15. Property, plant and equipment (Continued)

	Buildings and Structures RM'000	Bulking Facilities RM'000	Machinery and Equipment RM'000	Motor Vehicles RM'000	Office Furniture, Fittings and Equipment RM'000	Vessels RM'000	Capital Work-in-Progress RM'000	Total RM'000
Group (Continued)								
Accumulated depreciation:								
At 1 January 2017	16,063	47,935	163,662	5,597	13,792	53,001	-	300,050
Charge for the year	2,794	6,205	14,819	800	1,770	4,981	-	31,369
Disposal	-	-	(39)	(512)	(888)	(2,800)	-	(4,239)
Write off	-	-	-	-	(38)	-	-	(38)
At 31 December 2017 and 1 January 2018	18,857	54,140	178,442	5,885	14,636	55,182	-	327,142
Charge for the year	3,466	6,474	13,083	1,174	1,759	4,995	-	30,951
Disposal	-	-	(9,762)	(458)	(98)	-	-	(10,318)
Transfer from intangible assets	67	-	-	-	-	-	-	67
Write off	-	-	(11)	-	-	-	-	(11)
At 31 December 2018	22,390	60,614	181,752	6,601	16,297	60,177	-	347,831

15. Property, plant and equipment (Continued)

	Buildings and Structures RM'000	Bulking Facilities RM'000	Machinery and Equipment RM'000	Motor Vehicles RM'000	Office Furniture, Fittings and Equipment RM'000	Vessels RM'000	Capital Work-in-Progress RM'000	Total RM'000
Net carrying amount:								
At 31 December 2017	26,341	105,405	88,893	4,300	7,357	59,522	7,373	299,191
At 31 December 2018	23,769	106,266	81,566	3,896	7,529	54,635	8,166	285,827

15. Property, plant and equipment (Continued)

	Motor Vehicles RM'000	Office Furniture, Fittings and Equipment RM'000	Total RM'000
Company			
Cost:			
At 1 January 2017	1,201	877	2,078
Additions	290	293	583
Disposals	-	(8)	(8)
At 31 December 2017 and 1 January 2018	1,491	1,162	2,653
Additions	312	533	845
At 31 December 2018	1,803	1,695	3,498
Accumulated depreciation:			
At 1 January 2017	335	196	531
Charge during the year	128	106	234
Disposals	-	(4)	(4)
At 31 December 2017 and 1 January 2018	463	298	761
Charge during the year	154	185	339
At 31 December 2018	617	483	1,100
Net carrying amount:			
At 31 December 2017	1,028	864	1,892
At 31 December 2018	1,186	1,212	2,398

16. Investment in subsidiaries

	Company	
	2018 RM'000	2017 RM'000
Unquoted shares in Malaysia, at cost	940,000	940,000
Financial guarantee granted	21,900	-
	961,900	940,000

Name of subsidiaries	Country of Incorporation	Principal activities	Proportion of Ownership Interest 2018 %	2017 %
Held by the Company:				
Bintulu Port Sdn. Bhd.	Malaysia	Provision of port services at Bintulu Port, Sarawak	100	100
Biport Bulkers Sdn. Bhd.	Malaysia	Provision of bulking installation facilities for palm oil, edible oils, vegetables oils, fats and its by-products	100	100
Samalaju Industrial Port Sdn. Bhd.	Malaysia	Development and provision of port services at Samalaju Port, Sarawak	100	100

All subsidiaries are audited by Ernst & Young, Malaysia.

17. Intangible assets

	Concession Leased Assets RM'000	Concession Intangible Assets RM'000	Right to operate concession Rights RM'000	Software RM'000	Capital Work-in-progress RM'000	Total RM'000
Group						
Cost:						
At 1 January 2017	527,127	1,911,515	15	17,671	1,051,751	3,508,079
Additions	157	109,430	-	311	59,208	169,106
Reclassification to property, plant and equipment	380	-	-	40	(18)	402
Transfer from capital work in progress	6,994	1,030,863	-	105	(1,037,962)	-
Adjustments	(1,199)	(140)	-	-	(119)	(1,458)
At 31 December 2017 and 1 January 2018	533,459	3,051,668	15	18,127	72,860	3,676,129
Additions	838	16,608	-	857	12,561	30,864
Transfer from capital work in progress	1,966	78,508	-	-	(80,474)	-
Adjustments	(13)	-	-	-	-	(13)
At 31 December 2018	536,250	3,146,784	15	18,984	4,947	3,706,980

17. Intangible assets (Continued)

	Concession Leased Assets RM'000	Concession Intangible Assets RM'000	Right to operate concession Rights RM'000	Software RM'000	Capital Work-in-progress RM'000	Total RM'000
Group						
Accumulated amortisation:						
At 1 January 2017	329,267	1,243,022	-	11,116	-	1,583,405
Charge for the year	32,580	116,781	-	1,331	-	150,692
At 31 December 2017 and 1 January 2018	361,847	1,359,803	-	12,447	-	1,734,097
Charge for the year	35,513	128,321	-	958	-	164,792
Adjustment	-	# 31,265	-	-	-	31,265
Transfer to PPE	(67)	-	-	-	-	(67)
At 31 December 2018	397,293	1,519,389	-	13,405	-	1,930,087

17. Intangible assets (Continued)

Net carrying amount:

At 31 December 2017	171,612	1,691,865	15	5,680	72,860	1,942,032
At 31 December 2018	138,957	1,627,395	15	5,579	4,947	1,776,893

This relates to an adjustment to the carrying amount of lease concession infrastructure due to exclusion of LPG Jetty from the lease obligation.

17. Intangible assets (Continued)

There are no interest expense capitalised during the year under capital work-in-progress of the Group (2017: RM20,846,000).

