. The Group and the Company do not consider any of the assets other than cash and bank balances reduced by bank overdrafts, to meet the definition of cash and cash equivalents. The statements of cash flows are prepared using the indirect method.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (i) Finance Leases

Assets acquired by way of hire purchase or finance leases 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 leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

### (j) 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.

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.

### (k) Employee Benefits

#### i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statements as incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (l) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Services

Transportation and forwarding services, management services, labour supply, rental services are recognised on an accrual basis when the services have been rendered.

(ii) Engineering contracts

Revenue from construction contracts is accounted for using the stage of completion method as described in Note 2(f) to the financial statements.

(iii) Sales of goods

Revenue from sale of goods is recognised upon delivery of goods and customers' acceptance.

(iv) Dividend income

Dividend income is recognised when the right is established.

### (m) Foreign Currencies

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

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

	<b>2004 RM</b>
US Dollar	<u>3.80</u>

### (n) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (o) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a 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 offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

### (i) Other Non-current Investment

Non-current investments other than investment in subsidiaries, associates, jointly controlled entities and investment properties are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

### (ii) Trade Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An allowance is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

### (iii) Trade Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

### (iv) Interest-bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such times as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement as an expense in the period in which they are incurred.

### (v) Equity Instruments

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

### 3. REVENUE

Revenue of the Group and of the Company consists of the following:

	<b>Group</b> <b>27.12.2003</b> <b>to</b> <b>30.06.2004</b> <b>RM</b>	<b>Company</b> <b>1.07.2003</b> <b>to</b> <b>30.06.2004</b> <b>RM</b>	<b>17.09.2002</b> <b>to</b> <b>30.06.2003</b> <b>RM</b>
Management fees	–	270,000	–
Engineering contract	15,294,318	–	–
Shipping, forwarding and transportation	83,224,691	–	–
Hiring of plant and machinery	12,762,372	–	–
	<u>111,281,381</u>	<u>270,000</u>	<u>–</u>

### 4. PROFIT/(LOSS) FROM OPERATIONS

	<b>Group</b> <b>27.12.2003</b> <b>to</b> <b>30.06.2004</b> <b>RM</b>	<b>Company</b> <b>1.07.2003</b> <b>to</b> <b>30.06.2004</b> <b>RM</b>	<b>17.09.2002</b> <b>to</b> <b>30.06.2003</b> <b>RM</b>
Profit/(loss) from operations is stated after charging/(crediting):			
Staff costs (Note 5)	7,497,456	9,500	–
Non-executive directors' remuneration (Note 6)	37,500	37,500	–
Allowance of doubtful debts	1,092,075	–	–
Auditors' remuneration			
– Statutory audit	93,500	3,000	1,000
– Other services	60,000	60,000	–
Bad debt written off	177,638	–	–
Depreciation (Note 11)	1,742,988	–	–
Hiring of machinery and vehicles	3,256,391	–	–
Pre-operating expenses	–	1,203	9,517
Property, plant and equipment written off	4,355	–	–
Rental of land and building	287,315	–	–
Allowance for doubtful debts no longer required	(793,019)	–	–
Bad debts recovered	(52,544)	–	–
Gain on disposal of property, plant and equipment	(579,606)	–	–
Interest income	(150)	–	–
Rental income	(12,550)	–	–
Unrealised gain on foreign exchange	(9,254)	–	–
	<u></u>	<u></u>	<u></u>

## 5. STAFF COSTS

	<b>Group</b>	<b>Company</b>	
	<b>27.12.2003</b>	<b>1.07.2003</b>	<b>17.09.2002</b>
	<b>to</b>	<b>to</b>	<b>to</b>
	<b>30.06.2004</b>	<b>30.06.2004</b>	<b>30.06.2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Salaries and wages	6,097,493	9,500	–
Allowances	296,620	–	–
Bonus	21	–	–
EPF and SOCSO contributions	684,234	–	–
Overtime	395,537	–	–
Others	23,551	–	–
	<u>7,497,456</u>	<u>9,500</u>	<u>–</u>

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM705,621 and RM9,500 as further disclosed in Note 6.

## 6. DIRECTORS' REMUNERATION

	<b>Group</b>	<b>Company</b>	
	<b>27.12.2003</b>	<b>1.07.2003</b>	<b>17.09.2002</b>
	<b>to</b>	<b>to</b>	<b>to</b>
	<b>30.06.2004</b>	<b>30.06.2004</b>	<b>30.06.2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Directors of the Company</b>			
Executive:			
Salaries	624,000	9,500	–
EPF and SOCSO	69,408	–	–
Benefits-in-kind	12,213	–	–
	<u>705,621</u>	<u>9,500</u>	<u>–</u>
Non-executive			
Fees	30,000	30,000	–
Other emoluments	7,500	7,500	–
	<u>37,500</u>	<u>37,500</u>	<u>–</u>
<b>Directors of subsidiaries</b>			
Executive:			
Salaries	189,450	–	–
EPF and SOCSO	22,668	–	–
Benefits-in-kind	7,479	–	–
	<u>219,597</u>	<u>–</u>	<u>–</u>
Total	<u>962,718</u>	<u>47,000</u>	<u>–</u>

## 6. DIRECTORS' REMUNERATION (cont'd)

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors
Executive directors:	
RM100,001 – RM150,000	2
RM50,001 – RM100,000	6
Non-executive directors:	
Below RM50,000	<u>4</u>

## 7. FINANCE COSTS

	Group 27.12.2003 to 30.06.2004 RM	Company 1.07.2003 to 30.06.2004 RM	Company 17.09.2002 to 30.06.2003 RM
Lease interest	359,817	–	–
Term loan interest	327,094	–	–
Overdraft interest	184,423	–	–
Other interest	60,025	–	–
	<u>931,359</u>	<u>–</u>	<u>–</u>

## 8. TAXATION

	Group 27.12.2003 to 30.06.2004 RM	Company 1.07.2003 to 30.06.2004 RM	Company 17.09.2002 to 30.06.2003 RM
Tax expense for the financial year:			
Malaysian income tax	2,323,512	5,400	–
Deferred tax:			
Relating to origination and reversal of temporary differences			
– Company and subsidiaries (Note 31)	539,252	–	–
– Jointly controlled entity	80,239	–	–
	<u>2,943,003</u>	<u>5,400</u>	<u>–</u>
Underprovided in prior financial year:			
Deferred taxation (Note 31)	169,548	–	–
Malaysian income tax	112,378	–	–
	<u>3,224,929</u>	<u>5,400</u>	<u>–</u>



## 8. TAXATION (cont'd)

A reconciliation of income tax expense applicable to profit before taxation and extraordinary items at the statutory income tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:

