

11. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

**ACCOUNTANTS' REPORT**

(Prepared for inclusion in this Prospectus)

8 February, 2001

The Board of Directors
 Bintulu Port Holdings Berhad
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Dear Sirs,

This report has been prepared for inclusion in the Prospectus of Bintulu Port Holdings Berhad ("BHB") to be dated 19 February, 2001 in connection with the public issue of 100,000,000 new ordinary shares of RM1.00 each in BHB at an issue price of RM2.00 per ordinary share ("Public Issue") and the listing of and quotation for its entire issued and fully paid-up share capital on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE").

A. GENERAL INFORMATION ON BHB AND ITS SUBSIDIARY, BINTULU PORT SDN BHD ("BPSB") ("BHB GROUP")

1. BHB

BHB was incorporated on 22 March, 1996 in Malaysia under the Companies Act, 1965 as a public limited company.

BHB is currently dormant but will operate as an investment holding company and also provide management support to its subsidiary.

The present authorised share capital of BHB is RM1,000,000,001 comprising 1,000,000,000 ordinary shares of RM1.00 each and one special rights redeemable preference share of RM1.00 ("BHB Special Share"). The paid-up share capital is RM2 comprising 2 ordinary shares of RM1.00 each.

The movement in BHB's issued and paid-up share capital in accordance with the restructuring is expected to be as follows:

	Number of shares of RM1.00 each
Subscribers' ordinary shares	2
Issue of ordinary shares as consideration for the acquisition of 100% equity interest in BPSB	299,999,998
Issue of BHB Special Share	1
Public Issue	100,000,000
Total issued and paid-up share capital	400,000,001

11. ACCOUNTANTS' REPORT *(Continued)*

2. The Subsidiary

The information on BPSB, a private limited company incorporated in Malaysia, is as follows:

BPSB was incorporated on 23 December, 1992 and was the vehicle used for the corporatisation of Bintulu Port Authority ("BPA") on 31 December, 1992.

The principal activity of BPSB is the provision of port services at Bintulu Port, Sarawak, which includes the operation, maintenance, management and provision of operational facilities and services.

The present authorised share capital of BPSB is RM500,000,000 comprising 499,999,999 ordinary shares of RM1.00 each and one special rights redeemable preference share of RM1.00. The issued and paid-up share capital of BPSB as at the date of this report is RM65,000,001 comprising 65,000,000 ordinary shares of RM1.00 each and one special rights redeemable preference share of RM1.00 ("BPSB Special Share").

The BPSB Special Share, which may only be held by or transferred to MoF Inc. or its successors or any Minister, representative or any person acting on behalf of the Government of Malaysia, carries certain rights as provided for in Article 9 of BPSB's Articles of Association ("Articles"). The rights attached to the BPSB Special Share are as follows:

- i) the right to appoint not more than three (3) persons at any time as Directors of BPSB;
- ii) the right to repayment of capital paid up on the BPSB Special Share in priority to any other member in the event of winding-up of BPSB; and
- iii) the right to require BPSB to redeem the BPSB Special Share at par at any time.

Certain matters, in particular, the alteration of specified Articles (including the Article relating to the limitation on shareholdings), any substantial disposal of assets, amalgamation, merger and takeover, require the prior approval of the holder of the BPSB Special Share.

The BPSB Special Share does not carry any right to vote at General Meetings but the holder is entitled to attend and speak at such meetings.

B. AUDITORS AND AUDITED ACCOUNTS

We were appointed to act as auditors of BHB and BPSB since the incorporation of these companies.

The accounts of BHB and BPSB for the entire period under review were reported on without any qualification.

11. ACCOUNTANTS' REPORT (Continued)

C. ACCOUNTING POLICIES AND STANDARDS

This report is prepared on a basis consistent with accounting policies normally adopted by BHB Group and in accordance with Malaysian Accounting Standards Board ("MASB") standards.

D. SUMMARISED PROFIT AND LOSS ACCOUNTS

1. Summarised results of BHB and its subsidiary

We set out below the summarised results of BHB and its subsidiary based on the audited accounts for the last five financial years from 31 December, 1995 to 31 December, 1999 and for the nine months period ended 30 September, 2000.

1.1 BHB

There is no audited financial track record for BHB, as it has not commenced operations.

1.2 BPSB

The summarised profit and loss accounts of BPSB for the past five financial years ended 31 December, 1995 to 31 December, 1999 and the nine months' period ended 30 September, 2000 are as follows:

	Financial Year Ended 31 December					Nine Months Period Ended 30 September,
	1995	1996	1997	1998	1999	2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	170,826	221,314	251,740	247,751	257,428	203,192
Other operating income	8,098	13,570	15,043	13,855	24,467	4,841
Operating expenses	(83,187)	(92,184)	(103,137)	(94,881)	(109,035)	(92,283)
Staff costs	(23,786)	(27,879)	(29,389)	(30,622)	(33,428)	(26,428)
Depreciation	(5,102)	(6,749)	(6,733)	(8,244)	(18,870)	(14,704)
Profit from operations	66,849	108,072	127,524	127,859	120,562	74,618
Finance costs	-	-	-	-	-	-
Profit before taxation	66,849	108,072	127,524	127,859	120,562	74,618
Taxation	(20,923)	(32,630)	(35,876)	(36,641)	288	(21,431)
Profit after taxation	45,926	75,442	91,648	91,218	120,850	53,187
Number of ordinary shares in issue ('000)	20,000	65,000	65,000	65,000	65,000	65,000
Weighted average number of shares ('000)	20,000	25,287	65,000	65,000	65,000	65,000
Earnings per share (RM)	2.30	2.98	1.41	1.40	1.86	1.09*
Gross dividend rate (%)	10.0	10.0	10.0	10.0	10.0	-