	Work-In-Progress RM'000	Software RM'000	Total RM'000
Company			
Cost:			
At 1 January 2017	-	983	983
Additions	-	106	106
At 31 December 2017 and 1 January 2018	-	1,089	1,089
Additions	142	376	518
At 31 December 2018	142	1,465	1,607
Accumulated amortisation:			
At 1 January 2017	-	168	168
Charge for the year	-	121	121
At 31 December 2017 and 1 January 2018	-	289	289
Charge for the year	-	178	178
At 31 December 2018	-	467	467
Net carrying amount:			
At 31 December 2017	-	800	800
At 31 December 2018	142	998	1,140

Key assumptions used in value-in-use calculations of Samalaju Industrial Port impairment assessment ("CGU")

The Group assesses concession intangible assets at the end of each reporting period when there is an indication of that an asset may be impaired by comparing its carrying amount with its recoverable amount.

The recoverable amounts of the CGU have been determined based on value-in-use calculations using cash flow projections covering a 40-year period which is the length of the concession period.

17. Intangible assets (Continued)

Key assumptions used in value-in-use calculations of Samalaju Industrial Port impairment assessment ("CGU") (Continued)

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing on the concession intangible assets:

(a) Discount rate

Value-in-use was determined by discounting the future cash flows generated by applying the discount rate of 8.0% (2017: 9.0%).

The rate used to discount future cash flows is subject to change in economic conditions and is reviewed annually.

(b) Revenue

Revenue growth is based on projected cargo volume obtained from a survey done by port users for 6 years and published tariff rates issued by Samalaju Port Authority. Projected cargo volume is assumed to be constant after 6 years.

(c) Expenses

Expenses are annually escalated at 3% (2017: 3%).

(d) Port operations

Samalaju Industrial Port has commenced full port's operation from June 2017.

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values to materially exceed their recoverable amounts.

18. Other receivables

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amount due from subsidiaries	-	-	4,172	2,708
Interest receivable	1,331	1,035	187	24
Staff loans	2,082	1,950	807	674
Sundry receivables	27,097	28,368	350	297
	30,510	31,353	5,516	3,703

The amounts due from subsidiaries are unsecured, non-interest bearing and are repayable on demand.

19. Concession financial assets

	Group	
	2018 RM'000	2017 RM'000
At 1 January	48,098	25,982
Facilitation fund receivable	-	99,038
Facilitation fund received	(48,098)	(76,922)
At 31 December	-	48,098

Concession financial assets comprises facilitation fund receivable from the Government of Malaysia ("GOM") for construction services rendered in respect of Samalaju Port development project up to 31 December 2018. SIP has received the final tranche of money from GOM during the financial year ended 31 December 2018.

20. Other current assets

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Prepaid operating expenses	24,175	24,852	379	369

Included in prepaid operating expenses is prepaid base rental for the first quarter of the following year of RM18,431,452 (2017: RM18,431,452) paid to Bintulu Port Authority ("BPA").

21. Investment in securities

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
***Fair value through* profit or loss**				
Non-equity exposure unit trust fund quoted in Malaysia, at carrying amount	90,608	81,879	10,784	10,265

22. Cash and bank balances

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash at banks and on hand	29,309	7,571	720	185
Deposits with licensed financial institutions:				
Short term deposits with licensed banks	537,670	508,280	66,600	21,800
Money market instruments purchased under repurchase agreements	77,380	47,630	9,100	5,400
	615,050	555,910	75,700	27,200
Cash and bank balances	644,359	563,481	76,420	27,385
Trade receivables (Note 25)	53,634	59,495	-	-
Other receivables (Note 18)	30,510	31,353	5,516	3,703
Concession finance receivables (Note 19)	-	48,098	-	-
Total financial assets at amortised cost	728,503	702,427	81,936	31,088

22. Cash and bank balances (Continued)

The effective interest rates and the maturities of deposits as at the reporting date were as follows:

	Interest rate		Maturity	
	2018	2017	2018	2017
	%	%	Days	Days
Group				
Deposits with licensed banks	3.40 - 3.90	3.00 - 3.90	31 - 365	31 - 365
Money market instruments purchased under repurchase agreements	2.65 - 3.05	2.00 - 2.80	3 - 19	5 - 22
Company				
Deposits with licensed banks	3.80 - 3.90	3.70	31 - 33	31 - 33
Money market instruments purchased under repurchase agreements	2.70 - 2.75	2.70 - 2.75	9 - 19	11 - 18

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	644,359	563,481	76,420	27,385
Less: Deposits with maturity period of more than 3 months	(24,260)	(18,790)	-	-
Cash and cash equivalents	620,099	544,691	76,420	27,385

23. Deferred tax

The components and movement of deferred tax liabilities and (assets) during the financial year prior to offsetting are as follows:

	Deferred Tax Liabilities	← Deferred Tax Assets →						
	Property, Plant and Equipment RM'000	Unutilised Tax Losses RM'000	Unutilised Investment Tax Allowances RM'000	Contractual Obligation on Lease Payment RM'000	Retirement Benefits RM'000	Unabsorbed Capital Allowances RM'000	Other RM'000	Total RM'000
At 31 December 2016 and 1 January 2017	17,574	(31)	(3,426)	(55,164)	(8,544)	-	(3,227)	(52,818)
Recognised in profit or loss (Note 12)	14,313	31	3,426	22,691	853	(44,916)	(1,814)	(5,416)
At 31 December 2017	31,887	-	-	(32,473)	(7,691)	(44,916)	(5,041)	(58,234)
Recognised in profit or loss (Note 12)	21,889	-	-	(11,550)	1,426	(5,476)	(2,504)	3,785
At 31 December 2018	53,776	-	-	(44,023)	(6,265)	(50,392)	(7,545)	(54,449)

23. Deferred tax (Continued)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting, are as follows:

	Group	
	2018	2017
	RM'000	RM'000
Deferred tax assets	(55,728)	(59,298)
Deferred tax liabilities	1,279	1,064
	(54,449)	(58,234)

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Unabsorbed tax losses	68,039	67,696	10,212	9,869
Unutilised capital allowances	249,061	218,572	2,817	2,302
	317,100	286,268	13,029	12,171

As a result of changes in Malaysian tax law, unutilised business losses will now expire in 2025. Unabsorbed capital allowances do not expire under the current tax legislation.