<b>Group</b>	<b>27.12.2003 to 30.06.2004 RM</b>
Profit before taxation and extraordinary items	12,089,440
Taxation at Malaysian statutory tax rate at 28%	3,385,043
Effect of lower income tax rate for certain subsidiaries at 20%	(127,253)
Expenses not deductible for tax purposes	252,586
Foreign sourced income not subject to tax	(257,675)
Deferred tax assets not recognised during the financial period	222,682
Utilisation of previously unrecognised tax losses	(517,540)
Utilisation of previously unrecognised capital allowance	(14,840)
Underprovision of income tax in prior financial year	112,378
Underprovision of deferred tax in prior financial year	169,548
Tax expense for the financial year	3,224,929

<b>Company</b>	<b>1.07.2003 to 30.06.2004 RM</b>	<b>17.09.2002 to 30.06.2003 RM</b>
Profit before taxation and extraordinary items	19,303	(635,258)
Taxation at Malaysian statutory tax rate at 28% (2003: 28%)	5,400	(177,900)
Expenses not deductible for tax purposes	–	177,900
Tax expense for the financial year	5,400	–

Tax losses are analysed as follows:

	<b>Group 2004 RM</b>	<b>Company</b>	
	<b>2004 RM</b>	<b>2003 RM</b>	
Tax savings recognised during the financial year arising from:			
Utilisation of unabsorbed business loss brought forward	517,540	–	–
Unutilised tax losses carried forward	3,993,890	–	–

## 9. EXTRAORDINARY ITEMS

	Group 2004 RM	Company 2004 RM	2003 RM
Extraordinary items represent corporate costs incurred for restructuring scheme of THB as disclosed in Note 34 to the financial statements, comprising the following:			
– restructuring cost	(1,058,832)	(1,058,832)	–
– issuance of shares to the creditors of THB pursuant to Debt Restructuring Scheme	(25,000,000)	(25,000,000)	–
– issuance of shares to the existing shareholders of THB pursuant to Share Exchange Scheme	(2,000,000)	(2,000,000)	–
	<u>(28,058,832)</u>	<u>(28,058,832)</u>	<u>–</u>

## 10. EARNINGS/(LOSS) PER SHARE

### A) Before Extraordinary Items

The earnings per share for the financial period has been calculated based on the Group's net profit from ordinary activities of RM8,864,851 and on the weighted average number of 182,000,002 ordinary shares in issue during the financial year.

### B) After Extraordinary Items

The loss per share for the financial period has been calculated based on the Group's net loss for the financial year of RM19,193,981 and on the weighted average number of 182,000,002 ordinary shares in issue during the financial year.

## 11. PROPERTY, PLANT AND EQUIPMENT

### Group

	*Land and buildings RM	Plant, machinery & vessel RM	Motor vehicles RM	Furniture, fittings & equipment RM	Total RM
<b>Cost</b>					
Acquisition of subsidiaries	13,831,161	60,218,110	6,385,840	3,942,238	84,377,349
Additions	2,246,641	4,796,327	445,217	263,658	7,751,843
Disposals	–	(1,476,400)	(646,749)	(7,350)	(2,130,499)
Written off	–	–	–	(9,096)	(9,096)
At 30 June 2004	<u>16,077,802</u>	<u>63,538,037</u>	<u>6,184,308</u>	<u>4,189,450</u>	<u>89,989,597</u>
<b>Accumulated Depreciation</b>					
Acquisition of subsidiaries	1,060,592	33,349,178	4,799,435	2,325,523	41,534,728
Charge for the financial period (Note 4)	151,926	1,143,771	253,435	193,856	1,742,988
Disposal	–	(1,205,916)	(617,420)	(4,996)	(1,828,332)
Written off	–	–	–	(4,741)	(4,741)
At 30 June 2004	<u>1,212,518</u>	<u>33,287,033</u>	<u>4,435,450</u>	<u>2,509,642</u>	<u>41,444,643</u>
<b>Net book value</b>					
At 30 June 2004	<u>14,865,284</u>	<u>30,251,004</u>	<u>1,748,858</u>	<u>1,679,808</u>	<u>48,544,954</u>

## 11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

### \* Land and building of the Group

	Freehold Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Total RM
<b>Cost</b>					
Acquisition of subsidiaries	2,405,200	3,590,500	–	7,835,461	13,831,161
Additions	–	1,554,775	581,866	110,000	2,246,641
At 30 June 2004	<u>2,405,200</u>	<u>5,145,275</u>	<u>581,866</u>	<u>7,945,461</u>	<u>16,077,802</u>
<b>Accumulated Depreciation</b>					
Acquisition of subsidiaries	–	98,917	–	961,675	1,060,592
Charge for the year (Note 4)	–	67,409	7,137	77,380	151,926
At 30 June 2004	<u>–</u>	<u>166,326</u>	<u>7,137</u>	<u>1,039,055</u>	<u>1,212,518</u>
<b>Net book value</b>					
At 30 June 2004	<u>2,405,200</u>	<u>4,978,949</u>	<u>574,729</u>	<u>6,906,406</u>	<u>14,865,284</u>

(a) Net book values of property, plant and equipment under finance lease arrangements are as follows:

	Group 2004 RM
Motor vehicles	1,544,647
Plant and machinery	11,710,143
	<u>13,254,790</u>

(b) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM7,751,843 of which RM1,020,170 were acquired by means of finance lease arrangements.

(c) The net book values of property, plant and equipment pledged for borrowings as referred to in Note 23 and Note 24 are as follows:

	Group 2004 RM
Freehold land	2,355,200
Long term leasehold land	3,735,188
Buildings	6,069,082
Plant and machinery	8,785,856
	<u>20,945,326</u>

## 12. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2004 RM	2003 RM
Unquoted shares, at cost	155,000,000	—

Details of the subsidiaries companies are as follows:

Name of Subsidiary Companies	Country of Incorporation	Effective Interest Held 2004 %	Issued Share Capital RM	Principal Activities
Harbour-Link (M) Sdn. Bhd. ("HLM")	Malaysia	100	10,055,120	Investment holding & management services
Harbour Agencies (Sarawak) Sdn. Bhd. ("HAS")	Malaysia	100	750,000	
Eastern Soldar Engineering & Construction Sdn Bhd ("ESEC")	Malaysia	100	4,000,000	Multi-discipline engineering & procurement
<b>Subsidiaries of HLM</b>				
A.T Dunia (Btu) Sdn. Bhd.	Malaysia	100	100,000	Forwarding & transportation
Harbour Services Corporation Sdn. Bhd.	Malaysia	100	100,000	
HLG Logistics Sdn. Bhd.	Malaysia	100	100,000	
Harbour Agencies (Sibu) Sdn. Bhd.	Malaysia	100	100,000	Shipping
Harbour-Link Logistics Sdn. Bhd.	Malaysia	100	6,400,000	Renting of machinery & transportation services
Progresif Lengkap Sdn. Bhd.	Malaysia	60	1,000,000	Road safety consultancy and training services
Harbour Agencies Sdn. Bhd.	Malaysia	100	200,000	Ceased operations
Harbour Services (Kuching) Sdn. Bhd.	Malaysia	100	100,000	
Harbour Services (Miri) Sdn. Bhd.	Malaysia	100	100,000	
Harbour-Link Leasing Sdn. Bhd. (Formerly known as Harbour Services (KL) Sdn. Bhd.)	Malaysia	100	10,000	

## 12. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

Name of Subsidiary Companies	Country of Incorporation	Effective Interest Held 2004 %	Issued Share Capital RM	Principal Activities
<b>Subsidiaries of ESEC</b>				
ESE Energy Sdn. Bhd.	Malaysia	100	750,000	Engineering & civil works

In conjunction with the restructuring scheme of THB as disclosed on Note 34 to the financial statements, the purchase consideration for the acquisition of 100% equity interest in the following subsidiaries was satisfied by way of issuance of shares in the Company.