* Annualised

11. ACCOUNTANTS' REPORT (Continued)

Notes :

- (i) The above financial results have been prepared based on the audited accounts of BPSB after making such adjustments including prior year adjustments considered necessary for the respective financial years.
- (ii) The prior year adjustment is due to staff retirement gratuities not provided for previously after taking into account the related taxation, and have been reflected in the respective year's accounts, as summarised below :

	Financial Year Ended 31 December				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Staff retirement gratuities	670	1,303	1,441	1,692	1,938
Less : Applicable taxation	(201)	(391)	(404)	(474)	(543)
Underprovision net of tax	<u>469</u>	<u>912</u>	<u>1,037</u>	<u>1,218</u>	<u>1,395</u>

- (iii) Material (over)/under provision for taxation have been adjusted to the respective years in which they relate. The effect of the adjustments is as follows:

	Financial Year Ended 31 December				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
As per audited accounts	21,500	33,400	35,430	38,200	(1,230)
(Over)/under provision	(376)	(379)	850	(1,085)	1,485
	<u>21,124</u>	<u>33,021</u>	<u>36,280</u>	<u>37,115</u>	<u>255</u>
Tax effect of prior year adjustment of staff retirement gratuities	(201)	(391)	(404)	(474)	(543)
As restated	<u>20,923</u>	<u>32,630</u>	<u>35,876</u>	<u>36,641</u>	<u>(288)</u>

- (iv) The effect of the above adjustments on the profit after taxation is summarised below :

	Financial Year Ended 31 December				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
As per audited accounts	46,019	75,975	93,535	91,351	123,730
Staff retirement gratuities, net of tax	(469)	(912)	(1,037)	(1,218)	(1,395)
Tax over/(under) provision	376	379	(850)	1,085	(1,485)
Adjusted profit after taxation	<u>45,926</u>	<u>75,442</u>	<u>91,648</u>	<u>91,218</u>	<u>120,850</u>

- (v) The turnover of BPSB is derived from port dues, towage, harbouring, stevedoring, cargo handling, traffic and marine services and other port services rendered. The bulk of BPSB's turnover is from cargo in the form of Liquefied Natural Gas ("LNG").

11. ACCOUNTANTS' REPORT (Continued)

- (vi) The turnover had increased significantly from the year 1995 to the year 1997 mainly due to higher cargo throughput achieved in line with the increase in number of vessel calls. The cargo throughput handled had increased from 18.6 million tonnes in the year 1995 to 21.8 million tonnes in 1996 whilst for the year 1997, the cargo throughput was 24.5 million tonnes. The number of vessel calls also registered an increase from 3,297 in the year 1995 to 3,373 in 1996 and 3,824 in 1997.

The increase in profit from the year 1995 to the year 1997 was due to the higher rate of increase in turnover and interest income compared to the increase in operating expenses. The substantial increase in profit for the year ended 31 December, 1996 was also due to lower amortisation of purchased goodwill (for one year compared to three years' amortisation in the year 1995).

- (vii) The decrease in turnover for the financial year ended 31 December, 1998 was due to the decrease in cargo throughput and number of vessel calls by approximately 4.9% and 16.3% respectively as a result of the regional economic downturn. However, profit before taxation had improved slightly despite the decrease in turnover mainly due to cost cutting measures implemented by BPSB.
- (viii) The increase in turnover for the year 1999 was in tandem with the higher cargo throughput and number of vessel calls by approximately 1.3% and 5.1% respectively. However, profit for the year decreased slightly, mainly due to the increase in lease rental rate by 10% as well as higher depreciation expense.
- (ix) Turnover for the financial period ended 30 September, 2000 was higher in comparison to the corresponding period in the year 1999 mainly due to the increase in cargo throughput and number of vessel calls by approximately 4.0% and 18.0% respectively. However, a lower profit was achieved as higher repair and maintenance expenses were incurred, on top of the lower interest and investment income earned. Another major contributing factor for the lower profit was that a provision for diminution in value of investments amounting to almost RM7.8 million was made during the period.
- (x) Other income was derived mainly from interest income and dividend income for the entire period under review. In 1999, other income increased substantially due to the write back of provision for diminution in value of investments amounting to approximately RM6 million.
- (xi) The effective rate of taxation for the financial year ended 31 December, 1995 was higher than the statutory tax rate due to certain expenses being disallowed for tax purposes. Taxation on income for the financial year ended 31 December, 1999 was waived pursuant to the Income Tax (Amendment) Act, 1999. The taxation charge for the year was in relation to dividend income amounting to approximately RM155,000. However, there was a reversal of deferred taxation which amounted to about RM443,000 thus resulting in the net positive taxation of RM288,000.
- (xii) There were no extraordinary items or exceptional items during the period under review.

11. ACCOUNTANTS' REPORT (Continued)

1.3 Pro forma BHB Group

We set out below the summarised pro forma consolidated profit and loss accounts of BHB Group for the five (5) financial years ended 31 December, 1995 to 31 December, 1999 and the nine (9) months period ended 30 September, 2000.

