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NOTICE OF THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of the Company will be held at Crystal Room, Crystal Crown Hotel Harbour View, Port Klang, 217, Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor Darul Ehsan on Monday, 27 June 2005 at 10.30 a.m. for the following purposes: -

A G E N D A

- | | |
|---|--------------|
| 1) To receive the Audited Financial Statements for the year ended 31 December 2004 together with the Reports of the Directors and Auditors thereon. | Resolution 1 |
| 2) To approve the payment of Directors' Fees for the year ended 31 December 2004. | Resolution 2 |
| 3) To re-elect the following Directors who are retiring in accordance with Article 80 of the Company's Articles of Association: - | |
| a) Tan Sri Dato' Kamaruzzaman Bin Shariff | Resolution 3 |
| b) Mr. Michael Lim Hee Kiang | Resolution 4 |
| 4) To re-appoint Messrs. Anuarul Azizan Chew & Co., the retiring Auditors of the Company and to authorise the Board of Directors to fix their remuneration. | Resolution 5 |

SPECIAL BUSINESS: -

- 5) To consider and, if thought fit, pass with or without modifications, the following Ordinary Resolution: -
- **AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** Resolution 6
- "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to allot and issue shares in the Company, at any 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 in any one financial year does not exceed ten percentum (10%) of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."
- 6) To transact any other business of the Company of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order Of The Board
MAJOR TEAM HOLDINGS BERHAD

NG YIM KONG (LS0008343)
Company Secretary

3 June 2005

NOTICE OF THIRD ANNUAL GENERAL MEETING (cont'd)

Notes:-

1. *A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote on his(her) behalf. A proxy may but need not be a Member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 shall not apply to the Company.*
2. *Where a Member appoints two (2) or more proxies, the appointment shall be invalid unless he(she) specifies the proportions of his(her) holdings to be represented by each proxy.*
3. *The Proxy Form shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the Member is a corporation, either under its common seal or under the hand of an officer or attorney so authorised.*
4. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan not less than forty eight (48) hours before the time for the Meeting or any adjournment thereof.*

Explanatory Note on Special Business: -

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

The proposed Ordinary Resolution 6 under item 5 above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, authority to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued capital of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for re-election in accordance with Article 80 of the Company's Articles of Association at the Third Annual General Meeting of the Company:-

- | | |
|---|--------------|
| a) Tan Sri Dato' Kamaruzzaman Bin Shariff | Resolution 3 |
| b) Mr. Michael Lim Hee Kiang | Resolution 4 |

2. Details of attendance of Directors at Board Meeting

There were **Seven (7)** Board Meetings held during the financial year ended 31 December 2004 and the details of attendance of the Directors are set out in the Corporate Governance Statement appearing on page 11 of the Annual Report.

3. Place, date and hour of the Third Annual General Meeting

The Third Annual General Meeting of the Company will be held at Crystal Room, Crystal Crown Hotel Harbour View, Port Klang, 217, Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor Darul Ehsan on Monday, 27 June 2005 at 10.30 a.m.

DIRECTORS'PROFILE

Tan Sri Dato' Kamaruzzaman Bin Shariff, a Malaysian aged 63, was appointed to the Board of MTHB on 1 August 2003 as the Executive Chairman. He holds a Bachelor of Arts (Economics) degree from the University of Malaya (1963), a Diploma in Public Administration from Carleton University, Ottawa, Canada (1969) and a Master's degree in Public Administration from Syracuse University, United States of America (1979). He started his career as a Government Service Officer in 1964 in the position of Assistant Secretary in the Ministry of Education. He has held various senior positions during his 37 years of distinguished service. Amongst his last positions prior to retirement in 2001 from the public service were as the State Secretary of Pulau Pinang, the Secretary General of the Ministry of Defence and the Lord Mayor of Kuala Lumpur. He is presently Chairman / Executive Chairman of several public listed companies as well as private limited companies. He has no family relationship with any Director and/or major shareholders of MTHB and his directorship in MTHB does not give rise to any conflict of interest situation. He has no convictions for any offences within the past ten years.

Linda Goh Lay Choon, a Malaysian aged 41, is an Executive Director of MTHB. She was appointed to the Board on 9 September 2003 as a Non-Independent Non-Executive Director and has been appointed as an Executive Director of MTHB on 8 April 2005. She obtained a Bachelor of Laws (Honours) degree from the University of Wolverhampton, England in 1987 and a Certificate of Legal Practice, Malaysia in 1989. She practised law for three (3) years from 1990 to 1993 in the fields of litigation, conveyancing, commercial and criminal law with Messrs. Jeffrey Fernandez & Co and Messrs. Lloyd Fernando & Associates. In June 1994, she joined Fimco as the Group Legal and Administration Manager for companies in the property development, construction, manufacturing and other industries, where she served until February 2003. She has no family relationship with any Director and/or major shareholders of MTHB and her directorship in MTHB does not give rise to any conflict of interest situation. She has no convictions for any offences within the past ten years.

