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## 9. RELATIONSHIP WITH THE GOVERNMENT *(Continued)*

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### 9.2 BHB's Relationship with PETRONAS

PETRONAS was incorporated in 1974 under the Malaysian Companies Act as the national oil and gas company of Malaysia. PETRONAS is 99.99%-owned by MoF Inc. and was vested the entire ownership of oil and natural gas resources in the country under the Petroleum Development Act, 1974.

PETRONAS holds 65% and 60% equity interest in MLNG and MLNG Dua, respectively, which are engaged in the liquefaction of natural gas and marketing of LNG. MLNG and MLNG Dua own LNG-1 and LNG-2 plants respectively which are connected by pipes to the LNG-1 and LNG-2 jetties in Bintulu Port. Both LNG-1 and LNG-2 plants can accommodate a capacity of 7.6 million and 8.1 million tonnes of LNG respectively. MLNG Tiga is also currently planning to develop LNG-3 plant which is scheduled to take off in the year 2002 and will be located adjacent to the existing facilities. The LNG-3 plant is capable of producing 6.8 million tonnes per year once it reaches full production.

PETRONAS would own 20% of BHB's equity interest pursuant to the IPO. Since PETRONAS will be one of the substantial shareholders in BHB, it may have the ability to influence substantially business decisions and direction of the Company, as well as the determination on all matters submitted for shareholders' vote. This would be particularly pertinent on matters relating to tariffs on the LNG-1 and LNG-2 jetties as the subsidiaries of PETRONAS namely, MLNG and MLNG Dua, are the largest contributors to BHB's earnings, accounting for approximately 81.5% of the consolidated revenue of BHB in FY 1999. However, the KLSE Listing Requirements would disallow PETRONAS and, by association MoF Inc., to vote on matters involving the interests of PETRONAS which require the shareholders' approval.

### 9.3 The Government as a Shareholder

Pursuant to the IPO, the Government through by MoF Inc. will own 41% of the enlarged issued and paid-up share capital and together with PETRONAS, a subsidiary of MoF Inc., will own collectively 61% of the enlarged issued and paid-up share capital of BHB.

#### 9.3.1 The BHB Special Share and BPSB Special Share

The BHB Special Share and BPSB Special Share would enable the Government, through MoF Inc., to ensure that certain major decisions affecting the operations of BHB and BPSB are consistent with its policy.

The BHB/BPSB Special Shareholder is currently MoF Inc. but may be transferred to its successor or any Minister of the Malaysian Cabinet, representative or any person acting on behalf of the Government. The BHB/BPSB Special Shareholder or any person acting on behalf of the BHB/BPSB Special Shareholder shall be entitled to receive notice of and to speak at all general meetings or any other meetings of any class of shareholders of the BHB/BPSB, but the BHB Special Share and BPSB Special Share shall carry no right to vote nor any other rights at any such meetings.

Certain matters, in particular the alteration of the Articles of Association of BHB/BPSB relating to the rights of the BHB/BPSB Special Shareholder, proposed dissolution of BHB/BPSB, any substantial acquisitions and disposal of assets, any acquisitions, takeover by BHB/BPSB, amalgamation, merger and takeover or change in the operations carried on by BHB/BPSB, require the prior consent of the BHB/BPSB Special Shareholder.

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**9. RELATIONSHIP WITH THE GOVERNMENT (Continued)**

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The BHB/BPSB Special Shareholder may, subject to the provisions of the Act, require BHB/BPSB to redeem the BHB Special Share/BPSB Special Share at par at any time by serving written notice upon BHB/BPSB and delivering the relevant share certificates. In a distribution of capital in a winding-up of BHB/BPSB, the BHB/BPSB Special Shareholder shall be entitled to repayment of the capital paid-up on the BHB Special Share/BPSB Special Share in priority to any repayment of capital to any other member. The BHB Special Share/BPSB Special Share shall confer no other right to participate in the capital or profits of BHB/BPSB.