	Financial Year Ended 31 December					Nine Months Period Ended 30 September,
	1995	1996	1997	1998	1999	2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	170,826	221,314	251,740	247,751	257,428	203,192
Other operating income	8,098	13,570	15,043	13,855	24,467	4,841
Operating expenses	(83,187)	(92,184)	(103,137)	(94,881)	(109,035)	(92,283)
Staff costs	(23,786)	(27,879)	(29,389)	(30,622)	(33,428)	(26,428)
Depreciation	(5,102)	(6,749)	(6,733)	(8,244)	(18,870)	(14,704)
Profit from operations	66,849	108,072	127,524	127,859	120,562	74,618
Finance costs	-	-	-	-	-	-
Profit before taxation	66,849	108,072	127,524	127,859	120,562	74,618
Taxation	(20,923)	(32,630)	(35,876)	(36,641)	288	(21,431)
Profit after taxation	45,926	75,442	91,648	91,218	120,850	53,187
Number of ordinary shares assumed in issue ('000)	300,000	300,000	300,000	300,000	300,000	300,000
Earnings per share (RM)	0.15	0.25	0.31	0.30	0.40	0.24*
Gross dividend rate (%)	-	-	-	-	-	-

* Annualised

Notes :

- (i) BHB has not commenced operations and thus, the pro forma consolidated profit and loss accounts of BHB Group comprises the financial results of BPSB only.
- (ii) The pro forma consolidated financial results of BHB Group have been prepared for illustrative purposes only, on the assumption that the BHB Group has been in existence throughout the period under review, based on the audited accounts of BPSB after making such adjustments including prior year adjustments as considered necessary. There is no goodwill as the pro forma BHB Group's results have been consolidated based on the merger method of accounting.
- (iii) For details of the adjustments made and review of the results of BPSB, please refer to Section D 1.2.
- (iv) The number of ordinary shares assumed in issue throughout the financial years and period under review is the number of ordinary shares in issue after the acquisition of BPSB.
- (v) There were no extraordinary items or exceptional items during the period under review.

11. ACCOUNTANTS' REPORT (Continued)

- (vi) There is no provision for minority interests as BHB holds the entire ordinary share capital in BPSB. The BPSB Special Share held by MoF Inc. only carries the right to repayment of the par value on the BPSB Special Share of RM1.00 in the event of winding-up of BPSB and does not carry any rights to dividends.

E. SUMMARISED BALANCE SHEETS

1. Summarised balance sheets of BHB and its subsidiary

We set out below the summarised balance sheets of BHB and its subsidiary based on the audited accounts for the last five (5) financial years as at 31 December, 1995 to 31 December, 1999 and as at 30 September, 2000.

1.1 BHB

	As at 31 December				As at
	1996	1997	1998	1999	30 September,
	RM'000	RM'000	RM'000	RM'000	2000
					RM'000
CURRENT ASSETS					
Cash and bank balances	*	*	1	1	1
CURRENT LIABILITIES					
Other creditors	591	707	745	808	811
NET CURRENT LIABILITIES	(591)	(707)	(744)	(807)	(810)
INTANGIBLE ASSETS	72	72	72	72	73
DEFERRED EXPENDITURE	519	635	672	735	737
	*	*	*	*	*
SHAREHOLDERS' FUNDS					
Share capital	*	*	*	*	*
Net liabilities (RM'000)	(591)	(707)	(744)	(807)	(810)
Net liabilities per ordinary share (RM)	(295,500)	(353,500)	(372,000)	(403,500)	(405,000)

* RM2

Note :

BHB was incorporated on 22 March, 1996 and its first set of accounts was made up from 22 March, 1996 to 31 December, 1996.

11. ACCOUNTANTS' REPORT (Continued)

1.2 BPSB

	As at 31 December					As at 30 September,
	1995	1996	1997	1998	1999	2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CURRENT ASSETS						
Cash and bank balances	3,778	11,326	18,969	18,807	17,512	15,741
Fixed deposits	141,558	193,981	178,519	157,843	235,462	229,784
Trade debtors	10,426	11,661	7,542	12,568	9,616	11,866
Other debtors	18,038	17,944	15,707	23,544	25,402	26,525
	<u>173,800</u>	<u>234,912</u>	<u>220,737</u>	<u>212,762</u>	<u>287,992</u>	<u>283,916</u>
CURRENT LIABILITIES						
Other creditors	8,059	13,664	36,289	51,559	39,247	26,025
Due to holding company	67,882*	45,526	-	-	-	-
Taxation	18,187	30,166	51,914	58,193	37,073	6,762
Proposed dividend	1,400	5,950	4,680	4,680	6,500	-
	<u>95,528</u>	<u>95,306</u>	<u>92,883</u>	<u>114,432</u>	<u>82,820</u>	<u>32,787</u>
NET CURRENT ASSETS	78,272	139,606	127,854	98,330	205,172	251,129
INVESTMENTS	-	5,000	19,644	41,577	55,801	58,737
FIXED ASSETS	46,603	99,118	181,752	287,880	283,799	287,052
PURCHASED GOODWILL	22,383	20,606	19,624	18,643	17,662	16,926
DEFERRED TAXATION	(8,049)	(7,758)	(3,655)	(12,781)	(12,338)	(8,652)
STAFF RETIREMENT GRATUITIES	(3,474)	(4,945)	(6,624)	(8,516)	(10,613)	(12,522)
	<u>135,735</u>	<u>251,627</u>	<u>338,595</u>	<u>425,133</u>	<u>539,483</u>	<u>592,670</u>
SHAREHOLDERS' FUNDS						
Share capital	20,000	65,000	65,000	65,000	65,000	65,000
Retained profit	115,735	186,627	273,595	360,133	474,483	527,670
	<u>135,735</u>	<u>251,627</u>	<u>338,595</u>	<u>425,133</u>	<u>539,483</u>	<u>592,670</u>
Net tangible assets (RM'000)	113,352	231,021	318,971	406,490	521,821	575,744
Net tangible assets per ordinary share (RM)	5.67	3.55	4.91	6.25	8.03	8.86

