



BINTULU PORT HOLDINGS BERHAD

(Company No. 380802-T)



A World Class Port Operator

**ANNUAL
REPORT
2017**





BINTULU PORT HOLDINGS BERHAD

(Company No. 380802-T)

A World Class Port Operator

22nd Annual General Meeting

Putrajaya Ballroom I

Level ML (Main Lobby), Putrajaya Marriott Hotel

IOI Resort City, 62502 Sepang Utara

Malaysia

on Monday, 30 April 2018

at 2.30 pm

(Refer to page 6 for
Annual General Meeting information)



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VISION

A World Class Port Operator

MISSION

**Delivering Operational Excellence & Ensuring
Our Long Term Sustainability Based on 3Ps
(Profits, People, Planet)**

Corporate Values



*T*eamwork *I*ntegrity *I*nnovation *P*rofessionalism

*T*eamwork

Valuing the team effort and the importance of working together as one Group to achieve our Vision.

*I*ntegrity

Living up and conducting business to the highest ethical standards and governance.

*I*nnovation

Delivering effective solutions to each customer's needs and continuously adopting new technology to maintain our competitiveness

*P*rofessionalism

Providing quality services in a highly professional manner with sincerity, bold as in having the confidence to go beyond the conventional, taking ownership & responsibility and proactively taking the initiative to act in advance of future needs or changes.

NOTICE OF THE 22nd ANNUAL GENERAL MEETING

(Pursuant to Chapter 8, Part H, Para 8.27 (1) of the Main Market Listing Requirements)

NOTICE IS HEREBY GIVEN that the Twenty-Second (22nd) Annual General Meeting (AGM) of BINTULU PORT HOLDINGS BERHAD will be held at **Putrajaya Ballroom I, Level ML (Main Lobby), Putrajaya Marriott Hotel, IOI Resort City, 62502 Sepang Utara, Malaysia** on Monday, 30 April 2018 at 2.30 pm for the following purposes:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 December 2017 together with the Reports of the Directors and the Auditors thereon.

(Please refer to Explanatory Note 1)

2. To approve the payment of **Final Single Tier Dividend of 6.0 sen** per share and **Special Single Tier Dividend of 4.0 sen** per share in respect of the year ended 31 December 2017.

(Resolution 1)

(Please refer to Explanatory Note 2)

3. To approve the payment of Directors' fees amounting **RM1,579,200.00** to the Non-Executive Directors of Bintulu Port Holdings Berhad Group of Companies for the financial year ended 31 December 2017 as follows: -

(Resolution 2)

- (i) the payment of Directors' fees amounting **RM960,000.00** to the Non-Executive Directors of Bintulu Port Holdings Berhad; and
- (ii) the payment of Directors' fees amounting **RM619,200.00** to the Non-Executive Directors of Bintulu Port Holdings Berhad's Subsidiaries.

(Please refer to Explanatory Note 3)

4. To approve the payment of Directors' benefits amounting **RM398,000.00** to the Non-Executive Directors of Bintulu Port Holdings Berhad Group of Companies for the financial year ended 31 December 2017 as follows: -

(Resolution 3)

- (i) the payment of Directors' benefits amounting **RM317,000.00** to the Non-Executive Directors of Bintulu Port Holdings Berhad; and
- (ii) the payment of Directors' benefits amounting **RM81,000.00** to the Non-Executive Directors of Bintulu Port Holdings Berhad's Subsidiaries.

(Please refer to Explanatory Note 3)

5.	To approve the payment of Directors' fees amounting RM2,568,100.00 to the Non-Executive Directors of Bintulu Port Holdings Berhad Group of Companies for the year 2018 starting from 1 January 2018 until the next AGM of the Company in 2019 as follows: - (i) the payment of Directors' fees amounting RM1,679,500.00 to the Non-Executive Directors of Bintulu Port Holdings Berhad; and (ii) the payment of Directors' fees amounting RM888,600.00 to the Non-Executive Directors of Bintulu Port Holdings Berhads' Subsidiaries. <i>(Please refer to Explanatory Note 4)</i>	(Resolution 4)
6.	To approve the payment of Directors' benefits payable amounting RM680,000.00 to the Non-Executive Directors of Bintulu Port Holdings Berhad Group of Companies for the year 2018 starting from 1 January 2018 until the next AGM of the Company in 2019 as follows: - (i) the payment of Directors' benefits payable amounting RM505,000.00 to the Non-Executive Directors of Bintulu Port Holdings Berhad; and (ii) the payment of Directors' benefits payable amounting RM175,000.00 to the Non-Executive Directors of Bintulu Port Holdings Berhads' Subsidiaries. <i>(Please refer to Explanatory Note 5)</i>	(Resolution 5)
7.	To re-elect Dato' Sri Mohamed Khalid bin Yusuf @ Yusup who retires under Article 127 of the Company's Articles of Association. <i>(Please refer to Explanatory Note 6)</i>	(Resolution 6)
8.	To re-elect Datuk Yasmin binti Mahmood who retires under Article 127 of the Company's Articles of Association. <i>(Please refer to Explanatory Note 6)</i>	(Resolution 7)
9.	To re-elect Encik Dzafri Sham bin Ahmad who retires under Article 127 of the Company's Articles of Association. <i>(Please refer to Explanatory Note 6)</i>	(Resolution 8)
10.	To re-elect Encik Salihin bin Abang who retires under Article 132 of the Company's Articles of Association. <i>(Please refer to Explanatory Note 7)</i>	(Resolution 9)
11.	To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. <i>(Please refer to Explanatory Note 8)</i>	(Resolution 10)
12.	To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016.	

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 22nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 77 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 23 April 2018. Only a depositor whose name appears on the Record of Depositors as at 23 April 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

NOTICE OF BOOK CLOSURE AND DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the shareholders' approval for the payment of **Final Dividend of 6.0 sen per share** and **Special Dividend of 4.0 sen per share** under the single-tier system in respect of the financial year ended 31 December 2017 ("Dividend") under **Resolution 1** at the 22nd AGM of the Company, the Dividend will be paid to the shareholders on 24 May 2018. The entitlement date for the Dividend shall be 11 May 2018.

Shareholders of the Company will only be entitled to the Dividend in respect of:

- (a) securities transferred into their securities account before 5.00 pm on 11 May 2018 for transfers; and
- (b) securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board,

ABU BAKAR BIN HUSAINI

(LS0009926)

Company Secretary

BINTULU

28 March 2018

NOTES:

PROXY

- Only depositors whose names appear on the Record of Depositors as at **23 April 2018** shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.
- A member of the Company entitled to attend and vote is entitled to appoint up to two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholding to be represented by each proxy.
- The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the **office of the appointed share registrar** for this AGM, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur **no later than 29 April 2018 (Sunday) at 2.30 pm.**
- Pursuant to Paragraph 8.29A of Bursa Malaysia Main Market Listing Requirements, all resolutions set out in the Notice of 22nd AGM will be put to vote on a poll.

EXPLANATORY NOTES ON ORDINARY BUSINESS: -**1) Explanatory Note for Item 1**

The Audited Financial Statements are laid in accordance with **Section 340(1)(a)** of the Companies Act 2016 for discussion only. They do not require shareholders' approval and therefore, will not be put for voting.

2) Explanatory Note for Resolution 1

The Board of Directors recommended that the shareholders approve the payment of the **Final Single Tier Dividend of 6.0 sen per share** and **Special Single Tier Dividend of 4.0 sen per share**. In accordance with Article 162 of the Company's Articles of Association, the Company in General Meeting may by ordinary resolution declare dividends payable to the Members in accordance with their respective rights and priorities out of any lawfully distributable profits, but no dividend shall exceed the amount recommended by the Board of Directors.

Pursuant to paragraph 8.26 of the Main Market Listing Requirements, the final dividend, if approved, will be paid no later than three (3) months from the shareholders' approval. The Book Closure Date and Payment Date, subject to approval of shareholders has been announced by the Company on 22 February 2018.

3) Explanatory Note for Resolution 2 & 3

Section 230(1) of the Companies Act 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 22nd AGM on the Directors' remuneration as follows:

- a) The Board of Directors is recommending that the shareholders approve the payment of Directors' fees totalling **RM1,579,200.00** to the Non-Executive Directors for the preceding financial year ended 31 December 2017 (**Resolution 2**):
 - (i) the payment of Directors' fees amounting to **RM960,000.00** to the Non-Executive Directors of Bintulu Port Holdings Berhad; and
 - (ii) the payment of Directors' fees amounting to **RM619,200.00** to the Non-Executive Directors of Bintulu Port Holdings Berhad's Subsidiaries.
- b) The Board of Directors is recommending that the shareholders approve the payment of Directors' benefits amounting to **RM398,000.00** to the Non-Executive Directors for the preceding financial year ended 31 December 2017 (**Resolution 3**):
 - (i) the payment of Directors' benefits amounting to **RM317,000.00** to the Non-Executive Directors of Bintulu Port Holdings Berhad; and
 - (ii) the payment of Directors' benefits amounting to **RM81,000.00** to the Non-Executive Directors of Bintulu Port Holdings Berhad's Subsidiaries.

4) Explanatory Notes for Resolution 4

Having considered the positioning of the Board's remuneration over the past nine (9) years from 2009 to 2017, the Board at its meeting held on 8 March 2018 approved the Nomination and Remuneration Committee's recommendation for the proposed increment to the Non-Executive Directors' fees as set out in the table below:

Directors' Fees (As approved at AGMs)	2009 to 2017 (9 years) (RM)	Proposed Increment for 2018 (approval sought)	
		(RM)	(RM)
Non-Executive Chairman	120,000.00 per annum	144,000.00 per annum	2,000.00 per month
Non-Executive Director (per Director)	84,000.00 per annum	102,000.00 per annum	1,500.00 per month

The Board of Directors of the Company assumes heavy responsibilities and duties in compliance with Corporate Governance that encompasses the fiduciary duty, duty of skill, care and diligence including the burden of strict disclosure in order to improve investor confidence on the transparency of Company's governance.

With the Companies Act 2016 heightening accountabilities on directors, exposures to liabilities for directors have increased exponentially. As such, closer shareholder scrutiny and more challenging business environments are reinforcing higher expectations and responsibilities including personal liabilities towards the Directors. Further, fair remuneration is a critical component to attract, retain and motivate Directors.

The Board of Directors is recommending that the shareholders approve the payment of Directors' fees totalling **RM2,568,100.00** to the Non-Executive Directors for 2018 starting from 1 January 2018 until the next AGM of the Company in 2019 (**Resolution 4**):

- (i) the payment of Directors' fees amounting to **RM1,679,500.00** to the Non-Executive Directors of Bintulu Port Holdings Berhad; and
- (ii) the payment of Directors' fees amounting to **RM888,600.00** to the Non-Executive Directors of Bintulu Port Holdings Berhad's Subsidiaries.

The payment of the Non-Executive Directors' fees in respect of the year 2018 starting from **1 January 2018 until the next AGM in 2019** will only be made if the proposed **Resolution 4** has been passed at the 22nd AGM pursuant to **Section 230(1)(b)** of the Companies Act 2016.

5) Explanatory Notes for Resolution 5

Based on the planned schedule of meetings starting from 1 January 2018 until the next AGM of the Company in 2019, detailed Non-Executive Directors' benefits payable is as follows:

Allowances and Benefits	Chairman		Members	
Meeting Allowance (Per Meeting)	Current (RM)	Proposed (RM)	Current (RM)	Proposed (RM)
Bintulu Port Holdings Berhad Board	3,000	No Change	1,500	2,000
Audit and Risk Committee	2,000	No Change	1,500	No Change
Nomination and Remuneration Committee	2,000	No Change	1,500	No Change
Finance and Investment Committee	2,000	No Change	1,500	No Change
Bintulu Port Sdn Bhd Board	2,000	No Change	1,500	No Change
Biport Bulkers Sdn Bhd Board	2,000	No Change	1,500	No Change
Samalaju Industrial Port Sdn Bhd Board	2,000	No Change	1,500	No Change
Monthly Fixed Allowance	4,500 per month	No Change	Not Applicable	Not Applicable
Other Benefits	Medical coverage, travel and other claimable benefits			

- i) It is proposed that the meeting allowance for members of the Bintulu Port Holdings Berhad Board be increased from **RM1,500.00 per meeting** to **RM2,000.00 per meeting**.
- ii) The total amount of benefits payable to the Non-Executive Directors is estimated to be **RM680,000.00** from 1 January 2018 to the next AGM in April 2019, subject to the shareholders' approval, and taking into account various factors including the number of scheduled meetings for the Board, Board of Subsidiaries and Board Committees as well as the number of Non-Executive Directors involved in these meetings:
 - a) the payment of Directors' benefits payable amounting to **RM505,000.00** to the Non-Executive Directors of Bintulu Port Holdings Berhad; and
 - b) the payment of Directors' benefits payable amounting to **RM175,000.00** to the Non-Executive Directors of Bintulu Port Holdings Berhad's Subsidiaries.

Payment of benefits to the Non-Executive Directors will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred based on the proposed revised benefits effective 1 May 2018, if the proposed **Resolution 5** has been passed at the 22nd AGM.

6) Explanatory Notes for Resolutions 6 to 8

Article 127 of the Company's Articles of Association expressly states that an election of Directors shall take place each year. At every Annual General Meeting, one-third of the Directors (whether Government Appointed Directors or not) who are subject to retirement by rotation or, if their number is not three (3) or a multiple of three (3), the number nearest to one-third shall retire from office, and if there is only one (1) Director who is subject to retirement by rotation, he shall retire PROVIDED ALWAYS that all Directors shall retire from office once at least in each three (3) years.

7) Explanatory Notes for Resolution 9

Article 132 of the Company's Articles of Association stipulates that the Directors may appoint a person who is willing to act as Director, either to fill a casual vacancy or as an additional Director, provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with these Articles as the maximum number of Directors. A Director so appointed shall hold office only until the next following Annual General Meeting and shall then be eligible for re-election.

8) Explanatory Note for Resolution 10

Pursuant to **Section 271(3)(b)** of the Companies Act 2016, shareholders shall appoint Auditors who shall hold office until the conclusion of the next AGM in April 2019. The current Auditors have expressed their willingness to continue in office and the Board of Directors has recommended their reappointment. The shareholders shall consider this resolution and to authorize the Board of Directors to determine their remuneration thereof.

The Audit and Risk Committee and the Board of Directors of Bintulu Port Holdings Berhad have considered the re-appointment of **Messrs. Ernst & Young** as Auditors of the Company and collectively agreed that Messrs. Ernst & Young has met the relevant criteria prescribed under Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Chapter 8, Part H, Para 8.27 (2) of the Main Market Listing Requirements)

1. Directors who are standing for re-election at the Twenty-Second (22nd) Annual General Meeting of the Company

a) The Directors retiring by rotation pursuant to Article 127 of the Company's Articles of Association and Para 7.26 of the Main Market Listing Requirements and offered themselves for re-election are:

- **Dato' Sri Mohamed Khalid bin Yusuf @ Yusup**
(Independent Non-Executive)
- **Datuk Yasmin binti Mahmood**
(Independent Non-Executive)
- **Encik Dzafri Sham bin Ahmad**
(Non-Independent Non-Executive)

b) The Director retiring pursuant to Article 132 of the Company's Articles of Association and offered himself for re-election is:

- **Encik Salihin bin Abang**
(Independent Non-Executive)

The profiles of the abovenamed Directors who are standing for re-elections as stated in the Notice of the 22nd AGM, are set out in the Profiles of the Board of Directors on pages 46 to 57 of this Annual Report.

2. Board Meetings held during the financial year ended 31 December 2017

For the financial year ended 31 December 2017, a total of ten (10) Board Meetings were held as follows:

No. of Meeting	Venue	Date	Time
1/2017	Putrajaya Marriott Hotel	11 January 2017	6.30 pm
2/2017	Putrajaya Marriott Hotel	19 January 2017	5.00 pm
3/2017	Putrajaya Marriott Hotel	24 February 2017	6.00 pm
4/2017	Putrajaya Marriott Hotel	9 March 2017	5.30 pm
5/2017	Putrajaya Marriott Hotel	21 April 2017	10.00 am
6/2017	Putrajaya Marriott Hotel	22 May 2017	
7/2017	<i>By Way of Circular Resolution and pursuant to Article 149 of the Company's Articles of Association</i>	12 July 2017	6.30 pm
8/2017	Putrajaya Marriott Hotel	23 August 2017	5.30 pm

No. of Meeting	Venue	Date	Time
9/2017	Parkcity Everly Hotel, Bintulu	25 November 2017	8.00 am
10/2017	<i>By Way of Circular Resolution and pursuant to Article 149 of the Company's Articles of Association</i>	7 December 2017	

Details of the Board of Directors' attendance are as follows:

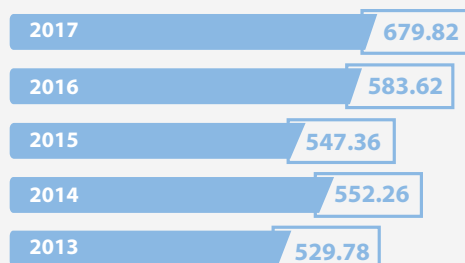
Directors	No. of Meetings Attended	Percentage of Attendance (%)
Tan Sri Dr. Ali bin Hamsa	10/10	100
Datuk Siti Zauyah binti Md Desa	7/10	70
Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani	9/10	90
Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd. Zahidi bin Hj. Zainuddin (R)	9/10	90
Dato Sri Fong Joo Chung	9/10	90
Datuk Nasarudin bin Md Idris	10/10	100
Encik Dzafri Sham bin Ahmad	9/10	90
Dato' Sri Mohamad Norza bin Zakaria	6/10	60
Dato' Sri Mohamed Khalid bin Yusuf @ Yusup	9/10	90
Datuk Yasmin binti Mahmood	8/10	80
Datuk Nozirah binti Bahari	9/10	90
Encik Salihin bin Abang (Appointed on 1 February 2018)	-	-



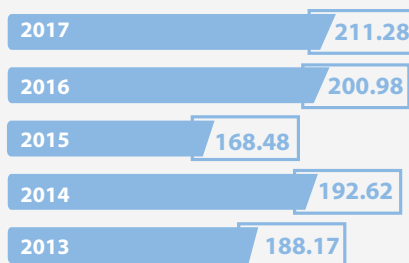
FINANCIAL HIGHLIGHTS



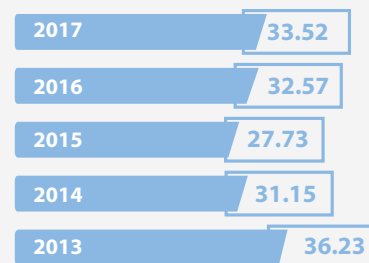
TURNOVER (RM MILLION)



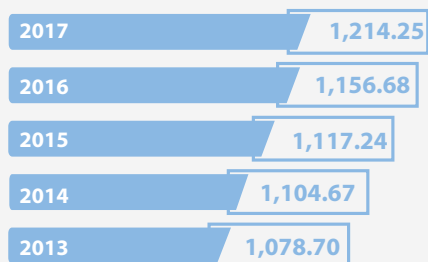
PROFIT BEFORE TAXATION (RM MILLION)



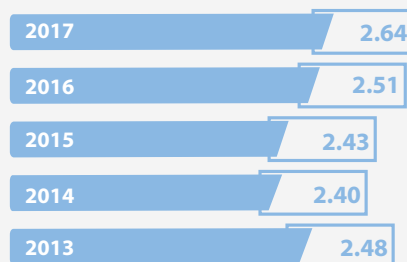
EARNINGS PER SHARE (SEN)



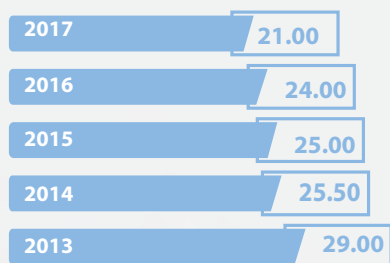
TOTAL SHAREHOLDER'S FUND (RM MILLION)



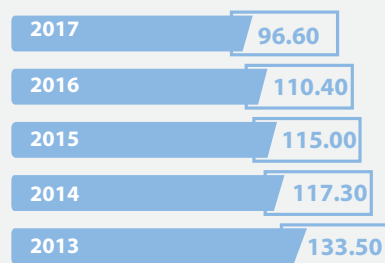
NET ASSET PER SHARE (RM)

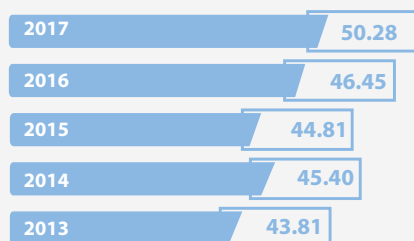
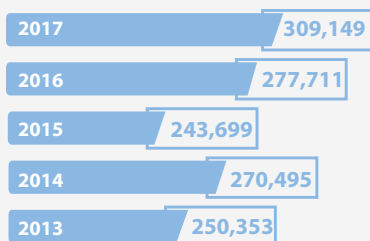
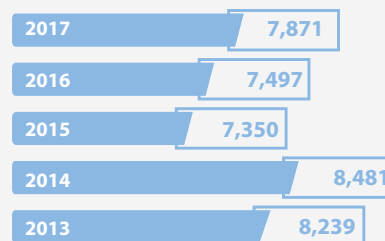


SINGLE TIER DIVIDEND (SEN)



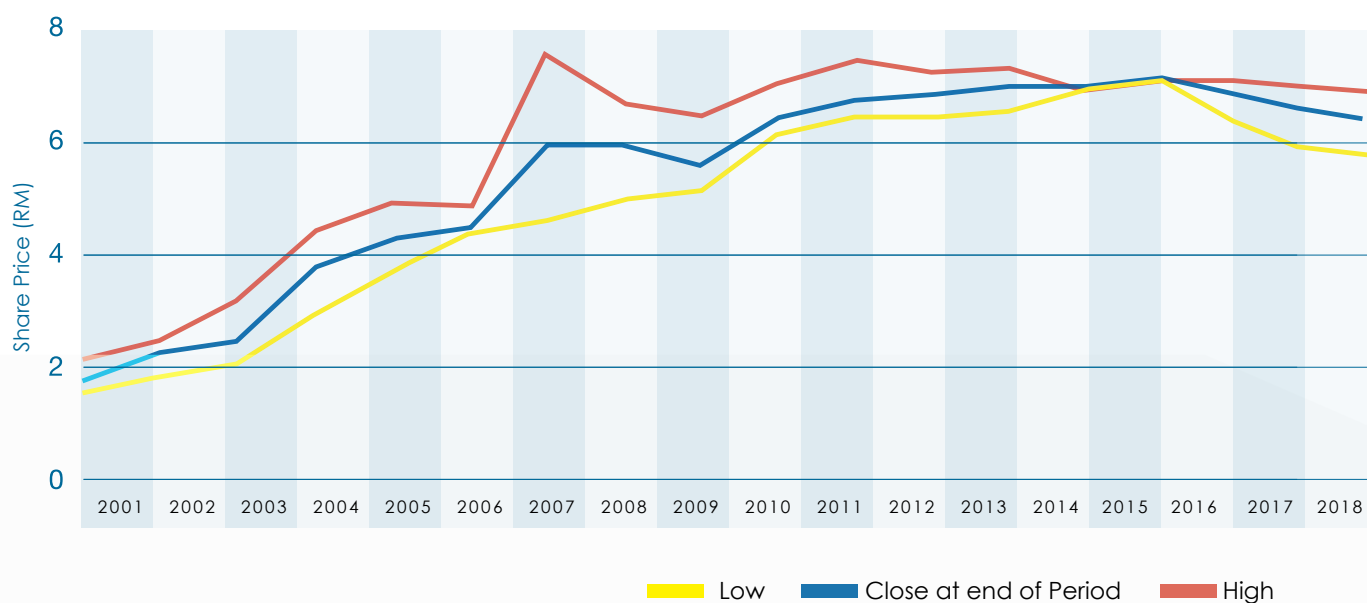
DIVIDEND PAID DURING THE YEAR (NETT) (RM MILLION)



CARGO THROUGHPUT
(MILLION TONNE)CONTAINERS HANDLED
(TEUs)VESSEL CALLS
(NO. OF VESSEL CALLS)

SHARE PERFORMANCE

Ordinary Share of RM1.00 each	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Highest Price	2.18	2.56	3.22	4.50	4.94	4.94	7.60	6.75	6.52	7.05	7.50	7.30	7.32	7.00	7.20	7.20	7.15	6.50
Lowest Price	1.68	1.97	2.10	3.02	3.76	4.46	4.68	5.00	5.20	6.15	6.46	6.50	6.56	7.00	7.20	6.40	5.98	5.71



* Based on transacted price for the period ended 28 February 2018



PERFORMANCE REVIEW



CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2017 saw the global economy achieve stronger-than-expected growth and I am pleased to report that Bintulu Port Holdings Berhad (the Group) capitalised on the upswing in world trade to increase throughput, improve productivity and deliver commendable results. In the advanced economies, the notable pickup in growth was broad-based, with stronger activity in the United States, Canada, the Euro area, and Japan. Growth in China and other parts of emerging Asia too remained strong. An improvement in commodity prices gave relief to exporters and the low oil price environment began at last to show signs of recovery towards the latter part of the year when oil hit USD70 per barrel.

The Malaysian economy too experienced an upturn in 2017 registering an astounding GDP growth of 5.9% as compared to 4.2% the year before. Favourable domestic fundamentals and the weakening Dollar supported a stronger Ringgit. However, the country's major port cargo throughput saw a slight 5.9% decrease to 533.62 million tonnes in 2017 as compared to 567.02 million tonnes in 2016 due to the diversion of cargoes to other ports in Southeast Asia.



For the year in review, the Group continued to make informed and strategic decisions on technologies, services, markets, processes and new capital investment. We invested in training and development efforts to ensure our people are competent and competitive in this high-evolving industry. With our new Vision, Mission and Corporate Values, we will further strengthen and streamline our strategies.

FINANCIAL HIGHLIGHTS

The commencement of Phase 1 operation from June 2017 at Samalaju Industrial Port has contributed to the commendable growth in the operating revenue for the Group. The Group registered a turnover of RM679.82 million for the financial year ended 31 December 2017, a 16.48% or RM96.20 million increase in comparison to 2016's turnover of RM583.62 million.

KEY ACHIEVEMENTS

It is noteworthy to share that the Group achieved robust growth in most areas of its operations. The year saw the Group handled total throughput of 50.28 million tonnes of cargo in 2017 in comparison to 46.45 million tonnes in 2016, an increase of 8.2%. This achievement is remarkable given that this is our highest throughput since the establishment of Bintulu Port, first time surpassing the 50 million tonnes mark. We also take pride that this is the third biggest throughput handling and the highest growth rate as compared to other Malaysian ports. Another significant achievement was the commendable 11.3% increment in our container throughput with 309,149 TEUs passing through our hands. The year's container handling throughput is the highest among East Malaysian ports and our strongest achievement to date since the start of our container operation in 1998.