	Consideration
I) Harbour-Link (M) Sdn Bhd	73 million ordinary shares of RM1.00 each
II) Harbour Agencies (Sarawak) Sdn Bhd	37 million ordinary shares of RM1.00 each
III) Eastern Soldar Engineering & Construction Sdn Bhd	45 million ordinary shares of RM1.00 each

As part of the restructuring scheme, the Company has also acquired 100% equity in THB through share exchange. THB was subsequently disposed on 29 March 2004.

On 1 March 2004, HLM, a wholly owned subsidiary of the Company, acquired 600,000 ordinary shares of RM1.00 each in Progresif Lengkap Sdn Bhd ("PLSB") representing 60% of the issued and paid-up share capital of PLSB for a purchase consideration of RM720,000.

In accordance with para 15 of MASB Standard 11, "Consolidated Financial Statements and Investment in Subsidiaries", the result of THB were not consolidated in the result of the Group as the control in THB was intended to be temporary. The effect of acquisition of HLM, HAS, ESEC and PLSB on the financial results of the Group from the date of acquisition to 30 June 2004 is as follows:-

The effect of acquisition on the financial result of Group as at 30 June 2004 is as follows:

Revenue	111,281,381
Operating cost	(102,416,530)
Profit after taxation	<u>8,864,851</u>

## 12. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

The effect of the acquisition on the financial position of the Group as at 30 June 2004 is as follows:

	<b>RM</b>
Property, plant and equipment	48,544,954
Investment in jointly controlled entity	1,322,921
Investment in associated companies	495,921
Other investment	167,500
Goodwill on consolidation	729,237
Deferred tax assets	216,600
Inventories	353,379
Amount due from customers for contract works	11,370,625
Trade receivables	50,587,337
Other receivables	3,055,241
Amount due from holding company	1,566,787
Fixed deposits with licensed banks	175,125
Cash and bank balances	4,019,342
Term loans, secured	(10,271,642)
Bank overdrafts, secured	(7,103,978)
Bankers acceptances	(2,695,000)
Lease payables	(6,464,788)
Trade payables	(17,981,873)
Other payables	(4,286,427)
Amount due to directors	(36,000)
Tax payables	(631,561)
Deferred tax liabilities	(3,760,800)
	<hr/>
Group's share of net assets	69,372,900

The fair value of the assets acquired and liabilities assumed from the acquisition of the HAS, HL(M), ESEC and PLSB is as follows:

	<b>RM</b>
Net assets acquired	
Property, plant and equipment	42,842,621
Investment in associated companies	394,329
Jointly controlled entities	1,116,591
Other investments	140,000
Amount due from customers for contract works	5,717,681
Inventories	3,820
Trade and other receivables	49,431,914
Fixed deposits with licensed banks	165,175
Cash and bank balances	3,983,134
Trade and other payables	(16,184,288)
Term loans, secured	(6,688,059)
Overdrafts, secured	(6,182,734)
Bankers acceptances	(812,000)
Lease and hire purchase payables	(8,455,750)
Tax payables	(2,123,979)
Deferred tax liabilities	(2,835,400)
	<hr/>
	60,513,055
Less: Minority interest	(340)
	<hr/>
Group's share of net assets	60,512,715
Goodwill on consolidation	95,207,285
	<hr/>
Total consideration	155,720,000

## 12. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

	<b>RM</b>
Satisfied by	
Cash	720,000
Shares issued	155,000,000
	<u>155,720,000</u>
Net cash outflow arising on acquisition:	
Cash consideration	720,000
Cash and cash equivalents of subsidiary acquired	2,199,600
	<u>2,919,600</u>

## 13. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	<b>Group 2004 RM</b>
Unquoted shares at cost	650,000
Share of post-acquisition profit	672,921
	<u>1,322,921</u>

Details of the jointly controlled company is as follows:

<b>Company</b>	<b>Country of Incorporation</b>	<b>Effective Interest Held 2004 %</b>	<b>Issued Share Capital RM</b>	<b>Principal Activities</b>
A & H Project Services Sdn. Bhd.	Malaysia	50	1,300,000	Transportation and crane rental

The Group's aggregate share of the assets, liabilities, income and expenses of the jointly controlled entity are as follows:

	<b>2004 RM</b>
Current assets	70,614
Non-current assets	3,350,071
Current liabilities	(1,854,634)
Non-current liabilities	(243,130)
Net assets	<u>1,322,921</u>
Revenue	<u>1,444,866</u>
Expenses	<u>(1,158,298)</u>
Taxation	<u>(80,239)</u>

#### 14. INVESTMENT IN ASSOCIATED COMPANIES

	<b>Group 2004 RM</b>
<u>In Malaysia:</u>	
Unquoted shares, at cost	304,500
Share of post-acquisition reserves	191,421
	<hr/> 495,921
Represented by:	
Share of net tangible assets of associated companies	620,159
Share of goodwill in associates	(124,238)
	<hr/> 495,921

The details of associated companies are as follows:

Company	Country of Incorporation	Effective Interest Held 2004 %	Issued Share Capital RM	Principal Activities
Eastock Resources Sdn. Bhd.	Malaysia	25	1,000,000	Renting of property
Harbour Hub Agencies Sdn. Bhd.*	Malaysia	40	10,000	Shipping agent
Harbour Hub Agencies (Sabah) Sdn. Bhd.*	Malaysia	45	50,000	Shipping agent

\* Audited by firms of auditors other than Ernst & Young.