**9.3.2 Common Interest in BHB and PETRONAS**

The Government through MoF Inc. owns 99.9% of the equity interest in PETRONAS. As set out in 9.2 above, pursuant to the IPO, the Government through MoF Inc. would own 41.0% of the equity interest in BHB. Bearing in mind that PETRONAS would also be holding a 20% equity interest in BHB pursuant to the IPO, there is no assurance that the interest of the Government would be congruent with the interests of the other shareholders in matters where there is conflict between BHB and PETRONAS.

**9.3.3 Government Appointed Directors**

As the BHB and BPSB Special Shareholder, the Government, represented by MoF Inc., retains the right to appoint Directors to the Board of BHB and BPSB ("Government Appointed Directors"). At BHB, the Government has the right to appoint up to four (4) Directors to the Board comprising the Chairman of the Board, the Managing Director, and two (2) other representatives as may be determined. At BPSB, it has the right to appoint up to three (3) Directors comprising the Chairman of the Board, the Managing Director, and one (1) other representative as may be determined.

Save as disclosed below, the provisions of the Articles of Association of BHB and BPSB would apply to the Government Appointed Directors as they apply to the other Directors:-

- (i) The Government Appointed Director shall not be required to retire or be taken into account in determining the number of Directors to retire pursuant to any provisions of the Articles.
- (ii) The provision of the Articles relating to the appointment of Directors would not apply to the Government Appointed Directors.
- (iii) Any vacancy in the Government Appointed Directors may only be filled by a person appointed by the BHB/BPSB Special Shareholder.

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**10. FINANCIAL INFORMATION**

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**10.1 Working Capital, Borrowings, Contingent Liabilities and Capital Commitments**

**(i) Working Capital**

The Directors of BHB are of the opinion that, after taking into account the pro forma consolidated forecast cashflow and the banking facilities available, the Group will have adequate working capital for its present and foreseeable requirements.

**(ii) Borrowings**

As at 8 February 2001, the BHB Group has no borrowings outstanding.

**(iii) Contingent Liabilities and Capital Commitments**

As at 8 February 2001, the Directors are not aware of any contingent liabilities. The capital commitments approved and contracted for as at 8 February 2001 (being the latest practicable date at which such amounts could be calculated prior to the registration of this Prospectus) amounted to approximately RM11.283 million while the capital commitments approved but not contracted amounted to approximately RM72.994 million.

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**10. FINANCIAL INFORMATION (Continued)**


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**10.2 Consolidated Profit Estimate and Forecast together with Bases and Assumptions**

The Directors of BHB forecast that, barring unforeseen circumstances, the consolidated profit estimate and forecast for BHB for the financial years ended/ending 31 December 2000 and 2001, respectively, will be as follows:-

<b>Financial year ended/ending 31 December</b>	<b>Estimate 2000 RM'000</b>	<b>Forecast 2001 RM'000</b>
Turnover	270,828	284,401
Profit before taxation	101,433	108,937
Taxation	(28,401)	(30,503)
Profit after taxation	73,032	78,434
No. of ordinary shares assumed in issue ('000)	400,000	400,000
Gross EPS (sen)	25.36	27.23
Net EPS (sen)	18.26	19.61
Net PE multiple based on the Fixed Issue Price of RM2.00 per BHB Share (times)	10.95	10.20

The accounts of the subsidiary have been consolidated using the principles of merger accounting in accordance with the requirements of Malaysian Accounting Standard No. 2 whereby the consolidated results of the Group have been presented as if the Group had always been in existence.