Our container terminal, Bintulu International Container Terminal (BICT), too continues to be recognised within the industry as having one of the best productivity rates in the region. In 2017, the terminal achieved an average handling productivity of 28 gross moves per hour per crane. On 20 December 2017, the team at BICT chalked up a container productivity achievement of 300,000 TEUs – a historical high for our port. We will build upon this milestone achievement going forward.

We made significant progress in 2017 with greater consolidation and collaboration. Good working relationship between the Federal and State Governments and their respective agencies has resulted in the successful completion of Samalaju Industrial Port. The successful Federal-State partnership was also witnessed when Bintulu Port was developed in the early 1980s which reinforced our position as a gateway to economic growth under the Sarawak Corridor of Renewable Energy (SCORE) initiative.

The Group registered profit after tax of RM154.17 million against RM149.84 million in the preceding year, representing a moderate increase of 2.89% year-on-year.

The finer details of our 2017 financial performance are outlined in the GCEO's Message and Management Discussion and Analysis on pages 28 to 39 of this Annual Report.

Several other key developments took place in 2017 to strengthen our position. On 1 June 2017, Samalaju Industrial Port officially commenced its full Phase 1 operations having begun its Interim Phase back in 2014. This is a milestone achievement for the Group marking the addition of extra capacity and an expansion of our overall offerings. The port functions as a logistical hub for the import of raw materials and the export of finished products from heavy and energy-intensive industries at Samalaju Industrial Park (SIP). Today, we are working to ensure that our operations in Samalaju Port, which are providing value-added services to SIP investors and attracting cargo beyond the SIP, particularly from the northern region of Sarawak, are running at their optimum level and meeting customers' expectations. We are also currently exploring the potential of developing a Distribution Park at Samalaju Industrial Port to meet customer needs. Moving forward, Samalaju Industrial Port is expected to become a major contributor to the development of SCORE.

On 23 August 2017, the Board of Directors approved the Group's new Vision, Mission and Corporate Values (GVMCV) which will steer the Group to greater achievements. The GVMCV was officially launched on 28 February 2018.

OVERVIEW OF NEW GROUP VISION, MISSION & CORPORATE VALUES



In order to progress and sustain our port business, we aspire to become “A World Class Port Operator” while our new Mission is encapsulated in one clear statement: “Delivering Operational Excellence and Ensuring Our Long-Term Sustainability Based on 3Ps (Profits, People and Planet)”. This will see us providing services and delivering operational excellence based on global best practices and standards. With our new Vision and Mission, we have also realigned our Strategic Thrusts into three main components, namely: (a) Institute Operational Excellence, (b) Expand Port Capacities, Capitalise on Key Growth Market Sectors and Profitability, and (c) Embark into Smart Port Initiatives.

On 20 November 2017, the Group signed a Memorandum of Agreement with PETRONAS LNG for Gassing up & Cooling down (GUCD) Services. This places us in a position to garner more market share and broaden our revenue sources. In 2018, we will focus our efforts on strengthening our capabilities in this area to advance our move closer towards being globally recognised as a world-class LNG port operator.

GOOD SHAREHOLDER VALUE CREATION

The Board remains committed to provide our shareholders both tangible and intangible returns. The year in review saw us bolstering our fundamentals and demonstrating moderate profitability whilst maintaining our market capitalisation and strengthening our balance sheet. I am pleased to report that the Group continued on its ascending growth trajectory without compromising on our inherent value, thereby ensuring healthy returns for our shareholders.

I am pleased to announce that the Board of Bintulu Port Holdings Berhad has declared a final single tier dividend of 6.00 sen per share and a special single tier dividend of 4.00 sen per share for the financial year ended 31 December 2017, bringing the total dividend in respect of the year to 25.0 sen per share.

RESPONSIBLE CORPORATE PRACTICES

Bintulu Port Holdings Berhad is committed to uphold good corporate governance and promote the interests of the shareholders.

There are two major highlights to report on regarding the development of corporate governance guidelines in Malaysia. Firstly, the Securities Commission Malaysia released the new Malaysian Code on Corporate Governance (MCCG) to facilitate companies in achieving their goals whilst providing a framework of control mechanisms in April 2017. Secondly, Bursa Malaysia introduced its newly-revised Main Market Listing Requirements (MMLR) which is in line with the MCCG in January 2018.

As of 25 January 2018, the Group is in compliance with the MCCG recommendations as well as the rules and regulations stipulated under the MMLR. The Corporate Governance Statement of our 2017 Annual Report heeds the MCCG's call to be more transparent towards shareholders by disclosing the remuneration of the Group's senior management on a named basis consistent with the Step-Up Practice for large companies as recommended by the MCCG. Moreover, to ensure steadfast leadership

by the Board, the Group has taken the initiative to enhance the skills and knowledge of its Board members in compliance with Paragraph 15.08(2) and Appendix 9C, Part A Paragraph 28 of the MMLR by providing relevant training opportunities based on their strengths and acuity.

To align with Bursa Malaysia's diversity policy, the Board places high value on gender diversity and we are pleased to highlight that the Board today comprises nine (9) male Directors and three (3) female Directors. This is in close accordance with the Government's recommendation that female directors make up at least 30% of the representation on the boards of companies.

On risk management, the Group continuously mitigates any risks that hinder the Group from achieving its Vision and Mission. The Group has proactively embed mitigation strategies in all divisional and departmental KPIs.

The specific details of our corporate governance measures and risk management practices are spelt out on pages 68 to 93 of this Annual Report.

BUSINESS SUSTAINABILITY

Sustainability and sustainable practices are the foundations for building a green and smart port. Our principles of innovation, integrity, cooperation and quality are backed by robust governance structure which effectively manages the economic, environmental and social risks and opportunities. By observing the 3Ps - Profits, People and Planet, we aim to strengthen our operational efficiencies, be a responsible operator, as well as a good corporate citizen.

Our Sustainability Statement on pages 100 to 126 of this Annual Report highlights the good progress we are making as we embark on a formal sustainability journey committed to creating long-term value for our stakeholders.

LOOKING AHEAD

Moving forward into 2018, global economic growth is expected to edge up to 3.9% as the recovery in investment, manufacturing, and trade continues. Malaysia's economy is expected to grow but at a more moderate pace relying on healthy consumer spending and private investment. Meanwhile, growth in LNG and non-LNG cargo throughput is expected to remain positive. Additionally, the heavy industries operating at the SIP are expected to contribute to the additional cargo volume.

Against this backdrop, the Group expects to continue enjoying a stable stream of income from the operations of Bintulu Port given its natural deep-sea features and its position as a key import and export gateway as well as the nation's only LNG export terminal. We also look forward to enjoying the revenue streams from Samalaju Industrial Port and will bolster our capacity here to ensure port operations fulfil customer expectations and SCORE's agenda of transforming Sarawak into a developed state by 2020.

The Group will leverage on the specific strategic initiatives it has developed in order to achieve its business objectives and forecasted earnings for the next five (5) years. This includes continuing to tap potential opportunities in key growth markets or sectors such as the provision of base support services to the oil and gas industry, plus capitalising on timely opportunities in the palm oil industry as well as container movements, dry bulk, and cargoes generated from the SIP. We will intensify our development efforts while exploring new opportunities for business growth through venturing into new synergistic businesses to add to our revenue streams.

The Bintulu Port Privatisation Agreement (PA) is coterminous with Bintulu Port's operating licence, which is due to expire on 31 December 2022. The PA gives Bintulu Port Sdn Bhd (BPSB) the option to extend the tenure of the port's operations for 30 years. The risk of non-renewal of the port's operating licence is minimal, given that the Federal Government has already extended its approval in principle for the renewal. The Group is working hand in hand with the Bintulu Port Authority to discuss and negotiate the key terms of the PA.

We, your Board of Directors remain confident that the Group will be able to sustain its performance for the new financial year from an operational perspective. We will continue to set our sights on building a sustainable and responsible business with a clear projection for growth through a unified approach. We will focus our efforts on managing and apportioning our capital and human resources towards building value in our existing businesses. Our efforts to date speak volumes about what we are capable of accomplishing and we look forward to reaching even greater heights of success.

APPRECIATION

On behalf of the Board of Directors, I wish to convey my sincere appreciation to our customers, business partners, service providers, stakeholders and the State and Federal Government authorities, for their unwavering support. My appreciation also goes to our loyal management and staff for their diligence, dedication and commitment. I also would like to express my utmost gratitude to my colleagues on the Board of Directors for their astute insights and guidance in 2017. I certainly look forward to another fruitful and successful year in 2018.

Please join me in congratulating our new Group CEO, Dato' Mohammad Medan bin Abdullah, who came on board effective 1 March 2017. He brings to the Group extensive leadership experience having served with several multinational corporations at Senior Management and Board levels. We are positive that he and his team will take the group to a new pinnacle of excellence.

As we venture forth in our transformational journey to establish the Group as a World-Class Port Operator, we call upon all our stakeholders to lend us your steadfast support. Thank you.

TAN SRI DR. ALI BIN HAMSA

Chairman

Bintulu Port Holdings Berhad





GROUP CEO'S MESSAGE AND MD&A

DEAR SHAREHOLDERS,

We have completed the year 2017 in remarkably good form and we must be thankful for all of God's continued blessings and of course Bintulu Port's strong team whose worthy efforts contributed to our success in 2017. In fact, the year under review was one on many firsts, all as explained below.

On 1 March 2017, I accepted the privilege of serving as the new Group Chief Executive Officer of Bintulu Port Holdings Berhad (BPHB), a truly home-grown company. My first thought when I joined the Group was that I wanted to take it to the next level of success so it could contribute to the further economic development of the state and country. Looking back at all of the eventful days that we as a Group have experienced together since 1 March, I am humbled, elated and energised by our many tangible and intangible accomplishments to date.

On the back of the strong foundation that has been laid, it was my privilege to launch the new Group Vision, Mission and Corporate Values, or GVMCV, of Bintulu Port Holdings Berhad on 28 February 2018. This occasion marked the starting point of our transformational journey towards a new landscape, towards achieving new possibilities and towards sustaining our port business for generations to come. The launching of the new GVMCV will redefine our purpose, make explicit our raison d'être as a corporation, and define clearly our value contribution to the shareholders, our stakeholders, the people and the planet.

Underlining our Vision, Mission and Strategic Thrust is our Corporate Values, which we have

rebranded as TIIP, "Teamwork, Integrity, Innovation and Professionalism". Corporate Values are the operating philosophies or principles and culture that guide an organisation's internal conduct as well as its relationship with its customers, partners, and shareholders. These values are interconnected in strengthening our People, in supporting our new Vision and Mission.

As I lead the team of dedicated and accomplished individuals at BPHB, we will adopt a holistic approach to growing our business. This will see us setting our sights on achieving our targeted revenue, reviewing our business model to achieve operational as well as product and service excellence, creating value propositions, and identifying cost optimisation measures, among other actions. As we venture forth, I am bringing into play my philosophy in running the business, namely the 3Ps – Profits, People and Planet, to ensure our sustainable long-term growth. As reflected in 2017's encouraging performance, the key to our success will be our people. I am confident that this team of dynamic professionals, bound together by a common vision and mandate, coupled with clear KPIs, will step up to the plate to deliver the expected results and take the Group up to that next level of success.

STEADFAST OPERATIONAL PERFORMANCE

The year in review saw Bintulu Port Holdings Berhad solidifying its position as a world class LNG port and one of the most modern multi-purpose ports in the region, handling various types of cargoes from containers, general cargo, liquid bulk, and dry bulk. Being a unique port, our key achievements included handling 27.14 million tonnes of LNG, our highest LNG volume since the first LNG cargo export in 1983, and successfully reaching our milestone of 10,000 LNG shipments on 27 September 2017. Not many ports can boast of such a milestone. In all this, we continued to leverage on good business fundamentals, a meticulous management approach and strong operational efficiencies to deliver robust operational and financial performance.

While macroeconomic developments on the global and domestic fronts influenced our businesses in one way or another, our key subsidiaries Bintulu Port Sdn Bhd (BPSB), Biport Bulkiers Sdn Bhd (BBSB) and Samalaju

Industrial Port Sdn Bhd (SIPSB), remained resilient to turn in steadfast performances in their respective segments. BPSB registered steady growth in cargo throughput while securing a number of important contracts in a new area of opportunity; BBSB registered record throughput, its best performance to date; while Samalaju Industrial Port officially commenced full operations on 1 June 2017.

The Group as a whole is now operating at 54% capacity with a total berth capacity of 93 million tonnes per annum as compared to 62% in 2016 with total berth capacity of 75 million tonnes per annum. The increase in available capacity is attributed to the additional 18 million tonnes per annum offered by SIPSB. The Group handled a total throughput of 50.28 million tonnes of cargo in 2017 compared to 46.45 million tonnes in 2016, an increase of 8.20%. This achievement is the highest throughput and the best achievement to date since the start of operations at Bintulu Port. The 2017 throughput represented the third largest handling throughput and the highest growth rate by comparison with other Malaysian ports.

GCEO'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

LNG continues to be our main cargo and revenue contributor. As the oil and gas sector slowly picked up pace in 2017 the volume of LNG cargo handled increased to 27.14 million tonnes against 25.24 million tonnes in the previous year. This was attributable to an increase in spot sale shipments, more demand from China, Taiwan and South Korea, and new sales to non-traditional markets. Demand was also driven by buyers' governments who strategically opted for a reliable fuel source and competitive prices to meet the seasonal demand. The LNG sector currently contributes 54% of the Group's cargo throughput. Compared to 2010 when it accounted for 57.64%, LNG's contribution has reduced steadily and is expected to decrease over the coming years with Samalaju cargo coming on stream. This cargo rebalancing reflects the Group's diligence towards promoting growth of non-LNG cargo, thereby diversifying from over reliance on a single cargo.

The non-LNG sector also recorded an increase of 9.10% from 21.21 million tonnes to 23.14 million tonnes which was contributed by palm oil, dry bulk and containerised cargo.

Palm oil throughput registered double-digit growth of 11.40% from 2016 to 2017 attributable to higher export demand from India, China, Netherlands and South Africa to support their local industries, especially in food and beverage and also biodiesel. This throughput handling reinforced our position as the main export outlet of palm oil products in Sarawak with a 95% share of exports. We are the entrepôt for one of the nation's largest palm oil industrial clusters servicing a hinterland comprising 26% of Malaysia's palm oil planted area. We are also the largest palm oil products exporting terminal in Malaysia handling 25.50% of Malaysian palm oil export.

The dry bulk sector recorded an impressive 32.40% growth rate due to the increase in raw material imports (e.g. aluminium oxide, silica quartz, manganese ore, and semi-coke and iron ore) generated from Samalaju Industrial Park investors in line with their plant ramping up operations to production capacity. This achievement indicates our significance as the major dry bulk handling player among East Malaysia Ports. Aside from those shipments, fertiliser imports also increased from 0.65 million tonnes to 0.84 million tonnes and palm kernel products increased from 0.5 million tonnes to 0.6 million tonnes as more oil palm plantation estate acreage matured.

One significant feat achieved this year was the commendable 11.30% increment in our container throughput compared to last year with the handling of 309,149 TEUs. Our container handling throughput is the highest among East Malaysian ports and our best achievement since the start of our container operations in 1998. Consequently, the container cargo sector was the second biggest revenue contributor to our coffers and with the higher throughput we will be able to reduce the per unit operating cost and increase our margin.

The impressive throughput of TEUs was fuelled by increased imports and exports due to economic development in the Sarawak Corridor of Renewable Energy (SCORE), particularly Samalaju Industrial Park (SIP), generating containerised shipment of products and boosting trans-shipment volumes. Our container terminal, Bintulu International Container Terminal (BICT) is recognised within the industry as being one of the most productive in the region and comparable to the standard of the best in the industry with an average handling rate of 28 gross moves per hour per crane in 2017.

For break bulk cargo, the Group registered an increase of 7% in 2017, handling 1.68 million tonnes compared to 1.57 million tonnes in 2016. The increase of break bulk handling was mainly due to an increase in the export of plywood to Japan attributed to housing demand and SIPSB related export cargo of aluminium products and import of anode carbon.

Vessel calls for all cargo categories increased by 5% totalling 7,871 calls compared to 7,497 in the previous year. The increase was attributable in the increased calls of LNG carriers, SIP's raw material in-bound and supply base vessels. This increase in activity is encouraging and we hope to see similar positive growth going forward.

The good momentum that Bintulu Port has gained thus far is owing to the many productive partnerships we have with the varied stakeholders within the Bintulu Port community. We take pride in being a responsible operator and a good corporate citizen and are committed to meeting the needs of the Bintulu Port community in ways that are economically, environmentally and socially responsible. As we venture forth, the Group is strongly poised to build upon the good success to date and aspires to be a key player in Sarawak's growth story.

COMMENDABLE FINANCIAL PERFORMANCE

As the Group implemented the measures to drive strong operational performance amidst 2017's challenging operating environment, this progress was reflected in our steadfast financial performance for the year under review.

For the financial year ended 31 December 2017, the Group generated total operating revenue of RM679.82 million, 16.48% or a RM96.20 million increase over 2016's operating revenue of RM583.62 million. The higher operating revenue was attributable to the increase in volume of cargoes handled and vessel calls at Bintulu Port and also the commencement of Phase 1 operation

at Samalaju Industrial Port from 1 June 2017.

The Group recorded a moderate increase in profit before taxation year-on-year from RM200.98 million to RM211.28 million. Though there is a commendable increase in revenue in 2017, expenditure has also increased on account of direct operating costs, amortisation of infrastructure and equipment as well as Sukuk Expenses.

The Group registered profit after taxation (PAT) of RM154.17 million, some 2.89% or RM4.33 million higher than the PAT of RM149.84 million registered in 2016. As at 31 December 2017, the Group's shareholders' fund stood at RM1,214.25 million as against RM1,156.68 million in 2016.

PERFORMANCE OF OUR BUSINESS UNITS

Strategically located midway between Kuching, Sarawak and Kota Kinabalu, Sabah, along the busy sea lanes of Intra Asia Trade with a deep harbour, Bintulu Port is an important import and export gateway for the Sarawak region.

As the operator of a world class LNG port, the Group is committed to providing quality port services that meet customers' expectations and ensure a competitive return on investment for the benefit of our shareholders and other stakeholders. Today, the port's operations are carried out by our three (3) main subsidiaries each playing their respective roles in ensuring the smooth running of the port.

Bintulu Port Sdn Bhd (BPSB)

BPSB is one of the most modern and efficient multipurpose ports in South East Asia responsible for the provision of a host of port-related services at Bintulu Port, East Malaysia's largest container port and the nation's sole LNG export

gateway. This deep sea port, which is also the third largest port in Malaysia, has built a reputation for being one of the most efficient ports in the region. It boasts modern infrastructure and has one of the deepest drafts compared to any other berthing facilities within Borneo. Located within the Bintulu waters, the port is strategically located to meet oil and gas industry demands.

Over the years since its commencement in 1983, BPSB has handled a growing volume of LNG, containerised cargoes, palm oil products, general cargoes, liquid and dry bulk cargoes. The port has evolved into becoming not only an LNG port but one of the most modern and efficient multi-purpose ports in the region. The facilities and services are similar to those available at other world class ports. The port offers a wide variety of port and marine services to its customers and always endeavours to provide the best service, which includes core businesses such as pilotage, towage, mooring, stevedoring and storage handling, fresh water supply, bunkering, security, diving and on dock maintenance and repair.



GCEO'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

Another important achievement that we are really proud of is the safe handling and delivery of 10,000 LNG shipments without fail that was achieved on 27 September 2017. This important achievement signifies the reliable, safe and secure marine services that we have rendered to our major customers, Malaysia LNG Sdn Bhd and PETRONAS LNG Sdn Bhd, since the first LNG shipment in 1983. The achievement indicates the close operational and business collaboration enjoyed between the customers and the port.

In 2017, BPSB handled a total of 47.63 million tonnes compared to 46 million tonnes of cargo in 2016, an increase of 3.54%. The year saw Bintulu Port face several external challenges including the lower export of wood products of sawn timber, medium density fibreboard and logs due to demand dynamics, limited supply and higher mill operating costs.

While the port's main revenue contributor is expected to continue to be from handling activities for LNG vessels and cargoes, BPSB will continue to expand by continuously servicing the supply base support sector and focus on other key growth sectors while enhancing its operational efficiencies in the handling of specific cargoes such as palm oil, containers, fertiliser, palm kernel products and other dry bulk.

Handling various types of cargoes gives us the opportunity and experience of serving customers with different needs and requirements, including those with significant risk and high capital profiles such as the oil and gas players. Up to date, we are proud to say that we have demonstrated that we are capable of serving these customers and delivering our services to their satisfaction and expectation.

We have enhanced our marine capabilities to improve our services to our platinum customers, Malaysia LNG Sdn Bhd and PETRONAS LNG Sdn Bhd, with a 24-hours service rendered to them that offers night berthing capabilities. This extending of our marine capability hours has enabled us to increase the LNG handling capacity at our terminal and receive more LNG vessels. The 24-hours service which commenced in July 2017 signifies the close collaboration between our customers and the port for continuous improvement in service delivery for greater operational excellence.

In line with its role as a World Class LNG Port, Bintulu Port has also received the first of five Seri C Class LNG Carriers, Seri Camellia in 2016. The next sister ships Seri Cenderawasih and Seri Cempaka completed their maiden voyages from South Korea to Bintulu in 2017. These Seri C Class LNG vessels owned by Malaysia International Shipping Corporation Berhad (MISC) incorporate a superior cargo containment system and green technology features that

contribute to energy efficiency, emission reductions and biodiversity management. The 72,880 DWT Moss type LNG tankers have made Bintulu Port their home port and we are proud to receive and accommodate them.

Part of the Group's business plan last year was to "Embark on New Business to Increase Revenue Streams". As such, we took and developed the appropriate initiatives to turn this business plan into reality in 2017. Among the delivered initiatives was the launching of marine services to serve additional LNG vessels calling at Bintulu Port for Gassing up & Cooling down (GUCD) services. We have signed a Memorandum of Agreement with Petronas LNG Sdn Bhd on 20 November 2017 for the provision GUCD services at Bintulu Port. We have taken another step to broaden our branding and to increase our revenue source. In 2018, we will intensify our efforts to market this service to LNG carrier operators globally. With the commencement of this service we are the first GUCD service provider in Malaysia and the third in the Asia Pacific region.

Apart from our noteworthy achievement in serving our platinum customers in the oil and gas sector, we have also recorded a remarkable performance in surpassing the throughput target for container operations in 2017, as we handled 300,000 TEUs on 20 December last year. The record in handling imported containers came when we unloaded MV Contship Hub and was the best year-on-year comparable performance and the highest registered by BPSB over the past ten (10) years. This achievement is attributable to our strong teamwork, as well as the collaboration and commitment of our staff and also our port users.

At present, we are connected to regional and global container trade lanes through nine shipping lines. Three shipping lines, Evergreen Marine Corporation (M) Sdn Bhd, SITC Container Lines (Sarawak) Sdn Bhd and Harbour-Link Line Sdn Bhd offer direct shipping services to the Intra Asia Ports thus boosting our connectivity offering to customers. Enhancing shipping connectivity has been one of our main focus points in offering on better service delivery.

The year saw BPSB working closely with Syarikat Sebangun Sdn Bhd, G.T. Plywood Sdn Bhd and also Brightwood Sdn Bhd to install a new conveyor belt system from their existing plant to our multi-purpose terminal. This newly installed conveyor belt commenced operations in August 2017 enhancing productivity by enabling the uninterrupted supply of woodchip for loading that contributed to a 33% increase in the rate of handling per day. With the improved method of delivery, the amount of heavy traffic within the port area and adjacent roads was reduced which contributed to a greener environment and a reduced risk of accidents.

Biport Bulkers Sdn Bhd (BBSB)

BBSB is involved in the provision of bulking installation facilities and services for palm oil products. Its facility today is the leading palm oil bulking installation terminal with the largest storage capacity in Sarawak. It is also the main export point for edible oil products in Sarawak, handling more than 90% of Sarawak's crude palm oil (CPO) storage. Located within the Bintulu Port area, BBSB's facility boasts water frontage with excellent berthing facilities and sufficient draft for large vessels in comparison to the conditions of riverine ports. Since its establishment in 2014, BBSB has grown from twenty-six (26) to eighty-five (85) storage tanks with a total capacity of 154,600 metric tonnes aside from developing sixteen (16) units of bulking pipeline and thirteen (13) units of export pipeline. In 2017, BBSB recorded a commendable pumping rate of 385 tonne/hour, an achievement 10% beyond the targeted productivity of 350 tonne/hour. There is also room for expansion with ample land and facilities to accommodate current and future growth of CPO production and shipment in the State.

BBSB registered an impressive 12.05% growth in the storage and handling of palm oil products with 4.09 million tonnes of cargo handled in 2017 from 3.65 million tonnes in 2016. The volume was contributed by five (5) refineries operating within the vicinity of the terminal with

Bintulu Edible Oil under the Wilmar Group producing almost a 50% share of the industry's output. BBSB's major customers, apart from Wilmar which is a leading global palm oil concern, are the other main palm oil companies, namely Sime Darby's Austral Edible Oil, Sarawak Oil Palms' SOP Edible Oil, Kirana Edible Oil and Rimbunan Hijau Borneo Edible Oil. They operate and use the facilities for the export of their crude and refined products. In 2017, 95% of Sarawak's palm oil products were handled via Biport Bulkters.

On 7 September 2017, BBSB signed a pact with Rimbunan Hijau Borneo Edible Oils Sdn Bhd, to use BBSB's delivery and storage facilities at Bintulu Port which will contribute to growing throughput in future in line with the increase in palm oil acreage in Sarawak.

In line with the Malaysian Palm Oil Board's projection for 2018, we foresee a better year ahead for CPO production as world demand for palm oil products increases with the rising population. However, we remain mindful of supply limitations that may arise as a result of weather phenomenon. We also believe there is much room for growth for Sarawak's CPO production based on the state's target of 2.0 million hectares for oil palm plantation. As of 2017, the total acreage for oil palm cultivation stood at 1.5 million hectares which will augur well for BBSB in the near future.



GCEO'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

Samalaju Industrial Port Sdn Bhd (SIPSB)

SIPSB undertakes the provision of port services for industries in the Samalaju Industrial Park (SIP) and the port hinterland. SIPSB is a purpose-built port which provides dry bulk cargo services for heavy industries located within the SIP which is a captive market, as SIPSB is the only port in SIP presently. A total of RM1.90 billion has been incurred for the development of the port's interim and first phases which cover an area of 156 hectares out of the 393 hectares allocated for the entire port project.

A significant landmark reached this year was the commencement of SIPSB's Phase 1 operations on 1 June 2017, following from the Interim Phase operations which started in 2014. This milestone achievement marked substantial growth in capacity and business expansion for the Group.

Given the port's proximity to the industries within the SIP and its strategic location between Miri and Bintulu, it has been identified by the state authorities as one of the key factors that will drive the development of SCORE (the hub for high energy intensive industries) and facilitate regional economic growth.