* The sole shareholder of BPSB prior to 31 March, 1997 was BPA. On 31 March, 1997, BPA transferred its entire shareholding to MoF Inc. and the amount due to it was subsequently reclassified to other creditors.

11. ACCOUNTANTS' REPORT (Continued)

1.3 Pro forma BHB Group

The summarised pro forma consolidated balance sheets of BHB Group for the five (5) financial years as at 31 December, 1995 to 31 December, 1999 and as at 30 September, 2000 are set out below.

	As at 31 December				As at 30 September,	
	1995	1996	1997	1998	1999	2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CURRENT ASSETS						
Cash and bank balances	3,778	11,326	18,969	18,808	17,513	15,742
Fixed deposits	141,558	193,981	178,519	157,843	235,462	318,784
Trade debtors	10,426	11,660	7,542	12,568	9,616	11,866
Other debtors	18,038	17,355	15,001	22,800	24,594	25,715
	<u>173,800</u>	<u>234,322</u>	<u>220,031</u>	<u>212,019</u>	<u>287,185</u>	<u>372,107</u>
CURRENT LIABILITIES						
Other creditors	30,941	59,191	36,289	51,560	39,247	26,026
Taxation	18,187	30,166	51,915	58,193	37,073	6,762
Proposed dividend	1,400	5,950	4,680	4,680	6,500	-
	<u>50,528</u>	<u>95,307</u>	<u>92,884</u>	<u>114,433</u>	<u>82,820</u>	<u>32,788</u>
NET CURRENT ASSETS	123,272	139,015	127,147	97,586	204,365	339,319
INVESTMENTS	-	5,000	19,644	41,577	55,801	58,737
FIXED ASSETS	46,603	99,118	181,752	287,880	283,799	287,052
INTANGIBLE ASSETS	-	72	72	72	72	73
PURCHASED GOODWILL	22,383	20,606	19,624	18,643	17,662	16,926
DEFERRED EXPENDITURE	-	519	635	672	735	-
DEFERRED TAXATION	(8,049)	(7,758)	(3,655)	(12,781)	(12,338)	(8,652)
STAFF RETIREMENT GRATUITIES	(3,474)	(4,945)	(6,624)	(8,516)	(10,613)	(12,522)
	<u>180,735</u>	<u>251,627</u>	<u>338,595</u>	<u>425,133</u>	<u>539,483</u>	<u>680,933</u>
SHAREHOLDERS' FUNDS						
Share capital	300,000	300,000	300,000	300,000	300,000	400,000
Reserves	(119,265)	(48,373)	38,595	125,133	239,483	280,933
	<u>180,735</u>	<u>251,627</u>	<u>338,595</u>	<u>425,133</u>	<u>539,483</u>	<u>680,933</u>
Net tangible assets (RM'000)	158,352	230,430	318,264	405,746	521,014	663,934
Net tangible assets per ordinary share (RM)	0.53	0.77	1.06	1.35	1.74	1.66

Note :

- The consolidated balance sheets of BHB Group have been prepared for illustrative purposes only on the basis that BHB Group has been in existence throughout the period under review, based on the audited accounts of BHB and BPSB for the financial years ended 31 December, 1995 to 31 December, 1999 and for the financial period ended 30 September, 2000, after making such adjustments considered necessary.
- There is no provision for minority interests as BHB holds the entire ordinary share capital in BPSB. The BPSB Special Share held by MoF Inc. only carries the right to repayment of the par value on the BPSB Special Share of RM1.00 in the event of winding-up of BPSB and does not carry any rights to dividends.

11. ACCOUNTANTS' REPORT (Continued)

F. PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF BHB GROUP ("PRO FORMA GROUP") AS AT 30 SEPTEMBER, 2000

The following pro forma statement of assets and liabilities has been prepared based on the audited accounts of BHB and BPSB as at 30 September, 2000 and should be read in conjunction with the notes thereto. The pro forma statement of assets and liabilities has been prepared for illustrative purposes only, incorporating the effects of the acquisition of BPSB, the issue of the BHB Special Share and the Public Issue as though they were effected on 30 September, 2000.