#### 15. OTHER INVESTMENT

	<b>Group 2004 RM</b>
Unquoted shares, at cost	<hr/> 167,500

#### 16. GOODWILL ON CONSOLIDATION

	<b>Group 2004 RM</b>
Arising from acquisition of subsidiaries	<hr/> 95,207,285
At 30 June	<hr/> 95,207,285



## 17 AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	<b>Group 2004 RM</b>
Construction contract costs incurred to date	24,283,295
Add: Attributable profits	9,802,618
	<hr/>
	34,085,913
Less: Progress billings	(22,715,288)
	<hr/>
	11,370,625
	<hr/>
Amount due from customers for contract works	11,370,625
	<hr/>
Retention sums on contracts, included within trade receivables (Note 18)	582,160
	<hr/>

## 18. TRADE RECEIVABLES

	<b>Group 2004 RM</b>
Trade receivables	54,027,118
Less: Allowance for doubtful debts	(3,439,781)
	<hr/>
	50,587,337
	<hr/>

Included in trade receivables are the followings:

Amount due from companies in which shareholders have significant financial interest	146,555
Amount due from associated companies	1,715,346
	<hr/>

The Group's normal trade credit term ranges from 90 to 180 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or groups of debtors.

## 19. OTHER RECEIVABLES

	<b>Group 2004 RM</b>	<b>Company 2004 RM</b>	<b>2003 RM</b>
Amount due from jointly controlled entity	388,000	-	-
Amount due from associated companies	9,769	-	-
Deposits	443,155	-	-
Tax recoverable	735,063	-	-
Sundry receivables	996,320	-	-
Prepayment	482,934	-	2
	<hr/>	<hr/>	<hr/>
	3,055,241	-	2
	<hr/>	<hr/>	<hr/>

## 19. OTHER RECEIVABLES (cont'd)

Included in other receivables are amounts due from companies in which certain shareholders have significant interest amounting to RM54,762. These amount are unsecured, interest free and have been fully settled as at the date of this report.

The amounts due from jointly controlled entity and associated companies are unsecured, interest-free and have no fixed term of repayment.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtors or groups of debtors.

## 20. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits with licensed banks amounting to RM175,125 are pledged to bankers for bank guarantee facility granted to the subsidiary companies.

The effective weighted average interest rates of deposits at the balance sheet date was 3.48% per annum.

## 21. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

The amounts due from/(to) subsidiary companies are unsecured, interest free and under no fixed term of repayment.

## 22. CASH AND CASH EQUIVALENTS

	Group 2004 RM	Company 2004 RM	2003 RM
Cash and bank balances	4,021,344	2,002	–
Bank overdrafts, secured (Note 24)	(7,103,978)	–	–
	<u>(3,082,634)</u>	<u>2,002</u>	<u>–</u>

## 23. TERM LOANS, SECURED

	Group 2004 RM	Company 2004 RM	2003 RM
Repayable within 12 months	1,498,918	–	–
Repayable after 12 months	8,772,724	–	–
	<u>10,271,642</u>	<u>–</u>	<u>–</u>
Maturity of term loans:			
Within 1 year	1,498,918	–	–
More than 1 year and less than 2 years	1,852,825	–	–
More than 2 years and less than 5 years	2,406,271	–	–
5 years and more	4,513,628	–	–
	<u>10,271,642</u>	<u>–</u>	<u>–</u>

The term loan facilities are secured by way of legal charges on certain properties and plant and machineries belonging to the Group and jointly and severally guaranteed by the certain Directors of the Company. The effective weighted average interest rate for the Group at the balance sheet date for these facilities was 7.64% per annum.

## 24. BANK OVERDRAFTS, SECURED

The effective weighted average interest rate for the bank overdrafts of the Group at the balance sheet date was 7.79% per annum. These facilities are secured by the followings:-

- I) First legal charge over certain leasehold lands and buildings of the Group
- II) Debentures incorporating fixed and floating charge over the Group's assets
- III) Joint and several guarantee by certain directors of the Company
- IV) Corporate guarantee by the subsidiaries

## 25. BANKERS ACCEPTANCE

The effective weighted average interest rate for the bankers acceptance of the Group at the balance sheet date was 3.25% per annum. These facilities are secured by the followings:-

- I) First legal charge over certain leasehold lands and buildings of the Group
- II) Debentures incorporating fixed and floating charge over the Group's assets
- III) Joint and several guarantee by certain directors of the Company
- IV) Corporate guarantee by the subsidiaries

## 26. LEASE PAYABLES

	<b>Group 2004 RM</b>
<b>Minimum lease payments:</b>	
Not later than 1 year	4,266,979
Later than 1 year but not later than 2 years	2,321,511
Later than 2 years but not later than 5 years	414,066
	<hr/>
	7,002,556
Less: Future finance charges	(537,768)
	<hr/>
Present value of finance lease liabilities	6,464,788
	<hr/>
<b>Present value of finance lease liabilities</b>	
Not later than 1 year	3,799,815
Later than 1 year but not later than 2 years	2,268,509
Later than 2 years but not later than 5 years	396,464
	<hr/>
	6,464,788
	<hr/>
<b>Analysed as:</b>	
Due within 12 months	3,799,815
Due after 12 months	2,664,973
	<hr/>
	6,464,788
	<hr/>

The finance lease liabilities at balance sheet date bore effective interest of between 6.27% to 9.12% per annum.

## 27. TRADE PAYABLES

Included the trade payables are the followings:

	<b>Group 2004 RM</b>
Amount due to companies in which certain shareholders have significant financial interest	2,145,889
Amount due to associated companies	<u>159,564</u>

The normal trade credit terms granted to the Group range from 90 to 180 days or such other period as negotiated with the suppliers.

## 28. OTHER PAYABLES

	<b>Group 2004 RM</b>	<b>Company 2004 RM</b>	<b>2003 RM</b>
Accruals	1,931,668	–	1,000
Deposit received	5,000	–	–
Other payables	<u>2,459,759</u>	<u>110,000</u>	<u>634,258</u>
	<u>4,396,427</u>	<u>110,000</u>	<u>635,258</u>

Included in other payables are amount due to companies in which certain shareholders of the Company have significant interest amounting to RM19,505.

## 29. AMOUNT DUE TO DIRECTORS

The amount due to directors are unsecured, interest free and under no fixed term of repayment.

## 30. SHARE CAPITAL

	<b>Group/Company</b>			
	<b>Number of shares</b>		<b>Amount</b>	
	<b>2004</b>	<b>2003</b>	<b>2004 RM</b>	<b>2003 RM</b>
Authorised:				
Ordinary shares of RM1 each				
At 1 July/17 September	200,000,000	199,900,000	200,000,000	199,900,000
Created during the financial year/period	–	100,000	–	100,000
At 30 June	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid:				
At 1 July/17 September	2	2	2	2
Allotted during the financial year/period	<u>182,000,000</u>	–	<u>182,000,000</u>	–
At 30 June	<u>182,000,002</u>	<u>2</u>	<u>182,000,002</u>	<u>2</u>

### 30. SHARE CAPITAL (cont'd)

The issued and paid-up share capital of the Company was increased from RM2 to RM155,000,002 on 26 December 2003 through an allotment of 155,000,000 new ordinary shares of RM1.00 each at par as settlement for the purchase considerations of Harbour-Link (M) Sdn. Bhd., Harbour Agencies (Sarawak) Sdn. Bhd. and Eastern Soldar Engineering & Construction Sdn. Bhd.