ENHANCING EMPLOYEE ENGAGEMENT

As part of our drive to achieve high productivity and performance, we have strengthened the relationships and esprit de corp between employees and management through a number of effective staff engagement sessions. In addition to numerous formal and informal engagement sessions, we successfully conducted the first Inaugural Town-hall Session 1, a company wide Labour Day celebration, Inter-Subsidiary Sports Carnival, *Malam Pelabuhan* and Employee Excellence Award to demonstrate our commitment to the principle of Walking the Talk across the organisation. More engagement sessions will be undertaken in 2018.

In order to embrace a dynamic workforce, Smart Casual Day was introduced on Fridays starting June 2017 to encourage more open and interactive behaviour among staff and to reduce the sense of stress from work pressure that comes with the long work week. Developing talent and personal development create opportunities for all our staff utilising their unique skills and fresh, innovative ideas. Their adaptable, tech-savvy, vital, positive attitude makes for quick learners in today's rapidly changing, technology-driven world. Thus, the Group will continue to evaluate and review the programmes and courses that we offer to ensure our people have the development opportunities they need to reach their full potential.

Currently the port has the capacity to handle cargo ships carrying loads weighing 8,000 DWT (deadweight tonnage) which will increase to 50,000 DWT once all phases of development are completed. It offers marine services such as pilotage, towage, mooring, stevedore, handling and storage.

The port now has an operational total capacity of 18 million tonnes per annum supported by modern handling equipment and all the port services required by the customers. Samalaju Industrial Port offers an automated handling operation for dry bulk cargo using a conveyor belt system that offers fast productivity to minimise vessel turnaround time. We constantly monitor our activities to ensure that our operations in Samalaju Industrial Port are efficient, fast and that they meet our customers' expectations. To elevate performance, we will focus on delivering greater operational efficiency in 2018.

In year 2017, Samalaju Industrial Port handled 2.64 million tonnes of cargo, an increase of 487% compared to only 0.45 million tonnes in 2016. We are expecting another outstanding year of significant growth in 2018 taking into account the full-service operations to be rendered to customers and increased in-plant output capacity.

Management Walkabouts and Management Away Day were some of the other initiatives taken to cultivate the principle of Walk the Talk among top management. At the Management Walkabout sessions, management teams from across all subsidiaries, divisions and departments walk together to monitor compliance at the facility and identify potentially hazardous objects or conditions that can be improved upon, to demonstrate Management commitment to HSE. The Management Away Day on the other hand provides a rendezvous for management to engender a sense of shared purpose, to improve teamwork among the management team and to focus on some long-term planning to move the Group forward in a progressive manner.

In 2017, we saw encouraging signs of a rise in innovation within the Group. We uphold the value of innovation not only because it is one of our core corporate values, but because innovation unlocks new value-creation to the organisation. Hence, we encourage the inculcation of innovative solutions to enhance operational efficiencies and at the same time to strengthen the management and business process delivery aspects for our internal and external customers. One good example came from our Innovative & Creative Circle (ICC) Team. I would also like to applaud the efforts of the Bintulu Port - ICC Team that won a Gold Award during the national level ICC Convention at Genting Highlands in November 2017. This practice of continual innovation will be an important factor for achieving operational excellence.

BUSINESS RISKS AND CHALLENGES

The Group continues to grow steadfastly and demonstrate its resilience amidst a highly challenging operating environment. As we venture forth, we are aware of certain risks that the Group is exposed to, particularly as a result of global uncertainties that could impact our operational and financial performance. As such we have put in place a risk management framework and instituted several initiatives to mitigate these risk factors. We outline our key strategic and financial risks below as well as the respective risk mitigation strategies.

In 2017, the following key risks were identified. Strategically we run a market risk of being unable to achieve the targeted volume owing to our heavy reliance on key customers especially in the newly developed area at Samalaju Industrial Park which could affect the financial performance of the company. Our mitigation strategies are the optimisation of the Phase 1 facilities and the implementation of marketing plans to enhance the scope of port services to non-SIP investors.

The second risk we face is financial and that is the possibility of our application to increase non-LNG tariffs not being approved in timely fashion as awaiting the approval of the application to implement new non-LNG tariffs has had an impact on BPSB's non-LNG financial performance as a few service lines and cargo types are operating below cost. Our mitigation strategies for this risk are to work hand-in-hand with the authorities and relevant agencies to pursue revised tariff approval and implementation.

The existential challenge, we have to be most mindful of, is any change in external Political, Environment, Social and Technological forces (PEST) that will have a direct impact on the way we are doing business. This includes political realignment across the globe and technological advancement or disruptive technology that could shape a whole new landscape in the way of doing business in the port and shipping industry.

Another challenge we face are external threats that include competition from other port and terminal operators on our own doorstep and within the region. A disciplined management approach and improved

operational efficiencies as well as a steadfast dedication to delivering a sound financial performance is needed to hold off the competition and take us to the number one position. If we are good at what we do we should not be afraid of competition. On the other hand, if we stagnate, we cannot expect to be number one. As such, we cannot sit on our laurels and be complacent. We must be driven in our pursuit of more growth and operational efficiency.

Concerns about environmental and social issues related to the port industry such as pollution, energy efficiency, climate change and resource depletion are starting to be raised and are being given attention by governing bodies all around the world. The Group needs to embark on strategies to become a smart port to ensure its sustainability in the long run.

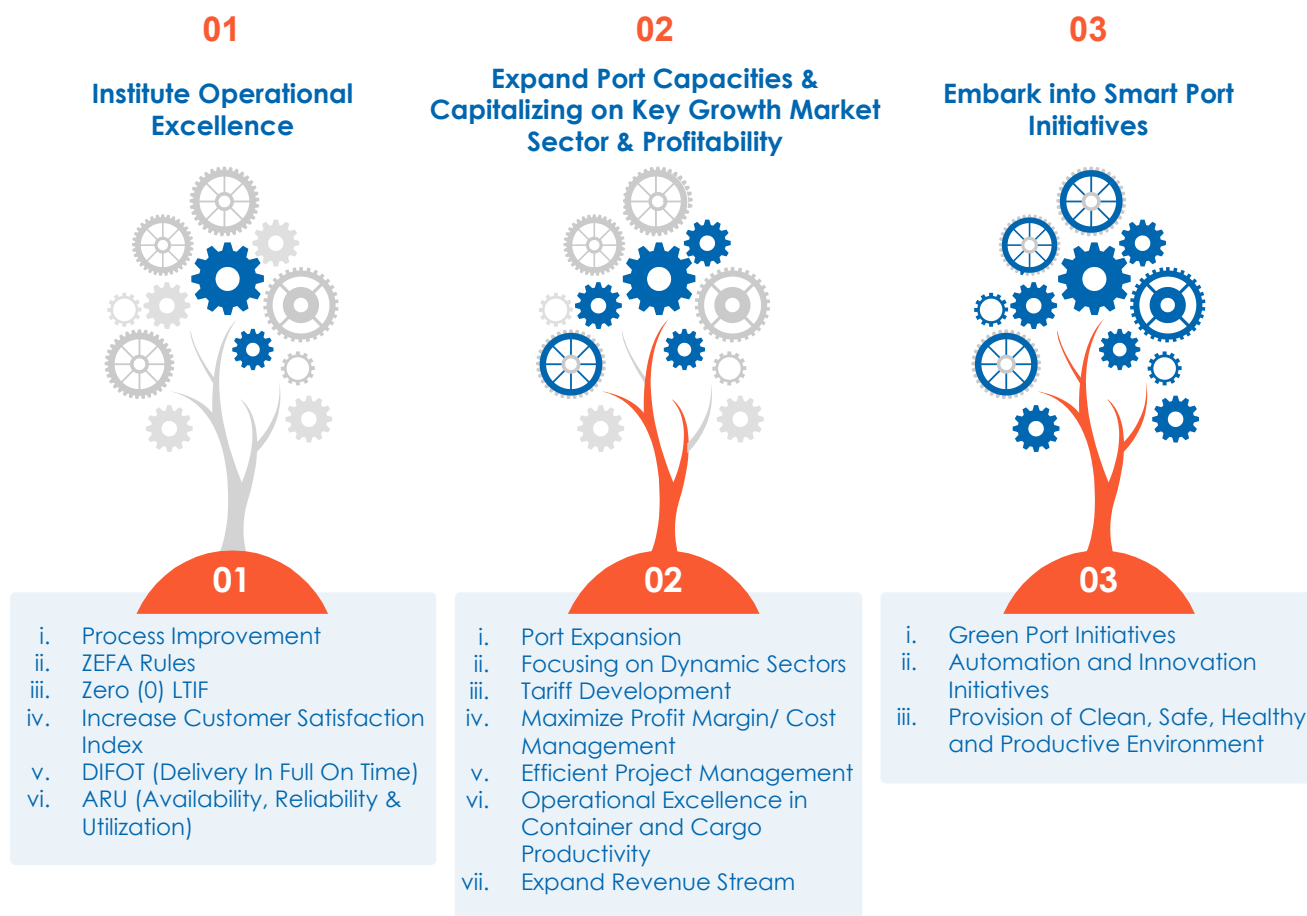
As our customers become more cost conscious, performance driven and selective we must match their expectations and meet their demands by delivering better services and greater productivity. Finding that the rising cost of doing business was impacting our margins, we have rejected the path of Business as Usual (BAU) and have pro-actively adopted strategies and action plans that will increase our operating revenues. At the same time, we must keep track of and vigilantly monitor our costs, especially for manpower, administration and Direct Operating Costs (DOCs).

We are adapting and changing our mind-set towards attaining a high-performance culture. Recognising that while we have the hardware and infrastructure to deliver multi-range services for a wide variety of cargoes, on the soft side to deliver operational excellence and tap new business opportunities, our people need to adapt to deliver greater teamwork, refine and adapt skill sets, and change their mindsets to whole-heartedly strive to achieve a high-performance culture.

STRATEGIES FOR SUCCESS

While the handling of LNG vessels and cargoes will remain the mainstay of the Group's business in the short-term, as part of our longer-term strategy, we will employ three (3) specific strategic thrusts to achieve our business objectives and to sustain growth over the next five (5) years.

STRATEGIC THRUST



The first strategic thrust will involve delivering operational excellence and efficiency.

It revolves around focusing on improving productivity, efficiency and the service level through process improvement and innovation. This thrust also emphasises our commitment towards improving standards and quality of service delivery in a safe and reliable manner.

The second strategic thrust will see us expanding port capacities and capitalising on key growth market sectors and profitability.

This will involve implementing CAPEX projects for the Group in a timely and efficient manner, developing new land and facilities at Samalaju Industrial Port for high value or high demand activities, strengthening our customer base by providing sufficient port and terminal capacities and facilities, as well as implementing better vacant land planning and usage.

In addition to this, we will also focus our efforts on specific sectors such as LNG, palm oil, edible oil, containers, dry bulk cargoes and base support services. We will set our sights on ensuring the profitability of each sector through the development of viable port charges for new services

and a review of the relevant port tariff. We are expanding and embarking on new businesses and port services to increase revenue streams capitalising and leveraging on our expertise, capabilities and capacities.

We will also work to ensure effective cost discipline and management, the maximisation of profit margins and efficient project management. We will also focus on ensuring the optimal utilisation of resources as well as set out to improve productivity, efficiency and service levels through business process reengineering and innovation. We will only embark upon a new development, business venture or project after conducting a comprehensive feasibility evaluation and risk assessment to ascertain positive returns.

The third thrust calls for us to embark on smart port initiatives.

We are going forward aiming to become an automated, efficient, learning, sustainable, integrated, safe and secure port, committed to providing a clean, healthy and productive environment at the port. We believe that internal and external customer value creation can be delivered through adopting some of these elements. In the long run smart ports are the only ones that will

survive the current challenges of ports: spatial constraints, pressure on productivity, fiscal limitations and the need to be green. We will only undertake the smart port initiatives through greater economic sense and cost benefit analysis that will deliver operational efficiency, energy efficiency and environmental sustainability through smart port initiatives.

The Group business strategies for success are divided into three (3) phases spanning from 2016 to 2030, with Phase 1 starting from 2016 to 2020, followed by Phase 2 from 2021 to 2025 and Phase 3 from 2026 to 2030. All three (3) phases will deliver the spark and momentum to the strategies and business initiatives that will spearhead our drive towards achieving the Vision and Mission of the Group.

NEW BUSINESS OPPORTUNITIES

Our business plan for 2018 explores new business opportunities by leveraging on the Group's expertise in port operations & management, capitalizing on our available capacity and institutional capabilities. The main points can be summarised as follows:

- Attract base support services;
- Focus on dynamic cargoes;
- Capitalise on the palm oil industry;
- Sustainability, and growth of SIPSB;
- Expand and embark on new business and port services to increase revenue stream;
- Constant practice of cost management;
- Empower capacity building and sustainability;
- Business process execution for extension of concession Period; and
- Green and Smart Port initiatives.

As we implement our long-term strategic goals, the Group will continue to capitalise on near-term key growth markets or sectors and resolutely implement our business plans for 2018 such as the provision of base support services to the oil and gas industry. We have successfully secured and renewed contracts for the provision of base support to oil and gas related companies namely PCSB, PFLNG and Murphy Oil Sarawak. We are also working hand in hand with our anchor customers, Malaysia LNG Sdn Bhd and PETRONAS LNG Sdn Bhd, on the future collaboration for potential business opportunities taking into account global trending scenarios. These projects will greatly expand our revenue streams and create a better value proposition for our customers.

We will also leverage on opportunities in the areas of containers, dry bulk, and cargo generated from the SIP. Our efforts will see us undertaking continuous

In a nutshell, we will focus upon delivering operational excellence, business growth and sustainability. These initiatives will be embedded and executed in our yearly business plans and incorporated into staff KPIs to be measured and reviewed quarterly. We will gauge progress on the following major targeted initiatives:

- Process Improvement/Review Productivity
- Zero Fatality
- Increase Customer Satisfaction Index
- Increase ARU (Availability, Reliability and Utilisation)
- Port Expansion
- Cost Management
- Efficient Project Management
- Expand Revenue Streams
- Green Port Initiatives

improvement in service delivery or even expansion and development of certain identified infrastructure subject to viability.

To increase our revenue streams, we will supplement and diversify our revenue base through ventures into new business areas that are potentially synergistic. We are exploring the opportunity of providing bunkering services to commercial vessels at Bintulu to diversify the Group's revenue streams and to cater for the increasing demand for bunkering service within Bintulu waters. Another effort to diversify the revenue stream in order to maximise profitability is the opportunity to embark on offering Gassing up & Cooling down (GUCD) services for LNG vessels to non-PETRONAS LNG vessels. The Group and PETRONAS are now working hand in hand to realise these value-added services.

The Group's strengthened footprint in shipping liner hubs offers enormous potential that will create greater value in terms of our market capitalisation. We always deliver the best service we can to our customers with our existing facilities and services. Our future developments are expected to contribute in increasing the cash inflow to the company, thus strengthening our market position and providing the Group greater opportunities to explore new value-added business to move into going forward.

As the Group moves confidently but cautiously forward into another challenging yet opportunistic year, we remain committed to implementing prudent and proactive cost management strategies. We also intend to focus our efforts on strengthening our financial position even further. We are confident that as we execute on our near and long-term strategies, the Group will continue to remain relevant to the market and play an integral role in the success of our customers.

OUTLOOK AND PROSPECTS

After a stronger-than expected performance in 2017 of an estimated 5.90% growth in GDP, Malaysia's economic prospects are expected to moderate in 2018 to a growth rate of 5.50%, essentially unchanged from the average rate of expansion witnessed in 2013 to 2017. Malaysia's robust economy has been attributed to private sector spending and the continued strong performance in exports. Sectorwise, our bets remain on the manufacturing and services sectors to drive GDP growth in 2018.

Sarawak's economy is expected to grow by 4% in 2018 as compared to 3.20% in 2017. The positive incremental growth will mainly be delivered by expansion in private sector expenditure and exports while the service and manufacturing sectors will continue to be the key drivers of growth. This has been reflected in the increase in the import of raw materials and export of products via the Group's business units generated by SIP investors.

In terms of the global economy, it is anticipated that there will be an ongoing recovery in trade with modest growth of 3.90% in 2018. This is confirmed by the encouraging growth Bintulu Port is seeing from major trading partners Japan, China, South Korea, India and ASEAN 5.

Global LNG demand is forecasted to increase by 2.40% annually from 2015 to 2020. According to the International Energy Agency (IEA) and S&P Global Platt's, ASEAN LNG demand will reach 30 million tonnes per year in 2022, a rise of almost three times from 2016's consumption. This will result in steady demand for LNG exports from Bintulu Port and more vessel calls. We are witnessing the selection of LNG as the energy choice for cleaner fuel.

The palm oil sector is expected to show a better performance on the exportation side in 2018 and exceed RM70 billion compared with RM67 billion recorded last year. The Malaysia Palm Oil Board reported last year's output was 19.90 million tonnes is expected to increase to 20.50 million tonnes in 2018. For Sarawak the oil palm hectareage is expected to increase by 3 to 4% annually and this increase will fuel more palm oil products export from Sarawak. Nearly 90 per cent of global supply is from Indonesia and Malaysia. Apart from yield recoveries after the 2015 El Nino, a dry weather event that can impact

crops for up to two years, production will also increase as more young trees come to maturity, increasing harvested areas. Recent gains in crude petroleum oil prices, however, could spur demand for palm oil from biodiesel producers, which would contribute to between a four to five per cent increase in global palm oil demand.

Although the price of crude oil has been seen penetrating above USD70 per barrel, oil giants view and see this as a temporary phenomenon. The oil and gas industry having built their strategies and planning upon oil prices hovering between USD50 to USD60 per barrel remain prudent adopting a cost compression initiative and look for industry collaboration. Although the situation is not as lucrative as in the golden years, there is still growth and opportunities to be exploited especially in downstream activities. The industry players operating at Bintulu Port have collaborated to get the maximum value and usage for the base support services we render at the port which has seen a rise in the volume of these activities and business.

Efforts have also been put in place to support the State by working hand-in-hand to attract additional investors in the SIP which will see a new generation of cargo shipped through SIPSB. Collaboration with identified partners will establish SIPSB as a logistics hub for SCORE by tapping into our capabilities and available capacities.

The good momentum gained here is expected to be further fuelled by several catalysts under the 11 Malaysian Plan (2016-2020) and industrial initiatives under SCORE. All these positive developments bode well for the Group. As a key gateway to the nation's economic growth, we are in a position to focus on specific identified cargoes, develop new businesses and enhance our capabilities and capacities for long-term sustainable growth.

Taking into consideration the macroeconomic factors and our current position of strength, the Group is confident of its prospects for the new financial year. By adhering to prudent and proactive financial management as well as by leveraging on specific business strategies, we believe that we will be able to capitalise on the many opportunities made available to us and overcome all challenges.

APPRECIATION

I would like to take this opportunity to express my deep appreciation to our loyal customers from the many varied industries and sectors that we serve for their continued support and trust in us. My gratitude also goes to our business partners, associates, bankers, friends, government authorities and other stakeholders, for their continued understanding, support, and confidence in the Group.

My utmost gratitude to our dedicated management and staff who have worked so diligently to improve the Group's performance. We have come through a year that was filled with both challenges and victories. On behalf of the Group, please allow me to extend my personal and genuine appreciation to each and every one of our staff for your valuable contributions and commitment throughout 2017.

I would also like to extend my sincere appreciation to our Chairman and fellow Board members for their wise counsel and insights. Let us all continue to bring this Group to achieve greater success and reach greater heights in years to come.

Bintulu Port operates in a dynamic and challenging business environment. Given our strength and proven flexibility we are prepared to transform challenges into opportunities. We will adapt to meet the demands of the changing marketplace and in the near future realise our transformation into a smart port, the pride of Sarawak and the country. As we move forward, I look forward to the continuing support of all our stakeholders to help us in our journey to success. Thank you.

DATO MOHAMMAD MEDAN BIN ABDULLAH

Group Chief Executive Officer
Bintulu Port Holdings Berhad



CORPORATE INFORMATION



Corporate Structure



Note:

RM1.00 Preference Share in Bintulu Port Holdings Berhad and Bintulu Port Sdn Bhd are held by Minister of Finance (Incorporated).



BOARD OF DIRECTORS

Tan Sri Dr. Ali bin Hamsa

Chairman
Non-Independent Non-Executive Director

Datuk Siti Zauyah binti Md Desa

Non-Independent Non-Executive Director

Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani

Non-Independent Non-Executive Director

Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd. Zahidi bin Hj. Zainuddin (R)

Non-Independent Non-Executive Director

Dato Sri Fong Joo Chung

Non-Independent Non-Executive Director

Datuk Nasarudin bin Md Idris

Non-Independent Non-Executive Director

Encik Dzafri Sham bin Ahmad

Non-Independent Non-Executive Director

Dato' Sri Mohamad Norza bin Zakaria

Independent Non-Executive Director

Dato' Sri Mohamed Khalid bin Yusuf @ Yusup

Independent Non-Executive Director

Datuk Yasmin binti Mahmood

Independent Non-Executive Director

Datuk Nozirah binti Bahari

Independent Non-Executive Director

Encik Salihin bin Abang
(Appointed on 1 February 2018)

Independent Non-Executive Director

COMPANY SECRETARY

Abu Bakar bin Husaini
(LS0009926)
Tel : +60 86 291257 Fax : +60 86 254062
Email: abubakar@bintuluport.com.my

AUDITOR

Messrs. Ernst & Young
Chartered Accountants
Level 23A, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia
Tel: +603 7495 8000 Fax: +603 2095 5332

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
59200 Kuala Lumpur, Malaysia
Tel : +603 2264 3883 Fax : +603 2282 1886
Email : is.enquiry@my.tricorglobal.com

PRINCIPAL BANKER

CIMB Bank Berhad

STOCK EXCHANGE LISTING

Main Market, Bursa Malaysia Securities Berhad
(Listed since 16 April 2001)

REGISTERED OFFICE

Lot 15, Block 20, Kemena Land District
12th Mile, Tanjung Kidurong Road
97000 Bintulu, Sarawak, Malaysia
Tel: +60 86 291001 (30 Lines)
Fax: +60 86 254062 / 253597
Email: customerservice@bintuluport.com.my
Website: <http://www.bintuluport.com.my>

SUBSIDIARIES

Bintulu Port Sdn Bhd (254396-V)
Biport Bulkera Sdn Bhd (635147-V)
Samalaju Industrial Port Sdn Bhd (406345-H)



BOARD OF DIRECTORS

Sitting (from left to right)

- Dato Mohammad Medan Bin Abdullah
- Dato' Sri Mohamad Norza bin Zakaria
- Tan Sri Dr. Ali bin Hamsa
- Dato Sri Fong Joo Chung
- Datuk Nasarudin bin Md Idris



Standing (from left to right)

- **Salihin bin Abang**
- **Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Hj. Zainuddin (R)**
- **Datuk Nozirah binti Bahari**
- **Datuk Siti Zauyah binti Md Desa**
- **Datuk Yasmin binti Mahmood**
- **Dato' Sri Mohamed Khalid bin Yusuf @ Yusup**
- **Encik Dzafri Sham bin Ahmad**
- **Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani**

TAN SRI DR. ALI BIN HAMSA

Malaysian, Age 62

Chairman

Non-Independent Non-Executive Director

**TERMS OF OFFICE**

- Appointed as Non-Independent Non-Executive Director on 28 July 2010 until 31 October 2013
- Appointed as Chairman and Non-Independent Non-Executive Director with effect on 1 November 2013

QUALIFICATIONS

- Bachelor of Arts (Hons), University of Malaya, Malaysia
- Diploma in Public Management (National Institute of Public Administration), Malaysia
- Masters in Economics, Oklahoma State University, United States of America
- Ph.D in Environmental Sciences and Economics, Oklahoma State University, United States of America

MEMBER OF ASSOCIATIONS

President of the Commonwealth Association for Public Administration and Management (CAPAM)

WORKING EXPERIENCE & OCCUPATION

Tan Sri Dr. Ali bin Hamsa is the Chief Secretary to the Government of Malaysia and began his career in the Administrative and Diplomatic Service in 1981 as an Assistant Director at the Ministry of Trade and Industry. In April 2009, he was appointed as the first Director-General of the Public Private Partnership Unit at the Prime Minister's Department, a new central agency created to spearhead Public-Private Partnership (PPP) initiatives.

Tan Sri Dr. Ali also actively participates in the corridor development in Malaysia as Board Member of the various corridor development authorities. He is the co-author of two books, namely "Dasar-Dasar Utama Kerajaan" (1997), "Malaysia Kita" (1998) and is Co-Chief Editor for "Falsafah Asas TN50" (2017). First Malaysian to be conferred an honorary science doctorate from B.S. Abdur Rahman Crescent University in Vandalur, Chennai, India, Tan Sri Dr. Ali is also the first Malaysian to be appointed as a member of United Nations (UN) Committee of Experts on Public Administration (CEPA) for the 2018-2021 term.

OTHER DIRECTORSHIPS**LISTED ENTITIES**

None

PUBLIC COMPANIES

None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

10 out of 10 Board Meetings and 1 Annual General Meeting

DATUK SITI ZAUYAH BINTI MD DESA

Malaysian, 58

Non-Independent Non-Executive Director

Member of Finance & Investment Committee

TERMS OF OFFICE

Appointed as Non-Independent Non-Executive Director on 1 June 2016

QUALIFICATIONS

- Bachelor of Science (Hons) in Quantity Surveying, University of Reading, United Kingdom
- Diploma in Public Administration, National Institute of Public Administration, Malaysia
- Master of Business Administration in International Banking, Manchester University, United Kingdom

MEMBER OF ASSOCIATIONS

None

WORKING EXPERIENCE & OCCUPATION

She started her career as a Quantity Surveyor with the Public Works Department in 1982 after graduating from the University of Reading, United Kingdom with Bachelor of Science (Honours) in Quantity Surveying and later moved on to hold several other positions with a higher learning institution and several private sectors before pursuing her Diploma in Public Administration from the National Institute of Public Administration (INTAN). Upon graduation, she joined the Ministry of Finance Malaysia (MOF) and served in the Contract Management Division as Assistant Secretary from 1989 to 1993 before pursuing her Master in Business Administration (International Banking) at University of Manchester, United Kingdom.

She continued to serve as Assistant Secretary with the Tax Division and Finance Division at MOF before being promoted as Principal Assistant Secretary in 2001. In 2003, she was seconded to the Asian Development Bank, Manila as Directors Advisor until August 2006. Upon her return, she continued her service with MOF and was appointed as the Deputy Secretary (Economy), Investment, MOF (Inc.) & Privatisation Division in April 2008. She was promoted as Under Secretary, Loan Management Division in November 2012 and later assumed the position of Under Secretary, Government Investment Company Division on 13 January 2014. On 12 December 2014, she was promoted as the Director of National Budget Office and on 2 February 2016, was further promoted to her current position as Deputy Secretary General (Policy), Ministry of Finance.