The principal bases and assumptions underlying the profit forecasts are as follows:-

- (i) There will be no significant changes to the prevailing economic and political conditions or other abnormal changes in Malaysia and elsewhere which will adversely affect the activities or performance of BHB Group.
- (ii) There will be no significant changes in the present principal activities and in the group structure of BHB Group other than as forecast.
- (iii) There will be no significant changes in the present legislation and Government regulations which will adversely affect the activities of BHB Group or the market in which it operates.
- (iv) There will be sufficient manpower and no major industrial dispute or major breakdown in major handling equipment or any other abnormal factors or changes which will adversely affect the operations of BHB Group.
- (v) There will be no significant fluctuations in corporate tax rates, regulations or other levies from current levels.
- (vi) Exchange rates of foreign currencies will have no significant impact on BHB Group as its income and expenses are mainly transacted in Ringgit Malaysia.
- (vii) There will be no significant changes in the existing management and key personnel, operating and accounting policies from those presently adopted by BHB Group.
- (viii) The existing market conditions, domestic and foreign, for products imported and exported via the port will continue to be strong.

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**10. FINANCIAL INFORMATION (Continued)**


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- (ix) There will be no significant changes to the existing port tariffs charged by BHB Group.
- (x) There will be sufficient vessels to ship the forecasted LNG throughput from its principal customers, MLNG and MLNG Dua.
- (xi) MLNG and MLNG Dua are assumed to operate at maximum capacity.
- (xii) There will be no major legal proceedings against BHB Group, which will adversely affect the activities or performance of the Group or give rise to any liabilities, which will materially affect the position or business of BHB Group.
- (xiii) There will be no major delays in schedule or cost overruns in the upgrading and capital expenditure program of BHB Group.
- (xiv) Throughput will not significantly deviate from the levels forecast.
- (xv) There will not be any abnormal increases in principal and major costs and inflation rates will remain at current levels.
- (xvi) The lease to the lands from BPA will not be terminated and the lease rental charged is assumed at the present terms and conditions during the forecast year.
- (xvii) In conjunction with the proposed listing of and quotation for BHB's entire issued and paid-up ordinary share capital on the Main Board of KLSE, the following proposals will be implemented:-
- (a) BHB will acquire the entire equity interest in BPSB representing 65,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM428.37 million 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;
- (b) BHB will issue one BHB Special Share; and
- (c) BHB will make a Public Issue of 100,000,000 new BHB Shares at an issue price of RM2.00 per BHB Share.
- (d) The proceeds of RM200,000,000 arising from the Public Issue are assumed to be received in April 2001 and will be utilised as follows:-

	<b>RM'000</b>
Construction of warehouses for bulk fertiliser and timber	30,000
Construction of additional facilities for BICT	48,000
Purchase of tugboats	71,000
Estimated listing expenses	11,000
Working capital requirements	40,000
	<u>200,000</u>

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**10. FINANCIAL INFORMATION (Continued)**

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**10.3 Directors' Analysis of the Consolidated Profit Estimate and Forecast****(i) Financial year ended 31 December 2000**

Turnover is estimated to increase by approximately 5.2% to RM270.8 million as compared to the previous financial year. The increase is due to the anticipated increase in cargo throughput of approximately 1.6 million tonnes to total to 25.2 million tonnes. The number of LNG vessel calls is also expected to increase from 294 in 1999 to 307 in 2000.

Other income decreases in tandem with lower interest income as a result of the general decrease in the interest rate earned on deposits during the year. Furthermore, the weak stock market is expected to result in lower investment income for the year. As a direct consequence of the weak state of the stock market, a provision for diminution in value of investment amounting to RM7.7 million will be made in respect of this particular year to reflect lower market valuations of the Group's market investments.

Increase of RM16.3 million in operating expenses for the year 2000 can be mainly attributed to the dredging costs of RM9.6 million which have been carried over from FY 1999 due to the delay in the tendering process. In addition, staff costs are also expected to increase with the recruitment of new staff and salary increment during the year.

In general, although turnover increases by RM13.4 million, the substantial increase in operating expenses and the provision for diminution in value of investment are estimated to result in the decrease in the profit before taxation from RM120.6 million in FY 1999 to RM101 million in FY 2000. In addition, the payment of a special dividend to MoF Inc. of RM100 million is expected to result in a reduction in interest income by approximately RM0.6 million.