24. Inventories

	Group	
	2018	2017
	RM'000	RM'000
Landed development properties in staff housing project, at net realisable value	4,470	4,544

A wholly-owned subsidiary, Bintulu Port Sdn. Bhd., is the registered proprietor of all parcels of land for the housing project, free from all encumbrances except for caveats lodged by the end financiers.

Currently, the appointed solicitors are in the process of effecting transfer to all the individual purchasers of the said housing project.

25. Trade receivables

Trade receivables are non-interest bearing and are generally from 15 to 45 days (2017: 15 to 45 days) terms. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent fair values on initial recognition.

Trade receivables include amounts due from Malaysia LNG Sdn. Bhd. and other subsidiaries of a substantial shareholders, Petroliam Nasional Berhad, with the amount of RM3,617,286 (2017: RM9,520,366) and RM1,257,142 (2017 : RM1,186,697) respectively.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Trade receivables - LNG:		
Neither past due nor impaired	18,858	10,862
1 to 15 days past due not impaired	853	158
More than 15 days past due not impaired	192	-
	1,045	158
	19,903	11,020
Trade receivables - Non LNG:		
Neither past due nor impaired	15,639	17,790
1 to 45 days past due not impaired	1,804	336
More than 45 days past due not impaired	532	773
	2,336	1,109
	17,975	18,899
	37,878	29,919

25. Trade receivables

Ageing analysis of trade receivables (Continued)

	Group	
	2018 RM'000	2017 RM'000
Trade receivables – bulking services:		
Neither past due nor impaired	3,521	3,338
1 to 30 days past due not impaired	70	-
31 to 60 days past due not impaired	-	2
61 to 90 days past due not impaired	-	-
More than 90 days past due not impaired	49	190
	119	192
	3,640	3,530
Trade receivables – port services at Samalaju:		
Neither past due nor impaired	11,806	21,551
1 to 30 days past due not impaired	-	4,357
31 to 60 days past due not impaired	1	-
61 to 90 days past due not impaired	-	-
More than 120 days past due not impaired	309	138
	310	4,495
	12,116	26,046
	53,634	59,495

The movement of allowance for impairment losses of trade receivables during the year are as follows.

	2018 RM'000	2017 RM'000
Opening balance under MFRS 9	-	-
Impairment loss	49	-
Closing balance	49	-

25. Trade receivables (Continued)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired relate to customers for whom there were no default.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM 3,809,264 (2017: RM5,955,000) that are past due at the reporting date but not impaired. The trade receivables for LNG, non-LNG and bulking services are secured by bank guarantee or other form of credit enhancements. The trade receivables from port services at Samalaju are unsecured in nature.

26. Share capital and share premium

	← No. of shares →		← Amount →			
	Share Capital (Issued and Fully Paid) '000	One Special Rights Redeemable Preference Shares '000	Share Capital (Issued and Fully Paid) RM'000	One Special Rights Redeemable Preference Shares RM'000	Share Premium RM'000	Total Share Capital and Share Premium RM'000
Group/Company						
At 1 January 2017	460,000	*	460,000	*	430,818	890,818
Transfer of share premium #	-	-	430,818	-	(430,818)	-
At 31 December 2017	460,000	*	890,818	*	-	890,818

	← No. of shares →		← Amount →			
	Share Capital (Issued and Fully Paid) '000	One Special Rights Redeemable Preference Shares '000	Share Capital (Issued and Fully Paid) RM'000	One Special Rights Redeemable Preference Shares RM'000	Share Premium RM'000	Total Share Capital and Share Premium RM'000
Group/Company						
At 1 January 2018 and 31 December 2018	460,000	*	890,818	*	-	890,818

26. Share capital and share premium (Continued)

* The Special Share amounted to RM1.

The Special Share

The Special Share, which may only be held by or transferred to the Minister of Finance (Incorporation) or its successors or any Minister, representative or any person acting on behalf of the Government of Malaysia, carries certain rights as provided by Article 15A and 109(A) of the Company's Articles of Association.

These special rights include:

(i) the right to appoint not more than four persons at anytime as directors of the Company;

(ii) the right to repayment of the capital paid up on the Special Share in priority to any other member in the event of winding-up of the Company; and

(iii) the right to require the Company to redeem the Special Share at par at any time.

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

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

26. Share capital and share premium (Continued)

Relates to transfer of share premium in accordance with Section 618(2) of the Companies Act, 2016 to no-par value regime on 31 January 2017.

In accordance with Section 618 of Companies Act, 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act, 2016 on 31 January 2017 to utilise the credit.

Included in share capital is share premium amounting to RM430,818,366 that is available to be utilised in accordance 618(3) of Companies Act, 2016 on or before 30 January 2019 (24 months from commencement of section 74).

27. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2018 under the single tier system.