OTHER DIRECTORSHIPS**LISTED ENTITIES**

Felda Global Ventures Holdings Berhad

PUBLIC COMPANIES

None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

7 out of 10 Board Meetings



TAN SRI DATUK AMAR HJ. MOHAMAD MORSHIDI BIN ABDUL GHANI

Malaysian, Age 62

Non-Independent Non-Executive Director



TERMS OF OFFICE

Appointed as Non-Independent Non-Executive Director on 22 December 2014

QUALIFICATIONS

- Bachelor in Economics (Statistics), Universiti Kebangsaan Malaysia, Malaysia
- Master of Science in Human Resource Administration, University of Scranton, Pennsylvania, United States of America
- Senior Executive Fellows Programme, Harvard University, United States of America

MEMBER OF ASSOCIATIONS

None

WORKING EXPERIENCE & OCCUPATION

Tan Sri Datuk Amar Hj. Mohamad Morshidi started his professional career as a Management Executive with PETRONAS in 1980. For 10 years from year 1988 to 1998, he was appointed as the Director of Kuching North City Hall. He then went on to hold senior positions in the Chief Minister's Department that included Director, Human Resource Management and Director, Human Resource Development and Quality from 1998 to 2001.

He was later appointed as Permanent Secretary in the Ministry of Social Development and Urbanisation in 2001. He was Director in the State Planning Unit in the Chief Minister's Department before assuming the position of Deputy State Secretary of Sarawak in 2006. On 2 August 2009, he was appointed as State Secretary of Sarawak until present.

OTHER DIRECTORSHIPS

LISTED ENTITIES

None

PUBLIC COMPANIES

None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

9 out of 10 Board Meetings and 1 Annual General Meeting

**GENERAL DATO' SERI DIRAJA TAN
SRI (DR.) MOHD ZAHIDI BIN HAJI
ZAINUDDIN (RETIRED)**

Malaysian, Age 69

Non-Independent Non-Executive Director
Member of Finance & Investment Committee

TERMS OF OFFICE

Appointed as Non-Independent Non-Executive Director on 16 March 2006

QUALIFICATIONS

- Masters of Science Degree in Defence and Strategic Studies, Quaid-I-Azam University, Islamabad, Pakistan
- Senior Executive Programme, Harvard University, United States of America

MEMBER OF ASSOCIATIONS

Fellow of Malaysia Institute of Management (MIM)

WORKING EXPERIENCE & OCCUPATION

General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Hj. Zainuddin (Retired) has had a distinguished career in the Malaysian Armed Forces for almost forty (40) years holding many key appointments at field and ministerial level. He first joined the Malaysian Armed Forces as an Officer Cadet at the Royal Military College, Sungai Besi in 1966 and was commissioned as a Second Lieutenant in the Royal Malay Regiment in May 1968. He became the Chief of Defence Forces with the rank of General from 1 January 1999 till his retirement on 30 April 2005. His most notable appointments in the Armed Forces held were Aide de Camp (ADC) to His Majesty Yang Di-Pertuan Agong Sultan Azlan Shah, Commander Infantry Brigade, Assistant Chief of Staff Human Resources, Commander of Army Training and Doctrine Command, Deputy Chief of Army and Chief of Army. In international duties, he served as a Military Observer under the United Nations International Monitoring Group in Iraq after the Iran-Iraq War Ceasefire in 1988 / 1989. Since his retirement from the Armed Forces, General Tan Sri Mohd Zahidi serves as the Chairman of Affin Holdings Berhad from 17 October 2005 until present.

He is made a member of Dewan Negara Perak, elected by DYMM Paduka Seri Sultan Perak on 25 November 2006 and also a trustee of Yayasan Sultan Azlan Shah. On 23 April 2013, he was appointed as Orang Kaya Bendahara Seri Maharaja Perak by DYMM Paduka Seri Sultan Perak and consented by Dewan Negara Perak. On 4 April 2014, he was awarded "Kurniaan Darjah Kebesaran Seri Paduka Sultan Azlan Shah Perak Yang Amat DiMulia" (S.P.S.A) which carries the title "Dato' Seri DiRaja".

OTHER DIRECTORSHIPS

LISTED ENTITIES

- Affin Holdings Berhad
- Genting Plantations Berhad

PUBLIC COMPANIES

Bandar Raya Developments Berhad

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

9 out of 10 Board Meetings and 1 Annual General Meeting



DATO SRI FONG JOO CHUNG

Malaysian, Age 68

Non-Independent Non-Executive Director

Member of Nomination &
Remuneration Committee**TERMS OF OFFICE**

Appointed as Non-Independent Non-Executive Director on
16 September 2004

QUALIFICATIONS

- Bachelor of Law (Hons), University of Bristol, United Kingdom
- Barrister-at-Law, Lincoln's Inn, London, United Kingdom

MEMBER OF ASSOCIATIONS

None

WORKING EXPERIENCE & OCCUPATION

Dato Sri Fong Joo Chung began his professional career as an advocate in private legal practice from December 1971 to July 1992, prior to being appointed as the State Attorney-General, Sarawak in August 1992. His service as the State Attorney-General ended on 31 December 2007. However, he has been retained by the Sarawak Government in the capacity as the State Legal Counsel until present.

OTHER DIRECTORSHIPS**LISTED ENTITIES**

Sarawak Cable Berhad

PUBLIC COMPANIES

Sarawak Energy Berhad

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

9 out of 10 Board Meetings and 1 Annual General Meeting

DATUK NASARUDIN BIN MD IDRIS

Malaysian, Age 62

Non-Independent Non-Executive Director

Chairman of Finance &
Investment Committee

TERMS OF OFFICE

Appointed as Non-Independent Non-Executive Director on 26 August 2010

QUALIFICATIONS

- Bachelor of Arts (Hons), University of Malaya, Malaysia
- Master of Business Administration, Henley - The Management College (Brunel University), United Kingdom
- Stanford Executive Programme, Stanford University, United States of America
- Postgraduate Diploma in Petroleum Economics, College of Petroleum Studies, United Kingdom

MEMBER OF ASSOCIATIONS

None

WORKING EXPERIENCE & OCCUPATION

Datuk Nasarudin joined Petroliaam Nasional Berhad (PETRONAS) in 1978 and has held various positions within the PETRONAS Group including as the Vice President, Corporate Planning and Development, Group Chief Executive Officer, KLCC Holdings Berhad, Senior General Manager, Corporate Planning and Development Division, Executive Assistant to the President, General Manager, Marketing of PETRONAS Dagangan Berhad, General Manager, Corporate Development and General Manager, Group Strategic Planning. He was appointed as the President and Chief Executive Officer of MISC Berhad, a subsidiary of PETRONAS on 15 June 2010 and retired from the position on 31 December 2014.

OTHER DIRECTORSHIPS**LISTED ENTITIES**

- MISC Berhad
- Malaysian Marine and Heavy Engineering Berhad

PUBLIC COMPANIES

None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

10 out of 10 Board Meetings and 1 Annual General Meeting



ENCIK DZAFRI SHAM BIN AHMAD

Malaysian, Age 53

Non-Independent Non-Executive Director

Member of Audit and Risk Committee

**TERMS OF OFFICE**

Appointed as Non-Independent Non-Executive Director on 1 September 2015

QUALIFICATIONS

Bachelor of Science in Mechanical Engineering, University of Miami, Florida, United States of America

MEMBER OF ASSOCIATIONS

None

WORKING EXPERIENCE & OCCUPATION

Encik Dzafrî Sham has more than 25 years of combined work experience in project implementation and plant operations within PETRONAS as well as in a Joint Venture Company primarily in LNG and Gas business. He started his career as Gas Utilization Engineer in PETRONAS Gas Berhad before joining MLNG Dua and MLNG Tiga projects in Bintulu as Mechanical Engineer, Senior Project Engineer and Engineering Manager until the successful operation of MLNG Tiga in 2003. He was later seconded to the ELNG Project as part of the integrated Project Management Team where he took up the responsibility of Construction Manager that oversaw the successful completion of the 2-train LNG plant project in Idku, Egypt. He continued his stint in ELNG during operationalization of the facility, serving as Asset Integrity Advisor to establish department functions and systems (covering Maintenance, Technical Services and Inspection) for ELNG until 2008.

Encik Dzafrî Sham has held various senior positions in the PETRONAS Group including General Manager, Gas Processing Plant A of PETRONAS Gas Bhd, Kerteh from 2008 until 2010, Head of Plant Division, Malaysia LNG Group of Companies, Bintulu from 2012 to 2014 and the Vice President & Chief Executive Officer of Malaysia LNG Group of Companies from 2015 until March 2016 before being appointed as VP of LNG Assets, Upstream from April until October 2016.

Encik Dzafrî Sham is currently the Vice President of Group Health, Safety, Security and Environment of PETRONAS.

OTHER DIRECTORSHIPS**LISTED ENTITIES**

None

PUBLIC COMPANIES

None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

9 out of 10 Board Meetings and 1 Annual General Meeting

DATO' SRI MOHAMAD NORZA BIN ZAKARIA

Malaysian, Age 51

Independent Non-Executive Director
Chairman of Audit and Risk Committee

TERMS OF OFFICE

- Appointed as Non-Independent Non-Executive Director on 1 December 2005
- Resignation as Independent Non-Executive Director on 28 July 2010

QUALIFICATIONS

Bachelor of Commerce (Major in Accounting), University of Wollongong, New South Wales, Australia

MEMBER OF ASSOCIATIONS

- Chartered Accountant of Malaysian Institute of Accountants (MIA)
- Fellow of CPA Australia (FCPA) of CPA Australia Ltd

WORKING EXPERIENCE & OCCUPATION

Dato' Sri Mohamad Norza began his career as a Senior Audit Assistant in Messrs. Arthur Andersen & Co. / Hanafiah, Raslan & Mohamad in 1988 before joining Bank Negara Malaysia as the Executive of Bank Regulation Department in 1990. Later he joined PETRONAS as the Senior Executive, Finance and Administration Department in Gas and Petrochemical Development Division until April 1994. He moved up the corporate ladder as the Group Financial Controller at SPK Sentosa Corporation Berhad before he became the Group General Manager of Audit in Mun Loong Berhad in 1995 until 1997.

Dato' Sri Mohamad Norza was the Chief Executive Officer (CEO) of Gabungan Strategik Sdn Bhd from 1998 until 2004. His notable contribution in the Government sector was the Political Secretary to the Minister of Finance II from 2004 until 2008. Dato' Sri Mohamad Norza was appointed as the Chairman of the Institut Sukan Negara since 1 October 2013 until present. He is currently the President and CEO of Citaglobal Sdn Bhd, a post he has held since April 2008.

OTHER DIRECTORSHIPS

LISTED ENTITIES

- Tropicana Corporation Berhad
- TH Plantations Berhad

PUBLIC COMPANIES

None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

6 out of 10 Board Meetings and 1 Annual General Meeting



**DATO' SRI MOHAMED KHALID BIN
YUSUF @ YUSUP**
Malaysian, Age 65

Independent Non-Executive Director
Chairman of Nomination &
Remuneration Committee



TERMS OF OFFICE

Appointed as Independent Non-Executive Director on 1 January 2015

QUALIFICATIONS

- Bachelor of Arts (Hons), University of Malaya, Malaysia
- Master of Science (Human Resources), University of Scranton, United States of America

MEMBER OF ASSOCIATIONS

None

WORKING EXPERIENCE & OCCUPATION

Dato' Sri Mohamed Khalid joined the Malaysian Civil Service in 1977 as Superintendent of Customs and retired as the Director General of Customs Malaysia in June 2012. During his tenure of office, he served in various capacities including as State Director of Customs Sarawak, Director of Customs Selangor, and at headquarters level as Deputy Director General of Operations and Deputy Director General of Enforcement and Compliance. He has extensive work experience at management level in the fields of revenue laws enforcement, indirect tax administration, audit and compliance management, risk management, public finance and accounts, policy formulation, trade facilitation and supply chain security.

At international level, he has served as a resource person and panelist at various forum and seminars on customs related matters and chaired several committees and working groups on customs at ASEAN level.

OTHER DIRECTORSHIPS

LISTED ENTITIES

None

PUBLIC COMPANIES

None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

9 out of 10 Board Meetings and 1 Annual General Meeting

DATUK YASMIN BINTI MAHMOOD

Malaysian, Age 55

Independent Non-Executive Director

Member of Audit and Risk Committee

TERMS OF OFFICE

Appointed as Independent Non-Executive Director on 1 January 2015

QUALIFICATIONS

Bachelor of Science (Computer Science and Applied Mathematics), University of New South Wales, Australia

MEMBER OF ASSOCIATIONS

None

WORKING EXPERIENCE & OCCUPATION

Datuk Yasmin assumes the role of Chief Executive Officer, Malaysia Digital Economy Corporation (MDeC) as of 15 September 2014.

Datuk Yasmin has over 25 years of leadership experience in the Information and Communication Technology (ICT) sector and has served in various multinational companies such as Managing Director of Microsoft Malaysia from 2006 until 2009, General Manager and Regional Director for Dell Asia and Dell Asia-Pacific from 1996 to 2005 and General Manager for HP Sales Malaysia where she launched her IT career. Her last position prior to joining MDec was Executive Director of YTL Communications Sdn Bhd.

OTHER DIRECTORSHIPS**LISTED ENTITIES**

None

PUBLIC COMPANIES

None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

8 out of 10 Board Meetings and 1 Annual General Meeting



DATUK NOZIRAH BINTI BAHARI

Malaysian, Age 62

Independent Non-Executive Director

Member of Nomination &
Remuneration Committee**TERMS OF OFFICE**

Appointed as Independent Non-Executive Director on 1 February 2016

QUALIFICATIONS

- Bachelor of Social Science (Hons) in Urban Studies, University of Science Malaysia, Malaysia
- Diploma in Public Administration (National Institute of Public Administration), Malaysia
- Advanced Management Programme, Harvard Business School, United States of America

MEMBER OF ASSOCIATIONS

- Administrative and Diplomatic of Service Association (PPTD)
- Wives of Civil Servants and Women Civil Servants Associations (PUSPANITA)

WORKING EXPERIENCE & OCCUPATION

Datuk Nozirah has vast experience of over thirty (30) years of service in the Malaysian Civil Service where she started as Assistant Secretary, Finance Division in the Ministry of Finance (MOF) in December 1981. For over the years, she has held various positions in the MOF namely Deputy Under Secretary, Procurement and Supplies Division (2002-2004), Deputy Under Secretary, Loan Management, Financial Market and Actuary Division (2005-2007), Under Secretary, Loan Management, Financial Market and Actuary Division (2007-2011) and Director of Budget Management Division (21 March – 20 May 2011).

She has also served in several other Ministries including the Ministry of Health, Ministry of Agriculture as well as Director of Modernization and Management Planning Unit (MAMPU) Sabah. Her last position in the civil service was as the Deputy Secretary General of Treasury (Management).

OTHER DIRECTORSHIPS**LISTED ENTITIES**

Titijaya Land Berhad

PUBLIC COMPANIES

None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

9 out of 10 Board Meetings and 1 Annual General Meeting

SALIHIN BIN ABANG

Malaysian, Age 45

Independent Non-Executive Director
Member of Audit and Risk Committee

TERMS OF OFFICE

Appointed as Independent Non-Executive Director on 1 February 2018

QUALIFICATIONS

- Bachelor of Accounting (Hons), Universiti Islam Antarabangsa, Malaysia (1997)
- Master of Science in Accounting, Universiti Islam Antarabangsa, Malaysia (2008)
- ASEAN Senior Management Development Programme (SMDP), Harvard Business School

MEMBER OF ASSOCIATIONS

- President, Malaysian Institute of Accountants
- Chairman, Board of Trustees of the Malaysian Accountancy Research
- Member, Board of Trustees of the Financial Reporting Foundation
- Member, Investment Committee of RISDA

WORKING EXPERIENCE & OCCUPATION

Encik Salihin is the founder and managing partner at SALIHIN. At present, Encik Salihin serves as the President of the Malaysian Institute of Accountants (MIA). Encik Salihin also chaired various committees in the MIA namely the MIA Executive Committee, the MIA Nominating Committee, the MIA Monitoring Committee, and the MIA-MQA Joint Technical Committee.

As a member of the Board of Trustees of the Financial Reporting Foundation, he was appointed as the Chairman of its Audit Committee. Encik Salihin was also appointed as the Chairman of the Board of Trustees of the Malaysian Accountancy Research and Education Foundation. A Fellow member of The Association of International Accountants (AIA), UK, Encik Salihin was the immediate past President of Malaysia Accounting Firm's Association (MAFA).

Over the years, Encik Salihin has led to the establishment of Teaching Accountancy Firm (TAF) in local universities such as Universiti Malaysia Terengganu, Universiti Teknologi MARA and Universiti Putra Malaysia. TAF later became part of Minister of Higher Education's initiative on how industry and university can work together for the betterment of accounting students and achieve nation building, the first initiative of its kind in the world.

OTHER DIRECTORSHIPS**LISTED ENTITIES**

None

PUBLIC COMPANIES

None

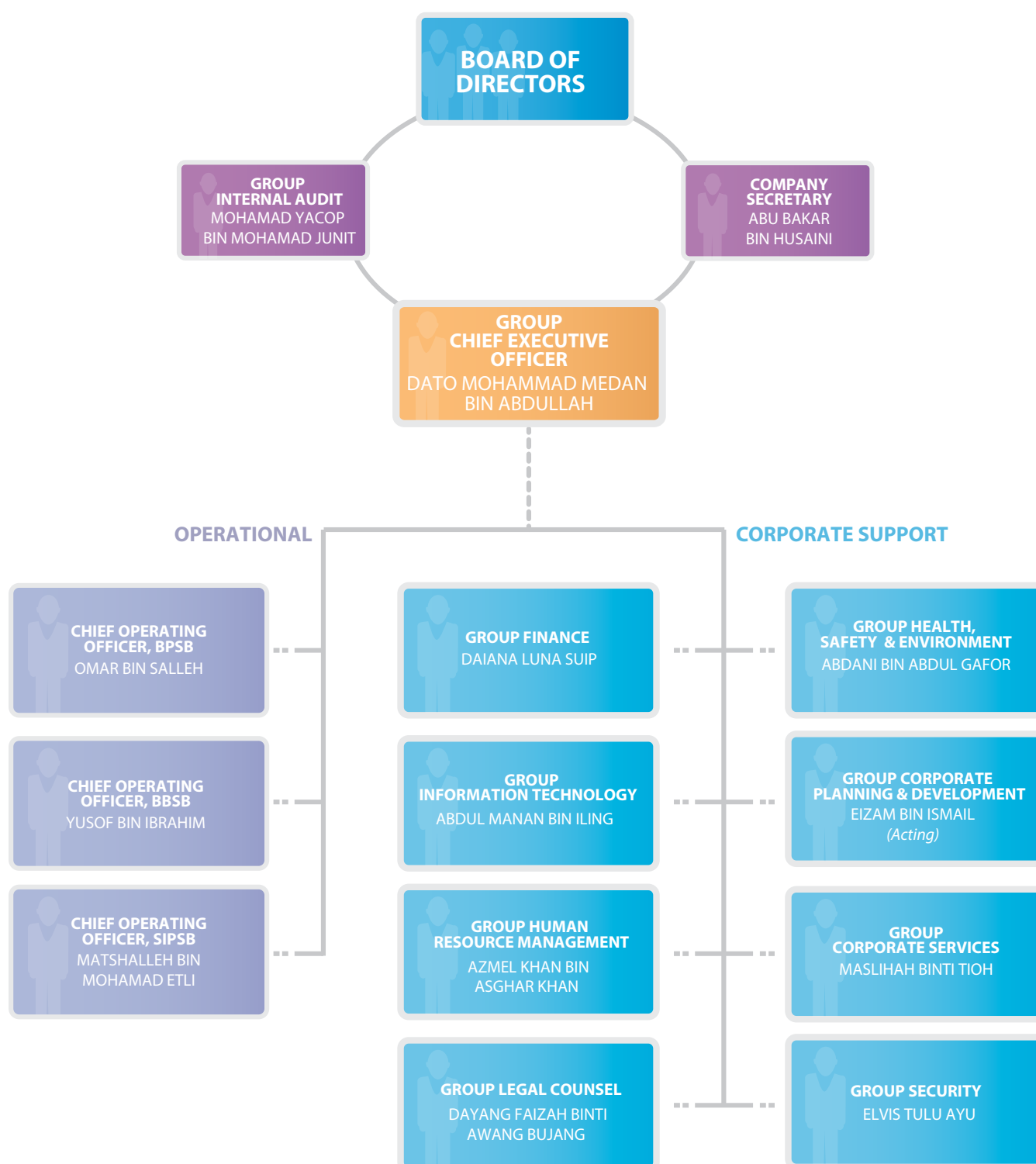
NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

None (Appointed on 1 February 2018)

Note:

Other than as disclosed, none of the Directors are related to any Director and/or substantial shareholder of Bintulu Port Holdings Berhad and has no conflict of interest in any business arrangement involving the Group. None of the Directors has any record of convictions for offences within the past five (5) years other than traffic offences, if any.





CORPORATE INFORMATION

GROUP CHIEF EXECUTIVE OFFICER

Dato Mohammad Medan bin Abdullah was appointed as Group Chief Executive Officer of Bintulu Port Holdings Berhad (BPHB) effective 1 March 2017.

He holds a Bachelor of Laws (Hons) from University of Malaya in 1982 and an Advanced Management Programme from Wharton Business School, University of Pennsylvania in 2007.

He started his career at PETRONAS as a trainee Legal Officer in 1982. He was then a Legal Officer from 1983 to 1988 at PETRONAS Carigali Sdn Bhd before being appointed as Legal Adviser, Baram Delta Operations from 1988 to 1990.

Dato Mohammad Medan was later appointed as Senior Legal Counsel/Company Secretary from 1990 until 1997 for PETRONAS Carigali Group of Companies. He has then held a number of critical positions in PETRONAS and PETRONAS Carigali Group of Companies from 1997 to 2007.

With his remarkable performance, Dato Mohammad Medan was appointed as Managing Director and Chief Executive Officer of the Malaysia LNG Group of Companies comprising of Malaysia LNG Sdn Bhd, Malaysia LNG Dua Sdn Bhd, Malaysia LNG Tiga Sdn Bhd and Asean LNG Trading Company Ltd (Altco).

Simultaneously, Dato Mohammad Medan was also appointed Chairman and Board Member of UK registered company, PETGAS UK Ltd, responsible for trading of LNG and gas in the UK and European markets.

Dato Mohammad Medan was later entrusted to hold a position as Senior General Manager, Group Corporate Affairs Division at PETRONAS Group for three (3) years from 2010 to 2013 where his core job scope was managing the Group's reputation internationally via renewed branding and stakeholder efforts.

He later joined Gazprom Marketing & Trading Pte Ltd (Singapore) from September 2013 to 2016 as Managing Director/President (Asia Pacific) with the role to lead strategic business growth for Gazprom, a gas giant in the Asia-Pacific region.

DATO MOHAMMAD MEDAN BIN ABDULLAH

Malaysian, Age 59



Note:
Other than as disclosed, none of the key management are related to any Director and/or substantial shareholder of Bintulu Port Holdings Berhad and has no conflict of interest in any business arrangement involving the Group. None of the key management has any record of convictions for offences within the past five (5) years other than traffic offences, if any.

OMAR BIN SALLEH Malaysian, Age 59 **CHIEF OPERATING OFFICER**

Omar bin Salleh is currently the Chief Operating Officer of Bintulu Port Sdn Bhd (BPSB) since 1 January 2016. He is primarily responsible for the day-to-day operations of BPSB and reports directly to the Group Chief Executive Officer.

He graduated from University of Malaya with a Bachelor of Arts (Hons) majoring in South East Asian Studies. In 1996, he underwent a Senior Management Programme at Astridge College, United Kingdom.

He started his career as an Administrative Officer with Bintulu Port Authority (BPA) in 1982. In 1986, he was promoted to Senior Assistant Traffic Manager and was subsequently promoted to Administrative Manager in 1990. He joined BPSB in 1993 assuming the position of Manager, Human Resource. He was also the Head of the Human Resource and Cargo Handling Services Divisions during his tenure with BPSB. In September 2011, he was appointed as Senior Manager, Corporate Development Division. He was the General Manager, Group Corporate Planning and Development on 1 January 2014 until December 2015.



YUSOF BIN IBRAHIM Malaysian, Age 56 **CHIEF OPERATING OFFICER**

Yusof bin Ibrahim assumed the position of Chief Operating Officer of Biport Bulkiers Sdn Bhd (BBSB) on 1 February 2018 and responsible for the day-to-day operations of BBSB. He reports directly to the Group Chief Executive Officer.

He holds a Bachelor of Literature (Hons) (Mass Communication) from Universiti Sains Malaysia on 1986 he attended the Management Development Programme at the Asian Institute of Management (AIM), Makati, Philippines in 2010.

He started his career as *Pegawai Pelabuhan* in 1986 and ended his career with BPA as *Pegawai Tadbir* in 1992. He joined BPSB on 1 January 1993 as Assistant Manager, Cargo Handling Services and later promoted as Manager, Human Resource Planning & Development Division on 26 February 1996. He was then promoted as Senior Manager, Human Resource Planning & Development Division on 1 July 2010. On 1 March 2012, he holds the post as Senior Manager Cargo Handling Services Division and was later appointed as General Manager, Cargo Handling Services Division, BPSB on 1 January 2014.



MATSHALLEH BIN MOHAMAD ETLI Malaysian, Age 51 **CHIEF OPERATING OFFICER**

Matshalleh bin Mohamad Etli assumed the position of Chief Operating Officer of Samalaju Industrial Port Sdn Bhd (SIPSB) on 1 June 2016. He is responsible for the implementation and managing the strategies on the project's planning, design, construction and infrastructure work by providing leadership, strategic and tactical direction for the successful completion of the Port. He reports directly to the Group Chief Executive Officer.

He graduated from Universiti Sains Malaysia with a Bachelor in Science (Hons) (Housing, Building and Planning). He has also attended the Management Development Programme at the Asian Institute of Management (AIM), Makati, Philippines in 2012.

He started his career as a Fire Superintendent with BPA in November 1991. He joined BPSB in 1993 as a Fire Officer and thereafter as an Administrative Executive. He held various managerial positions (Warehousing, Container Terminal, Marketing & Customer Service) in BPSB between 1996 to 2009. In 2011, he was the Head, Operation and Stakeholders Relations of SIPSB and subsequently assumed the position of Acting Chief Operating Officer of SIPSB on 1 January 2014.



ABU BAKAR BIN HUSAINI Malaysian, Age 56 **COMPANY SECRETARY**

Abu Bakar bin Husaini was appointed as Company Secretary effective 1 January 2016.

He holds a Bachelor of Science (Hons) in Finance & Accounting from University of Salford, United Kingdom (1988).

He started his career as a Semi Senior Auditor at Arthur Andersen/Hanafiah Raslan & Mohamad in 1988 before joining Petronas Carigali Sdn Bhd on 2 January 1991. He joined BPSB on 2 May 1996 as the Finance Manager and was then transferred as the Manager, Internal Audit on 16 March 2010. On 1 May 2010, he was promoted as Senior Manager, Internal Audit. He then holds the post as Assistant Company Secretary effective 16 October 2013 and has successfully obtained his Company Secretary License on 2 September 2015.