On 31 December 2003, the issued and paid-up share capital of the Company was increased from RM155,000,002 to RM182,000,002 through an allotment of 27,000,000 new ordinary shares of RM1.00 each at par as full settlement of debts and capital repayment to the creditors and existing shareholders of Tongkah Holdings Berhad as required under the debt restructuring scheme and share exchange.

### 31. DEFERRED TAX ASSETS/(LIABILITIES)

	<b>Group 2004 RM</b>
Arising from acquisition of subsidiaries	2,835,400
Recognised in the income statement (Note 8)	708,800
	<hr/>
At 30 June	3,544,200
	<hr/>
Presented after appropriate offsetting as follows:	
Deferred tax assets	(216,600)
Deferred tax liabilities	3,760,800
	<hr/>
	3,544,200
	<hr/>

The components of deferred tax liabilities and assets prior to offsetting are as follows:

	<b>Group 2004 RM</b>
<b>Deferred tax assets</b>	
Receivables	(282,600)
Capital allowances and depreciation differences	66,000
	<hr/>
	(216,600)
	<hr/>
<b>Deferred tax liabilities</b>	
Unabsorbed capital allowances	(340,200)
Capital allowances and depreciation differences	4,101,000
	<hr/>
	3,760,800
	<hr/>

### 31. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

Deferred tax assets have not been recognised in respect of the following items:

	<b>Group 2004 RM</b>
<b>Deferred tax assets/(liabilities)</b>	
Capital allowances and depreciation difference	(646,740)
Unutilised tax losses	2,440,890
Unabsorbed capital allowances	673,140
	<u>2,467,290</u>

The unused tax losses and unabsorbed capital allowances are available indefinitely to offset against future taxable profits of the respective subsidiaries.

### 32. CONTINGENT LIABILITIES, UNSECURED

	<b>Group 2004 RM</b>	<b>2004 RM</b>	<b>Company 2003 RM</b>
Corporate guarantees given to banks for credit facilities granted to:-			
Jointly controlled entity	2,000,000	-	-
Subsidiaries	-	10,230,000	-
	<u>2,000,000</u>	<u>10,230,000</u>	<u>-</u>

### 33. SIGNIFICANT RELATED PARTY TRANSACTIONS

<b>Group</b>	<b>2004 RM</b>	<b>2003 RM</b>
<b>Transactions with jointly controlled entity A &amp; H Project Services Sdn. Bhd.</b>		
- Sales of Services	(19,717)	-
- Purchase of Services	333,800	-
<b>Transactions with associated companies Harbour Hub Agencies (Sabah) Sdn Bhd</b>		
- Sales of Services	(1,881,542)	-
- Purchase of Services	211,771	-
<b>Harbour Hub Agencies Sdn Bhd</b>		
- Sales of Services	(1,548)	-
- Purchase of Services	113,980	-

### 33. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

Group	2004 RM	2003 RM
<b>Directors have substantial financial interests:</b>		
<u>Sales of services</u>		
– Marup Quarry Sdn. Bhd.	(52,050)	–
– Navasco Shipping Sdn. Bhd.	(1,500)	–
– Sri-Minah Enterprise Sdn. Bhd.	(10,500)	–
<u>Purchase of services</u>		
– Bintulu Supplies & Services Sdn. Bhd.	12,309	–
– BCM Mortgage Sdn. Bhd.	233,179	–
– Navasco Shipping Sdn. Bhd.	45,250	–
– Sri-Minah Enterprise Sdn. Bhd.	30,367	–
– Sun Swee Trading Co	18,000	–
– Yii Transport	6,000	–
<u>Purchase of parts and tyres</u>		
– Kidurong Tyre & Machinery Sdn. Bhd.	965,081	–
<u>Hiring of motor vehicles</u>		
– Eastern Soldar (M) Sdn. Bhd.	3,600	–
<u>Rental expenses</u>		
– Eastern Soldar (M) Sdn. Bhd.	6,000	–
	<hr/>	<hr/>
<b>Company</b>	<b>2004 RM</b>	<b>2003 RM</b>
<b>Transactions with subsidiary companies</b>		
Management fee from subsidiaries	(270,000)	–
	<hr/>	<hr/>

The Directors are of the opinion that the above transactions were entered into in the normal course of business and were transacted on normal commercial terms.

### 34. SIGNIFICANT EVENTS

#### **Restructuring Scheme**

On 30 September 2002, the Company entered into a Master Agreement with Enricharvest Sdn. Bhd., United Joy Sdn. Bhd. and Tongkah Holdings Berhad ("THB"), an affected listed issuer pursuant to Practice Note 4/2001 ("PN4") of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), for the purposes of implementing a restructuring scheme to regularise the financial condition of THB. The restructuring scheme which was completed on 26 December 2003, involved, inter-alia, the following:-

- (i) Setting up of the Company to take over the listing status of THB;
- (ii) Share exchange under Section 176 of the Companies Act, 1965 whereby the entire issued and paid up share capital of 192,519,955 ordinary shares of RM1.00 each in THB ("THB Shares") was exchanged with 2,000,000 new ordinary shares of RM1.00 each in the Company on the basis of one (1) new Harbour-Link Group Berhad ("HLG") Share in the Company for every 96.26 existing THB Shares ("Share Exchange Scheme");
- (iii) Settlement of debts owing by THB to its creditors estimated at RM715 million as at 28 February 2003 by the issuance of 25,000,000 new ordinary shares of RM1.00 each in the Company ("Debt Restructuring Scheme");

### 34. SIGNIFICANT EVENT (cont'd)

(iv) Acquisitions of:-

- (a) the entire issued and paid-up capital of Harbour-Link (M) Sdn. Bhd. ("HLM") for a purchase consideration of RM73,000,000 which was satisfied by the issuance of 73,000,000 new ordinary shares of RM1.00 each in the Company at par;
- (b) the entire issued and paid-up capital of Harbour Agencies (Sarawak) Sdn. Bhd. ("HAS") for a purchase consideration of RM37,000,000 which was satisfied by the issuance of 37,000,000 new ordinary shares of RM1.00 each in the Company at par; and
- (c) the entire issued and paid-up capital of Eastern Soldar Engineering & Construction Sdn. Bhd. ("ESEC") for a purchase consideration of RM45,000,000 which was satisfied by the issuance of 45,000,000 new ordinary shares of RM1.00 each in the Company at par;

All shares of acquiree companies were acquired from the vendors free from all liens, charges, pledges, equities, mortgages and encumbrances to the Company via separate share sale agreements upon the terms and subject to the condition therein.