28. Contractual obligation for lease payments

	Group	
	2018	**2017**
	RM'000	**RM'000**
At 1 January	754,834	746,866
Arose during the year *	-	109,404
Unwinding of discount (Note 9)	25,207	29,571
Payments	(132,194)	(131,007)
Adjustment #	(31,265)	-
At 31 December	616,582	754,834
Current:	115,393	117,248
Non-current:		
Later than 1 year but not later than 2 years	131,514	120,858
Later than 2 years but not later than 5 years	279,765	422,700
Later than 5 years	89,910	94,028
	501,189	637,586
	616,582	754,834

* The contractual obligation for lease payment arose during the previous year mainly relates to land lease payment to Samalaju Port Authority ("SPA") due to the full commencement of port operations in June 2017.

28. Contractual obligation for lease payments (Continued)

Kindly refer to Note 17 for further details.

In accordance with IC Interpretation 12: *Service Concession Arrangements*, a provision for the contractual obligations for the lease of land and facilities is accrued at the inception of the arrangement and subsequently as additional land and facilities are leased, at the present value of the future expenditure expected to be required to settle the obligation.

(a) Bintulu Port Sdn. Bhd.

In a privatisation exercise by the Malaysian Government on 31 December 1992, BPA sold the business of port operations at Bintulu Port to Bintulu Port Sdn. Bhd. (BPSB). According to the Privatisation Agreement, the subsidiary is granted a licence to provide port services at Bintulu Port for a period of 30 years, with an option to extend for another 30 years.

A draft supplementary agreement to the privatisation agreement, which includes the setting of lease rentals for the new land and facilities, has been prepared and is pending execution.

Bintulu Port Sdn. Bhd. paid RM127,513,704 (2017: RM127,497,387) for leases of land and port facilities to BPA. These payments are accounted for as reduction in the contractual obligations which were provided for at the inception of the privatisation agreement at discounted present value. A rate of 3.3% (2017: 3.3%) is used to measure the present value of concession lease payable to BPA.

(b) Samalaju Industrial Port Sdn. Bhd.

In accordance with the Principle Agreement dated 9 July 2013, SIPSB was granted a license by Samalaju Port Authority ("SPA") to provide port services at Samalaju Port for a period of 40 years commencing 1 June 2017 with an option to renew for another term of 20 years provided there have been no breach of any of the provisions of this Agreement by SIPSB.

Samalaju Industrial Port Sdn. Bhd. paid RM4,680,000 (2017: RM3,510,000) for leases of land to SPA. These payments are accounted for as a reduction in the contractual obligations which were provided for at the inception of the privatisation agreement at discounted present value. A rate of 4.5% (2017: 4.5%) is used to measure the present value of concession lease payable to SPA.

29. Loans and borrowings

	Group	
	2018	2017
	RM'000	RM'000
Current		
Unsecured:		
Term loan	-	11,600
Non-current		
Unsecured:		
Sukuk Murabahah	937,316	935,805
	937,316	935,805
Total loans and borrowings	937,316	947,405

The remaining maturities of the loans and borrowings as at the reporting date are as follows:

	Group	
	2018	2017
	RM'000	RM'000
On demand or within one year	-	11,600
Later than 5 years	937,316	935,805
	937,316	947,405

Sukuk Murabahah

The Sukuk Programme obtained by Samalaju Industrial Port Sdn. Bhd., has a tenure of 20 years from the date of first issuance and has a limit of RM950 million in nominal value. It is based on the Shariah principle of Murabahah (via a tawaruq arrangement) involving selected Shariah-compliant commodities ("Sukuk Murabahah"). The Sukuk Programme is unsecured. It is backed by an irrevocable and unconditional guarantee by Bintulu Port Holdings Berhad as the guarantor. The proceeds from the issuance under the Sukuk Murabahah shall be utilised by the subsidiary for the payment of fees and expenses relating to the Sukuk Programme, funding of the initial Financial Service Reserve Account Minimum Required Balance, capital expenditure, payments of Periodic Distributions to beneficial holders during construction and working capital requirements all of which shall be in relation to the Project. There were no breach of debt covenants noted during the financial year.

29. Loans and borrowings (Continued)

Sukuk Murabahah (Continued)

On 28 December 2015, the subsidiary raised a total amount of RM682,783,300 from the first issuance of the Sukuk Murabahah, which has a tenure up to 14 years from the date of issuance.

On 23 December 2016, the subsidiary raised a total amount of RM250,000,000 from the second issuance of the Sukuk Murabahah, which has tenure of up to 20 years from the date of issuance.

Summary of the Sukuk Murabahah is tabulated below:

As at 31 December 2018/2017

Year of Issuance	Nominal amount RM' million	Periodic distribution rates % p.a.	Yield-to-maturity rates % p.a.	Tenure Years	Redemption dates Years
2015	700	5.05 - 5.65	5.30 - 6.00	8 - 14	2023 - 2029
2016	250	4.50	3.48 - 6.00	17 - 20	2033 - 2036

The Sukuk Murabahah is redeemable as follows:

	2018 RM'000	2017 RM'000
Later than 5 years	937,316	935,805

30. Other payables

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current:				
Other payables				
Due to subsidiaries	-	-	83	86
Accrued operating expenses	14,878	39,759	769	748
Sundry payables	28,471	38,142	171	1,233
Deposit received	4,442	3,361	-	-
Retention money	1,235	35,312	-	-
Staff gratuities	4,405	7,207	-	-
Financial guarantee contract	-	-	1,277	-
Others	729	-	-	-
	54,160	123,781	2,300	2,067
Non-current:				
SUKUK profit distribution	22,742	11,494	-	-
Directors' gratuities	1,370	1,118	1,370	1,118
Staff gratuities	21,699	24,949	-	-
Financial guarantee contract	-	-	17,524	-
	45,811	37,561	18,894	1,118
Total other payables	99,971	161,342	21,194	3,185
Add: Loans and borrowings (Note 29)	937,316	935,805	-	-
Add: Contractual obligation for lease payments (Note 28)	616,582	754,834	-	-
Total finance liabilities carried at amortised cost	1,653,869	1,851,981	21,194	3,185

(a) Other payables

Included in accrued operating expenses and sundry payables are amount due to PETRONAS Gas Berhad, a subsidiary of a substantial shareholder, Petroliam Nasional Berhad of RM175,826 (2017: RM 521,434). This amount is non-interest bearing.