MOHAMAD YACOP BIN MOHAMAD JUNIT

Malaysian, Age 52
ACTING SENIOR MANAGER, GROUP INTERNAL AUDIT

Mohamad Yacop bin Mohamad Junit assumed the position of Acting Senior Manager, Group Internal Audit of BPHB effective 1 March 2017.

He graduated from Institut Teknologi MARA with a Diploma in Accountancy in 1987. In 1999, he obtained a Bachelor Communication from Universiti Putra Malaysia. He has also attended the Management Development Programme at the Asian Institute of Management (AIM), Makati, Philippines in 2015.

He started his career as an Assistant Port officer with BPA in 1990 and ended his career with the BPA as an Assistant Administrative Officer in 1992. He joined BPSB on 1 January 1993 as Assistant Administrative Officer and he was the Executive, Welfare in Human Resource Department in May 1993. In March 1996, he was the Executive, Account Receivable and thereafter he held the position of Executive, Training & Development on 1 November 2004. In June 2008 he was the Executive, Human Resource Planning & Recruitment and in July 2011 as an Executive, Commercial before he assumed as the Executive, Audit in 2012. In February 2013, he was appointed as Manager, Commercial and later become manager, Group Internal Audit From January 2014.



DAIANA LUNA SUIP Malaysian, Age 53
GENERAL MANAGER, GROUP FINANCE

Daiana Luna Suip assumed the position of General Manager, Group Finance of BPHB on 1 January 2014. She is responsible for all financial, accounting and investment issues relating to the Group and also provides strategic and operational support to the management.

She graduated from Institut Teknologi MARA with an Advanced Diploma in Accountancy. She is a member of the Malaysian Institute of Accountants (MIA). She has also attended the Management Development Programme at the Asian Institute of Management (AIM), Makati, Philippines in 2012.

She started her accounting career as an Audit Assistant with an audit firm, Arthur Andersen until August 1993. She joined BPSB as an Internal Auditor in September 1993 and was assigned as the Accountant in 1994. She has held the position of Financial Accountant and Group Accountant prior to her promotion to Manager, Financial Accounting in 2006 and later in 2008 as Manager, Group Account. She was the Acting Senior Manager, Finance Division from April 2011 before assuming her current position as General Manager, Group Finance.



ABDUL MANAN BIN ILING Malaysian, Age 57
GENERAL MANAGER, GROUP INFORMATION TECHNOLOGY

Abdul Manan bin Iling assumed the position of General Manager, Group Information Technology of BPHB on 1 June 2015. He is responsible for the implementation of Group-wide IT strategies, providing advice and services relating to IT systems and support.

He graduated from Universiti Sains Malaysia with a Bachelor of Science (Hons) majoring in Computer Science in 1987.

He started his career with BPA as Port Officer in July 1988. He joined BPSB in January 1993 as Assistant Manager, System Development and was promoted to Manager, System Development in February 2006. In August 2007, he assumed the position of Manager, Application System. He was the Acting Senior Manager, Information Technology from July 2010 and appointed as the Senior Manager, Information Technology in March 2012. He was appointed as Assistant General Manager, Group Information Technology in January 2014 before assuming his current position.



AZMEL KHAN BIN ASGHAR KHAN Malaysian, Age 55 **GENERAL MANAGER, GROUP HUMAN RESOURCE MANAGEMENT**

Azmel Khan bin Asghar Khan assume the position of General Manager, Group Human Resource Management since 23 August 2017. He formulates, plans, implements and manages the development and implementation of Group-wide human capital strategies and ensures the effective and efficient administration and compliance of these strategies.

He graduated from Institut Teknologi MARA with a Diploma in Business Studies in 1983. In 2003, he obtained his Bachelor Communication from Universiti Putra Malaysia. He has also attended the Management Development Programme at the Asian Institute of Management (AIM), Makati, Philippines in 2013.

He started his career as a Traffic Officer with BPA on 20 December 1983 and ended his career with BPA as Assistant Administrative Officer. He joined BPSB in 1993 as Executive, Commercial and thereafter in 1996 as Executive, Billing. In November 2006, he was promoted to Manager, Warehousing and in April 2007 to Manager, Commercial. He also held the position of Manager, Corporate Affairs in December 2007 and subsequently Senior Manager, Group Corporate Services on 1 January 2014 until March 2014. On April 2014, he was transferred to Group Human Resource Management as Senior Manager, HR Planning & Organizational Development.



DAYANG FAIZAH BINTI AWANG BUJANG

Malaysian, Age 48
GENERAL MANAGER, GROUP LEGAL COUNSEL

Dayang Faizah binti Awang Bujang assumed the position of General Manager, Group Legal Counsel of BPHB on 23 August 2017. She is responsible for the formulation, management and implementation of Group-wide legal strategies, advice and services.

She graduated from the International Islamic University, Malaysia with a Bachelor of Laws (Hons) in 1992. She has also attended the Management Development Programme at the Asian Institute of Management (AIM), Makati, Philippines in 2012.

Prior to joining BPSB, Dayang Faizah has undergone pupillage for one (1) year with Messrs. Jaini Mardi & Associates, Bintulu, Sarawak before being admitted as an Advocate & Solicitor in the High Court of Sabah and Sarawak on 24 March 1994. She started her career with BPSB on 2 August 1993 as Legal Executive and thereafter in 1996 as Executive, Contract Management before being promoted to Manager, Contract Management in 2003. In 2010, she assumed the position of Manager, Legal and in March 2013, she was the Acting Senior Manager, Legal.



ABDANI BIN ABDUL GAFOR Malaysian, Age 54 **GENERAL MANAGER, GROUP HEALTH, SAFETY & ENVIRONMENT**

Abdani bin Abdul Gafor assumed the position of General Manager, Group Health, Safety & Environment, Bintulu Port Holdings Berhad effective 23 August 2017. He is responsible on the effective HSE management of the Group and maintains workplace safety and health systems.

He holds a Bachelor of Engineering from University of Tasmania in 1989. Then, he obtained his Master of Business Administration from Heriot-Watt University in 1999. He has attended the Management Development Programme at the Asian Institute of Management (AIM), Makati, Philippines in 2011.

He started his career as an Electrical Engineer with BPA in February 1991. He joined BPSB on 1 January 1993 as an Electrical Engineer at Technical Services Division before promoted as Manager, Safety & Emergency effective in September 1996. Then, he was transferred to Technical Services Division as Manager, Mechanical & Electrical in 2005 and in 2008 as Manager, Safety & Emergency. He was then entrusted to cover the post Senior Manager, Health, Safety & Environment on January 2013 before he assumed his current position.



EIZAM BIN ISMAIL Malaysian, Age 44
ACTING GENERAL MANAGER, GROUP CORPORATE PLANNING & DEVELOPMENT

Eizam bin Ismail assumed the position of Acting General Manager, Group Corporate Planning & Development since 1 January 2016. He is responsible for the implementation of Groupwide strategies and plans on corporate planning and business development, Enterprise Risk Management (ERM), marketing, branding and customer services functions.

He graduated from Universiti Institut Teknologi MARA (UiTM) with a Bachelor of Business Administration (Transport) in 1996. He has also attended the Management Development Programme at the Asian Institute of Management (AIM), Makati, Philippines in 2015.

Prior to joining BPSB, he was an associate consultant for 6 years working on various port and shipping consultancy project in South East Asia. He joined BPSB in 2002 as Executive, Corporate Marketing under the Chief Executive Officer's Office. In 2004, he held the position of Executive, Marketing & Business Development and thereafter in 2010 as Executive, Marketing (Containerized) under Corporate Development Division. He was promoted to Manager, Marketing & Customer Service in January 2012 and in February 2014 to Manager, Corporate Planning under BPHB.



MASLIHAH BINTI TIOH Malaysian, Age 52
SENIOR MANAGER, GROUP CORPORATE SERVICES

Masliha binti Tioh assumed the position of Senior Manager, Group Corporate Services of BPHB since 1 January 2015. She is responsible for the overall corporate services of the Group which includes company's internal and external communications, including corporate public and government relation. In that capacity, she is responsible for creating and communicating a favourable public image for the Group through media campaigns designed to reach investors, consumers, employees, industry analysts, customers, government agencies and other stakeholders. She is also responsible in overseeing the Group procurement, office management services and sustainability unit.

She graduated from Universiti Kebangsaan Malaysia with a Bachelor of Arts (Hons) majoring in Mass Communication in 1990. She has attended the Management Development Programme at the Asian Institute of Management (AIM), Makati, Philippines in 2013.

She started her career as an Executive, Public Relation with BPA in February 1991. She joined BPSB in January 1993 as Executive, Public Affairs. In April 1997, she was promoted to Manager, Personnel and Payroll under Human Resource Management Division and then transferred to Finance Division as the Manager, Commercial. She was the Manager, Remuneration & Benefit since January 2006. In 2007, she was assigned as the Manager, Performance and Reward until 2013. She was then promoted as the Senior Manager, Performance and Rewards in January 2014 before being appointed to current position.



ELVIS TULU AYU Malaysian, Age 52
SENIOR MANAGER, GROUP SECURITY

Elvis Tulu Ayu assumed the position of Senior Manager, Group Security effective 1 March 2015 and ranked as Superintendent in the Malaysia Auxiliary Police Association. He is responsible for control and develops Group Security strategies, programs and plans to ensure secure working environment through proactive security measures design to protect people, assets and operations against the threat of injury and loss or damage by criminal, hostile or malicious acts.

He graduated from Institut Teknologi MARA with a Diploma in Accountancy in 1987 and later in 2004, he obtained a Bachelor of Arts majoring in Business Administration from Bolton Institute, UK. He has also attended the Management Development Programme at the Asian Institute of Management (AIM), Makati, Philippines in 2013.

He started his career as an Assistant Security Officer with BPA in 1988. After completing his 9 months training at PULAPOL as Police Inspector in 1992, he then joined BPSB in 1993 as Assistant Safety Officer. Thereafter, he was designated as Executive, Security in March 1996. In November 1999, he was the Executive, Security & Emergency Services before promoted as Manager, Security in 2002. He held this position until 2013 and later as the Manager, Warehousing from January 2014 until February 2015.





CORPORATE GOVERNANCE



STATEMENT ON CORPORATE GOVERNANCE

(pursuant to Chapter 9 and Chapter 15 of the Main Market Listing Requirements)

INTRODUCTION

The Board of Directors of Bintulu Port Holdings Berhad (the Board) presents this annual Statement on Corporate Governance for the financial year ended 31 December 2017 in compliance with the rules set out in the Main Market Listing Requirements (the MMLR) and the Malaysian Code on Corporate Governance (the MCCG).

This Statement demonstrates the Board's commitment towards applying and upholding high standards of corporate governance in safeguarding and promoting the interests of its stakeholders.

In line with the rules set out in MCCG and Chapter 9 and Chapter 15 of the MMLR, this Statement of Corporate Governance reflects the principles of good corporate governance, best practices and corporate cultures practised by the Group.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I) RESPONSIBILITIES OF THE BOARD

The Board is responsible in playing the key role in charting the strategic direction of the Group and in fulfilling its fiduciary duties. In the pursuit of the Group's objectives, the Board assumes the following responsibilities:

- Establishing and reviewing the goals, the strategic plan and direction towards promoting the Company's sustainability;
- Overseeing and evaluating the conduct of the Company's businesses;
- Identifying principal risks and ensure that the risks are effectively managed;
- Appointment of the Group Chief Executive Officer (GCEO) and other Senior Management officers for the Group and developing a succession plan;
- Setting and reviewing the GCEO's employment contract as well as evaluating the Key Performance Indicators (KPI) of the GCEO;
- Developing and implementing investor relations programmes and shareholders communication policy; and
- Reviewing and putting in place an internal control system and ensure compliance with good corporate governance practices, financial accountability, risk management, and legal and regulatory requirements.

In accordance with the MCCG, Committees such as the Audit and Risk Committee (ARC), the Nomination and Remuneration Committee (NRC) as well as the Finance and Investment Committee (FIC) were established with Terms of Reference (the TOR) defined by the Board. These Committees would report to the Board with recommendations on their respective functions and findings to enable the Board to make decisions and discharge its responsibilities under the Board Charter. The Board, however, retains the authority to make final call on any decision based on the reports submitted by the Committees.

The Board of Directors

The Board is an important organ within our Group for promoting, enhancing and ensuring compliance with good corporate governance cultures and to ensure that they are implemented and practised in the Company.

Members of the Board of Directors comprised of experienced, exceptional corporate and public figures capable of delivering the Company's and the shareholders' best interest in an active, efficient and engaging way.

Currently, the Company is continuously driven by twelve (12) Directors which comprise of seven (7) Non-Independent Non-Executive Directors (NINEs) and five (5) Independent Non-Executive Directors (INEDs). The profiles of the Chairman and members of the Board can be found on the Board of Directors section of this Annual Report from pages 46 to 57.

The Board is charged with leading and managing the Company in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Company. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Company are managed. The Board sets the Company's values and standards and ensures that its obligations to its shareholders and stakeholders are discharged.

Other duties of the Board include establishing the corporate vision and mission, as well as the philosophy of the Company, setting the goals and directions of the Management and monitoring the performance of the Management.

Key matters reserved for the Board include the approval of strategic plans; annual operating and capital budgets and quarterly as well as annual financial statements. The Board monitors the financial and operating performance and endorses the quarterly and annual results for announcement. Further, the Board identifies principal risks and ensure that the risks are properly managed as well as reviewing the adequacy of the internal control policies and ensuring that the Company has appropriate risk management framework, internal control systems and regulatory compliances policies.

Roles and Responsibilities of the Chairman and the Group Chief Executive Officer (GCEO)

The Board Charter defines clearly the role of the Chairman (Non-Executive), and that of the Group Chief Executive Officer. This is to ensure there is a clear division and balance of responsibilities between them.

The Chairman

Tan Sri Dr. Ali bin Hamsa has been the Chairman of the Group since 1 November 2013. The Chairman provides leadership for the Group and the Board in setting the values, standards and policies of the Group especially in the development of the Company's strategic directions and safeguards the interest of its stakeholders. He also acts as a facilitator during Board meetings to ensure that the Directors participate in deliberation and that Board members were given ample opportunity to contribute to the outcomes of the meetings.

The Group Chief Executive Officer (GCEO)

Dato Mohammad Medan bin Abdullah has been the GCEO since 1 March 2017. The GCEO implements the policies, strategies and decisions of the Board in addition to his responsibilities for the day-to-day operation of the Group's business and the administration of its corporate affairs. Further, the GCEO has a duty to enforce compliance with MCCG, instilling good work culture, motivating the Company's workforce towards greater productivity, and taking initiatives towards improving their welfare, health and safety at the work place.

The Management team supports the GCEO in the discharge of his responsibilities outlined above.

The GCEO has disclosed to the Board that he is also holding Non-Executive appointments or positions in the following entities without affecting the discharge of his responsibilities and any conflict of interest, namely;

- Handal Resources Berhad;
- Malaysia External Trade Development Corporation (MATRADE); and
- Petroleum Sarawak Berhad (PETROS)

The Company Secretary

In terms of corporate governance, the Company Secretary must ensure that due and proper notice for all Board and Committee meetings are duly given, papers or documents submitted for such meeting contain all relevant and material information to enable members of the Board and the Committees to make well-informed and correct decision. The Company Secretary shall facilitate due compliance by the Group of all regulations, directions and notices issued from time to time by all relevant regulatory authorities, and organise or make arrangements for directors to attend courses relevant to the performance of their fiduciary and other duties effectively.

The Company Secretary is also responsible in making sure all meetings are properly convened, accurate records of the proceedings and resolutions passed are maintained in order and by virtue of these responsibilities, his or her attendance in all Board and Board Committees meetings are deemed compulsory.

Board Meetings

The Board meets regularly during the financial year. A schedule of Board meetings for the whole year is prepared well in advance before the end of the preceding financial year. This is to enable full and maximum attendance at Board and Committee meetings. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings.

The Management prepares Board and Committee papers which provides relevant facts and analysis for deliberations of the Board. Timely and up-to-date information on financial, operational, corporate, regulatory, business development and audit matters are made available to the Board through Board Reports. These reports are a part of the mechanism primarily designed to help the Board make informed and sound decisions in discharging their duties as Directors of the Group.

Upon invitation, Senior Management of the Group and external advisors will attend Board or Committee meetings to assist in providing professional opinion and clarification on specific agenda items as well as additional insights on the matter at hand. Besides having direct access to the Management, engaging external independent professionals is an alternative the Board may pursue to acquire further advice whenever deemed necessary at the Company's expense.

During the financial year under review, ten (10) meetings were held and details of attendance of members are as follows:

Directors	No. of Meetings Attended	Percentage of Attendance (%)
Tan Sri Dr. Ali bin Hamsa (Chairman)	10/10	100
Datuk Siti Zauyah binti Md Desa	7/10	70
Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani	9/10	90
Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd. Zahidi bin Hj. Zainuddin (R)	9/10	90
Dato Sri Fong Joo Chung	9/10	90
Datuk Nasarudin bin Md Idris	10/10	100
Encik Dzafri Sham bin Ahmad	9/10	90
Dato' Sri Mohamad Norza bin Zakaria	6/10	60
Dato' Sri Mohamed Khalid bin Yusuf @ Yusup	9/10	90
Datuk Yasmin binti Mahmood	8/10	80
Datuk Nozirah binti Bahari	9/10	90

All Directors have complied with the minimum requirements in respect of attendance at Board Meetings as stipulated in Chapter 15 Paragraph 15.05 of MMLR (minimum 50% attendance during a financial year).

The Board Charter

There is a Board Charter (the Charter) to guide the Directors on their functions, responsibilities and statutory duties either prescribed in the Companies Act 2016 or other relevant laws and regulations or in the Company's constitution and the manner in which decisions are to be made by the Board.

The Charter separates the Management and the Board in terms of their functions and authority to ensure there is a proper check and balance in the decision-making process. The Board acknowledges that the Charter is an important source of reference in regard to its role in ensuring due compliance with good corporate governance practices and principles, the key values and ethics of the Group. The Charter would be reviewed and updated periodically to advance the vision and mission of the Group as well as compliance with any new regulations.

The Charter is available on the Group's website at www.bintuluport.com.my.

Code of Ethics for Directors

Towards promoting good corporate behaviour and culture the Companies Commission of Malaysia (CCM) has published a Company Directors' Code of Ethics (hereafter referred to CCM Directors' Code of Ethics). Under this CCM Directors' Code of Ethics, directors' performance of their duties must be aligned with good corporate values such as sincerity, integrity, trustworthiness and high standard of corporate governance. Under the CCM Directors' Code of Ethics, the directors are charged with the responsibilities to carry out the Group's Corporate Social Responsibility (CSR) as one of the top priorities of the Group.

By adhering to the CCM Directors' Code of Ethics, the Board is setting standards for exemplary corporate conduct for the Management and the staff to emulate. Thereby, corporate governance, work culture and ethics, commitment and loyalty to the Group is enhanced. Further, the Board will provide the strategic directions for the Group to strengthen its relationship with the stakeholders and the Community by initiating efforts and programmes which would benefit them.

The Whistleblowing Policy

Since September 2014, the Group has been implementing its Whistleblowing Policy as an initiative to promote a culture of openness, accountability and integrity among the Directors, officers and employees of the Group. Achieving high ethical standards of the Group through the implementation of this policy is crucial in creating an organisation that is both reliable, credible and mindful of its internal matters.

The policy serves as an avenue upon which any person can confidently disclose unlawful conducts, malpractices or breach of ethics occurring within the Group so that appropriate action may be taken to prevent loss or damage to the Group. As the Whistleblower Protection Act 2010 protects the "whistleblower" who can disclose such misconduct without fear of reprisal or retribution from any source.

Under this policy, information disclosed by the "whistleblower" must be substantiated and well-founded, and relayed to the Head of Group Internal Audit through channels prescribed under this policy. This will enable expeditious investigation to be conducted in a fair manner so that those responsible or involved in the misconduct could be brought to justice or appropriate disciplinary actions taken against them. After such disclosure, the "whistleblower" would be notified on the outcome of such investigation and any action taken by the relevant disciplinary authority as provided under Section 13(4) of the Whistleblower Protection Act 2010.

A proper whistleblowing policy ensures the following values:



II) BOARD COMPOSITION

Article 109 of the Company's Article of Association provides that there shall be at least two (2) and not more than twelve (12) members of the Board. As at 31 December 2017, the Board membership stands at eleven (11) members comprising of seven (7) Non-Independent Non-Executive Directors and the remaining four (4) are Independent Non-Executive Directors. This composition fulfils the requirements mandated by the MMLR of Bursa Malaysia under Paragraph 15.02(1), which stipulates that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors.

The Board Composition as at 28 February 2018 is as follows:

Board of Directors' Composition of the Group	
Non-Independent Non-Executive Directors	
Tan Sri Dr. Ali bin Hamsa	Chairman of the Group
Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani	
Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd. Zahidi bin Hj. Zainuddin (R)	
Dato Sri Fong Joo Chung	Chairman of Bintulu Port Sdn Bhd
Datuk Siti Zauyah binti Md Desa	
Datuk Nasarudin bin Md Idris	Chairman of Samalaju Industrial Port Sdn Bhd Chairman of Finance and Investment Committee
Dzafri Sham bin Ahmad	
Independent Non-Executive Directors	
Dato' Sri Mohamad Norza bin Zakaria	Chairman of Audit and Risk Committee
Dato' Sri Mohamed Khalid bin Yusuf @ Yusup	Chairman Biport Bulkiers Sdn Bhd Chairman of Nomination and Remuneration Committee
Datuk Yasmin binti Mahmood	
Datuk Nozirah binti Bahari	
Salihin bin Abang (Appointed 1 February 2018)	

The current size and composition of the Board is considered well balanced in addressing any business challenges and driving the business of the Group to greater heights. The Board members come from various professional backgrounds in terms of mix of skills, knowledge, expertise, experience and other requisite qualities. These qualities include core competencies in finance, business, oil and gas, law, general management and strategic thinking that are essential for the success of the Group. The Independent Non-Executive Directors play active roles in deliberations of policies and providing unbiased independent views and sound judgement.

The composition of the Board fairly reflects the interest of the major shareholders as represented by the appointment of their nominee Directors. The Preference Shareholder is the Minister of Finance (Incorporated) while the Petroliaam Nasional Berhad (PETRONAS), Sarawak State Financial Secretary (SFS), Equisar Assets Sdn Bhd and Kumpulan Wang Persaraan (Diperbadankan) (KWAP) are the major shareholders of the Group. The Independent Directors are also responsible for safeguarding the interest of minority shareholders.

Board Diversity

The Board is committed in ensuring that its composition reflects the diversity in line with the MCCG.

The Board consists of qualified individuals with diverse experiences, backgrounds and perspectives in order to bring values to board deliberations. The composition and size of the Board is such that it facilitates the making of informed and critical decisions. It is designed to be sufficiently large to capture the diversity of skills and expertise required to evaluate the best interests of shareholders, while not too large to ensure an effective decision making process and active participation of every director. A balanced board in this regard can help dispel stereotyping, make commercial decisions that are aligned to customer and investor needs.

The current Board composition comprises of nine (9) male Directors and three (3) female Directors. The Board is of the view that the current composition will generate positive impact on business and create value for the Company. While the Board strives to promote diversity, appointments of Directors are still premised on merits, knowledge and expertise which must be relevant to the Company.

Directorships in Other Companies

In compliance with Chapter 15, Para 15.06 (1) of the MMLR and consistent with the best practices recommendations of the MCCG, each member of the Board holds not more than five (5) directorships in public listed companies to enable the Directors to discharge their duties effectively by ensuring that their commitment, resources and time are more focused.

Time Commitment

It is the policy of the Group that Directors devote sufficient time and effort to carry out their responsibilities. The Board obtains this commitment from Directors at the time of appointment. It is also the Board's policy for Directors to notify the Chairman before accepting any new directorships notwithstanding that the Listing Requirements allow a Director to sit on the Board of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

In addition to the scheduled meetings, whenever any direction or decisions are required expeditiously from the Board, special meetings of the Board are convened by the Company Secretary, after consultation with the Chairman. Decisions of the Board are made unanimously or by consensus. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions (DCR) between scheduled and special meetings. In 2017, two (2) resolutions ranging from administrative to operational issues were approved by Directors via DCR.

The agenda for the Board's meetings is set by the Company Secretary in consultation with the Chairman and the GCEO. The agenda together with the relevant reports and Board papers are furnished to the Directors in advance to allow the Directors sufficient time to peruse for effective deliberation and decision making during the meetings. The Board has a recurring schedule of

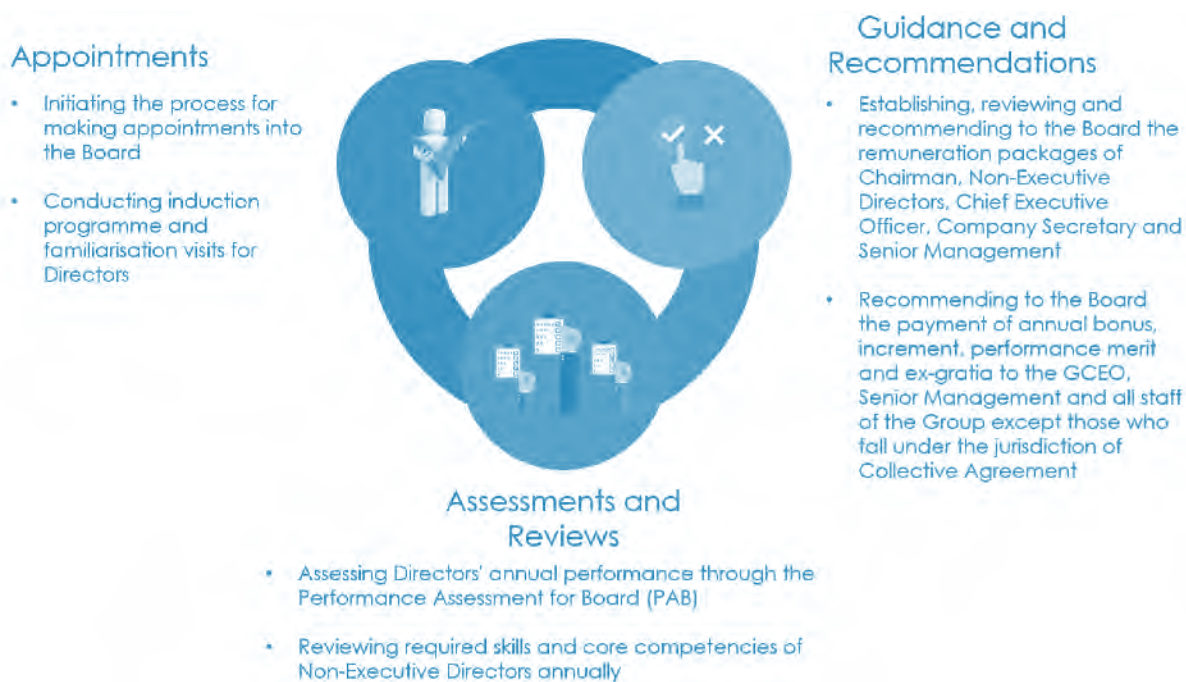
matters which are typically listed on the agenda and reviewed during the course of the year. The scheduled meetings focus on the Group's Business Plan, Quarterly Reports, recommendations of the various Board Committees, announcements to Bursa, Group's Audited Financial Statements and Annual Reports.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) comprises of the following members:

Nomination and Remuneration Committee's Composition	
Dato' Sri Mohamed Khalid bin Yusuf @ Yusup	Chairman
Dato Sri Fong Joo Chung	Member Non-Independent Non-Executive Director
Datuk Nozirah binti Bahari	Member Independent Non-Executive Director

The NRC's primary responsibilities include the following:



Appointment and Re-Election to the Board

Chapter 7, Part J, Para 7.26 of MMLR and Article 127 of the Company's Articles of Association require all Directors to retire at least once every three (3) years or at least one third (1/3) of the Directors shall retire by rotation each year and they are eligible for re-election. The re-election of Directors at regular intervals enhances Board effectiveness and also presents shareholders with the opportunity to measure the performance of the Directors.