	Note	Pro forma Group RM'000	BHB RM'000
CURRENT ASSETS			
Cash and bank balances		15,742	1
Fixed deposits	H.2	318,784	-
Trade debtors		11,866	-
Other debtors	H.3	25,715	-
		<u>372,107</u>	<u>1</u>
CURRENT LIABILITIES			
Other creditors		26,026	811
Taxation		6,762	-
		<u>32,788</u>	<u>811</u>
NET CURRENT ASSETS/(LIABILITIES)		339,319	(810)
FIXED ASSETS	H.4	287,052	-
INVESTMENTS	H.5	58,737	-
PURCHASED GOODWILL	H.6	16,926	-
INTANGIBLE ASSETS	H.7	73	73
DEFERRED EXPENDITURE	H.8	-	737
DEFERRED TAXATION	H.9	(8,652)	-
STAFF RETIREMENT GRATUITIES		(12,522)	-
		<u>680,933</u>	<u>*</u>
SHAREHOLDERS' FUNDS			
Share capital	H.10	400,000	*
Reserves	H.11	280,933	-
		<u>680,933</u>	<u>*</u>
Net tangible assets/(liabilities) per ordinary share (RM)		<u>1.66</u>	<u>(404,999)</u>

* RM2

11. ACCOUNTANTS' REPORT (Continued)

G. PRO FORMA CASH FLOW STATEMENT OF BHB GROUP FOR THE PERIOD ENDED 30 SEPTEMBER, 2000

The following pro forma cash flow statement has been prepared for illustrative purposes only, based on the audited accounts of BHB and BPSB as at 30 September, 2000 and incorporating the effects of the acquisition of BPSB, the issue of the BHB Special Share and the Public Issue as though they were effected on 30 September, 2000.

	Pro forma Group RM'000	BHB RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	74,618	-
Adjustment for :		
Depreciation	14,704	-
Amortisation of goodwill	736	-
Provision for staff retirement gratuities	2,257	-
Loss on disposal of fixed assets	1	-
Provision for diminution in value of investments	7,760	-
Dividend income	(904)	-
Interest income	(6,376)	-
	-----	-----
Operating profit before working capital changes	92,796	-
Increase in debtors	(3,151)	-
Decrease in creditors	(13,222)	2
Increase in deferred expenditure	(2)	(2)
	-----	-----
Cash generated from operations	76,421	-
Taxes paid	(55,342)	-
Staff retirement gratuities paid	(348)	-
	-----	-----
Net cash from operating activities	20,731	-
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of investments	(10,696)	-
Purchase of fixed assets	(17,958)	-
Interest received	6,156	-
Dividend received	818	-
	-----	-----
Net cash used in investing activities	(21,680)	-
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	200,000	-
Listing expenses paid	(11,000)	-
Dividend paid	(106,500)	-
	-----	-----
Net cash from financing activities	82,500	-
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	81,551	-
CASH AND CASH EQUIVALENTS AT 1 JANUARY, 2000	252,975	1
	-----	-----
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER, 2000	334,526	1
	=====	=====
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	15,742	1
Fixed deposits	318,784	-
	-----	-----
	334,526	1
	=====	=====

11. ACCOUNTANTS' REPORT (Continued)

H. NOTES TO THE PRO FORMA STATEMENT OF ASSETS AND LIABILITIES**1. SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of Accounting**

The pro forma statement of assets and liabilities has been prepared under the historical cost convention and comply with applicable approved accounting standards in Malaysia.

(b) Basis of Consolidation

The pro forma statement of assets and liabilities have been prepared based on the audited accounts of BHB and BPSB as at 30 September, 2000, on the assumption that the acquisition of BPSB and Public Issue have been effected as at 30 September, 2000 and that the BHB Group has been in existence as at that date.

The subsidiary is consolidated using the merger accounting in accordance with the Malaysian Accounting Standard 2, Accounting for Acquisitions and Mergers. When merger method is used, the cost of investment in BHB's book is recorded as the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve/deficit. The results of the subsidiary being merged are included as if the merger had been effected throughout the current and previous financial years.

(c) Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is not provided on construction-in-progress. Depreciation of other fixed assets is provided on a straight-line basis calculated to write off the cost of each asset over its estimated useful life.

The principal annual rates of depreciation are:

Buildings & port structures	Over 22 to 25 years
Machinery & equipment	4% - 28%
Motor vehicles	14% - 45%
Office furniture, fittings & equipment	10% - 45%
Vessels	5% - 39%

Fixed assets transferred from BPA on 1 January, 1993 of approximately RM38 million are depreciated over their remaining useful lives.

(d) Purchased Goodwill

Goodwill resulting from the acquisition of the business from BPA is amortised over twenty-five (25) years.

11. ACCOUNTANTS' REPORT (Continued)

(e) Intangible Assets

Intangible assets comprise formation and pre-operating expenses stated at cost and will be written off upon commencement of operations.

(f) Deferred Taxation

Deferred taxation is provided under the liability method for all material timing differences except where there is reasonable evidence that these timing differences will not reverse in the foreseeable future.

(g) Deferred Expenditure

Expenditure incurred in connection with the corporate listing exercise undertaken by BHB has been deferred and will be written off upon completion of the said exercise.

(h) Investments

Investments are stated at cost less provision for any permanent diminution in value.

(i) Staff Retirement Gratuities

Provision on staff retirement gratuities is calculated based on the current emoluments of the employees and the length of their service to the extent of the BHB Group's contractual liability at the period end.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and fixed deposits.

2. FIXED DEPOSITS

	Pro forma Group RM'000
Fixed deposits with licensed banks	215,689
Fixed deposits with licensed finance companies	103,095
	<u>318,784</u>

Included in fixed deposits with licensed banks is an amount of RM515,000 pledged to banks for bank guarantee facilities granted to BPSB.

3. OTHER DEBTORS

Included in other debtors of the Pro forma Group is an amount of RM10,857,000 being progress payments made for housing project.