- (v) The listing of and quotation for the Company's shares on the Main Board of the Bursa Securities in place of THB on 6 January 2004.

#### ***Acquisition of Subsidiaries***

On 1 March 2004, the Group acquire 60% equity interest in Progresif Lengkap Sdn Bhd, a company incorporated in Malaysia and engaged in the provision of road safety consultancy and training services, for a cash consideration of RM720,000. The acquisition were accounted for by way of acquisition method of accounting.

#### ***Incorporation of an Associate***

On 15 July 2004, a wholly-owned subsidiary of the Company, Eastern Soldar Engineering & Construction Sdn. Bhd. ("ESEC") incorporated an associate company under the Companies Act, 1965, known as Zecon - ESEC Engineering Sdn. Bhd. ("ZEE"). The authorised share capital of ZEE is RM100,000 divided into 100,000 ordinary shares of RM1.00 each. The paid-up share capital is RM100 made up of 100 ordinary shares of RM1.00 each where 51 ordinary shares is held by Zecon Engineering Berhad and the remaining 49 ordinary shares is held by ESEC.

#### ***Disposal of a Subsidiary***

The Company disposed off its entire shareholding of 192,519,955 ordinary shares of RM1.00 each in THB representing 100% of the issued and paid-up capital of THB, which was acquired via share exchange during the restructuring scheme, to Awal Karib Sdn. Bhd. for a total cash consideration of RM2.00.

### 35. COMPARATIVES

Comparatives figures for the Group have not been presented as this is the first set of consolidated financial statement presented for the Group.



## 36. FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the Group's business operations whilst managing its interest rate, foreign exchange, liquidity and credit risks.

### (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debts, as the Group had no substantial interest-bearing assets as at 30 June 2004. Information on average interest rates of financial liabilities are disclosed in their respective notes.

### (c) Foreign Exchange Risk

The Group's exposure to foreign currency risk is minimal.

### (d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall liquidity management, the Group strive to maintain sufficient levels of cash or cash equivalents to meet its working capital requirements.

### (e) Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

### (f) Fair Values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Group and Company as at the end of the financial year are represented as follows:

	Note	Group		Company	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<b>At 30 June 2004:</b>					
<b>Financial Assets:</b>					
Non-current unquoted shares		1,986,342	@	–	*
Amount due from related corporations	19	452,531	*	–	–
Amount due from subsidiary companies	21	–	*	205,200	*
<b>Financial liabilities</b>					
Amount due to related corporations	19	19,505	*	–	–
Amount due to subsidiary companies	21	–	–	1,771,987	*

## 36. FINANCIAL INSTRUMENTS (cont'd)

### (f) Fair Values (cont'd.)

- @ It is not practicable to estimate the fair value of the Group's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs,
- \* It is not practicable to estimate the fair values of amounts due to/from related corporations and subsidiary companies due principally to a lack of fixed repayment term between the parties involved and inability to estimate fair value without incurring excessive costs.

The nominal/notional amounts and net fair value of financial instruments not recognised in the balance sheets of the Group as at the end of the financial year are:

	Note	Group		Company	
		Nominal/ Notional Amount RM	Net Fair Value RM	Carrying Amount RM	Fair Value RM
<b>At 30 June 2004:</b>					
Contingent liabilities	32	2,000,000	◆	–	–

- ◆ It is not practicable to estimate the fair values of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

- (i) Cash and cash equivalents, trade and other receivables/payables

The carrying amounts of the financial assets and liabilities approximate their fair values due to the relatively short term maturity of these financial instruments.

- (ii) Borrowings

The carrying amount of short term borrowings approximates fair value because of the short maturity period. The fair value of long term borrowings is estimated based on the current rates available for borrowings with the same maturity profile.

## 37. SEGMENT INFORMATION

- (a) Business Segments:

The Group is organised into three major business segments:

- (i) Shipping, forwarding and transportation
- (ii) Hiring of plant and machinery
- (iii) Engineering contract

### 37. SEGMENT INFORMATION (cont'd)

Other business segments include investment holding and property rental, none of which are of a sufficient size to be reported separately.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

#### Group

	Shipping, forwarding and transportation RM	Hiring of plant and machinery RM	Engineering contract RM	Elimination RM	27.12.2003 to 30.06.2004 Total RM
<b>Revenue</b>					
External sales	83,224,691	12,762,372	15,294,318		111,281,381
Inter-segment sales	5,164,923	–	–	(5,164,923)	–
Total revenue	88,389,614	12,762,372	15,294,318	(5,164,923)	111,281,381
<b>Result</b>					
Segment results	6,607,387	4,286,841	1,989,107		12,883,335
Unallocated corporate expenses					(250,697)
Profit from operations					12,632,638
Finance costs					(931,359)
Shares of result of associated companies	101,592				101,592
Shares of result of jointly controlled entity		286,569			286,569
Taxation					(3,224,929)
Net profit from ordinary activities					8,864,511

### 37. SEGMENT INFORMATION (cont'd)

#### Group

	Shipping, forwarding and transportation RM	Hiring of plant and machinery RM	Engineering contract RM	Elimination RM	27.12.2003 to 30.06.2004 Total RM
<b>Assets</b>					
Segment assets	129,102,600	26,854,845	57,739,943		213,697,388
Investment in associates	495,921				495,921
Investment in jointly controlled entity	1,322,921				1,322,921
Unallocated corporate assets					2,002
Consolidated total assets					<u>215,518,232</u>
<b>Liabilities</b>					
Segment liabilities	22,911,832	19,954,921	10,365,316		53,232,069
Unallocated liabilities					115,400
					<u>53,347,469</u>
<b>Other information</b>					
Capital expenditures	6,867,386	850,349	34,108		7,751,843
Depreciation	962,889	621,541	158,558		1,742,988
Allowance for doubtful debts	–	1,092,075	–		1,092,075

(b) Geographical Segments:

	Total Revenue From External Customers 2004 RM
Malaysia	110,462,706
Brunei Darulsalam	818,675
Consolidated	<u>111,281,381</u>

# analysis of shareholdings

as at 11 October 2004

Authorised Share Capital	:	RM200,000,000
Issued and Fully paid-up capital	:	RM182,000,002
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One vote per ordinary share

Size of Shareholdings	No. of Shareholders	%	No. of Shares held	%
Less than 100 shares	15,918	68.78	417,626	0.23
101 to 1,000	4,588	19.82	1,501,913	0.83
1,001 to 10,000	2,145	9.27	8,286,006	4.55
10,001 to 100,000	424	1.83	11,506,366	6.32
100,001 to less than 5% of issued shares	66	0.29	56,056,316	30.80
5% and above of issued shares	3	0.01	104,231,775	57.27
<b>Total</b>	<b>23,144</b>	<b>100.00</b>	<b>182,000,002</b>	<b>100.00</b>

## DIRECTORS' SHAREHOLDINGS

Name	Direct interest	No. of Shares held		%
		%	Deemed interest	
Yong Piaw Soon	2,689,745	1.48	89,731,775*	49.30
Wong Siong Seh	–	–	89,731,775*	49.30
Toh Guan Seng	300,000	0.16	22,500,000#	12.36
Hooi Yen Peng	300,000	0.16	22,500,000#	12.36
Wong Siau Chiin	1	–	–	–
Ch'ng Kong San	8,000,000	4.40	1,000,000^	0.55
Dato' Mohamed Salleh Bin Bajuri	409,800	0.23	–	–
Lau Chii Hung	–	–	–	–
Lau Sii Hin	–	–	–	–
Lee Seng Chiong	–	–	–	–
Hii Kwong Wui	–	–	–	–
Yeow See Yuen	–	–	–	–

\* Deemed interest by virtue of their shareholdings in Enricharvest Sdn. Bhd. and United Joy Sdn. Bhd.