**(ii) Financial year ending 31 December 2001**

Turnover is forecast to grow by approximately 5% to RM284.4 million. A significant increase in turnover is expected to be derived from LNG and container handling business. Cargo throughput is expected to increase by 1.5 million tonnes to 26.7 million tonnes and the number of LNG vessel calls is expected to increase from 307 in the previous year to 323 in this year. With the continuous promotion of Bintulu Port as the hub port for BIMP-EAGA and the offer of attractive tariff, Bintulu Port is expected to attract more feeder ships and with them, transshipment containers.

The increase in operating expenses is mainly due to the increase in staff costs with the expected recruitment of additional 67 contract staff and annual increment in salary of 6%. Depreciation charge is also expected to increase by RM3.8 million as a direct result of additions in fixed assets during the year, for example, rubber-tyred gantry cranes, tugboats, port structures, and supporting facilities.

Interest income is expected to increase by approximately RM2.6 million as the Company is expected to have a relatively higher cash balance after the IPO. Fixed deposit placement balance as at 31 December 2001 is expected to amount to approximately RM286 million.

With the improvement in turnover and relatively minimal increase in operating expenses, profit before taxation is forecast to increase to RM108.9 million.

**10. FINANCIAL INFORMATION** *(Continued)*

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The Directors of BHB have reviewed the bases and assumptions used in arriving at the profit estimate and forecast and are of the view that the profit estimate and forecast are true and fair in light of the future prospects of the BHB Group, its future plans and strategies as well as the Group's level of gearing, liquidity and working capital.

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10. FINANCIAL INFORMATION (*Continued*)

10.4 Reporting Accountants' Letter on the Consolidated Profit Estimate and Forecast  
(Prepared for inclusion in this Prospectus)



8 February, 2001

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

**Arthur Andersen & Co**  
Public Accountants  
Level 2 B61 Taman Sri Sarawak Mall  
Jalan Tunku Abdul Rahman  
93100 Kuching Sarawak  
P O Box 2383  
93748 Kuching  
Malaysia  
Tel 6082 429822  
Fax 6082 429823

Dear Sirs


**Bintulu Port Holdings Berhad**  
**Pro forma Consolidated Profit Estimate And Forecast For The Year Ended 31 December 2000 And The Year Ending 31 December 2001**


We have reviewed the accounting policies and calculations for the pro forma consolidated profit estimate and forecast for the year ended 31 December, 2000 and the year ending 31 December, 2001 of Bintulu Port Holdings Berhad ("BHB") and its proposed subsidiary, Bintulu Port Sdn. Bhd. ("BPSB") ("BHB Group"), for which the Directors are solely responsible, as set out in the Prospectus of 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 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.

The pro forma consolidated profit estimate and forecast have been prepared by the Directors based on a set of assumptions made by the Directors which include significant assumptions about future events and outlook that may not necessarily occur. In particular, the estimate and forecast are dependant on the achievability of the specific assumptions as set out in the Prospectus. Future results will be materially affected should the actual events differ from these specific assumptions as well as changes in the economic and other circumstances, and for those reasons, the actual results may vary considerably from the estimate and forecast.

In our opinion, the pro forma consolidated profit estimate and forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors as set out in the Prospectus and are presented on a basis consistent with the accounting policies normally adopted by the BHB Group.

Yours faithfully

  
**ARTHUR ANDERSEN & CO.**  
No. AF 0103  
Public Accountants

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



## 10. FINANCIAL INFORMATION *(Continued)*

### 10.5 Dividend Forecast and Policy

It is the policy of the Directors of BHB in recommending dividends to allow shareholders to participate in the profits of the BHB Group as well as retaining adequate reserves for the future growth of the Group.

Based on the forecast consolidated profit after taxation for the financial year ending 31 December 2001, the Directors of the Company anticipate that in the absence of unforeseen circumstances, the Company will be able in the position to propose a final gross dividend of ten (10) sen per ordinary share based on the issued and paid-up share capital of 400,000,000 ordinary shares of RM1.00 each.