Yap Kiang Siang, a Malaysian aged 51, was appointed to the Board of MTHB on 9 September 2003 as a Non-Independent Non-Executive Director. He obtained his professional qualifications from the Royal Institute of Chartered Surveyors, United Kingdom and the New Zealand Institute of Quantity Surveyors. He has more than 21 years of working experience in the construction, property development and related business both oversea and locally. He worked in Maltby & Partners, a professional quantity surveying firm in New Zealand from 1976 to 1980 and Baharuddin Ali & Low Sdn Bhd, a local professional quantity surveying firm from 1980 to 1984. He was involved in the senior management of various construction and property development companies, which had successfully completed numerous high-rise commercial buildings and residential projects within the Klang Valley. He was formerly the Executive Director (Properties) of Econstates Berhad. he presently the Executive Director of Stone World Sdn Bhd. He has no family relationship with any Director and/or major shareholders of MTHB and his directorship in MTHB does not give rise to any conflict of interest situation. He has no convictions for any offences within the past ten years.

Michael Lim Hee Kiang, a Malaysian aged 57, is an Independent Non-Executive Director of MTHB. He was appointed to the Board on 1 August 2003. He is an Advocate and Solicitor, and holds an LLB degree with Second Class Upper Honours and an LLM degree with Distinction from Victoria University of Wellington, New Zealand (1972/1973). He was admitted as a Barrister and Solicitor of the Supreme Court of New Zealand in 1973. Upon returning to Malaysia in 1974, Mr Lim was admitted to the High Court of Sarawak and Brunei and subsequently to the High Court of Malaya in 1978. He was a lecturer in the Law Faculty of the University of Malaya from 1975 to 1977. He joined Messrs. Shearn Delamore & Co in 1978 and has been a partner of the firm for the last 28 years. He sits on the Board of Directors of several public listed companies and various private companies. He has no family relationship with any Director and/or major shareholders of MTHB and his directorship in MTHB does not give rise to any conflict of interest situation. He has no convictions for any offences within the past ten years.

DIRECTORS' PROFILE *(cont'd)*

Loh Chen Peng, a Malaysian aged 51, is an Independent Non-Executive Director of MTHB. He was appointed to the Board on 1 August 2003. He is a Chartered Accountant and has been a member of the Malaysian Institute of Certified Public Accountants since 1980. He started his career in 1975 with Deloitte Kassim Chan & Co and left to join AmMerchant Bank in 1980, where he worked for thirteen (13) years and held several senior management positions in the areas of corporate finance and corporate banking, including overseeing the banking group's corporate turnaround/restructuring team. He resigned as a General Manager of AmMerchant Bank in October 1993. He was a founder director of Phileo Allied Bank (Malaysia) Berhad which commenced operations in August 1994 and was an Executive Director of the bank until February 1998. Mr Loh remained as a member of the Executive Committee of the Board of Directors of the Bank until early 2001. He has also served as a director of several public companies. Presently, he is an independent non-executive director of Nexnews Berhad and is involved in several private business ventures. He is also a Non-Executive Director of Dijaya Corporation Berhad. He has no family relationship with any Director and/or major shareholders of MTHB and his directorship in MTHB does not give rise to any conflict of interest situation. He has no convictions for any offences within the past ten years.

Teoh Tek Siong, a Malaysian aged 50, is an Independent Non-Executive Director of MTHB. He was appointed to the Board on 1 August 2003. He is an Advocate and Solicitor, currently practising with Messrs T.S. Teoh & Partners as its senior partner. Mr. Teoh obtained his Diploma from the Institute of Chartered Secretaries and Administrators, United Kingdom in 1978. In 1981, he obtained an LLB (Honours) degree from the University of London (External Programme). He was admitted to the High Court of Malaya in October 1983 and thereafter, practised as a legal assistant with Messrs. Chew & Co until December 1984. He practised as a partner with Messrs. Vincent Lim & Teoh from January 1985 to August 1997. In September 1997, Mr. Teoh commenced his current practice. He presently sits on the Board of Directors of Paragon Union Berhad as an independent non-executive director. He has no family relationship with any Director and/or major shareholders of MTHB and his directorship in MTHB does not give rise to any conflict of interest situation. He has no convictions for any offences within the past ten years.

Dato' Chan Tien Ghee, a Malaysian aged 43. He obtained his Bachelor of Arts Law degree from Warwick University, United Kingdom. He is also a member of Grays Inn in London. Prior to joining Major Team Holdings Berhad, he was appointed as Managing Director of Radio & General Engineering Sdn Bhd from September 1992 to current date. He was also on the Board of Hitachi Elevator Engineering (M) Sdn Bhd. He currently holds directorships in Central Malaysian Properties and GW Telematics Sdn Bhd. He has no family relationship with any Director and/or major shareholders of MTHB and his directorship in MTHB does not give rise to any conflict of interest situation. He has no convictions for any offences within the past ten years.