Article 132 of the Company's Articles of Association provides authority for the Board to appoint any person who is willing to act as Director to fill up casual vacancies and such Director shall retire and be eligible for re-election at the next Annual General Meeting.

Directors retiring by rotation and standing for re-election / re-appointment at the forthcoming Twenty-Second (22nd) Annual General Meeting pursuant to Article 127 of the Company's Articles of Association and Paragraph 7.26 of the Main Market Listing Requirements are as follows:

- Dato' Sri Mohamed Khalid bin Yusuf @ Yusup
(Independent Non-Executive Director)
- Datuk Yasmin binti Mahmood
(Independent Non-Executive Director)
- Encik Dzafri Sham bin Ahmad
(Non-Independent Non-Executive Director)

Director retiring and standing for re-election/re-appointment at the forthcoming Twenty-Second (22nd) Annual General Meeting pursuant to Article 132 of the Company's Articles of Association is as follows:

- Encik Salihin bin Abang
(Independent Non-Executive Director)

Any nomination for new Directors to the Board is to be reviewed by the NRC and the Committee makes recommendation for the Board's approval. The Company Secretary will ensure that all appointments are properly made and that regulatory obligations are complied with.

Performance Assessment for Board (PAB)

The Performance Assessment for Board was adopted by BPHB in 2014. It is conducted internally upon completion of the financial year and comprises of Board Evaluation and Committee Evaluation. It is designed to increase the Board's effectiveness and efficiency as well as to draw the Board's attention to key areas that need to be addressed in order to maintain consistency of the Board's performance regardless of its diversity.

Questionnaire on the PAB include the effectiveness of the Board of Directors as a whole, as well as that of the Board Committees. The Committees' structure and processes as well as accountabilities and responsibilities are also evaluated.

The assessment questionnaire is distributed to all respective Board members and covers topics such as the contribution and performance of Directors with regards to their competency, time commitment, integrity and experience in meeting the needs of the Group and suggestions to enhance board effectiveness.

The overall results for the Board assessment revealed that the Board has performed evidently well, with most of the areas being rated as "Excellent" and "Very Good" indicating Directors' satisfaction with the Board's overall performance. The Board Committees assessment showed indications that Committee members have performed effectively as a group and in assisting the Board to discharge its roles and responsibilities. All Board Committees were also rated ranging from "Very Good" to "Excellent".

Upon reviewing the results of the Board and Committee assessment, Nomination and Remuneration Committee has identified training for Directors and succession planning for the Group as areas that need improvement.

Directors' Training

The Board via its NRC evaluates and determines the training needs of its members to ensure continuing education is made available to Directors in order for them to enhance their business acumen and professionalism in the discharge of their duties.

In addition, the Company Secretary also receives updates on training programmes from various organisations including the regulators. These updates are circulated to the Directors for their consideration. The Group also provides internal briefings to the Directors on key corporate governance developments and relevant changes on the MMLR, laws and regulations.

During the financial year ended 31 December 2017, some Directors have attended development and training programmes in areas of leadership, corporate governance, finance, taxation, legal and regulatory developments and oil and gas sponsored by the Group and / or Directors' personal initiatives. This is in compliance with Chapter 9, Appendix 9C (Part A, Paragraph 28) and Chapter 15, para 15.08 (3) of the MMLR.

Directors Involved	Trainings / Courses / Seminars
Tan Sri Dr. Ali bin Hamsa	<ul style="list-style-type: none"> Briefing on the New Companies Act 2016
Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani	<ul style="list-style-type: none"> Briefing on the New Companies Act 2016 ASSAR Capital Market Director's Programme Sarawak Energy Board Strategy Workshop International ICT Infrastructure and Digital Economy Conference Sarawak 2017 Project 17-20 Digital Economy Lab
Datuk Nasarudin bin Md Idris	<ul style="list-style-type: none"> MISC 2017 Annual Directors' Training Briefing on the New Companies Act 2016
Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd. Zahidi bin Hj. Zainuddin (R)	<ul style="list-style-type: none"> The New Companies Act 2016 – Raising the Bar for Directors Director's Remuneration in Compliance with the Companies Act 2016 and the Upcoming Amendment to Listing Requirements 2017 Risk Management on Corporate Governance Cybersecurity Risk Implications and Implications of MFRS 9 on Business Strategy Briefing on the New Companies Act 2016
Datuk Siti Zauyah binti Md Desa	<ul style="list-style-type: none"> Workshop on Panda Bond Sukuk by Ministry of Finance Engagement Session with Minister of Finance II – Changes to Companies Act Briefing on Malaysian Financial Reporting Standard 9 Financial Instruments (MFRS 9) 7th Annual Asia Islamic Banking and Takaful Conference – Building a Resilient Economy by Fleming Programme Digital Free Trade Zone

Directors Involved	Trainings / Courses / Seminars
Dato Sri Fong Joo Chung	<ul style="list-style-type: none"> Briefing on the New Companies Act 2016
Dato' Sri Mohamad Norza bin Zakaria	<ul style="list-style-type: none"> Briefing on the New Companies Act 2016
Dato' Sri Mohamed Khalid bin Yusuf @ Yusup	<ul style="list-style-type: none"> Remuneration Committee: Attracting and Retaining the Best Talents Interpreting Financial Statement Briefing on the New Companies Act 2016
Datuk Yasmin binti Mahmood	<ul style="list-style-type: none"> Briefing on the New Companies Act 2016
Datuk Nozirah binti Bahari	<ul style="list-style-type: none"> Briefing on the New Companies Act 2016 4th BNM-FIDE Forum Annual Dialogue Sustaining Growth with Sound Governance, Risk Management, Internal Control and Compliance Workshop Global Entrepreneurships Community 2017 Boards in the Digital Economy
Dzafri Sham bin Ahmad	<ul style="list-style-type: none"> Briefing on the New Companies Act 2016

III) REMUNERATION

The responsibility of setting appropriate Directors' remuneration framework and packages is under the purview of the NRC. The package has to be attractive enough to ensure that the Group continues to motivate Directors and retain talents that are necessary to manage the Group professionally and effectively.

Non-Executive Directors are paid fixed annual Directors' fees as members of the Board. In addition to fixed annual Directors' fees, the Directors are paid meeting allowance for each Board and Board Committees' meetings. Directors' fees will be paid to the Directors upon approval at the AGM as provided in the Article 110 (1) of the Company's Article of Association.

Under the provision of Section 230 (1) of Companies Act 2016, the fees of the directors, and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The detailed disclosure allows shareholders to make an informed decision when voting on the approval of directors' remuneration and to consider the appropriate remuneration package taking into account the responsibilities of the directors.

Directors	Directors' Fee
Chairman of the Group	RM120,000 (RM10,000 per month)
Members of the Group's Board of Directors	RM84,000 (RM7,000 per month for each Director)

Subsidiaries' Fee per month (RM)						
Subsidiary	BPSB		BBSB		SIPSB	
Designation	Chairman	Members	Chairman	Members	Chairman	Members
Fees (RM)	6,000	4,200	6,000	4,200	6,000	4,200

Meeting Allowance Per Attendance (RM)								
	BPHB	NRC	ARC	FIC	BPSB	BBSB	SIPSB	
Chairman	3,000	2,000	2,000	2,000	2,000	2,000	2,000	
Non-Executive Directors	1,500	1,500	1,500	1,500	1,500	1,500	1,500	

NAME OF DIRECTORS	FEES (RM '000)		ALLOWANCE (RM '000)		BENEFITS IN KIND (RM '000)	TOTAL (RM '000)
	BPHB	SUBSIDIARY	BPHB	SUBSIDIARY		
Non-Independent Non-Executive Directors						
Tan Sri Dr. Ali bin Hamsa	120.0	50.4	36.0	7.5	54.0	267.9
Datuk Siti Zaayah binti Md Desa	84.0	50.4	13.5	7.5	-	155.4
Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani	84.0	50.4	12.0	4.5	-	150.9
Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd. Zahidi bin Hj. Zainuddin (R)	84.0	50.4	16.5	7.5	-	158.4
Dato Sri Fong Joo Chung	84.0	72.0	30.0	10.0	-	196.0
Datuk Nasarudin bin Md Idris	84.0	72.0	25.5	12.0	-	193.5
Dzafri Sham bin Ahmad	84.0	50.4	25.5	7.5	-	167.4
Independent Non-Executive Directors						
Dato' Sri Mohamad Norza bin Zakaria	84.0	50.4	27.5	7.5	-	169.4
Dato' Sri Mohamed Khalid bin Yusuf @ Yusup	84.0	72.0	28.5	8.0	-	192.5
Datuk Yasmin binti Mahmood	84.0	50.4	22.5	3.0	-	159.9
Datuk Nozirah binti Bahari	84.0	50.4	25.5	6.0	-	165.9
Salihin bin Abang (Appointed on 1 February 2018)	-	-	-	-	-	-
Total	960.0	619.2	263.0	81.0	54.0	1,977.2

In heeding MCCG's good corporate governance practice, the Group follows the recommended practice in disclosing its top six (6) senior management remuneration to the public. This allows stakeholders to understand the relation between senior management remuneration and the company's performance. This will also enable stakeholders to determine whether the remuneration is fair and able to attract and retain talent.

Details of the remuneration of the top 6 senior management (including salary, allowances and bonus) in each successive band of RM50,000 during the financial year 2017, are as follows:

Range of Remuneration (RM)	Name of Top 6 Senior Management
300,000 – 350,000	<ul style="list-style-type: none"> • Matshalleh bin Mohamad Etli <i>Chief Operating Officer, SIPSB</i> • Yusof bin Ibrahim <i>Chief Operating Officer, BBSB</i> <i>(Appointed on 1 February 2018)</i> • Abu Bakar bin Husaini <i>Company Secretary</i> • Daiana Luna Suip <i>General Manager, Group Finance</i>
350,001 – 400,000	<ul style="list-style-type: none"> • Shamsuddin bin Hj. Ismail <i>Chief Operating Officer, BBSB</i> <i>(Retired on 31 January 2018)</i>
450,001 – 500,000	<ul style="list-style-type: none"> • Omar bin Hj. Salleh <i>Chief Operating Officer, BPSB</i>
700,001 – 750,000	<ul style="list-style-type: none"> • Dato Mohammad Medan bin Abdullah <i>Group Chief Executive Officer</i>

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I) AUDIT AND RISK COMMITTEE

To enhance the financial reporting process and the integrity and quality of the Group's financial statements, the Board is assisted by an Audit and Risk Committee, with majority of its members comprising of Independent Directors. The composition of the Audit and Risk Committee, including its activities is set out on pages 96 to 99 of this Annual Report.

An effective Audit and Risk Committee can bring transparency, focus and independent judgement needed to oversee the financial reporting process. However, the ultimate responsibility for a Company's financial reporting process rests with the full Board.

The Audit and Risk Committee plays a key role in a Company's governance structure. An independent Audit and Risk Committee is better positioned to rigorously challenge and ask probing questions on the Company's financial reports, internal controls, risk management and governance.

One of the key responsibilities of the Audit and Risk Committee is to ensure that the financial statements of the Group comply with the current applicable Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of Companies Act 2016.

Such financial statements comprise of the quarterly financial report as recommended to the Board for subsequent announcement to Bursa Malaysia. The Board, through the Audit and Risk Committee, has established formal and transparent arrangements with External Auditors in producing true and fair financial reports and good internal control mechanisms.

External Audit

In assessing the independence of external auditors, the Audit and Risk Committee requires written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants. Further explanations on external audit functions are set out on page 99 of this Annual Report.

The Group's financial highlights and indicators for the financial year ended 31 December 2017 are set out on pages 18 to 19 of this Annual Report.

II) RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Recognising the importance of risk management and internal control, the Board has established a structured risk management framework to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an on-going basis.

The Board has developed procedures to mitigate the business and operational risks as identified by various divisions and coordinated by Group Corporate Planning and Development Division. The Board performs reviews on the Group's Risk Profiles on a bi-annual basis guided by the Statement on Risk Management and Internal Control and Guidelines for Directors of Listed Issuers.

The Management and the Audit and Risk Committee provide the Board with reports on actions taken to mitigate the risks. These actions give reasonable assurance to shareholders on the level of effectiveness of the Group's risk management and internal control system. Details on the Statement on Risk Management and Internal Control are furnished on pages 86 to 93 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I) COMMUNICATION WITH STAKEHOLDERS

Shareholders can access corporate information, Annual Reports, press releases, financial information, Company announcements and share prices through investors' relations programmes and the Group's website. However, undisclosed material information about the Group will not be given to any single shareholder or shareholder groups.

Ongoing engagement and communication with stakeholders build trust and understanding between the Company and its stakeholders. It provides stakeholders a better appreciation of the Company's objectives and the quality of its management. This in turn will assist stakeholders in evaluating the Company and facilitate shareholders to determine how their votes should be exercised. From the Company's perspective, it provides an avenue for invaluable feedback that can be used to understand stakeholders' expectations and develop business strategies.

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company and as such adopts an open and transparent policy in respect of its relationship with its shareholders and investors.

Dialogue with stakeholders is a necessary and beneficial process as it enables companies to understand stakeholders' concerns and to take these concerns into account when making decisions.

In addition to that, the Group conducts dialogues with financial analysts from time to time as a means of effective communication that enables the Board and Management to convey information relating to the Company's performance, corporate strategy and other matters affecting shareholders' interests.

Investor Relations

The Group holds separate interfacing sessions with fund managers, institutional investors and investment analysts as well as the media. The sessions are intended to disseminate updated progress and development of the Group's business to interested parties including the shareholders and stakeholders.

In year 2017, the Group's interfacing sessions were as follows:

Organisations	Venue	Date
Malaysia Industrial Development Finance Berhad	Samalaju Industrial Port Sdn Bhd	18 April 2017
AmBank Group Research	Bintulu Port Holdings Berhad	3 May 2017
Kenanga Investment Bank Berhad	Bintulu Port Holdings Berhad	23 March 2017
Kenanga Investment Bank Berhad	Bintulu Port Holdings Berhad	8 August 2017
Permodalan ASSAR Sdn Bhd	Bintulu Port Holdings Berhad	8 August 2017
Malaysian Resources Corporation Berhad	Bintulu Port Holdings Berhad	8 August 2017
Employees Provident Fund	Bintulu Port Holdings Berhad	8 August 2017
Permodalan Nasional Berhad	Grand Millennium, Kuala Lumpur	24 August 2017
TA Securities Holdings Berhad	Bintulu Port Holdings Berhad	12 October 2017
Takaful Malaysia Berhad	Bintulu Port Holdings Berhad	12 October 2017
Amanahraya Investment	Bintulu Port Holdings Berhad	12 October 2017
Muamalat Invest	Bintulu Port Holdings Berhad	12 October 2017
ICM Investment Research Ltd	Grand Millennium, Kuala Lumpur	9 November 2017

The Customer Charter

The Group strives to provide quality port services with continuous improvement based on customer feedback and the Customer Charter. The Group is committed in ensuring the following standards prescribed by the Customer Charter are always met:

- **Friendly and Courteous Service** to be discharged with full integrity
- **Suggestions and Complaints** to always be acknowledged and full response to be made available within two (2) weeks after fair and thorough investigation on complaints
- **Timely and Accurate Billing** is provided and issued for services rendered within seven (7) working days for LNG and Non-LNG Marine Services, ten (10) working days for Stevedoring, Operation Port and Port Charges, Rental and Storage and Miscellaneous invoices
- **Safe Cargo and Ship-Handling Operation** is ensured where the cargoes, containers and vessels are to be handled with reasonable care and with the highest regard for safety
- **Security of Cargo, Containers and Vessels** to be protected at all times as long as they are within the area of port limit
- **Availability of Berth** to be ensured and available within eight (8) hours after receiving confirmed request

- **Provision and Handling Productivity** in providing marine services which includes pilotage, towage and mooring are to be rendered subject to receipt of request not less than two (2) hours from the time service required. The Group undertake to handle a minimum of thirty-five (35) tonnes/gang hour of general cargoes, seventy-three (73) tonnes/gang hour of veneer and fibreboard, eighty (80) tonnes/gang hour of plywood, thirty-three (33) tonnes/gang hour of sawn timber and seventy (70) tonnes/gang hour of project cargo
- **Customer Services Personnel** will always be available during office hours at the Customer Services Centre to provide information on services offered and also to facilitate requests to meet the Group's relevant officers
- **Advancement in Technology** which is important in ensuring efficiency of the Group's operation and to ensure the Group's technological application is always up-to-date

In meeting their needs and expectations, the Group undertakes regular engagement and interactive interfacing session with the customers. To ensure the customers' satisfaction is in line with the Customer Charter, a Customer Satisfaction Survey is conducted annually.

Corporate Sustainability

The Group in its effort to develop a good business sustainability model heeded calls made by the Board to consider economic, environmental and societal impact arising from such model. An in-depth review on the Group's initiatives to provide a commendable Economic, Environmental and Societal (EES) performance for the year under review can be found under Corporate Sustainability Statement which form part of this Annual Report, pages 100 to 126.

II) CONDUCT OF GENERAL MEETINGS

Annual General Meeting (AGM)

An Annual General Meeting is an important platform for directors and senior management to engage shareholders to facilitate greater understanding of the Company's business, governance and performance. This supports shareholders in exercising their ownership rights and expressing their views to the board and senior management on any areas of concerns.

The AGM remains the principal forum for shareholders. This venue allows shareholders to review the Group's performance via the Company's Annual Report. In compliance with Chapter 7, Para 7.15 of the MMLR, the Notice of AGM is circulated at least twenty-one (21) days in advance of the meeting to facilitate full understanding and evaluation of the issues involved.

Active participation by the shareholders is encouraged during the AGM, in which an open session is made available to the shareholders to raise questions both about the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group's operations in general. Appropriate responses and clarifications are promptly provided by the Board members to the shareholders.

Upon the conclusion of the AGM, a press conference is immediately held where the Chairman informs the media in respect of the resolutions passed and answers questions pertaining to the Group's business. The outcome of the AGM is announced to Bursa Malaysia on the same meeting day.

During the 21st AGM 2016, the GCEO provided shareholders with an overview of the Group's operations and the financial year's performance. The GCEO also shared responses to the questions submitted in advance by the Minority Shareholder Watchdog Group (MSWG).

The Board places great importance in maintaining active dialogue and effective communication with shareholders and investors for accountability and transparency to enable shareholders and investors to make informed investment decisions. Apart from providing comprehensive insights into the Group's financial performance through the interfacing sessions, the financial and business performances are also communicated through the Group's website.

Up-to-date information on the Group is accessible via the Group's website at <http://www.bintuluport.com.my>.

In addition, shareholders and investors may also obtain the up-to-date information, the latest corporate, financial and market information of the Group through the Bursa Malaysia website at <http://www.bursamalaysia.com>.

The primary contacts of the Group are as follows:

Group Chief Executive Officer

Bintulu Port Holdings Berhad
Tel : +60 86 291001 (ext. 300)
Fax: +60 86 253597

Company Secretary

Bintulu Port Holdings Berhad
Tel : +60 86 291001 (ext. 257)
+60 86 251090 (Direct Line)
Fax : +60 86 254062

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Board is mindful of the legal and regulatory framework governing the release of material and price sensitive information.

Annual Report

The Annual Report is an integrated report from which all other detailed information flows; such as annual financial statements, governance and sustainability reports. The Annual Report provides a comprehensive report on the Group's operations and financial performance for the year under review.

An integrated report improves the quality of information available to investors and promotes greater transparency and accountability on the part of the Company. It provides full disclosure and is in compliance with the relevant regulations to ensure greater transparency.

An electronic format of the Annual Report is also available on the Group's website.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with Chapter 9, Paragraph 9.25 and 9.41 of the MMLR.

(i) Recurrent Related Party Transactions of a Revenue Nature

As required by the MMLR, Recurrent Related Party Transactions of a revenue nature must be disclosed in the Annual Report. For the year 2017, there were no new related parties involved with the Group other than the existing ones which comprise the Sarawak State Financial Secretary (SFS) and Petroliaam Nasional Berhad (PETRONAS). The transactions involved are in the ordinary course of business and are of terms not more favourable to the related party than those generally available to the public. The services rendered or goods purchased are based on a non-negotiable fixed price which is published or publicly quoted and all material terms including the prices or charges are applied consistently to all customers or classes of customers.

(ii) Non-Audit Fees

The requirement to disclose the Non-Audit Fees is provided for under Chapter 9, Item (18) of Appendix 9C of the MMLR. Hence, the Non-Audit Fees paid to the External Auditor by the Group for reviewing the Director's Statement on Risk Management and Internal Control for the year ended 31 December 2017 is in the sum of **RM8,400.00** only.

(iii) Material Contract

The Board confirms that there was no material contract entered into by the Group involving the Directors' and major shareholders' subsisting interest at the end of 2017.

(iv) Imposition of Sanctions/Penalties

There were no sanctions/penalties on the Group, Board of Directors and Management for the financial year ended 31 December 2017.

(v) Details of Attendance at Meetings Held in the Financial Year Ended 31 December 2017

For attendance, please refer to page 71 of this Statement.

(vi) Statement by the Board on Compliance

Throughout the financial year ended 31 December 2017, the Group has complied with and observed the substantive provisions of the MCCG, the relevant Chapters of the MMLR and the Companies Commission of Malaysia's (CCM) requirements.

Statement made in accordance with the Board's Resolution dated 22 February 2018.

Tan Sri Dr. Ali bin Hamsa
Chairman

Dato' Sri Mohamed Khalid bin Yusuf @ Yusup
Independent Non-Executive Director

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

(Pursuant to Chapter 15, Part E, Para 15.26 (b) of the Main Market Listing Requirements)

INTRODUCTION

This Statement on Risk Management & Internal Control is made pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements (MMLR) issued by Bursa Malaysia Securities Berhad which requires the Board of Directors of listed companies to include in its Company's Annual Report a statement about the state of its Risk Management and Internal Control for its group of companies.

The following statement outlines the nature and scope of the Group's risk management and internal control in 2017.

BOARD'S RESPONSIBILITY

The Board of Directors of Bintulu Port Holdings Berhad (the Board) acknowledges the importance of maintaining a sound risk management and internal control system as well as reviewing its adequacy and effectiveness to ensure good corporate governance.

The Board, whilst acknowledging its responsibility, recognises that the risk management and internal control system are designed to manage, rather than eliminate, the risks that may impede the achievement of the Group's business goals and objectives. Therefore, the system can only provide reasonable, but not absolute assurance, against the occurrence of any material misstatement, fraud or losses.

To ensure the adequacy and effectiveness of the Group's risk management and internal control, the Board has maintained full control over strategic, financial, organisational and compliance issues and has put in place the formal lines of responsibility and delegation of authority.

The review of risk management and internal control reports and processes is delegated by the Board to Audit and Risk Committee.

As for risk management, the Board has carried out an on-going process of identifying, evaluating as well as deliberating and providing advice on matters pertaining to key corporate risks of the Group, the mitigation measures and its action plans to ensure that key risk areas are managed to achieve the Group's business objectives.



For the financial year ended 31 December 2017, the Board had undertaken the following processes to provide reasonable assurance to further strengthen the Group's internal control system:

- The Group had established the holding-subsidaries relationship through the appointment of Board of Directors of respective subsidiaries to oversee business operations and maintain sound Risk Management and Internal Control system at subsidiaries level;
- The Group has also performed comprehensive budgeting and forecasting exercises. The actual performance against budget is analysed and reported on a quarterly basis to the Board. Timely corrective actions are then taken;
- Key corporate risks are reviewed bi-annually by the Audit and Risk Committee and the Board taking cognisance of changes in the regulatory, technology, operational procedures and business environment in order to ensure the adequacy and integrity of the overall internal control systems;
- The Code of Conduct is given to all staff upon joining the Group. They are required to strictly adhere to the Code of Conduct in order to ensure high level of discipline and positive attitude while executing their duties. The Code of Conduct is also an integral part of the internal control system. It is the responsibility of all staff to maintain and practice sound risk management and internal control as part of their accountability towards achieving the overall Group's objectives;
- The Customer Charter is a benchmark set by the Group for scrutinising and evaluating operational efficiency and performances in accomplishing customer's satisfaction. The Management is committed to ensure the strict adherence to the Customer Charter at all levels of operation. For any failure to meet the Customer Charter, the Management carries out service recovery initiatives; and
- In recognition of its sound management systems, the Group through its subsidiaries has successfully managed to secure accreditations from various bodies and agencies as follows.