(b) Amount due to subsidiaries

The amount due to subsidiaries was unsecured, non-interest bearing and was repayable on demand.

30. Other payables (Continued)

(c) Staff gratuities

	Group	
	2018 RM'000	2017 RM'000
At 1 January	32,157	36,093
Arose during the year	1,519	1,674
Utilised during the year	(7,572)	(5,611)
At 31 December	26,104	32,156
Current:	4,405	7,207
Non-current:		
Later than 1 year but not later than 2 years	4,480	4,422
Later than 2 years but not later than 5 years	6,743	9,154
Later than 5 years	10,476	11,373
	21,699	24,949
	26,104	32,156

The Group operated an unfunded, defined Retirement Benefit Scheme for its employees. Effective 1 January 2014, the current scheme is closed for future accruals and members will instead receive additional contributions to EPF up to 19% of salaries.

(d) Directors' gratuities

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	1,118	926	1,118	926
Arose during the year	252	192	252	192
At 31 December	1,370	1,118	1,370	1,118
Non-current:	1,370	1,118	1,370	1,118

(e) Financial guarantee contract

Financial guarantee contracts relate to the differential rate on the financing facilities taken by a subsidiary which resulted from a corporate guarantee provided by the Group and the Company.

The Group has remeasured the fair value of the financial guarantee liability in respect of borrowings of a subsidiary. As a result, an income of RM3.098 million was recognised during the year.

31. Provision for maintenance dredging costs

	Group	
	2018 RM'000	2017 RM'000
At 1 January	18,909	11,250
Arose during the year	10,091	7,659
At 31 December	29,000	18,909

32. Commitments

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Capital expenditure				
Approved and contracted for:				
Property, plant and equipment and concession intangible assets	35,429	52,717	326,454	-
Approved but not contracted for:				
Property, plant and equipment and concession intangible assets	4,706	2,452	-	-
	40,135	55,169	326,454	-

32. Commitments (Continued)

(b) Lease commitments

	Group	
	2018 RM'000	2017 RM'000
Not later than 1 year	1,375	1,375
Later than 1 year but not later than 5 years	5,911	5,773
Later than 5 years	38,498	40,010
	45,784	47,158

Lease commitment is in respect of leases for land used for bulking activities by Biport Bulkers Sdn. Bhd. payable to Bintulu Port Authority ("BPA").

33. Related party transactions

(a) Sale and purchase of goods and services

In addition to related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Significant transactions with subsidiaries				
Dividend income	-	-	140,000	115,200
Management fee received from subsidiaries	-	-	39,671	35,222
Rental expense charged by BPSB	-	-	(3,600)	(3,878)

33. Related party transactions (Continued)

(a) Sale and purchase of goods and services (Continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Transactions with subsidiaries of a substantial shareholder, Petroliam Nasional Berhad:				
Rendering of services:				
- Malaysia LNG Sdn. Bhd.	213,226	263,112	-	-
- Vestigo Petroleum Sdn. Bhd.	151	-	-	-
- PS Terminal Sdn. Bhd.	46	1,288	-	-
- PETRONAS Carigali Sdn. Bhd.	11,161	10,910	-	-
- PETRONAS Dagangan Berhad	1,851	1,035	-	-
- PETRONAS Floating LNG 1 (L) Ltd	2,969	1,745	-	-
- PETRONAS Chemical Marketing (L) Ltd	806	858	-	-
Purchase of fuel and lubricants:				
- PETRONAS Dagangan Berhad	(11,621)	(1,617)	-	-
Purchase of gas:				
- PETRONAS Gas Berhad	(2,706)	(2,336)	-	-

Information regarding outstanding balances arising from related party transactions as at 31 December 2018 are disclosed in Notes 25 and 30.

33. Related party transactions (Continued)

(b) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Directors of that entity.

The remuneration and benefits of Directors and other member of key management of the Group and of the Company during the year are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Remuneration and benefits	3,539	2,890	2,603	2,190
Post-employment benefits: Defined contribution plan	193	123	193	123
	3,732	3,013	2,796	2,313

34. Service concession arrangements

(a) Bintulu Port

In a privatisation exercise by the Malaysian Government on 31 December 1992, BPA sold the business of port operations at Bintulu Port to Bintulu Port Sdn. Bhd. (BPSB). According to the Privatisation Agreement, the subsidiary is granted a licence to provide port services at Bintulu Port for a period of 30 years, with an option to extend for another 30 years.

In consideration for a right to charge users of the port, the subsidiary pays a scheduled annual lease rental for the existing infrastructure and the land. Since the inception of the agreement, the subsidiary has also constructed additional infrastructure. These assets will be returned to BPA upon termination of the privatisation agreement at nominal value.

The charges to the users are according to a tariff set by BPA at the inception of the privatisation agreement and have not been varied.

BPSB has obtained approval in principle given by MoF to renew the concession subject to terms and conditions to be decided.

34. Service concession arrangements (Continued)

(a) Bintulu Port (Continued)

	← Intangible assets →	
	Gross value RM'000	Net book value RM'000
• Description arrangement: Financing, building and operating of Bintulu Port • Period of concession: 1993 – 2022, with the option to extend for thirty years • Remuneration: Services for port facilities • Investment grant from concession grantor: No • Infrastructure return to grantor at end of concession • Investment and renewal obligations: Nil • Re-pricing dates: Nil	2,280,701 (2017: 2,278,841)	465,666 (2017: 605,333)

(b) Samalaju Industrial Port

On 9 July 2013, a subsidiary, Samalaju Industrial Port Sdn. Bhd. (SIPSB) and Bintulu Port Holdings Berhad signed a service agreement ("Principal Agreement") with the State Government of Sarawak for building, operating and transfer of Samalaju Port.