CORPORATE INFORMATION

DOMICILE

Malaysia

LEGAL FORM AND PLACE OF INCORPORATION

A public listed company incorporated in Malaysia under the Companies Act, 1965 and limited by shares

BOARD OF DIRECTORS

Tan Sri Dato' Kamaruzzaman Bin Shariff	<i>(Executive Chairman)</i>
Linda Goh Lay Choon	<i>(Executive Director)</i>
Yap Kiang Siang	<i>(Non-Independent Non-Executive Director)</i>
Michael Lim Hee Kiang	<i>(Independent Non-Executive Director)</i>
Loh Chen Peng	<i>(Independent Non-Executive Director)</i>
Teoh Tek Siong	<i>(Independent Non-Executive Director)</i>
Dato' Chan Tien Ghee <i>(Resigned on 4 March 2005)</i>	<i>(Executive Director)</i>

AUDIT COMMITTEE

Michael Lim Hee Kiang
(Chairman & Independent Non-Executive Director)
Loh Chen Peng
(Independent Non-Executive Director)
Teoh Tek Siong
(Independent Non-Executive Director)

COMPANY SECRETARY

Ng Yim Kong (LS 0008343)

REGISTERED OFFICE

Unit 07-02, Level 7, Menara Luxor
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan
Malaysia.
Tel: 03-7804 5929
Fax: 03-7805 2559

PRINCIPAL PLACE OF BUSINESS

2nd Floor, Regal House
No 1, Jalan U Thant
55000 Kuala Lumpur
Malaysia.
Tel: 03- 2148 9822
Fax: 03-2148 6811

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
RHB Bank Berhad

REGISTRARS

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia.
Tel: 03-2084 9000
Fax: 03-2094 9940

AUDITORS

Anuarul Azizan Chew & Co (AF0791)
Chartered Accountants
(An independent member of Morison International)
18, Jalan 1/64
Off Jalan Kolam Air/Jalan Ipoh
51200 Kuala Lumpur
Malaysia.
Tel: 03-4041 7233
Fax: 03-4041 0395

SOLICITOR

Shearn Delamore & Co

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Second Board

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I have pleasure in presenting the Annual Report and Financial Statements for the year ended 31 December 2004.

FINANCIAL RESULTS

For the financial year under review, the Group recorded a turnover of RM37.5 million and net profit of RM5.1 million. The turnover was lower as compared to previous year was attributable to the lower demand from foreign market. Despite a lower turnover, the Group recorded a higher pre-tax profit of RM7.9 million for 2004. This represents a 4.7% improvement over 2003 and largely attributed to lower finance cost as a result of the repayment of borrowings during the year. The Group also benefited a higher profit margin from a special rehabilitation project.

The decrease in net profit as compared to net profit before elimination of pre-acquisition profit in previous year was due to the higher provision for tax as the Group has fully utilised its unabsorbed tax losses and unabsorbed reinvestment allowance bought forward in current year.



DIVIDEND

The Board does not recommend any dividend to be paid for the financial year ended 31 December 2004.

PROJECT HIGHLIGHTS

After the completion of the prestigious projects of 22 storey Yayasan Tun Razak office building project in Kuala Lumpur, the Group has focused its resources on the high-end residential segment of the property development sector. In 2004, the Group is pleased to announce the completion of the supply and installation of Granite and Marble works for 310 units of 3 storey terrace house in Taman Tasik Indah early in the year and has completed 24 units of 3 storey semi-detached houses in Jalan Ipoh. Other projects undertaken in 2004 include major projects for Benneton, Bandaraya Development and Aston Star Sdn Bhd, a subsidiary of the Sunrise Berhad Group.

In addition, the Group undertook numerous private residential projects during 2004.

In the Singapore market, the Group was involved in supply of additional stoneworks to NTUC Project and to Dragages Singapore Pte Ltd and Shimizu Corporation.



CHAIRMAN'S STATEMENT



PROSPECTS FOR THE NEW FINANCIAL YEAR

We begin the new year with optimism having projects worth approximately RM20 million, with additional tenders having a combined value of more than RM50 million already submitted.

In keeping with its decision to expand its operations internationally, the Group is presently engaged in discussion with an international contractor for prospective works in the Middle East Region. This will enhance our image both at home and abroad and open up new avenues for growth.

However, in view of the competitive environment, the Board of Directors would like to caution the shareholders that the Group might not be able to maintain the same margin of profits that the Group had enjoyed this year.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take the opportunity to thank the management and staff for their continued efforts and dedication to the Group. Our sincere appreciation also goes to our shareholders, valued clients, bankers, industry partners and Government authorities for their support and confidence in the Group.

Tan Sri Dato' Kamaruzzaman Bin Shariff
Executive Chairman

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“the Board”) of MTHB is committed to uphold the principles and standards of corporate governance throughout the Group so that the affairs of the Group are conducted with integrity, transparency and professionalism with the objective of safeguarding shareholders’ investment and ultimately, the shareholders’ interest.

The Board of Directors

The Board has the overall responsibility for Corporate Governance, strategic decision and overseeing the overall performance of the Company and of the Group.

The Board

The Board consists of the Executive Chairman, Executive Director, one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors. This reflects a Board which consist of at least one third (1/3) Independent Non-Executive Directors.

The Board has taken the necessary measures to ensure a balance of Executive Director and Non- Executive Directors (including Independent Non-Executive Directors) such that no individual or small group of individuals can dominate the Board’s decision making.