11. ACCOUNTANTS' REPORT (Continued)

4. FIXED ASSETS

Pro forma Group

	Buildings & port structures RM'000	Machinery & equipment RM'000	Office furniture, fittings, equipment & motor vehicles RM'000	Vessels RM'000	Construction -in-progress RM'000	Total RM'000
Cost						
At 01.01.2000	207,017	61,133	14,753	36,022	18,140	337,065
Additions	195	7,176	66	-	10,522	17,959
Disposals	-	(2)	-	-	-	(2)
Transfers	16,529	-	-	-	(16,529)	-
At 30.09.2000	223,741	68,307	14,819	36,022	12,133	355,022
Accumulated Depreciation						
At 01.01.2000	9,645	16,492	7,091	20,038	-	53,266
Additions	6,151	5,195	1,068	2,290	-	14,704
Disposals	-	-	-	-	-	-
At 30.09.2000	15,796	21,687	8,159	22,328	-	67,970
Net Book Value						
At 30.09.2000	207,945	46,620	6,660	13,694	12,133	287,052

Buildings and port structures are sited on the lands which are leased from the BPA. These land leases will expire in the year 2022.

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11. ACCOUNTANTS' REPORT (Continued)

5. INVESTMENTS

	Pro forma Group RM'000
Portfolio Investments:	
Quoted shares, at cost	47,172
Private debt securities, at cost	353
Malaysian government securities, at cost	642
Placements with financial institutions	8,436

Total portfolio investment	56,603
Quoted unit trusts, at cost	11,300

Total investments	67,903
Provision for diminution in value of quoted unit trusts and quoted shares	(9,166)

	<u>58,737</u>
Market value of:	
Quoted unit trusts	9,342
Private debt securities	419
Malaysian government securities	654
Quoted shares	40,188

	<u>50,603</u>

6. PURCHASED GOODWILL

	Pro forma Group RM'000
At cost	24,531
Accumulated amortisation	(7,605)

	<u>16,926</u>

Purchased goodwill represents the amount paid for the purchase of the business from BPA based on the Privatisation Agreement between the Government of Malaysia, BPA and BPSB.

7. INTANGIBLE ASSETS

	Pro forma Group and BHB RM'000
At cost:	
Formation expenses	70
Pre-operating expenses	3

	<u>73</u>

11. ACCOUNTANTS' REPORT (Continued)

8. DEFERRED EXPENDITURE

Deferred expenditure of BHB comprises cost incurred for corporate exercises being undertaken by BHB and has been written off.

9. DEFERRED TAXATION

	Pro forma Group RM'000
Balance as at 1 January, 2000	12,338
Transfer to profit and loss account	(3,686)

Balance as at 30 September, 2000	<u>8,652</u>

The deferred taxation provided in the accounts is in respect of :

Excess of capital allowance over book depreciation	14,724
Staff retirement gratuities	(3,506)
Other timing differences	(2,566)

	<u>8,652</u>

10. SHARE CAPITAL

	Pro forma Group RM
Authorised :	
Ordinary shares of RM1.00 each	1,000,000,000
BHB Special Share of RM1.00	1

	<u>1,000,000,001</u>
Issued and fully paid :	
As at 1 January, 2000	2
Consideration for the acquisition of BPSB	299,999,998
Issue of BHB Special Share	1
Public Issue	100,000,000

As at 30 September, 2000	<u>400,000,001</u>

11. ACCOUNTANTS' REPORT (Continued)

11. RESERVES

	Pro forma Group RM'000
(a) Non-distributable :	
Share premium account	
At beginning of period	-
Public Issue at RM2.00 per share	100,000
Less : Estimated listing expenses	(11,000)
Less : Listing expenses incurred in prior years	(737)

At end of period	88,263

(b) Distributable :	
Retained profit	527,670
Merger deficit	(235,000)
Special dividend paid to MoF Inc.	(100,000)

	192,670

Total	280,933
	=====

12. COMMITMENTS

	Pro forma Group RM'000
(a) Capital commitments:	
Authorised and contracted for:	
Purchase of vessels, machinery and equipment	24,401
Construction of buildings	8,147

	32,548

Authorised but not contracted for:	
Purchase of vessels, machinery and equipment	71,714
Construction of building	1,280

	72,994

Total	105,542
	=====

Capital commitments amounting to RM34,542,000 will be financed from the internally generated funds and the remaining capital commitments of RM71,000,000 will be financed from the proceeds of the Public Issue.

11. ACCOUNTANTS' REPORT (Continued)

12. COMMITMENTS (Cont'd)**(b) Lease commitments :**

As at 30 September, 2000, the Pro forma Group has lease commitments amounting to RM1,966,232,000 in respect of leases for land, buildings and port structures at Bintulu Port payable to BPA extending to 31 December, 2022. An analysis of these commitments is as follows:

	Pro forma Group RM'000
Lease commitments :	
- within one year	61,386
- between one and five years	270,184
- over five years	1,634,662
	<u>1,966,232</u>

A supplementary lease rental of RM1.00 per tonne is payable for each and every additional tonne exceeding a pre determined limit stipulated in the privatisation agreement.

(c) Other commitments :

	Pro forma Group RM'000
Progress payment for housing project	<u>13,240</u>

13. SUBSEQUENT EVENTS

- (a) On 5 December, 2000, BHB signed an underwriting agreement with one managing underwriter and eight underwriters for the underwriting of 100 million ordinary shares of RM1.00 each of the Company at an issue price of RM2.00 per share in respect of the Public Issue.
- (b) On 13 December, 2000, BHB entered into a share sale agreement to acquire the entire equity interest in BPSB representing 65,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM428,369,536 to be satisfied by way of issuance of 299,999,998 new BHB Shares of RM1.00 each at an issue price of approximately RM1.43 per BHB Share.