The intended appropriation of the forecast consolidated profit after taxation is as follows:-

Financial year ending 31 December 2001	Forecast RM'000
Consolidated profit before taxation	108,937
Taxation	<u>(30,503)</u>
Consolidated profit after taxation	78,434
Proposed final net dividend of 10%*	<u>28,800</u>
Retained profits	<u>49,634</u>
Gross dividend per ordinary shares (sen)	10.0
Net dividend per ordinary shares (sen)	7.2
Net dividend yield (%) <i>(based on the Fixed Issue Price of RM2.00 per ordinary share)</i>	3.6
Net dividend cover	2.72

Note:-

\* Based on 10% less tax at 28%.

Future dividends will be waived if:-

- (i) The Group is in a loss position for the relevant financial period; or
- (ii) The Group has insufficient cashflow to meet any dividend payments.

Notwithstanding the above, the Directors have full discretion to propose the waiver of any future dividend payment as and when deemed necessary, if it is in the best interests of the Company.

All foreign investors would be advised to refer to the relevant Double Tax Agreement with Malaysia (if any) to determine any potential withholding tax implications or possible tax credits (if any). Generally, withholding tax is assessed in the country in which the recipient resides and is exempt or partially exempt in the source country. Malaysia does not, at present, levy a separate tax on dividends although an 'underlying tax' is suffered by a company on its profits out of which the dividend is paid from.

In addition to the above, all foreign investors would be advised to take note of the 10% 'exit levy' imposed on the repatriation of profits from the disposals of portfolio investments within a period of one (1) year.

## 10. FINANCIAL INFORMATION *(Continued)*

### 10.6 Pro Forma Consolidated Balance Sheets

The pro forma consolidated balance sheets have been prepared solely to illustrate the pro forma effects of the proposals on BHB as at 30 September 2000, on the assumption that the proposals as set out in the notes below were effected on that date.

	Audited as at 30 September 2000 RM'000	Pro forma I RM'000	Pro forma II RM'000
<b>CURRENT ASSETS</b>			
Cash and bank balances	1	15,742	55,742
Fixed deposits	-	129,784	129,784
Trade debtors	-	11,866	11,866
Other debtors	-	25,715	25,715
	1	183,107	223,107
<b>CURRENT LIABILITIES</b>			
Other creditors	811	26,026	26,026
Taxation	-	6,762	6,762
	811	32,788	32,788
<b>NET CURRENT (LIABILITIES) / ASSETS</b>	(810)	150,319	190,319
<b>INVESTMENTS</b>		58,737	58,737
<b>FIXED ASSETS</b>	-	287,052	436,052
<b>PURCHASED GOODWILL</b>	-	16,926	16,926
<b>INTANGIBLE ASSETS</b>	73	73	73
<b>DEFERRED EXPENDITURE</b>	737	737	-
<b>STAFF RETIREMENT GRATUITIES</b>	-	(12,522)	(12,522)
<b>DEFERRED TAXATION</b>	-	(8,652)	(8,652)
	-	492,670	680,933
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	*	300,000	400,000
Retained profit	-	192,670	192,670
Share premium	-	-	88,263
	-	492,670	680,933
<b>(Net Liabilities) / NTA per ordinary share</b>	(RM404,999)	RM1.58	RM1.66

Note:-

\* This represents RM2.00 comprising 2 ordinary shares of RM1.00 each.

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**10. FINANCIAL INFORMATION (Continued)**


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**Notes to the Pro Forma Consolidated Balance Sheets**
**(i) Basis of Preparation**

The pro forma consolidated balance sheets of BHB Group as presented have been prepared for illustrative purposes only on the assumption that the acquisition by BHB of the entire ordinary share capital in BPSB and the listing of BHB on the Main Board of KLSE as elaborated in Notes 2 and 3 below were effected on 30 September 2000 and are based on the audited balance sheets of BHB and BPSB as at 30 September 2000. The accounting policies and bases are consistent with those normally adopted in the preparation of audited financial statements of BHB and BPSB adjusted to reflect the said transactions as though they were effected on 30 September 2000.