The Executive Chairman is primarily responsible for heading the Board and leads the planning discussion at the Board level whilst the Executive Director is responsible for the implementation of the policies and the day-to-day running of the business together with the Management.

Board Meetings

The Board met seven (7) times during the financial year. The meeting attendance of the individual Directors were as follows:-

Name of Directors	No. Of Meetings Attended
Tan Sri Dato’ Kamaruzzaman Bin Shariff	7/7
Linda Goh Lay Choon	6/7
Yap Kiang Siang	7/7
Michael Lim Hee Kiang	6/7
Loh Chen Peng	7/7
Teoh Tek Siong	7/7
Dato’ Chan Tien Ghee (<i>Resigned on 4 March 2005</i>)	6/6
Yap Chee Keong (<i>Resigned on 30 April 2004</i>)	1/2

Supply of Information

The Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board Meeting Procedures are adhered to and that applicable rules and regulations are complied with. Minutes of the Board Meetings are maintained. Besides the Company Secretary, the Independent Directors have the unfettered access to the financial information.

Committees of the Board

The following committee is established to assist the Board in the discharge of its duties. The committee operates under approved terms of reference or guidelines:-

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

- **Audit Committee**

The terms of reference of MTHB's Audit Committee and its activities during the financial year ended 31 December 2004 are set out in the Audit Committee Report.

- **Nomination Committee and Remuneration Committee**

In regard to the Nomination and Remuneration Committees as recommended under Part 2 of the Malaysian Code of Corporate Governance, the Board is of the opinion that all matters relating to the nomination and remuneration of the office bearers shall for the time being be deliberated upon by the Audit Committee and the Board. The Nomination Committee and Remuneration Committee shall be established when the need arises in the future.

Appointment and Re-election of Directors

The Article 80 of the MTHB's Article of Association stipulated that one third (1/3) of the Board of Directors were required to offer themselves for re-election by rotation at each AGM. All Directors are required to offer themselves for re-elections at least once every three (3) years.

Directors' Remuneration

The details of the remuneration of Directors of the Group comprising remuneration received/ receivable from the Company and its subsidiaries during the financial year are as follows:-

(i) Aggregate remuneration of Directors categorised into appropriate components:-

Description	Salaries (RM)	Bonuses, Commission and Compensations (RM)	Fees (RM)	Benefits in-kind (RM)	Total (RM)
Executive Directors	352,522	-	-	-	352,522
Non-Executive Directors	-	-	138,333	-	138,333

(ii) The number of Directors whose total remunerations falls within the following bands are:-

Range of Remunerations	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	5
RM50,001 – RM100,000	2	-
RM100,001 – RM150,000	1	-
RM150,001 – RM200,000	-	-

The Directors' fees amounting to RM100,000 proposed during the year will be subjected to the shareholders' approval in the forthcoming Annual General Meeting and will be paid at a date to be decided after the shareholders' approval.

STATEMENT ON CORPORATE GOVERNANCE *(cont'd)*

Directors' Training

Members of the Board have attended the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysis, Malaysia and the Continuing Education Programme ("CEP") as required under the Bursa Securities Listing Requirements.

Dialogue with Shareholders

MTHB recognises the importance of transparency and accountability to its shareholders and investors. The main forum for dialogue with shareholders is during MTHB's general meeting. Shareholders who attend the general meetings are encouraged to raise questions pertaining to the subject matters of such general meetings.

Providing timely information to shareholders and investors is also important in terms of the effectiveness of such communications. As such, MTHB not only makes timely public announcement through the Bursa Securities of all major developments within MTHB but also strives to make the quarterly financial results announcement on a timely basis.

Accountability and Audit

Financial Reporting

In presenting the annual financial statements and quarterly announcements, the Directors aim to present a balanced and understandable assessment of the Group's and the Company's position and prospects. The Audit Committee assists in reviewing the information disclosed to ensure accuracy and adequacy.

A Statement by the Directors of their responsibilities in preparing the financial statements is set out below.

Internal Control

The Board of Directors acknowledge its responsibilities for MTHB's system of internal control covering not only financial controls but also organisational, operational and compliance controls as well as risk management to safeguard shareholders' investment and the Group's assets.

Apart from risk management and internal audit, the Group has an embedded system of internal control which includes:-

- An organisation chart with formally defined lines of responsibility and delegation of authority for different divisions within the Group; and
- Policies and procedures, to ensure compliance with internal controls and the relevant laws and regulations, are set out in the operations manuals, guidelines and directives issued by its major operating units.

Audit Committee

Please refer to Audit Committee Report on pages 18 to 20 on this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Relationship with the Auditors

The role of Audit Committee in relation to the external Auditors is described on page 19 of this Annual Report. MTHB has always maintained a transparent relationship with its Auditors in seeking their professional advice towards ensuring compliance with the relevant accounting standards.

Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the Company's and Group's state of affairs. Following discussions with the external auditors, the Directors consider that MTHB uses appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgements and estimates, and that all accounting standards which they consider applicable have been adopted during the preparation of the financial statements.

The Directors are responsible for ensuring that MTHB keeps proper accounting records and that such records are disclosed with reasonable accuracy to ensure that the financial statements complies with the Companies Act, 1965. They have the general responsibility for taking such steps to safeguard the assets of the Group, and to detect and prevent fraud as well as other irregularities.