11. ACCOUNTANTS' REPORT (Continued)

14. PRO FORMA NET TANGIBLE ASSETS COVER

Based on the pro forma statement of assets and liabilities as at 30 September, 2000 and after adjusting for the Public Issue and estimated listing expenses, the pro forma consolidated net tangible assets cover will be as follows:

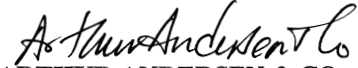
	RM
Net assets of BHB Group as at 30 September, 2000	680,933,000
Less : Purchased goodwill	(16,926,000)
Intangible assets	(73,000)


Adjusted net tangible assets	663,934,000
	=====
Number of ordinary shares of RM1.00 each	400,000,000
	=====
Pro forma net tangible assets per ordinary share (RM)	1.66
	=====

15. ACCOUNTS

No audited accounts of BHB and BPSB have been prepared in respect of any period subsequent to 30 September, 2000.

Yours faithfully


ARTHUR ANDERSEN & CO.
 No. AF 0103
 Public Accountants


CHIN MUI KHIONG PETER
 No. 1881/03/02 (J)
 Partner of the Firm

12. VALUATION CERTIFICATE

(Prepared for inclusion in this Prospectus)



HASB CONSULTANTS SDN BHD

(Formerly known as Hasmi & Associates Sdn Bhd)
No. 49-2 Jalan 3/76D, Desa Pandan, 55100 Kuala Lumpur
Tel: 03-981 0733 Fax: 03-985 2297 E-mail: hasbkl@hotmail.com

(Co. No. 171138-T) (Reg. No. VE(1) 0121)

Chartered Valuation Surveyors
Registered Valuers & Estate Agents
Property Managers & Project Consultants

8th. February 2001

The Board of Directors
BINTULU PORT HOLDINGS BERHAD
Lot 15, Block 20
Kemena Land District
12th Mile, Tanjung Kidurong Road
97008 Bintulu
Sarawak

Dear Sirs

REPORT AND VALUATION OF THE LANDED PROPERTIES OF BINTULU PORT SDN. BHD.

In accordance with your instructions, this letter has been prepared for inclusion in the Prospectus of Bintulu Port Holdings Berhad to be dated 19th. February 2001 in conjunction with its listing on the Main Board of Kuala Lumpur Stock Exchange.

We are pleased to confirm that we have valued the above-mentioned properties vide our report and valuation bearing reference no: HASB/BPSB/2000-260 dated 15th. November 2000 and HASB/BPSB/2000-260(1) dated 5th. December 2000 for purposes of submission to the Securities Commission for public listing purposes.

The inspection of the landed properties was carried out from 2nd. November 2000 to 4th. November 2000 for the purpose of ascertaining the nature of the general location, access, topography and neighbourhood. In the case of buildings, structures and improvements, internal and external inspections were carried out and details that are visible from inspection such as building construction, usage, accommodation, services, facilities and state of repairs were noted. The material date of valuation of the landed properties is taken as 3rd. November 2000.

The basis of valuation are Market Value for Existing Use ("EUV") for the unexpired term of twenty-two (22) years leasehold interest in the landed properties as well as the Depreciation Replacement Cost ("DRC") based on Guidelines on Asset Valuations issued by the Securities Commission and professional standards prescribed by the Board of Valuers, Appraisers & Estate Agents and other professional bodies.

The term "EUV" is defined as the Market Value of an asset based on continuation of its existing use, assuming the asset could be sold in the open market for its existing use. The term "DRC" is defined as the current Market Value of the land for its existing use as well as the Gross Current Replacement Cost ("GCRC") of the improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimisation, subject to adequate potential profitability or service potential of the business having due regard to the value of the total assets employed and the nature of the operation. The term "GCRC" is defined as the cost of replacing the asset with an identical or substantially similar new asset having a similar output or service potential, including sales taxes and duties, freight and transport charges, consultants' fees, fees payable to public authorities' requirements and installation and commissioning.

Information and data on the above mentioned valuation were obtained from various sources which include the Bintulu Land and Survey Department, Bintulu Development Authority, the Valuation and Property Services Department, enquiries made on the field and information from Bintulu Port Sdn. Bhd.

12. VALUATION CERTIFICATE (Continued)

The valuation is carried out on the assumption that the lease agreements would be registrable and valid for the unexpired term of twenty-two (22) years leasehold interest.

A combination of Comparison Method and Cost Method of Valuation was used in arriving at the value of the landed properties.