The estimated cost of developing the port is RM1.9 billion of which approximately RM500 million is in respect of capital dredging and reclamation. In addition, SIPSB is required to pay a scheduled annual lease rental for the land effective from the date of completion of the port facilities.

In consideration for the construction of the port, the subsidiary is given the right to charge port users for the services rendered in accordance with port tariffs approved by the State Government of Sarawak. The operation under the service concession agreement is for a period of forty years effective from the date of completion of Phase 1 of the port facilities which has been completed in June 2017, with an option to extend for twenty years.

The Principal Agreement stipulates that upon completion of Phase 1 of the project, the subsidiary will pay land lease of RM4,680,000 per year for an area of 156 hectares. The annual rent will be increased by 10% for every five years thereafter. An agreement of sublease has been signed between Samalaju Port Authority (SPA) as the sublessor and the subsidiary. A Memorandum of Sublease has been prepared and will be signed and executed by both parties upon the issuance of the land title to SPA or the completion of the port facilities, whichever is later.

34. Service concession arrangements (Continued)

(b) Samalaju Industrial Port (Continued)

Upon the sublease taking effect, the rights to use the leased land will be recognised in the financial statements.

At the end of the concession period, the subsidiary shall transfer all moveable and immoveable assets of the port facilities at values determined according to the terms of the agreement.

The main features of the concession arrangements are summarized as follows:

	← Intangible assets →	
	Gross value RM'000	**Net book value RM'000**
• Description arrangement: Financing, building and operating of Samalaju Port • Period of concession: 2017 - 2056, with an option to extend for twenty years • Remuneration: Services for port facilities • Investment grant from concession grantor: Yes • Infrastructure return to grantor at end of concession • Investment and renewal obligations: Nil • Re-pricing dates: Nil	1,407,136 (2017: 1,379,145)	1,305,489 (2017: 1,331,004)

35. Fair value of financial instruments

(a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group which are not carried at fair value in the financial statements. It does not include those short term/on demand financial liabilities where the carrying amounts are reasonable approximation of their fair values:

35. Fair value of financial instruments (Continued)

(a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (Continued)

Loans, advances and financing

The fair values of fixed rate loans/financing with remaining maturity of less than one year and variable rate loans/financing are estimated to approximate their carrying amounts. For fixed rate loans/financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of loans/financing of similar credit risks and maturity. The fair values of impaired loans/financing are represented by their carrying amounts, net of any collective and individual assessment allowances, being the expected recoverable amount.

(b) Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Concession financial assets	19
Trade and other receivables	18, 25
Other payables	30
Loans and borrowings	29

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

36. Fair value measurement

Fair value hierarchy

The Group and the Company classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 -	Quoted prices in active markets for identical assets or liabilities; or
Level 2 -	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; or
Level 3 -	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides the fair value measurement hierarchy of the Group's liabilities.

Quantitative disclosures fair value measurement hierarchy for liabilities as at 31 December are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2018				
Current assets at fair value (Note 21)				
Investment in securities	-	90,608	-	90,608
Liabilities for which fair values are disclosed				
Loans and borrowings				
- SUKUK Murabahah	-	968,165	-	968,165

36. Fair value measurement (Continued)

Fair value hierarchy (Continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2017				
Current assets at fair value (Note 21)				
Investment in securities	-	81,879	-	81,879
Liabilities for which fair values are disclosed				
Loans and borrowings				
- Fixed rate term loan and SUKUK Murabahah	-	968,253	-	968,253
Company				
2018				
Current assets at fair value (Note 21)				
Investment in securities	-	10,784	-	10,784
2017				
Current assets at fair value (Note 21)				
Investment in securities	-	10,265	-	10,265

There have been no transfers between Levels during the financial year.

37. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The Group's financial risk management strategy seeks to minimise potential adverse effects of financial performance of the Group. The key financial risks include interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's exposures to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to the interest rate risk relate to fixed deposits, money market investments and repurchasing agreement ("REPO") with financial institutions.

Since all the Group's and the Company's financial assets and liabilities are fixed rate instruments measured at amortised cost, a change in interest rate is not expected to have material impact on the Group's and the Company's profit or loss.

(b) Credit risk

Risk management objectives, policies and processes for managing the risk

The Group and the Company minimise credit risk by ensuring that all potential third party counterparties are assessed prior to registration and entering into new contracts. Existing third party counterparties are also subject to regular reviews, including re-appraisal and approval of granted limits. The creditworthiness of counterparties is assessed based on an analysis of all available quantitative and qualitative data regarding business risks and financial standing, together with the review of any relevant third party and market information.

The Group and the Company use ageing analysis and credit term review to monitor the credit quality of the receivables. Any customers including related companies exceeding their credit limit are monitored closely.

At each reporting date, the Group and the Company assess whether any of the trade receivables are credit impaired.

37. Financial risk management objectives and policies (Continued)

(b) Credit risk (Continued)

Risk management objectives, policies and processes for managing the risk (Continued)

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the customer;
- a breach of contract such as a default; or
- it is probable that the customer will enter bankruptcy or other financial reorganisation.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group and the Company manage its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group and the Company perform credit rating assessment of all its counterparties in order to measure expected credit loss ("ECL") of trade receivables for all segments. This credit rating assessment considers quantitative assessment using the counterparties' financial statements or a qualitative assessment of the counterparties, which includes but is not limited to their reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the probability of default assigned to each counterparty is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

37. Financial risk management objectives and policies (Continued)

(b) Credit risk (Continued)

Recognition and measurement of impairment loss (Continued)

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group's and the Company's historical experience.