Additional Compliance Information

In compliance with the Bursa Securities Listing Requirements, the following information is provided:-

Utilisation of Proceeds

During the financial year, there were no proceeds raised by the Group from any corporate proposals.

The gross proceeds of the restricted issues to existing shareholders who were the former shareholders of Kiara Emas Asia Industries Berhad and the special issue of new ordinary shares amounting to RM20,999,999 on 28 August 2003 had been fully utilised in May 2004 for the following purposes:

	RM
• Settlement of 50% of the interest accruing on the total amount owing to the Bank Creditors as at 31 March 2001 pursuant to the Creditors' Scheme	6,237,930
• Working Capital of the Stone World Group	14,762,069
	<hr/>
	20,999,999
	<hr/>

The utilisation of the proceeds was in accordance with the condition of the Securities Commission.

Share Buy Back

MTHB does not have any share buy back programme in place.

Option, Warrant and Convertible Securities

On 15 March 2004, MTHB converted RM3,209,771 nominal value of 2% Redeemable Convertible Unsecured Loan Stock 2003/2008 into 3,209,771 new ordinary shares.

STATEMENT ON CORPORATE GOVERNANCE *(cont'd)*

American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”) Programme

MTHB does not sponsor any ADR or GDR Programme during the financial year.

Imposition of Sanctions/Penalties

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

Non-Audit Fees

There were no non-audit fees incurred in the financial year.

Profit Guarantee

For the financial year ended 31 December 2004, the aggregated audited profit after taxation and minority interest of the Stone World Group shall not be less than RM6,000,000. The profit guarantee is undertaken by Excellent Avenue Sdn Bhd, the substantial shareholder of MTHB. For the financial year ended 31 December 2004, Stone World Group has recorded an audited profit after taxation and minority interest of approximately RM6.4 million. Hence, the profit guarantee obligation has been duly fulfilled.

Material Contracts Involving Directors and Substantial Shareholders’ Interest

To the best of the Board’s knowledge, there are no material contracts involving the Group with any of the major shareholders nor Directors in office as at 31 December 2004 except those disclosed under Related Party Transactions of a Revenue or Trading Nature.

Variance from Unaudited Results Previously Announced

There were no material variance between the results for the financial year and the unaudited results previously announced.

Revaluation of Landed Properties

The Group’s revaluation policy is stated in the Note 3 to the financial statements on pages 45 to 46.

Related Party Transactions of a Revenue Nature

The details of the transactions with related parties undertaken by the Group during the financial year are disclosed in Note 29 to the audited financial statements on page 59 of the Company’s Annual Report.

Profit Estimate, Forecast and Projection

There were no material variance for the consolidated profit after taxation for the financial year ended 31 December 2004 and the consolidated profit forecast after taxation which had been prepared for inclusion in the Submission Document to the Securities Commission.

STATEMENT ON INTERNAL CONTROL

Introduction

The Malaysian Code of Corporate Governance requires listed issuers to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements paragraph 15.27 (b) states that a listed issuer must ensure that its Board of Directors ("the Board") includes in its annual report "a statement about the state of internal control of the listed issuer as a group".

Board's Responsibilities

The Board acknowledges its overall responsibility for the Group's system of internal control over both the financial and non-financial aspects relating to operational issues, compliance with relevant laws and regulations and risk management of the Group's activities and also for reviewing the adequacy and integrity of those systems.

The Board recognises that controls are an important part of managing risks in an effort to achieve corporate objectives. As such, the Board would set appropriate policies on internal controls designed to safeguard shareholders investment and the Group's assets. It should be noted that such policies are designed to manage rather than to eliminate the risk of failure and can only provide reasonable, not absolute, assurance against material misstatement or loss.

Risk Management

Whilst the Board has the responsibility for managing risks and internal controls associated with the operations and ensuring compliance with applicable laws and regulations, the management is accountable to the Board for monitoring the Group's internal control systems and providing assurance to the Board that it has done so.

At present, the management monitors the adequacy and integrity of the Group's internal control systems. The Board recognises the need to establish an independent internal audit function which possesses the necessary expertise to perform their duties. As such, the Board intends to engage an external professional firm of consultants to facilitate and assist in the identification of, prioritise and mitigate significant and major risks within the Group in the near future.

System of Internal Control

The summaries of the MTHB's system of internal control are as follows:-

- The Board formulates strategies on an on-going basis and addresses issues arising from changes in both the external and domestic business environments;
- The Board and respective Boards of subsidiaries in the Group receive and review reports and cashflow from their management on a regular basis. Monthly progress reports on business operations are tabled to the respective board at their monthly meetings;

STATEMENT ON INTERNAL CONTROL *(cont'd)*

- The Audit Committee reviews on a quarterly basis the quarterly unaudited condensed financial results to monitor the Group's progress towards achieving the Group's objectives;
- The standard procedure has been developed and adopted by the operating units to suit the regulatory and business environment in which they operate;
- An organisation chart with formally defined lines of responsibilities and delegation of authority for different division within the Group;
- There are proper guidelines within the Group for hiring senior management to achieve the objective of ensuring competency in carrying out their responsibilities;
- The Audit Committee has been set up to review any issues identified by the external auditors, regulatory authorities and the management; and
- The external auditors have reviewed this Statement on Internal Control and reported to the Board that the Statement appropriately reflects the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

Conclusion

The Board of Directors, to its best knowledge, is not aware of any material internal control failures or any significant problems that have arisen during the financial year. Management will continue to take measures to strengthen the control environment which includes the possibility of appointing an external professional firm of consultants to conduct periodic internal audit review.