BINTULU PORT HOLDINGS BERHAD

- a. Certified Information Security Management System in "Operation and Maintenance of Integrated Port Management System (IPMS)" (MS ISO/IEC 27001:2013) by Cyber Security Malaysia
- b. National Convention on Team Excellence 2017, Gold Award in Genting International Convention Centre, Malaysia

BINTULU PORT SDN BHD

- a. Certified Quality Management System in "Provision of Port Services" (ISO 9001:2008) by Bureau Veritas Certification (Malaysia) Sdn Bhd
- b. Certified Environmental Management System in "Provision of Port Services" (ISO 14001:2004) by Bureau Veritas Certification (Malaysia) Sdn Bhd
- c. Certified Occupational Health and Safety Management System in "Provision of Port Services" (OHSAS 18001:2007) by Bureau Veritas Certification (Malaysia) Sdn Bhd
- d. Certified Malaysia Standards on Occupational Safety and Health Management System in "Provision of Port Services" (MS 1722:2011) by Bureau Veritas Certification (Malaysia) Sdn Bhd

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

- e. Certified HACCP System and Guidelines for its Application in "Management of Food Hazard Analysis System and Critical Control Point (HACCP) for the Handling of Palm Kernel Related Products" by Bureau Veritas Certification (Malaysia) Sdn Bhd
- f. Certified Security Management System for the Supply Chain in "Provision of Port Operation Services (Sea Patrol, Control Tower, Pilotage, Tug Assistance, Mooring Boat, Mooring Gang, Stevedoring, Warehousing and Security Check - Point" (ISO 28000:2007) by Bureau Veritas Certification (Malaysia) Sdn Bhd
- g. Certified in Trade, Collection and Storage & Transhipment "Handling of Palm Kernel Related Products" (GMP+B3 2007) by Bureau Veritas Certification (Malaysia) Sdn Bhd
- h. Statement of Compliance under Section 249K Merchant Shipping Ordinance 1952 (ISPS Code Certification) by Director General of Marine Malaysia
- i. MSOSH OSH Award 2016, Gold Class 1 (Logistics and Transportations Sectors) in Recognition of Very Good Achievement 2016 OSH Performance

BIPORT BULKERS SDN BHD

- a. Certified Quality Management System in "Handling and Storage of Edible Oil Products, Crude Oil, Sludge and Edible Oil Based Feed Materials" (ISO 9001:2008) by Bureau Veritas Certification (Malaysia) Sdn Bhd
- b. Certified in Trade, Collection and Storage & Transhipment "Storage of Palm Fatty Acid Distillate and Palm Kernel Fatty Acid Distillate Third Party" (GMP+B3 2007) by Bureau Veritas Certification (Malaysia) Sdn Bhd
- c. Certified HACCP System and Guidelines for its Application in "Handling and Storage of Edible Oil Products, Crude Oil, Sludge and Edible Oil Based Feed Materials" by Bureau Veritas Certification (Malaysia) Sdn Bhd
- d. Certified ISCC PLUS (International Sustainability and Carbon Certification) for "Individual Warehouse". The scope of the certificate includes the following chain of custody options : Mass balance by Bureau Veritas Certification Germany GmbH
- e. Certified ISCC EU (International Sustainability and Carbon Certification) for "Warehouse" by Bureau Veritas Certification Germany GmbH

SAMALAJU INDUSTRIAL PORT SDN BHD

- a. Statement of Compliance under Section 249K Merchant Shipping Ordinance 1952 (ISPS Code Certification) by Director General of Marine Malaysia

CONTROL ENVIRONMENT AND STRUCTURE

The Board affirms its overall responsibility for the Group's system of risk management and internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. Control environment is the primary elements in the Risk Management and Internal Control system of the Group where it has in place policies and procedures in key business processes and support functions which include financial reporting, procurement and information systems.

All aspects of risk management and internal control are cascaded down by the Management to permeate company wide in ensuring the successful implementation of risk management and internal control within the Group. Principal features of the Group's internal control structure are summarised as follows:

1. Organisational Structure and Responsibility Levels

The Group has an organisational structure with formal lines of authority and accountability which sets out clear segregation of functions, roles and responsibilities to guarantee effective control at various levels of the Group. The Management is responsible for the implementation of the Group's strategies and day-to-day businesses based on the established structures.

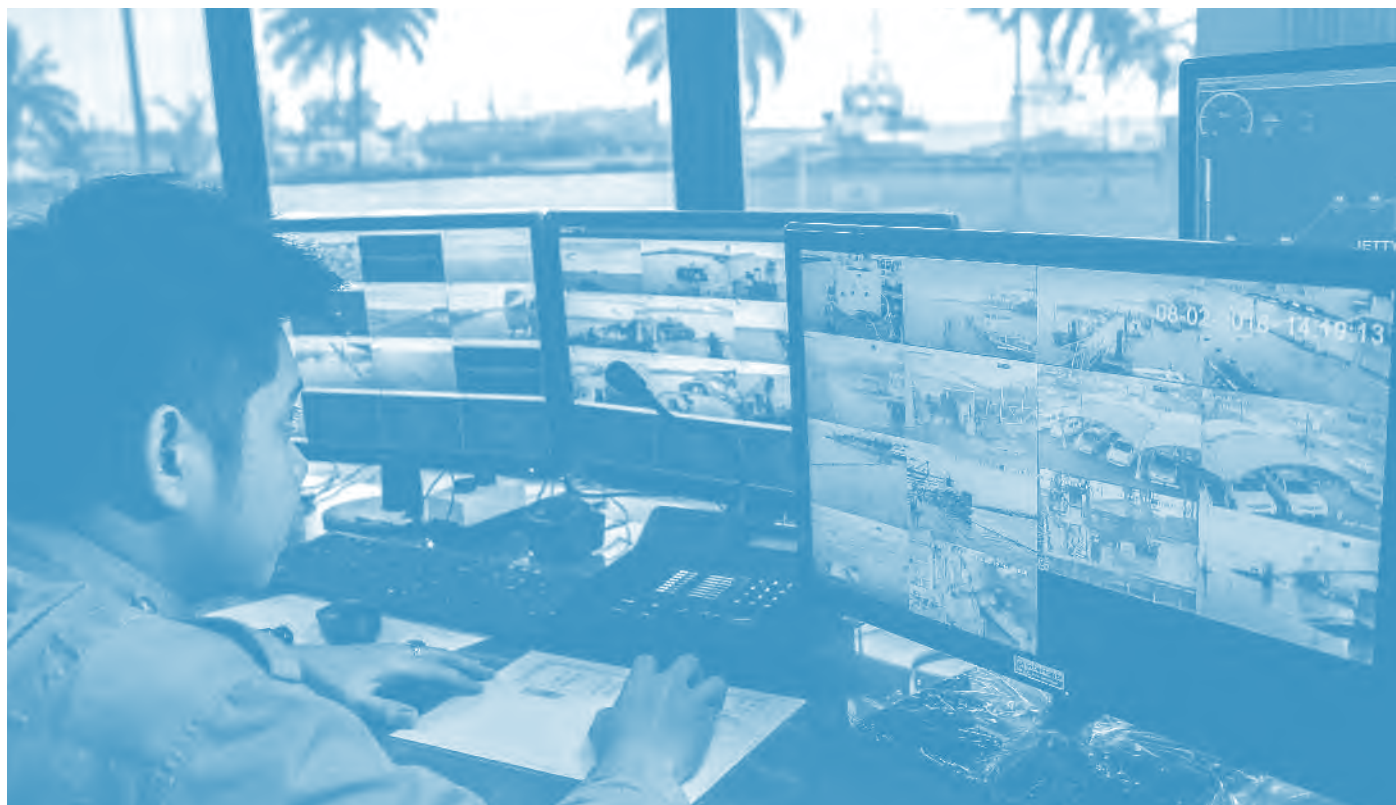
The organisational structures are reviewed from time to time to address the changes in the business environment as well as to keep abreast of current and future trending of new technologies, products and services.

2. Internal Audit

Paragraph 15.27 of the Main Market Listing Requirements mandates a listed issuer to establish Internal Audit function which is independent and reports directly to the Audit and Risk Committee. The internal control practices are audited in-house by the Group Internal Audit to identify any non-compliance elements of the policies, procedures, regulations and standards. Any irregularity or significant finding by the Group Internal Audit is reported to the Audit and Risk Committee together with recommendations for corrective measures on timely basis. The Management is responsible to ensure that corrective actions are carried out within the determined time frame.

Group Internal Audit complements the role of the Enterprise Risk Management (ERM) Unit by independently reviewing risk profiles, risk management strategies and the adequacy and effectiveness of the controls identified and implemented in response to the risk identified at every audit engagement.

The Audit and Risk Committee regularly oversees the Group Internal Audit function, its independence, scope of work and resources.



STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

3. Legal

The role of Group Legal Counsel is to advise the Board and Management on all legal matters. It also plays a pivotal role in ensuring that the interests of the Group are legally preserved and safeguarded. The Board is regularly updated through reports as and when there are introduction of new legislations, new terms of business or changes in existing laws relevant to the Group.

4. Policies and Procedures

The Group's policies, procedures and authority limits have been clearly defined and documented through the establishment of the relevant charters, Terms of Reference and organisational structures. Information relating to Financial, Procurement and Contract Management, Human Resources and Information Technology are accessible through the Group's Intranet and manuals. Continuous efforts are made to enhance the Group's control mechanism to reflect the Group's growing business requirements and changing business strategy.

5. Financial and Operational Information

Financial and operational performances are monitored by the Management on a regular basis. The financial performance of the Group is reported quarterly to comply with the MMLR.

Apart from this, the status of the business operations and safety performances are reported to the Management on a monthly basis. The periodic reports are then presented to the respective Boards to enable them to gauge the Group's overall performance.

Monitoring of the risk profiles is done at the risk owner's level on quarterly basis. Information on the enterprise risk profiles and mitigation strategies are submitted and reported to the Board bi-annually.

6. The Board Commitment

The current global business environment is very dynamic and challenging. In view of this the Board is committed towards reviewing and improving the system of Risk Management and Internal Control in line with the ever changing business environment and current realities to ensure the Group meets its business objectives and maintains its business sustainability.

KEY RISK MANAGEMENT AND INTERNAL CONTROL

The Company has instituted initiatives and measures to further strengthen all aspects of the Risk Management and Internal Control of the Group through the following mechanisms:

- 1. Audit and Risk Committee** regularly reviews and discusses the measures undertaken on Risk Management and Internal Control issues identified by the Group Internal Audit, External Auditors and Management for Board's approval. The Committee is equally accountable for the progress of actions taken to manage and mitigate the risks.
- 2. Nomination and Remuneration Committee** recommends to the Board any nominations, re-election and composition of the Board. The Committee is also responsible to recommend the appointment of the Chief Executive Officer and Senior Management as well as reviewing Human Resources Policies of the Group. The Committee also recommends to the Board remuneration packages for Directors, Chief Executive Officer and Senior Management.
- 3. Finance and Investment Committee** oversees the Group's businesses in respect of the financial affairs, budget, planning, financial risk and control, investment and infrastructure development proposals and make recommendations for the Board's approval.

4. Other Committees

In addition to the Board Committees, there are management committees established at the Group and subsidiaries level to support the execution of various programmes and activities as follows:

- Tender Committee at the respective subsidiaries are established to ensure that all tender administration and contract management are being carried out in accordance with the approved policies and procedures. The Committee shall ensure that tender evaluation exercises are conducted in an effective, transparent and fair manner based on guiding principles of accountability to the shareholders, published policy and procedures to ensure value for money. The Approving Authority varies according to the tender value from the level of Chief Executive Officer to the Board of subsidiaries and the Board of the holding company.
- Steering Committee for Privatisation and Extension of Concession Period to prepare the proposal for submission to the relevant authorities;
- Steering Committee for the development of the Group's Five (5) Year Strategic Plan and its strategic direction;
- Recruitment Committee for recruitment of all new staff;
- Inquiry Committee established on an ad-hoc basis to identify the cause of accident and decide on appropriate course of action to be taken including preventive measures;
- Domestic Inquiry Committee to deliberate on outcome of investigation and recommendations by investigation team and decide on appropriate course of action to be taken in accordance with the Company's Code of Conduct;
- Talent Committee to identify potential individual for key positions, assess and monitor their development, as well as develop and review Group's Talent Management and Succession Planning policy, procedure and process;
- Project Steering Committee to guide the Management and the Appointed Consultant/Advisors on the development of Samalaju Port including overall monitoring of the said project; and
- Risk Steering Committee at Management Level for monitoring and assessing the tasks specified under action plan in mitigating the corporate risks.

5. Enterprise Risk Management (ERM)

Group Corporate Planning and Development oversees the Enterprise Risk Management (ERM) Unit and reports directly to the Group Chief Executive Officer. The Unit, responsible for the overall coordination of the Risk Management of the Group, work closely with Risk Focal Person who undertakes the monitoring and assessing the risks controls in their respective Division and Department.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Division/Departments are responsible for identifying, mitigating and managing risks within their respective areas. At Group Level, a Corporate Risk Profile outlining the significant risks faced by the Group is established and presented to the Board which covers the following:

- Risk Description
- Root Causes
- Consequences of Risk
- Current Control
- Mitigation Strategies, Action Plan, Timeline and Risk Owner
- Impact and Likelihood Rating

To ensure the mitigation strategies are in place and effectively implemented within the stipulated timeline, the action plans taken and the targeted result are incorporated into the relevant department's Key Performance Indicators (KPI).

The Enterprise Risk Profiles are continuously updated detailing the significant risks, the status of risks and the status of implementation of mitigation strategies for reviews by the Audit and Risk Committee twice a year.

6. Staff Competencies and Professionalism

The Group's objectives and plans have been periodically communicated to provide effective and clear directions to all staff. Training and development programmes are identified and scheduled for the staff to acquire the necessary knowledge, skills and core competencies to enhance their professionalism.

To further gauge the level of staff competencies and professionalism, the Group adopted the following mechanisms and initiatives:

- Performance Appraisal System;
- Key Performance Indicators;
- Employees Satisfaction Survey;
- Customer Satisfaction Survey; and
- Inculcation of positive organisational values and cultures.

PRIMARY CONTACT

The primary contact pertaining to Risk Management and Internal Control of the Group are as follows:

Group Chief Executive Officer

Bintulu Port Holdings Berhad
Tel : +60 86 291001 (ext. 300)
Fax : +60 86 253597

Group Internal Audit

Bintulu Port Holdings Berhad
Tel : +60 86 291001 (ext.380)
Fax : +60 86 291617

Group Corporate Planning and Development

Bintulu Port Holdings Berhad
Tel : +60 86 291001 (ext.233)
Fax : +60 86 253263

REVIEW OF EFFECTIVENESS

The Board remains committed towards improving the system of internal control and risk management process to meet its corporate objectives. The Board is of the opinion that the Group's present system of internal controls is sound and sufficient to safeguard the Group's interest and its business operations. It is also satisfied that the risks taken are at an acceptable level within the control of the business environment of the Group.

REVIEW OF THE STATEMENT BY INTERNAL AND EXTERNAL AUDITORS

In line with Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice Guide (RPG) 5 issued by the Malaysian Institute of Accountants.

Based on their review for the financial year ended 31 December 2017 and up to date of issuance of the financial statements, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes adopted by the Board in all material aspects.

This Statement on Risk Management and Internal Control had been reviewed and affirmed by the Internal Auditors as well as the External Auditors for inclusion in the Annual Report of the Group for the financial year ended 31 December 2017 in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements.

Statement made in accordance with the Board's Resolution dated 22 February 2018.

Tan Sri Dr. Ali bin Hamsa
Chairman

Dato' Sri Mohamed Khalid bin Yusuf @ Yusup
Independent Non-Executive Director

BOARD COMMITTEES REPORT



Board Committees meet according to their task and as specified in their respective Terms of Reference (TOR). Board Committees report directly to the Board of Directors and make necessary recommendations on specific matters with the primary objective of ensuring a smooth decision-making process.

The Board of Bintulu Port Holdings Berhad had set up three (3) committees to undertake specific duties and assist the Board in decision-making and to protect the interest of the Group in meeting the business changing needs. Involvement in committees allow directors to deepen their knowledge of the organisation, become more actively engaged and fully utilise their experience. Additionally, the existence of committees can indicate to investors that the board is taking particular issues seriously.

The criteria for the membership are based on a Director's skills and experience, as well as his/her ability to add value to the Board Committees. The Committees are the Audit and Risk Committee, Nomination and Remuneration Committee and Finance and Investment Committee.

The respective Committees have their own TOR whereby they are empowered to deliberate, discuss issues, recommend proposals as well as provide assurance through their recommendations and feedbacks to the Board. The confirmed Minutes of the Committees shall then be circulated to all Board members in order to give opportunity to Non-Committee Members to seek any clarifications, raise any queries or give views on the matters discussed.

The Committees comprised of members from the main Board itself where the Independent and Non-Independent Directors play a leading role in these Committees. Two (2) of the Committees namely Audit and Risk Committee and Nomination and Remuneration Committee are chaired by the Independent Non-Executive Directors whilst the Finance and Investment Committee is chaired by Non-Independent Non-Executive Directors.

AUDIT AND RISK COMMITTEE

The details of the Audit and Risk Committee's composition, activities and number of meetings held during the financial year ended 31 December 2017 are presented on pages 96 to 98 of this Annual Report.

NOMINATION AND REMUNERATION COMMITTEE

The responsibilities of NRC amongst others are:

- a) To review and recommend to the Board, the appointment, extension of service and re-election of the Directors, GCEO as well as Senior Management;
- b) To assess the balance of Independent and Non-Independent Directors sitting on the Board and the Board Committees;
- c) To ensure that an orientation and induction programme is in place for new Board members;
- d) To establish, review and recommend to the Board the remuneration packages of Chairman, Directors, GCEO, Company Secretary and Senior Management. The Committee also reviews and recommends the Terms and Conditions of Services; and
- e) To determine Directors' fees which are deliberated by the Committee and approved by the Board as a whole. The Board recommends the remuneration payable to the Directors and any changes thereof are subject to shareholders' approval at the Annual General Meeting.

The activities of the NRC during the financial year ended 31 December 2017 include the following:

- i. Recruitment, appointment and re-election of Directors;
- ii. Proposal on the Directors' fees and remuneration packages for the GCEO;
- iii. Appointment of the Company Secretary and Senior Management of the Company and its subsidiaries;
- iv. Review of the Succession Planning of the Senior Management;
- v. Review of the new Organisation Structure for the Group's subsidiary companies;
- vi. Review on the policy of acting and covering of duties and making amendments to the Regulations; and
- vii. Deliberate on Management's annual proposal on payment of bonus and performance merit's increment and making recommendations to the Board for approval.

The Nomination and Remuneration Committee comprises of three (3) Directors, two (2) of whom are Independent Directors.

Overall, there were four (4) meetings held for the financial year ended 31 December 2017 as follows:

Composition	No. of Meetings Attended	Percentage of Attendance (%)
Dato' Sri Mohamed Khalid bin Yusuf @ Yusup (Chairman) <i>Independent Non-Executive Director</i>	4/4	100
Dato Sri Fong Joo Chung (Member) <i>Non-Independent Non-Executive Director</i>	4/4	100
Datuk Nozirah binti Bahari (Member) <i>Independent Non-Executive Director</i>	4/4	100

FINANCE AND INVESTMENT COMMITTEE

The Finance and Investment Committee assists and supports the Board's responsibility to oversee and monitor the Groups' Annual Budget including revenue and expenditure. The Committee is also responsible to review and manage the capital expenditure for projects, business acquisitions and investment appraisals undertaken by the Group as well as financial performance for enhancement of profitability.

There was one (1) meeting held for the financial year ended 31 December 2017 as follows:

Composition	No. of Meetings Attended	Percentage of Attendance (%)
Datuk Nasarudin bin Md Idris (Chairman) <i>Non-Independent Non-Executive Director</i>	1/1	100
Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Hj. Zainuddin (R) (Member) <i>Non-Independent Non-Executive Director</i>	0/1	0
Datuk Siti Zauyah binti Md Desa (Member) <i>Non-Independent Non-Executive Director</i>	1/1	100

AUDIT AND RISK COMMITTEE REPORT

(Pursuant to Chapter 15, Part C, Para 15.15 of the Main Market Listing Requirements)

1. AUDIT AND RISK COMMITTEE MEMBERS

Chairman

Dato' Sri Mohamad Norza bin Zakaria

Independent Non-Executive Director

Members

Datuk Yasmin binti Mahmood

Independent Non-Executive Director

Encik Dzafri Sham bin Ahmad

Non-Independent Non-Executive Director

Encik Salihin bin Abang

Independent Non-Executive Director

(appointed on 1 February 2018)

2. COMPOSITION OF AUDIT AND RISK COMMITTEE

- A. The Chairman of the Committee shall be an Independent Director of the Company with two (2) other directors sitting as members and must be composed of not fewer than three (3) members. All the Audit and Risk Committee members must be non-executive directors, with a majority of them being independent directors and no alternate director can be appointed as a member of the Audit and Risk Committee. The quorum for the meetings of the Audit and Risk Committee shall be two (2).
- B. Pursuant to Para 15.09 (1) (c) (i) by the MMLR of Bursa Malaysia, at least one (1) member of the committee must be:
 - i. A member of the Malaysian Institute of Accountants (MIA); or
 - ii. If he is not a member of the MIA, he must have at least three (3) years working experience; and
 - a. He must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - b. He must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - iii. Fulfils such other requirements as prescribed or approved by the Exchange.

Dato' Sri Mohamad Norza bin Zakaria meets the specific requirement, where he is a holder of an accounting qualification and Chartered Accountant under the Malaysian Institute of Accountants (MIA) as well as a Fellow of Certified Practicing Accountant (CPA) of Australia. Further, all other members have working familiarity with basic finance and accounting practices.

3. MEETINGS AND MINUTES

Throughout the year in review the Committee has timely reviewed and deliberated on the followings: -

- Fourth quarter of 2016 Financial Report;
- First, second and third quarters of 2017 Financial Report;
- Relevant reports for the inclusion of the 2017 Annual Report;
- Audit issues raised by internal and external auditors;
- Internal and external audit plans; and
- Corporate Risk Profiles.

The Audit and Risk Committee (ARC) meets on a scheduled basis during the financial year, and as and when required.

Attendance at Meetings

A total of seven (7) ARC meetings were held during the financial year ended 31 December 2017. The quorum for each meeting shall be two (2) members of the Audit and Risk Committee. Attendance of Audit and Risk Committee meetings for financial year ended 31 December 2017 are as follows: -

Name of Directors	No. of meetings Attended	Percentage of Attendance (%)
Dato' Sri Mohamad Norza bin Zakaria (Chairman)	7/7	100
Datuk Yasmin binti Mahmood	5/7	71
Encik Dzafri Sham bin Ahmad	6/7	86

The meetings were conducted as follows:

Meeting	Financial Matters	Other Audit Matters
Date	11 January 2017 24 February 2017 8 March 2017 19 May 2017 23 August 2017 22 November 2017	26 July 2017
Matters Discussed	Quarterly Results External Audit Matters Annual Report Matters Corporate Risk Profiles	Internal Audit Matters

The Company Secretary acts as a secretary to the Audit and Risk Committee. The Audit and Risk Committee is also attended by GCEO, Head of Internal Audit, General Manager of Group Finance and related auditees by invitation.

Minutes of each meeting have been circulated to the Board of Directors for information and perusal. The decision made and actions required were then communicated to relevant process owners.

4. SUMMARY OF ACTIVITIES

A summary of the activities performed by the Committee during the financial year is set out below:

A. Internal Audit

- Reviewed and approved Annual Audit Plan to ensure adequate scope and comprehensive coverage of the Group's activities;
- Ensured adequacy of resources and competencies of staff in executing the Audit Plan to produce quality and reliable audit report;
- Reviewed contents of internal audit reports issued by Internal Audit on the effectiveness and adequacy of governance, risk management, operational and compliance processes;
- Reviewed the proposed corrective actions to be implemented by the process owners; and
- Met the Internal Auditors without the presence of Management to obtain feedback from them and to discuss measures that may enhance the Internal Audit function of the Company.

B. External Audit

- Reviewed the External Auditors terms of engagement, nature and scope of work for financial year 2017 and make recommendations for Board's approval;
- Reviewed the findings from External Auditor Report especially the audited financial statement and ensured proper management response on issues raised by the External Auditor;
- Reviewed and make recommendations to the Board for approval on the audit fees for the External Auditor; and
- Met the External Auditor without the presence of Management to obtain feedback from them and to discuss measures that may enhance the audit function of the Company.

C. Financial Results

The Committee also reviewed the Quarterly and Annual Financial Statements of the Group and make recommendations to the Board for approval prior to announcements to Bursa Malaysia.

D. Annual Reporting

The Committee reviewed the Statement on Corporate Governance, Statement on Risk Management and Internal Control and Audit and Risk Committee Report and make recommendations for Board's approval before incorporating it in the Annual Report.

5. INTERNAL AUDIT FUNCTION

The internal audit function is carried out by the Group Internal Audit of Bintulu Port Holdings Berhad. The Group Internal Auditors work independently and are answerable to the Audit and Risk Committee.

The Internal Audit is also responsible:

- To provide the Audit and Risk Committee with independent and objective reports on the state of internal controls, risk management, governance processes and the extent of compliance to the Group's established policies and procedures, and the relevant statutory requirements; and

- To provide reasonable assurance to the Audit and Risk Committee and to the Board based on audit findings concerning the effectiveness of risk management, internal controls and governance processes.

A summary of the Internal Audit's activities during the financial year are as follows:

- Developed an annual audit plan using risk-based approach for the Group;
- Conducted eight (8) audit studies based on the approved Audit Plan;
- Conducted one (1) ad-hoc audit based on management request;
- Conducted twelve (12) follow up audits on corrective actions taken by the Management pertaining to the previous audit findings; and
- Assisted the Committee to review the mitigation actions taken on the risk profiles and ensured the significant risks are addressed.

For the year 2017, the Group Internal Audit managed to perform its responsibilities with independence, proficiency and due professional care so as to give assurance to the Board on the integrity of its internal control and the reliability of the systems as a whole. The cost incurred in running the in-house Group Internal Audit for the financial year 2017 was RM788,892.00.

6. EXTERNAL AUDIT FUNCTION

The External Audit function is to carry out audit works based on the approved Audit Planning Memorandum.

For the year under review, the External Auditor has carried out the followings:

- Audit on Financial Statements and other issues as per Audit Planning Memorandum;
- Preparation of reports and recommendations regarding opportunities for improvement to the significant risk areas, internal control and financial matters areas based on observations made in the audit works;
- Review of the Group Internal Audit assignments and reports in order to avoid duplication of External and Internal Audit works and to ensure proper system of internal control of the Group is in place; and
- Review of the Statement on Corporate Governance and Statement on Risk Management and Internal Control for the Group. The details of Statement on Corporate Governance and Statement on Risk Management and Internal Control can be found from page 68 to 85 and page 86 to 93 respectively.

The Audit and Risk Committee believed and acknowledged that the engagement of External Auditor and reports given by them for the financial year 2017 have not impaired their independence.

CORPORATE SUSTAINABILITY STATEMENT

“True sustainable form of progress is that which simultaneously addresses the interlinked aspects of economy, environment and social well-being”

(Reclaiming the Definition of Sustainability, 2007)

In our journey towards building a sustainable impact on the economy, environment and surrounding community, we are pleased to present our second Sustainability Statement. We have used the Global Reporting Initiative (GRI) G4 guidelines in preparing the economic, environmental and social (EES) disclosures that have been highlighted throughout the statement. Our statement is balanced and meaningful, demonstrating our commitment to our people, the local economy, the communities we operate within and the environment. The statement complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Scope and Boundary

The scope of the statement extends to the operations of Bintulu Port Holdings Berhad (BPHB or the Group) and its three (3) subsidiaries, which are located and operating out of Bintulu and Similajau, in Sarawak (East Malaysia). The subsidiaries are Bintulu Port Sdn Bhd (BPSB), Samalaju Industrial Port Sdn Bhd (SIPSB) and Biport Bulkiers Sdn Bhd (BBSB).