No expected credit loss was provided for during the financial year as the impact to the Group and the Company were deemed immaterial.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from their ability to meet the obligations on their activities in the construction of concession infrastructure. The Group will fund these activities through equity, funding from the Government and credit facilities.

Analysis of financial instruments by remaining contractual maturities

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted repayment obligations.

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

i) Loan and receivables("L&R"); and
ii) Loans and borrowings ("L&B")
iii) Amortised cost ("AC")
iv) Fair value through profit or loss ("FVTPL")

37. Financial risk management objectives and policies (Continued)

Categories of financial instruments (Continued)

	FVTPL RM'000	AC RM'000	Total carrying amount RM'000
2018			
Group			
Financial assets			
Trade and other receivables	-	84,144	84,144
Cash and bank balances	-	644,359	644,359
Investment in securities	90,608	-	90,608
	90,608	728,503	819,111
Financial liabilities			
Other payables	-	99,971	99,971
Loans and borrowings	-	937,316	937,316
Contractual obligation for lease payments	-	616,582	616,582
	-	1,653,869	1,653,869

	FVTPL RM'000	L&R/ (L&B) RM'000	Total carrying amount RM'000
2017			
Group			
Financial assets			
Trade and other receivables	-	90,848	90,848
Cash and bank balances	-	563,481	563,481
Investment in securities	81,879	-	81,879
Concession finance receivables	-	48,098	48,098
	81,879	702,427	784,306
Financial liabilities			
Other payables	-	(161,342)	(161,342)
Loans and borrowings	-	(935,805)	(935,805)
Contractual obligation for lease payments	-	(754,834)	(754,834)
	-	(1,851,981)	(1,851,981)

37. Financial risk management objectives and policies (Continued)

Categories of financial instruments (Continued)

	FVTPL RM'000	AC RM'000	Total carrying amount RM'000
2018			
Company			
Financial assets			
Trade and other receivables	-	5,516	5,516
Cash and bank balances	-	76,420	76,420
Investment in securities	10,784	-	10,784
	10,784	81,936	92,720
Financial liabilities			
Other payables	-	21,194	21,194

	FVTPL RM'000	L&R/ (L&B) RM'000	Total carrying amount RM'000
2017			
Company			
Financial assets			
Trade and other receivables	-	3,703	3,703
Cash and bank balances	-	27,385	27,385
Investment in securities	10,265	-	10,265
	10,265	31,088	41,353
Financial liabilities			
Other payables	-	(3,185)	(3,185)

37. Financial risk management objectives and policies (Continued)

(c) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	Carrying amount RM'000	Contractual cash flows RM'000	Within one year RM'000	One to five years RM'000	More than five years RM'000
Group					
At 31 December 2018					
Financial liabilities:					
Other payables (Note 30)	99,971	99,971	58,640	8,113	33,218
Loans and borrowings (Note 29)	937,316	1,472,310	37,836	150,417	1,284,057
Contractual obligation for lease payments (Note 28)	616,582	807,871	132,275	440,406	235,190
Total undiscounted financial liabilities	1,653,869	2,380,152	228,751	598,936	1,552,465
At 31 December 2017					
Financial liabilities:					
Other payables (Note 30)	161,342	161,342	128,203	10,272	22,867
Loans and borrowings (Note 29)	947,405	1,521,540	49,230	150,623	1,321,687
Contractual obligation for lease payments (Note 28)	754,834	979,234	138,701	600,195	240,338
Total undiscounted financial liabilities	1,863,581	2,662,116	316,134	761,090	1,584,892

37. Financial risk management objectives and policies (Continued)

(c) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	Carrying amount RM'000	Contractual cash flows RM'000	Within one year RM'000	One to five years RM'000	More than five years RM'000
Company					
At 31 December 2018					
Financial liabilities:					
Other payables (Note 30)	2,393	2,393	1,023	1,370	-
Financial guarantee contract	18,801	18,801	1,277	5,809	11,715
At 31 December 2017					
Financial liabilities:					
Other payables (Note 30)	3,185	3,185	2,067	1,118	-

38. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic condition. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade payables, other payables, less cash and bank balances. Capital includes equity attributable to the owners of the parent.

		Group	
	Note	2018 RM'000	2017 RM'000
Loans and borrowings	29	937,316	935,805
Other payables	30	99,971	161,342
Less: Cash and bank balances	22	(644,359)	(563,481)
Net debt		392,928	533,666
Equity attributable to the owners of the parent		1,273,492	1,214,248
Total equity		1,273,492	1,214,248
Capital and net debt		1,666,420	1,747,914
Gearing ratio		23.58%	30.53%

39. Segment information

The Group reporting is organised and managed into two major business segments based on the nature of services provided, which requires different business and marketing strategies. The reportable segments are summarised as follows:

(i) Port operations - the provision of port services and construction services which include construction of port facilities, handling of cargo for liquefied natural gas, petroleum products, liquefied petroleum gas, general cargo, container, dry bulk cargo and other ancillary services; and

(ii) Bulking services - the provision of bulking installation facilities for palm oil, edible oils, vegetable oils, fats and its by-products.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects, may be measured differently from operating profit or loss in the consolidated financial statements.

No segmental information is provided on a geographical basis as the Group's activities are carried out in Malaysia.