The statement is made in accordance with the resolution of the Board of Directors dated 22 April 2005.

AUDIT COMMITTEE REPORT

Composition of audit committee

In compliance with paragraph 15.10 of the Listing Requirements of the Bursa Securities Listing Requirements, the Audit Committee consists of three (3) Directors, all of them are Independent Non-Executive Directors.

Chairman

- (i) Michael Lim Hee Kiang
Chairman, Independent Non-Executive Director

Members

- (ii) Teoh Tek Siong
Member, Independent Non-Executive Director
- (iii) Loh Chen Peng
Member, Independent Non-Executive Director

Terms of reference

Objective

The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities relating to accounting and reporting practices of the Group and its subsidiaries.

In addition, the Audit Committee shall:-

- (i) oversee and appraise the quality of the audits conducted by MTHB's internal and external auditors;
- (ii) maintain open lines of communication between the Board of Directors and the internal and external auditors to exchange views and information, as well as to confirm their respective authorities and responsibilities; and
- (iii) determine the adequacy of the Group's administrative, operating and accounting controls.

Authority

Whenever necessary and reasonable for the performance of its duties, the Committee is empowered to undertake the following:-

- (i) investigate any matters within its terms of reference;
- (ii) have access to the necessary resources, including obtaining independent professional or other advice, which are required to perform its duties;
- (iii) have full and unrestricted access to any information and documents relevant to MTHB's and its subsidiary companies' activities;
- (iv) have direct communication channels with the external auditors, any person(s) carrying out the internal audit function or activity, and the senior management of MTHB and its subsidiaries;

AUDIT COMMITTEE REPORT *(cont'd)*

- (v) obtain external legal or independent professional or other advice and secure the attendance of outside professionals with relevant experience and expertise if it considers necessary; and
- (vi) convene meetings with the external auditors at least once a year, without the presence of the executive directors, whenever deemed necessary.

Duties and Responsibilities

- (i) To review the quarterly unaudited condensed financial statements and the year end financial statements of the Group before submission to the Board, focusing particularly on:-
 - any changes in accounting policies and practices;
 - any significant and unusual events; and
 - compliance with accounting standards and other legal requirements;
- (ii) To determine whether the procedures for reviewing all related party transactions are appropriate and shall have the authority to delegate this responsibility to such individuals within MTHB as the Committee shall deem fit;
- (iii) To review and ascertain whether the procedures established to monitor related party transactions have been complied with. If it is determined that the prescribed procedures are inadequate to ensure that the related party transactions are conducted at arm's length and on normal commercial terms and such transactions are not prejudicial to the interest of the shareholders, MTHB will obtain fresh shareholders' mandate based on the new procedures;
- (iv) To request for limits to be imposed or for additional procedures to be followed in respect of all related party transactions if it considers such a request to be appropriate. In that event, such limits may be implemented without the approval of shareholders, provided that they are more stringent than the existing limits;
- (v) To recommend to the Board the appointment or reappointment of the external auditors, audit fee, and where applicable, their resignation and dismissal;
- (vi) To review with the external auditors, the audit plan for MTHB and the Group;
- (vii) To review with the external auditors their evaluation of the system of internal controls;
- (viii) To review with the external auditors their audit report, management letter and management's response;
- (ix) To review the assistance given by the management and staff of MTHB and its subsidiaries to the external auditors;
- (x) To review the adequacy of the scope, functions and resources of the internal auditors and that they have the necessary authority to carry out their work;
- (xi) To review with the internal auditors the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal auditors; and
- (xii) To undertake such other responsibilities deemed necessary by the Committee.

AUDIT COMMITTEE REPORT *(cont'd)*

Meetings

The Audit Committee shall hold at least four (4) meetings a year and such additional meeting(s) as the Chairman shall decide in order to fulfill its duties.

Apart from the members of the Committee who will be present at the meetings, the Committee may invite any member of the Board of Directors, the management, staff and representatives of the external auditors and internal auditors to be present at the meeting of the Committee.

A quorum shall consist of a majority of Non-Executive Committee members and shall not be less than two (2).

The Company Secretary or any person appointed by the Committee for this purpose shall act as secretary for the Committee and as a reporting procedure, the minutes shall be circulated to all the members of the Committee and the Board.

Summary of activities

During the financial year ended 31 December 2004, the Audit Committee reviewed the quarterly unaudited condensed financial results announcement of the Group and the audited financial statement ended 31 December 2004 prior to the Board of Directors' approval and subsequent announcement.