# Deemed interest by virtue of their shareholdings in ESE Construction Sdn. Bhd. and Sempian Holdings Sdn. Bhd.

^ Deemed interest by virtue of his spouse, Madam Teh Siew Hoe

## SUBSTANTIAL SHAREHOLDERS

Name	Direct interest	No. of Shares held		%
		%	Deemed interest	
Enricharvest Sdn. Bhd.	57,051,775	31.35	–	–
United Joy Sdn. Bhd.	32,680,000	17.96	–	–
ESE Construction Sdn. Bhd.	14,500,000	7.97	–	–
Yong Piaw Soon	2,689,745	1.48	89,731,775*	49.30
Wong Siong Seh	–	–	89,731,775*	49.30
Toh Guan Seng	300,000	0.16	22,500,000#	12.36
Hooi Yen Peng	300,000	0.16	22,500,000#	12.36

\* Deemed interest by virtue of their shareholdings in Enricharvest Sdn. Bhd. and United Joy Sdn. Bhd.

# Deemed interest by virtue of their shareholdings in ESE Construction Sdn. Bhd. and Sempian Holdings Sdn. Bhd.

### THIRTY (30) LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shareholdings	%
1. Enricharvest Sdn. Bhd.	57,051,775	31.35
2. United Joy Sdn. Bhd.	32,680,000	17.96
3. ESE Construction Sdn. Bhd.	14,500,000	7.97
4. Sempian Holdings Sdn. Bhd.	8,000,000	4.40
5. Ch'ng Kong San	8,000,000	4.40
6. Choo Poh Lee	7,609,000	4.18
7. Kenanga Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Hasil Digital Sdn. Bhd.</i>	5,054,000	2.78
8. Employees Provident Fund Board	3,150,000	1.73
9. Yap Eng Eng	2,921,700	1.61
10. Yong Piaw Soon	2,689,745	1.48
11. PAB Nominee (Tempatan) Sdn. Bhd. <i>Affin Bank Berhad (Loan Recovery)</i>	1,623,961	0.89
12. Khor Hooi Chin	1,508,669	0.83
13. Ng Huat Tian	1,330,000	0.73
14. Hasil Digital Sdn. Bhd.	1,314,447	0.72
15. OSK Nominees (Tempatan) Sdn. Berhad <i>Pledged Securities Account for Yong Mee Tiing</i>	1,000,000	0.55
16. Teh Siew Hoe	1,000,000	0.55
17. OSK Nominees (Tempatan) Sdn. Berhad <i>Pledged Securities Account for Wong Pick Yiing</i>	797,000	0.44
18. EB Nominees (Tempatan) Sendirian Berhad <i>EON Bank Berhad</i>	471,870	0.26
19. Ting Yu Ung	461,000	0.25
20. Goh Tai Siang	423,900	0.23
21. Mohamed Salleh Bin Bajuri	409,800	0.23
22. Cheilchem Industries Sdn. Bhd.	359,375	0.20
23. Pos Malaysia Berhad	306,328	0.17
24. Hooi Yen Peng	300,000	0.16
25. Toh Guan Seng	300,000	0.16
26. Mayban Nominees (Tempatan) Sdn. Bhd. <i>Aseambankers Malaysia Berhad (A/C-230583)</i>	278,435	0.15
27. Maxgold Investments Group Limited	256,805	0.14
28. Ong Bee Lian	228,249	0.13
29. Yap Shing @ Yap Sue Kim	219,000	0.12
30. OSK Nominees Sdn. Berhad <i>Pledged Securities Account for Goh Tai Siang</i>	200,000	0.11
<b>Total</b>	<b>154,445,059</b>	<b>84.86</b>

# list of properties

Description	Tenure	Existing use	Land area/ Built-up area	Approximate age of building	Net book value at 30 June 2004 (RM'000)	Date of acquisition
<b>Harbour-Link (M) Sdn Bhd</b>						
Lot 3064, Block 26 Kemena Land District Bintulu, Sarawak	Leasehold land expiring on 11.10.2062	Workshop, storage area and warehouse	20,240.0 sq metres	2 years	2,688	20 February 1998
Lot 3065, Block 26 Kemena Land District Bintulu, Sarawak	Leasehold land 60 years from the date of registration of the lease	Workshop, storage area and warehouse	8,096.0 sq metres	2 years	603	29 March 2000
Lot 4010, Block 26 Kemena Land District Bintulu, Sarawak	Leasehold land 60 years from the date of registration of the lease	Workshop, storage area and warehouse	12,139.0 sq metres	2 years	895	2 August 2002
Block 5, 3rd Floor, Unit 1 of Lot 1079, Block 31 Kemena Land District Bintulu, Sarawak	Leasehold land 60 years from the date of registration of the lease	Residential apartment used as staff quarters	74.3 sq metres	5 years	78	7 October 1998
Lot 2525, Block 32 Kemena Land District Bintulu, Sarawak	Leasehold land expiring on 06.05.2059	Vacant Residential double-storey semi-detached house	383.1 sq metres	2 years	166	18 June 2002
Lot 2526, Block 32 Kemena Land District Bintulu, Sarawak	Leasehold land expiring on 06.05.2059	Vacant Residential double-storey semi-detached house	397.1 sq metres	2 years	166	18 June 2002
1st Floor, No. 38, BDA-Shahida Commercial Centre Bintulu, Sarawak – Parcel No. 2713-2-4	Leasehold land expiring on 06.06.2043	Office	91.7 sq metres	10 years	101	17 May 1994
1st Floor, No. 41, BDA-Shahida Commercial Centre Bintulu, Sarawak – Parcel No. 2713-2-7	Leasehold land expiring on 06.06.2043	Office	87.4 sq metres	10 years	171	18 May 1994
2nd Floor, No. 38, BDA-Shahida Commercial Centre Bintulu, Sarawak – Parcel No. 2713-3-4	Leasehold land expiring on 06.06.2043	Office	108.9 sq metres	10 years	97	28 April 1995
2nd Floor, No. 39, BDA-Shahida Commercial Centre Bintulu, Sarawak – Parcel No. 2713-3-5	Leasehold land expiring on 06.06.2043	Office	109.2 sq metres	10 years	97	28 April 1995
Lot 566, Block 4 Muara Tebas Land District Kuching, Sarawak	Leasehold land expiring on 31.12.2036	Vacant Agriculture land	28,730.0 sq metres	–	1,134	28 January 2004
<b>Harbour Agencies (Sarawak) Sdn Bhd</b>						
2nd Floor, No. 41, BDA-Shahida Commercial Centre Bintulu, Sarawak – Parcel No. 2713-3-7	Leasehold land expiring on 06.06.2043	Office	107.5 sq metres	10 years	122	21 October 1998