**(ii) Pro Forma I - Acquisition of BPSB**

Pro forma I incorporates the acquisition of the entire ordinary share capital in BPSB comprising 65,000,000 ordinary shares of RM1.00 each for a consideration of RM428.37 million to be satisfied by the issuance of 299,999,998 new BHB Shares at an issue price of approximately RM1.43 per BHB Share. The acquisition of BPSB by BHB has been accounted for using merger accounting, based on the audited accounts of BHB and BPSB as at 30 September 2000 adjusted for the payment of a Special Dividend of RM100 million to the MoF Inc., the current sole-shareholder of BPSB. The merger deficit of RM234,999,998 arising from consolidation is set-off against retained profit.

**(iii) Pro Forma II - Proposed Listing of BHB on the Main Board of KLSE**

Pro forma II incorporates the following:-

- (a) The transactions in Pro forma I;
- (b) The issue of one (1) BHB Special Share;
- (c) The Public Issue of 100,000,000 new BHB Shares of RM1.00 at an issue price of RM2.00 per BHB Share;
- (d) The utilisation of the proceeds arising from the Public Issue as follows:-

	<b>RM'000</b>
Construction of warehouses for bulk fertiliser and timber	30,000
Construction of additional facilities for BICT	48,000
Purchase of tugboats	71,000
Listing expenses	11,000
Working capital requirements	40,000
	200,000

- (e) The listing expenses of RM11 million will be set-off against the share premium account arising from the Public Issue.

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**10. FINANCIAL INFORMATION (Continued)**


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**(iv) Share Capital**

The movements in share capital resulting from the implementation of the proposals as set out in Notes 2 and 3 above are summarised as follows:-

	<b>RM</b>	<b>No. of Shares</b>
Audited as at 30 September 2000	2	2
Pro forma I	299,999,998	299,999,998
Pro forma II	100,000,001	100,000,001
	<u>400,000,001</u>	<u>400,000,001</u>

**(v) Share Premium Account**

The movements in the share premium account resulting from the implementation of the proposals as set out in Notes 2 and 3 above are summarised as follows:-

	<b>RM'000</b>
Audited as at 30 September 2000	-
Pro forma I	-
Pro forma II	100,000
Expenses relating to the IPO	(11,000)
Listing expenses already incurred in prior years	(737)
	<u>88,263</u>

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10. FINANCIAL INFORMATION (*Continued*)

10.7 Reporting Accountants' Letter on the Pro Forma Consolidated Balance Sheets  
(Prepared for inclusion in this Prospectus)



8 February, 2001

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

**Arthur Andersen & Co**  
Public Accountants  
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Jalan Tunku Abdul Rahman  
93100 Kuching Sarawak  
P O Box 2383  
93748 Kuching  
Malaysia  
Tel 6082 429822  
Fax 6082 429823


Dear Sirs


**Bintulu Port Holdings Berhad**  
**Pro forma Consolidated Balance Sheets As At 30 September, 2000**

We have reviewed the presentation of the pro forma consolidated balance sheets of Bintulu Port Holdings Berhad ("BHB") and its proposed subsidiary, Bintulu Port Sdn. Bhd. ("BPSB") ("BHB Group") as at 30 September, 2000, together with the accompanying notes thereto, for which the Directors are solely responsible, as set out in the Prospectus of 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 and the listing of and quotation for its entire issued and paid-up share capital on the Main Board of the Kuala Lumpur Stock Exchange (KLSE).

In our opinion, the pro forma consolidated balance sheets of BHB Group as at 30 September, 2000 together with the accompanying notes thereto, which are provided for illustrative purposes only, are presented in a form suitable to reflect the proposed transactions as set out in the Prospectus.

Yours faithfully

  
**ARTHUR ANDERSEN & CO.**  
No. AF 0103  
Public Accountants

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