Details of attendance

Seven (7) Audit Committee meetings were held during the financial year and the details of the attendance of each Audit Committee member are as follows:-

Name of Directors	No. Of Meetings Attended
Michael Lim Hee Kiang	6/7
Loh Chen Peng	7/7
Teoh Tek Siong	7/7

Internal audit functions

The Company does not possess a formalised internal audit department. In the absence of an internal audit department, the Audit Committee, in discharging the functions are given access to all relevant information and resources with the Company. In addition, when applicable, the external auditors and Company Secretary are invited to the relevant Audit Committee meeting to ensure that Audit Committee are appropriately briefed and advised on matters to be deliberated by the Audit Committee.

The Audit Committee recognises the need to establish an independent internal audit function. As such, the Committee has recommended to the Board to outsource the internal audit function to an external consultant so as to conduct periodic internal audit and review on compliance with internal control procedures and practices and appraise the effectiveness of the internal control system within the Group.

SUBSIDIARY COMPANIES

Name of company	2004	2003	Principal activities
Stone World Sdn Bhd (224526-D)	100%	100%	Manufacturing, supply and installation of stone products
Head office:- 2 nd Floor, Regal House No 1, Jalan U Thant 55000 Kuala Lumpur Malaysia. Tel : 03-2148 3882 Fax : 03-2148 2889 Website address : www.stoneworld.com.my			
Factory:- No. PLO 466, Jalan Gangsa Pasir Gudang Industrial Estate 81700 Pasir Gudang Johor Malaysia. Tel : 07-251 7632 Fax : 07-251 3353			
Kiara Emas Asia Industries Berhad (378502-T)	-	100%	Ceased operations
* Stone World Marketing Sdn Bhd (299584-P)	100%	100%	Provision of management services and trading of stone products
* Industrial Art Resource Sdn Bhd (451444-P)	100%	100%	Dormant
* Stone Export Sdn Bhd (331454-T)	100%	100%	Dormant
* Stone World (HK) Ltd (490576)	100%	100%	Dormant
* Held through Stone World Sdn Bhd (224526-D)			

LIST OF PROPERTIES BY THE GROUP

Location	Age of building	Tenure	Description	Land area (Sq.m)	Build-up area (Sq.m)	Cost/ revaluation (RM)	Net book value as at 31.12.2004 (RM)
1. PLO 466, Jalan Gangsa	12	Leasehold	Leasehold	64,749	18,696.98 (Factory)	42,829,572*	35,667,500
Pasir Gudang Industrial Estate 81700 Pasir Gudang Johor Bahru, Johor Malaysia.		(Expiry 10.08.2053)	land, factory and office		937.02 (office)		
2. Lot 1573, 1577, 2118 and 2221 in the Mukim of Plentong, Johor Bahru, Johor Malaysia.	6	Freehold	Bungalow	1,133	400	738,413^	662,605

* Valued on 8 July 2000 by Khong & Jaafar Sdn Bhd.

^ Acquired on 17 June 1997

ANALYSIS OF SHAREHOLDINGS

Class of shares : Ordinary Shares of RM1.00 each
 Voting rights : One vote per RM1.00 share

Distribution of Shareholdings as per Record of Depositors as at 29 April 2005

Size of holdings	No. of holders	No. of shares	%
1 - 99	15	346	0.00
100 - 1,000	3,547	1,451,339	1.47
1,001 - 10,000	1,455	5,382,750	5.44
10,001 - 100,000	266	7,566,503	7.65
100,001 - 4,943,868 (*)	52	26,706,784	27.01
4,943,869 and above (**)	3	57,769,658	58.43
Total	5,338	98,877,380	100.00

* Less than 5% of the issued and paid-up shares.

** 5% and above of the issued and paid-up shares.

Substantial Shareholders as per the Register of Substantial Shareholders as at 29 April 2005

	Direct no. of shares	Percentage %	Indirect no. of shares	Percentage %
Ample Potential Sdn. Bhd.	5,727,461	5.79	4,089,400 ^(a)	4.14
Ooi Chew Kun	-	-	9,816,861 ^(b)	9.93
Estate of Wong Thiam Loy	40,801	0.04	59,816,861 ^(c)	60.50
Kong See Kuan	-	-	59,857,662 ^(d)	60.54
Excellent Avenue (M) Sdn. Bhd.	50,000,000	50.57	-	-
Exclusive Vest Holdings Sdn. Bhd.	-	-	50,000,000 ^(e)	50.57
Hong Leong Bank Berhad	7,769,658	7.86	-	-
Davos Investment Holdings Private Limited	-	-	7,769,658 ^(f)	7.86
Kwek Leng Kee	-	-	7,769,658 ^(f)	7.86
Quek Leng Chye	-	-	7,769,658 ^(f)	7.86
Hong Realty (Private) Limited	-	-	7,769,658 ^(f)	7.86
Hong Leong Investment Holdings Pte. Ltd.	-	-	7,769,658 ^(f)	7.86
Kwek Holdings Pte Ltd	-	-	7,769,658 ^(f)	7.86
Kwek Leng Beng	-	-	7,769,658 ^(f)	7.86
Hong Leong Credit Berhad	-	-	7,769,658 ^(f)	7.86
Guoco Group Limited	-	-	7,769,658 ^(f)	7.86
Guoco Assets Sdn Bhd	-	-	7,769,658 ^(f)	7.86
Guoline Overseas Limited	-	-	7,769,658 ^(f)	7.86
Guoline Capital Assets Limited	-	-	7,769,658 ^(f)	7.86
Hong Leong Company (Malaysia) Berhad	-	-	7,769,658 ^(f)	7.86
HL Holdings Sdn Bhd	-	-	7,769,658 ^(f)	7.86
Tan Sri Quek Leng Chan	-	-	7,769,658 ^(f)	7.86

(a) Deemed interest by virtue of the Share Sale Agreement dated 10 December 2001 and Supplemental Agreement dated 10 June 2002.