	Port operations RM'000	Bulking Services RM'000	Others RM'000	Consolidations Adjustments and Eliminations RM'000	Note	Per Consolidated Financial Statements RM'000
31 December 2018						
Revenue:						
External customers representing total revenue (Note 4)	659,744	52,174	-	(6,451)		705,467
Results:						
Interest income	20,500	796	1,843	-		23,139
Dividend income	-	-	140,000	(140,000)		-
Guarantee fee income	-	-	3,098	(3,098)		-
Depreciation and amortisation	186,936	8,290	517	-		195,743
Other non-cash expenses	36,803	14	252	-	A	37,069
Segment profit	181,564	24,482	138,914	(143,098)	B	201,862
Assets:						
Additions to non-current assets	47,109	755	1,363	-	C	49,227
Segment assets	2,736,288	145,244	1,058,537	(971,646)	D	2,968,423

39. Segment information (Continued)

Segment liabilities	1,698,418	3,882	21,196	(28,565)	E	1,694,931

	Port operations RM'000	Bulking Services RM'000	Others RM'000	Consolidations Adjustments and Eliminations RM'000	Note	Per Consolidated Financial Statements RM'000
31 December 2017						
Revenue:						
External customers representing total revenue (Note 4)	777,596	45,897	-	(6,297)		817,196
Results:						
Interest income	20,322	755	1,166	-		22,243
Dividend income	-	-	115,200	(115,200)		-
Depreciation and amortisation	173,714	7,992	355	-		182,061
Other non-cash expenses	38,904	-	192	-	A	39,096
Segment profit	197,071	19,727	109,680	(115,200)	B	211,278
Assets:						
Additions to non-current assets	178,265	583	5,606	-	C	184,454
Segment assets	2,926,750	150,373	984,416	(945,325)	D	3,116,214
Segment liabilities	1,886,886	17,233	3,186	(5,339)	E	1,901,966

39. Segment information (Continued)

A Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Group	
	2018 RM'000	2017 RM'000
Staff gratuities	1,519	1,674
Maintenance dredging costs	10,091	7,659
Directors' gratuities	252	192
Unwinding of discount	25,207	29,571
	37,069	39,096

B The following items are deducted from segment profit to arrive at "Profit before tax from continuing operations" presented in the consolidated statement of profit or loss:

	Group	
	2018 RM'000	2017 RM'000
Dividend income	(140,000)	(115,200)
Guarantee fee income	(3,098)	-
	(143,098)	(115,200)

C Additions to non-current assets consist of:

	2018 RM'000	2017 RM'000
Property, plant and equipment	18,363	15,348
Intangible assets	30,864	169,106
	49,227	184,454

D The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2018 RM'000	2017 RM'000
Goodwill	15	15
Investment in subsidiaries	(961,900)	(940,000)
Inter-segment assets	(9,761)	(5,340)
	(971,646)	(945,325)

39. Segment information (Continued)

E The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2018 RM'000	2017 RM'000
Inter-segment liabilities	9,763	5,339

F Revenue from one (2017: one) major customer amounted to RM213 million (2017: RM263 million) representing 30% (2017: 32%) of the total Group's revenue.

40. Comparatives

The prior year comparatives of the Group has been restated to conform with current year's presentation as follows:

	As previously stated RM'000	Reclassi-fication RM'000	As restated RM'000
Group			
Loans and borrowings	947,299	(11,494)	935,805
Other payables	149,848	11,494	161,342

41. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 8 March 2019.

Building a better working world

Ernst & Young AF: 0039
SST ID: W10-1808-31043558
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

380802-T

Independent auditors' report to the members of Bintulu Port Holdings Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bintulu Port Holdings Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 99.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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Key audit matters (cont'd.)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment assessment of concession intangible assets for Samalaju Industrial Port Sdn Bhd ("SIPSB")

(Refer to Note 2.9 and Note 17 to the financial statements)

The Group assesses concession intangible assets at the end of each reporting period when there is an indication of that an asset may be impaired by comparing its carrying amount with its recoverable amount. Given the significance of concession assets to the Group and the judgement and estimates involved in the assessment of the recoverable amount, we identified the impairment of concession intangible assets for SIPSB as an important area of our audit.

The Group estimated the recoverable amount of its cash generating units ("CGUs") based on value-in-use ("VIU"). Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from the intangible assets of SIPSB, and discounting them at an appropriate rate.

The areas that involved significant audit effort and judgement were the assessment of possible variations in the amount and timing of cash flows and the determination of an appropriate discount rate for SIPSB.

Based on the aforementioned impairment assessment, the Group has not recognised any impairment on the concession intangible assets of SIPSB for the year ended 31 December 2018. As at 31 December 2018, the carrying amount of the concession intangible assets of SIPSB is RM1,307mil.

To address the key audit matters, our audit procedures included, among others evaluating the assumptions and methodologies used by the Group, in particular the assumptions to which the recoverable amount of the CGUs are most sensitive such as the cargo projections, the timing of the future cash flows, the revenue growth rates as well as the discount rate used.

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We have assessed and tested the key assumptions used by management to estimate the projected cash flows for the CGUs as follows:

(a) checked the cargo projections provided by port users that have set up their operations at Samalaju;

(b) checked the tariff rates used against the published rates issued by Samalaju Port Authority;

(c) reviewed annual escalation of expenses against Malaysia's inflation rate;

(d) evaluated the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset; and

(e) assessed the sensitivity of the cash flows to changes in the discount rate and cargo projected.

In addition, we also evaluated the disclosures of each key assumption on which the Group has based its cash flow projections and to which the recoverable amount is most sensitive, as disclosed in Note 17 to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Group's 2018 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

**Independent auditors' report to the members of
Bintulu Port Holdings Berhad (cont'd.)
(Incorporated in Malaysia)**

Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also: (cont'd.)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Independent auditors' report to the members of Bintulu Port Holdings Berhad (cont'd.) (Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Najihah Binti Khalid
No. 03249/10/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
13 March 2019

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