Description	Tenure	Existing use	Land area/ Built-up area	Approximate age of building	Net book value at 30 June 2004 (RM'000)	Date of acquisition
3rd Floor, No. 38, BDA-Shahida Commercial Centre Bintulu, Sarawak – Parcel No. 2713-4-4	Leasehold land expiring on 06.06.2043	Office	91.4 sq metres	10 years	83	15 June 2001
3rd Floor, No. 39, BDA-Shahida Commercial Centre Bintulu, Sarawak – Parcel No. 2713-4-5	Leasehold land expiring on 06.06.2043	Office	91.6 sq metres	10 years	83	15 June 2001
3rd Floor, No. 40, BDA-Shahida Commercial Centre Bintulu, Sarawak – Parcel No. 2713-4-6	Leasehold land expiring on 06.06.2043	Office	91.7 sq metres	10 years	81	16 July 1994
3rd Floor, No. 41, BDA-Shahida Commercial Centre Bintulu, Sarawak – Parcel No. 2713-4-7	Leasehold land expiring on 06.06.2043	Office	89.8 sq metres	10 years	81	16 July 1994
Lot 3429, Block 32 Kemena Land District Bintulu, Sarawak	Leasehold land expiring on 06.09.2058	Double-storey semi-detached house rented to third party	305.8 sq metres	5 years	198	19 February 2004
Lot 1684, Block 11 Seduan Land District Sibu, Sarawak	Leasehold land expiring on 03.12.2034	Vacant Agriculture land	9,220.0 sq metres	–	575	2 October 2003
<b>Harbour Agencies (Sibu) Sdn Bhd</b>						
Lot 2553, Block 7 Sibu Town District Sibu, Sarawak	Leasehold land expiring on 28.09.2052	Office 3-storey corner shophouse	123.8 sq metres	11 years	236	25 October 1995
<b>Harbour Services (Miri) Sdn Bhd</b>						
Lot 2132, Kuala Baram Land District Miri, Sarawak	Leasehold land expiring on 05.02.2064	Vacant Industrial land	5,260.0 sq metres	–	562	6 February 2004
<b>Eastern Soldar Engineering &amp; Construction Sdn Bhd</b>						
Lot Nos. 17238 & 17239 Mukim of Rasah District of Seremban Negeri Sembilan	Freehold	Factory and office	10,230.0 sq metres	10 years	5,243	10 November 1992
Lot No. 14849 Town of Seremban District of Seremban Negeri Sembilan	Freehold	Intermediate double-storey shophouse rented to third party	153.0 sq metres	15 years	209	30 June 1994
No. 16, Jalan Kesuma 3/6 Bandar Tasik Kesuma 43700 Beranang, Selangor Darul Ehsan	Freehold	Vacant Intermediate three-storey shopoffice	429.2 sq metres	3 years	322	20 April 1999
No. 1, Jalan Kesuma 3/7 Bandar Tasik Kesuma 43700 Beranang, Selangor Darul Ehsan	Freehold	Vacant Corner lot three-storey shopoffice	670.9 sq metres	2 years	539	20 April 1999
<b>ESE Energy Sdn Bhd</b>						
Lot No. PT 545, Pekan of Bukit Kepayang, District of Seremban, Negeri Sembilan	Freehold	Vacant Intermediate three-storey shopoffice	92.9 sq metres	4 years	335	24 June 1996





**HARBOUR-LINK GROUP BERHAD**  
(592902-D)  
(Incorporated in Malaysia)

**FORM OF PROXY**

(Before completing this form please refer to the notes below)

No. of ordinary shares held

I/We \_\_\_\_\_ I/C No./Co. No./CDS A/C No \_\_\_\_\_  
(Full name in block letters)

of \_\_\_\_\_  
(Full address)

being a member/members of HARBOUR-LINK GROUP BERHAD hereby appoint the following person(s):-

**Name of proxy, NRIC No. & Address**

**No. of shares to be represented by proxy**

- |          |       |
|----------|-------|
| 1. _____ | _____ |
| _____    | _____ |
| 2. _____ | _____ |
| _____    | _____ |

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Second Annual General Meeting of the Company to be held at the Millennium Ballroom 2, ParkCity Everly Hotel, Jalan Tun Razak, 97000 Bintulu, Sarawak on Wednesday, 24 November 2004 at 3.00 p.m. My/our proxy/proxies is to vote as indicated below:-

	FIRST PROXY		SECOND PROXY	
	FOR	AGAINST	FOR	AGAINST
Ordinary Resolution 1				
Ordinary Resolution 2				
Ordinary Resolution 3				
Ordinary Resolution 4				
Ordinary Resolution 5				
Ordinary Resolution 6				
Ordinary Resolution 7				
Ordinary Resolution 8				
Ordinary Resolution 9				
Ordinary Resolution 10				
Ordinary Resolution 11				
Ordinary Resolution 12				
Ordinary Resolution 13				
Ordinary Resolution 14				
Special Resolution 15				
Ordinary Resolution 16				
Ordinary Resolution 17				
Ordinary Resolution 18				
Ordinary Resolution 19				
Ordinary Resolution 20				
Ordinary Resolution 21				
Ordinary Resolution 22				
Ordinary Resolution 23				
Ordinary Resolution 24				

(Please indicate with a "V" or "X" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2004

\_\_\_\_\_  
Signature/Common Seal

**Notes :-**

- A member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or more proxies to attend. A proxy may but need not be a member of the Company and that where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
- The instrument appointing the proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of attorney, must be deposited at the Registered Office of the Company at 1st Floor, 39 & 40, BDA-Shahida Commercial Centre, 97000 Bintulu, Sarawak not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

Fold along this line (1)

Please  
Affix  
30 sen Stamp

The Company Secretary  
**HARBOUR-LINK GROUP BERHAD** (592902-D)  
1st Floor, No. 39 & 40  
BDA-Shahida Commercial Centre  
97000 Bintulu, Sarawak

Fold along this line (2)