The summary of valuation is as follows:-

Subject Property	Registered / beneficial owner	Existing use / Description	Valuation Methods	Tenure / Age of building	Land Area sq. ft.	Gross Floor Area sq. ft.	Market Value as at 03.11.2000 RM
(a) Land							
▪ Part of Lot 15 & 37, Kemena Land District, Bintulu, Sarawak (Alienated Land)	Federal Lands Commissioner	The surveyed land area identified in the Agreement to Sub-lease (Alienated Land) dated 31.12.1992	Comparison	Leasehold (expiring on 31.12.2022)	4,415,170	-	49,372,000
▪ Part of Lot 15 & 37, Kemena Land District, Bintulu, Sarawak ("BICT Land")	Federal Lands Commissioner	The surveyed land area which covers the Bintulu International Container Terminal ("BICT")	Comparison	Leasehold (expiring on 31.12.2022)	2,693,037	-	
(b) Buildings, Structures and Improvements Held for Owner Occupation							
(i) Built on Alienated Land							
▪ Traffic Warehouse	BPSB	-	Cost	7 years	-	31,948	}
▪ Single Storey Office Building	BPSB	-	Cost	6 years	-	6,935	
(ii) Built on BICT Land							
▪ Receipt and Delivery Building	BPSB	-	Cost	2 years	-	12,110	}
▪ Gate House	BPSB	-	Cost	2 years	-	5,015	
▪ Crane Service Station	BPSB	-	Cost	2 years	-	4,650	}
▪ Custom Examination Shed	BPSB	-	Cost	1 year	-	2,583	
▪ Canteen Building	BPSB	-	Cost	2 years	-	11,959	}
▪ Marine Operation Building	BPSB	-	Cost	2 years	-	16,534	
▪ Marine Maintenance Workshop	BPSB	-	Cost	1 year	-	9,300	}
▪ Wisma Kontena Building	BPSB	-	Cost	1 year	-	69,727	
▪ Access Road (including 2 bridges)	BPSB	-	Cost	2 years	-	*	}

12. VALUATION CERTIFICATE *(Continued)*

Subject Property	Registered / Beneficial Owner	Existing use / Description	Valuation Methods	Tenure / Age of Building	Land Area sq. ft.	Gross Floor Area sq. ft.	Market Value as at 03.11.2000 RM
(b) Buildings, Structures and Improvements Held for Owner Occupation <i>(Continued)</i>							
(ii) Built on BICT Land <i>(Continued)</i>							
▪ Container Stacking and Operations Yard	BPSB	-	Cost	1 year	-	1,937,229	}
▪ Main Intake Sub-station	BPSB	-	Cost	1 year	-	2,174	
▪ Quay Crane Sub-station	BPSB	-	Cost	1 year	-	1,485	
▪ CFS Sub-station	BPSB	-	Cost	1 year	-	904	
▪ Marine Operation Sub-station	BPSB	-	Cost	1 year	-	1,098	
▪ Office Building for Health, Safety and Environment#	BPSB	-	Cost	50% completed	-	19,342	
▪ Office Building for Technical Services Division#	BPSB	-	Cost	50% completed	-	33,959	
▪ Wharves 4 & 5	BPSB	-	Cost	1 year	-	168,053	
▪ Small Craft Harbour	BPSB	-	Cost	1 year	-	*	
▪ Gravel Jetty	BPSB	-	Cost	3 years	-	9,085	
Total					7,108,207	2,344,090	253,362,000

Note:-

* The Access Road (including 2 bridges) and the Small Craft Harbour are descriptive improvements and structures, which are not quantified in floor area measurement.

The cost of construction for these buildings (Office Building for Health, Safety and Environment and Office Building for Technical Services Division) is to be borne equally by Bintulu Port Sdn. Bhd. and Bintulu Port Authority

We certify that in our opinion the total Market Value for existing use for the unexpired term of twenty-two (22) years leasehold interest in the above landed properties using the valuation methods stated above amounts to **RM253,362,000.00 (Ringgit Malaysia : Two Hundred Fifty Three Million Three Hundred Sixty Two Thousand Only)**.

Yours faithfully,
HASB CONSULTANTS SDN. BHD.



MOHAMAD BASRI RAHMAT
BSc (Hons) MSc MISM ARICS
Chartered Valuation Surveyor
Registered Valuer (V364)

13. **DIRECTORS' REPORT**

(Prepared for inclusion in this Prospectus)



BINTULU PORT HOLDINGS BERHAD

(380802-T)

Registered Address: Lot 15, Block 20, Kemena Land District, 12th Mile,
Tanjung Kidurong Road, 97008 Bintulu, Sarawak, Malaysia

Postal Address: P. O. Box 996, 97008 Bintulu, Sarawak, Malaysia

Tel: 086-251001 (20 Lines) Fax: 086-253597 Telex: BIPOINT MA 73179

8 February 2001

The Shareholders
Bintulu Port Holdings Berhad

Dear Sirs/Madam

On behalf of the Directors of Bintulu Port Holdings Berhad ("BHB"), I report after due inquiry that during the period from 30 September 2000 (being the date to which the last audited accounts of BHB and its subsidiary ("BHB Group") have been made up) to 8 February 2001 (being a date not earlier than fourteen (14) days before the issue of this Prospectus):-

- (a) The business of the BHB Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) In the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the BHB Group which have adversely affected the trading or the value of the assets of the BHB Group;
- (c) The current assets of the BHB Group appear in the books at values, which are believed to be realisable in the ordinary course of business;
- (d) Save as disclosed in this Prospectus, there are no contingent liabilities by reason of any guarantees or indemnities given by the BHB Group; and
- (e) Save as disclosed in this Prospectus, there have been, since the last audited accounts of the BHB Group no changes in the published reserves or any unusual factors affecting the profit of the BHB Group.

Yours faithfully
For and on behalf of the Board of Directors
of **BINTULU PORT HOLDINGS BERHAD**

Datuk Mohamed Adnan bin Ali
Independent Non-Executive Chairman