(b) Deemed interest through his substantial shareholdings in Ample Potential Sdn. Bhd.

(c) Deemed interest through the late Mr. Wong Thiam Loy's substantial shareholdings in Ample Potential Sdn. Bhd. and the substantial shareholdings of his spouse, Madam Kong See Kuan's substantial shareholdings in Exclusive Vest Holdings Sdn. Bhd. which has substantial shareholdings in Excellent Avenue (M) Sdn. Bhd.

(d) Deemed interest through her substantial shareholdings in Exclusive Vest Holdings Sdn. Bhd. which has substantial shareholdings in Excellent Avenue (M) Sdn. Bhd. and her spouse, the late Mr. Wong Thiam Loy's direct shareholdings in the Company and the substantial shareholdings in Ample Potential Sdn. Bhd.

(e) Deemed interest through Excellent Avenue (M) Sdn. Bhd.

(f) Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965.

ANALYSIS OF SHAREHOLDINGS *(cont'd)*

Directors' Shareholdings as per the Register of Directors' Shareholding as at 29 April 2005

Name	Direct no. of shares	Percentage %	Indirect no. of shares	Percentage %
Tan Sri Dato' Kamaruzzaman Bin Shariff	-	-	-	-
Linda Goh Lay Choon	-	-	-	-
Yap Kiang Siang	-	-	-	-
Michael Lim Hee Kiang	-	-	-	-
Loh Chen Peng	-	-	-	-
Teoh Tek Siong	-	-	-	-

Top 30 Shareholders as per the Record of Depositors as at 29 April 2005

No.	Name	Shareholdings	%
1.	Excellent Avenue (M) Sdn Bhd	35,600,000	36.00
2.	AMMB Nominees (Tempatan) Sdn Bhd - Amtrustee Berhad for Excellent Avenue (M) Sdn Bhd	14,400,000	14.56
3.	HLB Nominees (Tempatan) Sdn Bhd - Hong Leong Bank Berhad	7,769,658	7.86
4.	HLB Nominees (Tempatan) Sdn Bhd - Ample Potential Sdn Bhd	4,489,400	4.54
5.	Mayban Nominees (Tempatan) Sdn Bhd - Mayban Investment Management Sdn Bhd for Malayan Banking Berhad	3,209,771	3.25
6.	HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Asakura Industry Sdn Bhd	2,120,200	2.14
7.	CIMSEC Nominees (Asing) Sdn Bhd - Pledged Securities Account for Kenneth Ian Cornford	1,468,300	1.48
8.	HLB Nominees (Tempatan) Sdn Bhd - Ample Potential Sdn Bhd	1,238,061	1.25
9.	CIMSEC Nominees (Tempatan) Sdn Bhd - EON Finance Berhad for Ng Sun Fatt	1,148,900	1.16
10.	HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Dasar Sejahtera Sdn Bhd	1,069,200	1.08
11.	CIMSEC Nominees (Asing) Sdn Bhd - Pledged Securities Account for Tan Siew Lan Beatrice	1,043,100	1.05
12.	CIMSEC Nominees (Asing) Sdn Bhd - Pledged Securities Account for Philip Seong Chee Liang	999,600	1.01
13.	AMSEC Nominees (Tempatan) Sdn Bhd - Ambank Berhad	938,393	0.95

ANALYSIS OF SHAREHOLDINGS *(cont'd)*

14.	Tham Sook Ling	650,000	0.66
15.	Teo Yong Sai	572,459	0.58
16.	HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Presentation Image Sdn Bhd	540,000	0.55
17.	Chow Poh Meng	410,200	0.41
18.	Lim Ai Gnoh	345,700	0.35
19.	Ong Chiew Kee	335,000	0.34
20.	TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Kwei Eng An	302,000	0.31
21.	Seow Wei Khong	286,100	0.29
22.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ng Nyuk Yong	273,600	0.28
23.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Seng Yong	257,000	0.26
24.	CIMSEC Nominees (Tempatan) Sdn Bhd - EON Finance Berhad for Tan Chong Thiam	250,300	0.25
25.	Siti Norza Binti Sidek	220,000	0.22
26.	Affin Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Thung Bong Miang	218,000	0.22
27.	Lim Chin Hua	210,000	0.21
28.	Ooi Boi Kwee	204,900	0.21
29.	AMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ng Yu Sin	200,000	0.20
30.	Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yee Eng King	200,000	0.20