BPSB



BBSB



SIPSB

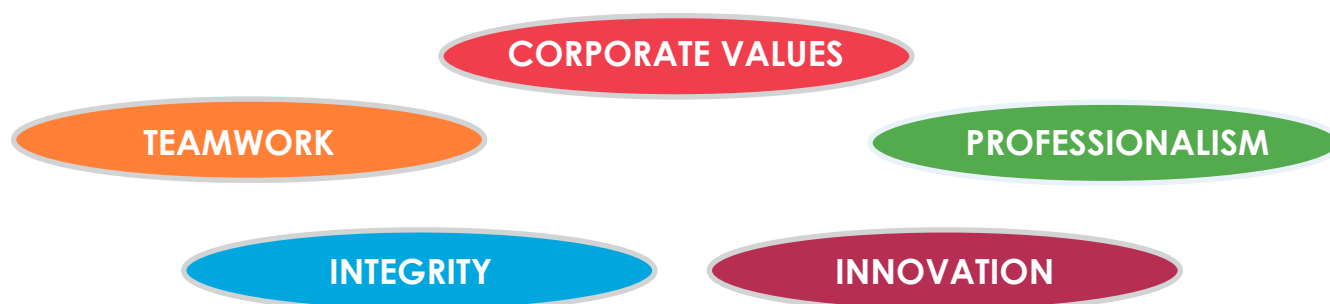
The scope of our statement focuses on operations and practices of all companies under Bintulu Port Holdings Berhad Group that have a significant impact on our business and on the local economy, environment and community. This approach allows us to set a clear baseline for future reporting and to gauge our progress towards sustainability in a focused and balanced manner.

The best practices undertaken by the subsidiaries, from 1 January 2017 to 31 December 2017 (unless specified otherwise) have been disclosed in this statement, as it best represents the Group's direction towards addressing EES risks and opportunities, in the short, medium and long term.

Sustainability Strategy and Roadmap

We believe that sustainability sets the foundation for building a green and smart port. Taking steps towards climate change action, business diversification, high standards of corporate transparency, ensuring employee wellbeing, stakeholder engagement and building resilience in the local economy will determine our progress in reaching our aspirations for a sustainable future.

Our corporate values of teamwork, integrity, innovation and professionalism are salient in realising our strategy and vision for sustainability in the short, medium and long-term.






Our focus on sustainability has been captured by our Business Strategy (2016-2030), wherein it is one (1) of the three (3) main thrusts, along with delivering operational excellence and business growth. Backed by a robust governance structure, our strategy focuses on identifying, prioritising and managing the EES risks and opportunities embedded in our value chain. By doing so we aim to strengthen operational efficiency and deliver products and services of enduring value to our stakeholders.



World-over, sustainability has become a priority and with the United Nation's 2030 Agenda¹ for Sustainable Development which officially came into force in 2016, clear goals and targets have been set to track progress in sustainability. Our efforts towards incorporating sustainability into our day to day operations are aligned with six (6) of the 17 Sustainable Development Goals (SDG).

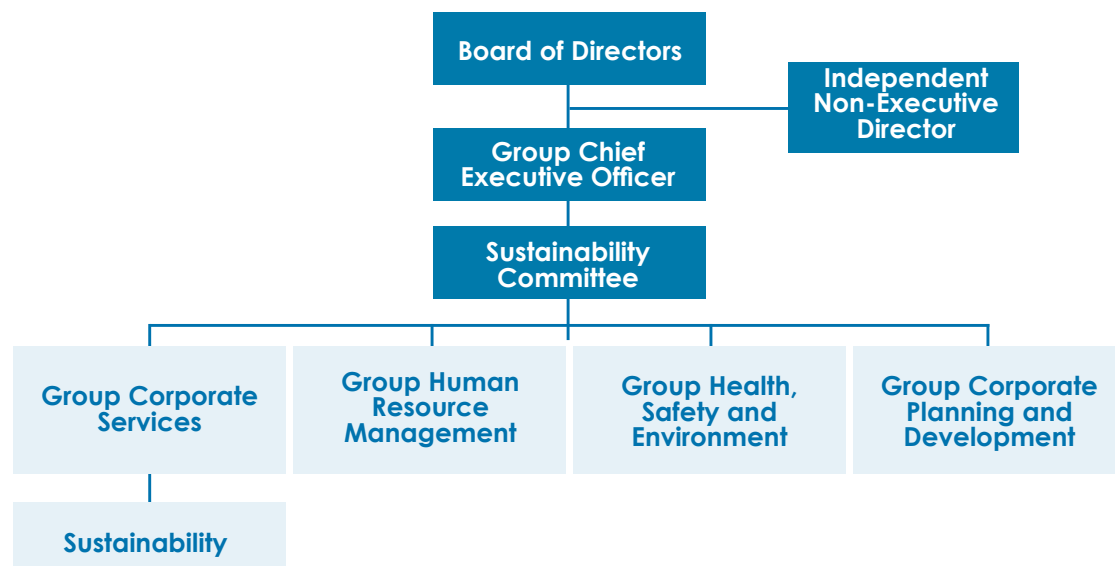
¹ In 2015, 193 countries including Malaysia adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals. By doing so, governments, businesses and civil society together with the United Nations are mobilising efforts to achieve the Sustainable Development Agenda by 2030

The following six (6) SDGs best reflect our aspirations for sustainability.

	SDG 3 Good Health and Wellbeing Promote sustained, inclusive and sustainable economic growth, full and productive		SDG 12 Responsible Consumption and Production Ensure sustainable consumption and production patterns
	SDG 8 Decent Work and Economic Growth Ensure healthy lives and promote wellbeing for all at all ages		SDG 14 Life Below Water Conserve and sustainably use the oceans, seas and marine resources for sustainable development
	SDG 9 Industry, Innovation and Infrastructure Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation		SDG 16 Peace, Justice and Strong Institutions Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Our Sustainability Governance

Sustainability governance is salient in ensuring overall accountability, managing goal-setting and reporting processes, strengthening relations with external stakeholders, and implementing the Group's sustainability strategy across the business. With this in mind, we have set up a single-tier governance structure reporting to the Board of Directors (the Board) that is dedicated to ensuring sustainability is embedded throughout the organisation. The Board, the Group Chief Executive Officer (GCEO) and the Sustainability Committee (SC) form the main governance bodies and personnel in our governance structure. Further, the Board has appointed a Director, designated to be a liaison between the GCEO and the Board, and to oversee the Management's strategies and activities on sustainability. Our commitment to sustainable development is made stronger with our governance structure.






The SC is a cross-departmental committee that engages leadership across business units and functions to provide oversight and strategic guidance on sustainability issues. The divisions involved are Group Corporate Services (including Sustainability); Group Human Resource Management; Group Health, Safety and Environment and; Group Corporate Planning and Development. Together, they identify the material sustainability matters, determine its priority, undertake sustainability initiatives aligned with the strategy and monitor data towards sustainability progress.

The GCEO updates the Board on the plans and initiatives undertaken by the Group to further its performance in the context of sustainability, which is part of the GCEO's KPI. The Board is the apex body that endorses BPHB's sustainability strategy, plans and initiatives, and issues the final approval on such matters. This ensures that the plans and approach undertaken to achieve sustainability is in line with the Group's business strategy projected for the short, medium and long-term.

Engaging Our Stakeholders

We believe in working together with both our internal and external stakeholders in productive partnerships and take pride in being a responsible port operator. While our key internal stakeholders are our employees, our key external stakeholders are regulatory authorities including the Bintulu Port Authority (BPA), Samalaju Port Authority (SPA), Royal Malaysian Customs Department (RMCD), Securities Commission Malaysia (SC), Immigration Department of Malaysia, Department of Occupational Safety and Health (DOSH), Malaysia Palm Oil Board (MPOB), Department of Environment (DOE), Department of Irrigation and Drainage (DID), Ministry of Transport, Marine Department of Malaysia, Bursa Malaysia Securities Berhad, Bintulu Development Authority (BDA), Malaysian Maritime Enforcement Agency (MMEA), Fire and Rescue Department of Malaysia (FRDM) and Royal Malaysia Police (RMP).

Regularly engaging our stakeholders assures the development of symbiotic relationships and synergies between stakeholders in creating added economic, environmental and social value throughout our value chain.

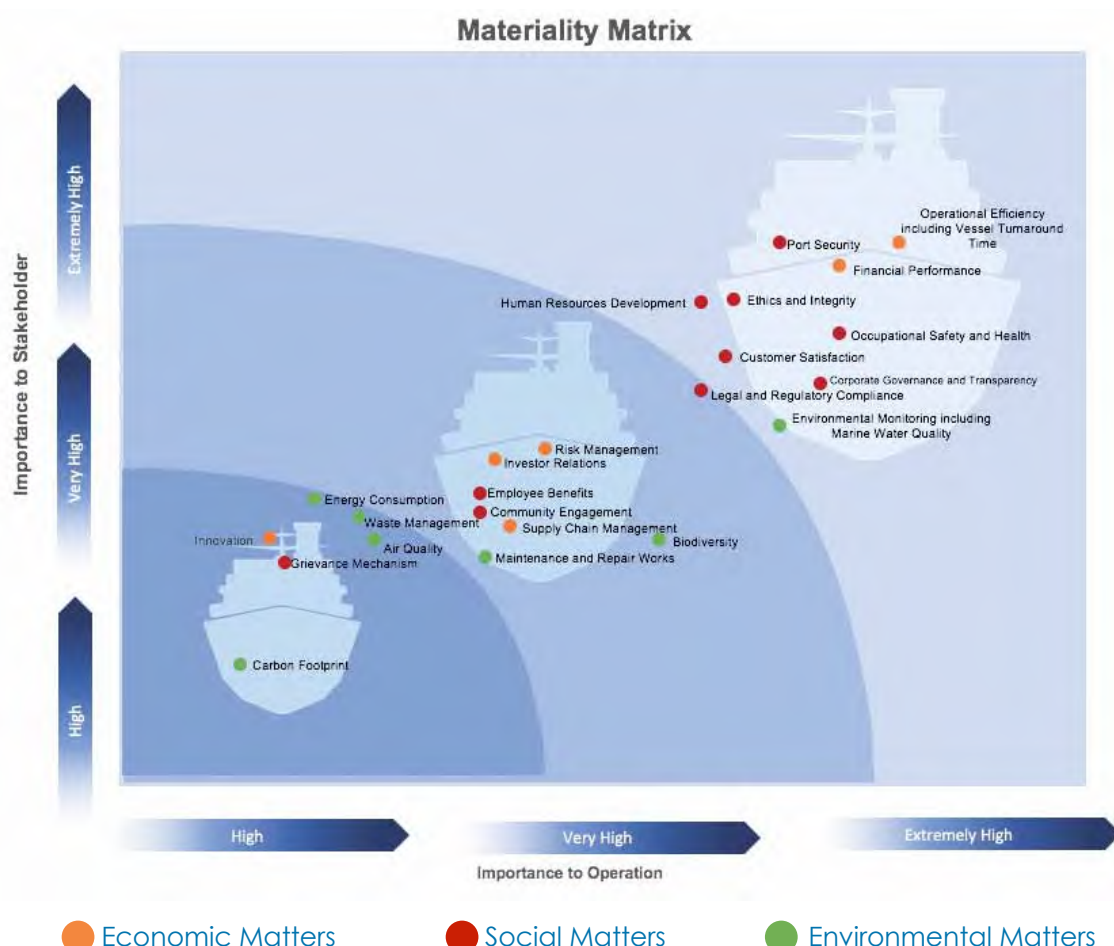
Stakeholders	Issues of Interest in 2017	Forms of Engagement
Employees 	<ul style="list-style-type: none"> • Succession planning • Occupational, safety and health • Individual and team performance • Professional development • Training and education • Business conduct and ethics • Work-life balance • Compensation and benefits • Talent retention and recognition 	<ul style="list-style-type: none"> • Management Development Programme • Code of Conduct/HR policies • BPHB's 'Safety Stand Down' to create awareness on Health, Safety and Environment (HSE) • Management Walkabout • Corporate HSE Week • Bintulu Emergency Mutual Aid (BEMA) training • Annual Employee Satisfaction Survey • Performance Appraisal System • Induction programme for new hires • Town hall meetings • Training and development programmes • Corporate events including sports and festive events • Religious classes
Regulatory Authorities and Certification Bodies 	<ul style="list-style-type: none"> • Approval and permits • Regulatory compliance • Meeting of International Organisation of Standardisation (ISO), Standards Malaysia (MS) and Occupational Health and Safety Assessment Series (OHSAS) Standards • Port security 	<ul style="list-style-type: none"> • Site inspections and audits • Regular environmental monitoring • Cross-agencies meetings • Public consultations, discussions and meetings with local authorities • Seminars, briefings and training • Sport meets • Appreciation Night (organised by RMCD)
Customers 	<ul style="list-style-type: none"> • Support services • Product quality • Reliable, safe, secure and on time delivery • Pricing of products and services • Customer Satisfaction Index • Health, Safety and Environment (HSE) • Licensing 	<ul style="list-style-type: none"> • Customer Charter • Annual Customer Satisfaction Survey • Customer focused group sessions • Customer feedback form available on the corporate website • Berthing meetings • Regular interactions and consultations with customers to improve quality of service • Corporate events

Stakeholders	Issues of Interest in 2017	Forms of Engagement
Shareholders 	<ul style="list-style-type: none"> Group's financial performance Business continuity plan Corporate governance Dividend and capital appreciation Risk Management Succession planning Cost efficiency and management 	<ul style="list-style-type: none"> Annual General Meeting Group announcements Financial and business performance results Shareholdings Analysis Annual Report Regular Enterprise Risk Management (ERM) updates Regular briefing sessions for fund managers
Banks and Investors 	<ul style="list-style-type: none"> Financial performance Risk management Business transparency Business continuity plan Customer credibility Succession planning 	<ul style="list-style-type: none"> Investor relations programme Annual General Meeting Interfacing sessions Corporate website communicates: Stock quote Group announcements Quarterly financial reports Interim dividend
Local Community 	<ul style="list-style-type: none"> Impact of operations on surrounding communities and environment Community awareness on health and wellbeing Employment opportunities 	<ul style="list-style-type: none"> Corporate social responsibility (CSR) programmes with local schools, hospitals and associations Sports tournaments Environmental awareness programmes- beach cleaning Bintulu Emergency Mutual Aid (BEMA) training Industrial training Graduate Enhancement Programme Sarawak (GETS) Recruiting from impacted local communities
Maritime Community 	<ul style="list-style-type: none"> Environmentally sound, efficient and sustainable shipping Compliance with the Malaysian Shipping Ordinance (MSO) Integrated logistics and maritime-related services Exploring new business opportunities International Maritime Organisation's (IMO) 2020 deadline² 	<ul style="list-style-type: none"> Marine related seminars and conferences Corporate website Berthing meetings Issuance of Port Notice Networking events/visits Regular interactions and consultation with shipping companies
Vendors and Suppliers 	<ul style="list-style-type: none"> Service delivery for dredging, supplies, office maintenance, waste collection, infrastructure development and environmental monitoring Project scope and payment schedule Pricing of services and service/product quality Supplier Code of Conduct HSE 	<ul style="list-style-type: none"> Vendor/supplier registration Contract negotiations BPHB's 'Safety Stand Down' to create HSE awareness Safety induction briefing

² The International Maritime Organisation's (IMO) 2020 deadline for a fuel sulphur cap of 0.5 percent means there is growing impetus for the industry to resolve the structural and commercial obstacles that have been hindering the widespread adoption of LNG as a marine fuel.

Our Material Sustainability Matters

Identifying our material sustainability matters is an important step towards recognising and prioritising the EES risks and opportunities that are embedded in our value chain. The process involved shortlisting twenty three (23) material issues based on the GRI G4 Sustainability Aspects which were then prioritised based on their impact on our business operations as well as their influence on our stakeholders. The assessment process was carried out in a workshop mode involving the SC and internal stakeholders from within the Group using the weighted ranking method. Results of the assessment are illustrated in the materiality matrix presented below.



Each of the material sustainability matters affect different stakeholder groups, and are aligned to the six (6) SDGs selected for the Group. We have mapped them accordingly in the table below. While most of the material matters are captured in this statement, the following high priority material matters, namely, Operational Efficiency, Port Security, Occupational Health and Safety, Customer Satisfaction and Environmental Monitoring are the highlight of this 2017 statement.

Material Sustainability Matters		Stakeholder Group(s)	G4 Indicator	SDG
Operational Efficiency (including Vessel Turnaround Time)	●	Customers, Employees, Shareholders	Economic Performance	Decent Work and Economic Growth
Financial Performance	●	Employees, Shareholders, Banks and Investors	Economic Performance	Decent Work and Economic Growth
Port Security	●	Customers, Regulatory Authorities, Maritime Community	Occupational Health and Safety	Decent Work and Economic Growth

Material Sustainability Matters		Stakeholder Group(s)	G4 Indicator	SDG
Occupational Health and Safety	●	All Stakeholders	Occupational Health and Safety	Good Health and Well-Being
Ethics and Integrity	●	Employees, Customers, Regulatory Authorities, Vendor and Suppliers	Anti-Corruption	Peace, Justice and Strong Institutions
Corporate Governance and Transparency	●	Employees, Shareholders, Regulatory Authorities	General Disclosures	Peace, Justice and Strong Institutions
Human Resources Development	●	Employees	Training and Education	Decent Work and Economic Growth
Customer Satisfaction	●	Customers, Employees, Shareholders	Customer Health and Safety	Good Health and Well-Being
Environmental Monitoring (including Marine Water Quality)	●	Regulatory Authorities, Local Communities, Maritime Community	Environmental Compliance	Good Health and Well-Being, Life Below Water
Legal and Regulatory Compliance	●	Employees, Customers, Regulatory Authorities, Maritime Community	Socioeconomic Compliance	Peace, Justice and Strong Institutions
Risk Management	●	Employees, Customers, Shareholders	General Disclosures	Decent Work and Economic Growth
Biodiversity	●	Local Communities, Regulatory Authorities	Biodiversity	Life Below Water
Investor Relations	●	Shareholders, Banks and Investors	General Disclosures	Decent Work and Economic Growth
Employee Benefits	●	Employees	Market Presence	Decent Work and Economic Growth
Supply Chain Management	●	Vendors and Suppliers	General Disclosures	Responsible Consumption and Production
Community Engagement	●	Local Communities	Local Communities	Decent Work and Economic Growth
Maintenance and Repair Works	●	Customers, Vendors and Suppliers	Effluents and Waste	Good Health and Well-Being, Life Below Water
Waste Management	●	Regulatory Authorities	Effluents and Waste	Responsible Consumption and Production
Air Quality	●	Regulatory Authorities, Local Communities	Emissions	Good Health and Well-Being
Energy Consumption	●	Regulatory Authorities	Energy	Responsible Consumption and Production
Innovation	●	Employees, Shareholders	Economic Performance	Industry, Innovation and Infrastructure
Grievance Mechanism	●	Employees, Customers, Local Communities	General Disclosures	Decent Work and Economic Growth
Carbon Footprint	●	Regulatory Authorities, Maritime Community	Emissions	Good Health and Well-Being

Managing Our Economic, Environmental and Social Risks



Managing risk and ensuring the safety and security of cargo and personnel throughout our value chain is fundamental in the running of our business. We comply with the rules and regulations that govern our operations and conform to regulations relating to operational safety and environmental

protection. We take issues relating to compliance seriously, investigating and revisiting operational controls where necessary as we continuously seek to protect employee rights and ensure their wellbeing.

Business Transparency

We are committed to instilling a culture of transparency throughout the organisation and have implemented measures to foster open communication with our internal and external stakeholders.

Whistleblowing Policy

Our Whistleblowing Policy provides an avenue for our stakeholders including the public, to report behaviour suspect of improper conduct, potential corporate fraud or breach of ethics involving any employees or Directors of the Group without fear of reprisal or retribution as they are protected under the Whistleblower Protection Act 2010. The policy is available on the corporate website and intranet.

Code of Conduct

It is the responsibility of the entire workforce to maintain a high standard of ethical behaviour and conduct as part of their accountability towards achieving the Group's objectives. Both our Code of Conduct and Whistleblowing Policy are made available to every employee upon induction and by doing so, they begin their career at BPHB aware of the Group's expectations and culture.

Grievance Procedure

Towards encouraging a harmonious employee-employer relationship, we have established a grievance procedure. This procedure ensures that we handle individual or group grievances from employees in a fair and timely manner.

A dissatisfied employee must write in their complaint within the time stipulated which is referred to by their immediate superior. If it is not resolved at the first stage, it escalates to the Head of Department, Head of Division, Group Human Resource Management and then Management, respectively. If consensus failed to be concluded after a series of discussions with Management, the complaint may be referred to the Industrial Relation Department (Ministry of Human Resource) as a dispute and action will be taken based on Section 26, Industrial Relations Act 1967.

The workers' union (i.e. the Kesatuan Sekerja Kakitangan Bintulu Port Sdn Bhd) has a similar grievance channel, except they raise their complaints directly with Management. The Collective Agreement between Bintulu Port Sdn Bhd and Kesatuan Sekerja Kakitangan Bintulu Port Sdn Bhd is renewable every three (3) years and cover areas such as salary, allowances, benefits etc. as agreed by both parties.

Another formal channel for raising complaints is the Crew Articleship Agreement between Management and crew representatives. This agreement is a requirement and is specifically stated in Section 98 of the Merchant Shipping Ordinance (MSO) 1952. Among others, the agreement covers areas such as grade and salary structure, allowances, on-board complaint procedure, leave and other benefits agreed by both parties.

Additionally, we have regular discussions and feedback processes with key stakeholders, wherein they can raise their concerns or issues. For instance, we have daily berthing meetings where we sit with the shipping agent and together plan and discuss matters regarding safe berthing and cargo operations of the ship at the port. These meetings are chaired by the Manager of the Logistics Department and the Cargo Handling Services Division.

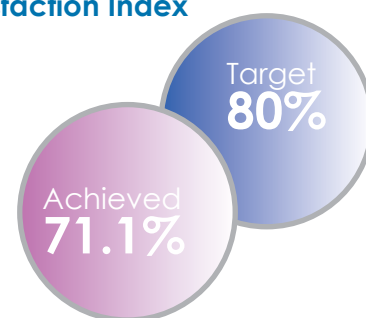
Another channel that is available to our customers is the customer feedback form that is available on the corporate website. Given that there are several channels for reporting and raising complaints, it is worth noting that in 2017, no complaints were recorded.

Satisfaction Surveys

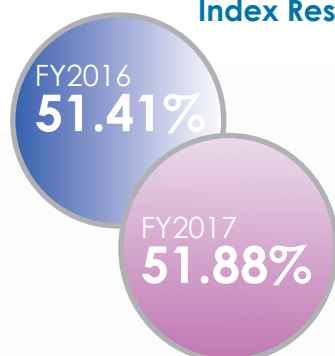
We conduct satisfaction surveys annually and the result of these surveys provide important input for Management towards understanding our customers' and employees' experiences and priorities, and enhancing BPHB's services and operation processes.

Our Customer Satisfaction Survey covers two (2) areas: support services and operational services across our subsidiaries. The types of customers that participate in this survey include shipping lines, logistics service providers, shippers and related agencies. In 2017, we achieved an external customer satisfaction index of 71.1 percent against our target of 80 percent. We take these survey results and feedback seriously, and follow-up on the issues raised to plan for effective and prompt action. Since 2013, we have conducted Customer Insight Sessions with respective customer players, to understand their issues and concerns, and to work towards increasing their satisfaction level.

External Customer Satisfaction Index



Employee Engagement Index Results



The Employee Engagement and Climate Survey covers areas such as pay and benefits, performance management, collaboration, resources, development opportunities and confidence in leadership, and the survey ratings for 2017 have shown improvement in all these areas since 2016. In fact, the overall Employee Engagement Index (EEI) in 2017 has shown an improvement of 0.47 percent from that of 2016. While the EEI was 51.41 percent in 2016, it was 51.88 percent in 2017. Despite the improvement, the 2017 EEI score of 51.88 percent is still below the national average score of 59 percent, by about 7.12 percent. The EEI is an effective measure of employee satisfaction and the survey results motivates us to improve and keeps us in check, ensuring we continuously carry out our responsibilities as a fair employer.

Port Security

Port security is accorded high priority by the Group so as to safeguard the Group's assets, the safety of all port users, the safety of vessels, and all cargoes and other properties entrusted to the custody of the Group. In ensuring port security, the Group works closely with the port authorities and all other law enforcement agencies and implements all necessary measures to safeguard the security of Bintulu Port and Samalaju Industrial Port.

Adhering to International Maritime Organisation's (IMO) International Ship and Port Facilities Security Code (ISPS Code), our ports practice a comprehensive set of security measures to enhance the protection of ships and ports against potential threats such as piracy and terrorist attacks. The ISPS Code also applies to all services provided by our ports, including bunkering services.

Furthermore, both BPSB and SIPSB follow stringent measures stipulated by the Port's Marine Facility Security Plan which is in accordance to the Merchant Shipping Ordinance 1952 Code. Under the provisions of the Merchant Shipping Ordinance 1952, BPSB and SIPSB were audited by the Director of Marine, Government of Malaysia on 8 November 2016 and 16 February 2017 respectively and Statement of Compliance certificates were issued. The statement certifies the compliance of both ports in operating with the approved Marine Facility Security Plan. Towards ensuring an effective Marine Facility Security Plan, some of our efforts are as follows:

Marine Facility Security Plan

- Stationed 111 port security officers in BPSB and 31 in SIPSB
- Three (3) days security workshop conducted annually
- Four (4) days ISPS drill conducted on a quarterly basis
- Three (3) days ISPS Code training conducted annually
- Twelve (12) days foot drill conducted annually
- Nine (9) weeks basic police training at the Malaysian Police Training Centre (PULAPOL)



Standards and Certifications

We consider standard setting and certifications as important benchmarks towards meeting our aspirations for quality, safety and sustainability. The following standards that we have been certified for, assure our stakeholders that we are a reliable Group that is committed to ensure the quality of our systems and meeting their best interest and concerns.

ISO 9001:2008	<ul style="list-style-type: none"> • BPSB • Provision of Port Service • Valid until 14 September 2018
ISO 14001:2004	<ul style="list-style-type: none"> • BPSB • Provision of Port Service • Valid until 14 September 2018
HACCP	<ul style="list-style-type: none"> • BPSB • Management of a Food Hazard Analysis System and Critical Control Point (for the handling of palm kernel related products) • Valid until 1 July 2019
GMP+B3	<ul style="list-style-type: none"> • BPSB • Trade, Collection and Storage & Transshipment (for the handling of palm kernel related products) • Valid until 12 July 2019
ISO 28000:2007	<ul style="list-style-type: none"> • BPSB • Provision of Port Operation Services (Sea patrol, control tower, pilotage, tug assistance, mooring boat, mooring gang, stevedoring, warehousing & security check-point) • Valid until 6 March 2020
MS 1722:2011	<ul style="list-style-type: none"> • BPSB • Provision of Port Service • Valid until 14 September 2018
MS ISO/IEC 27001:2013	<ul style="list-style-type: none"> • Group IT Division, BPHB • Information Security Management Systems [for operation and maintenance of Integrated Port Management Systems (IPMSM)] • Valid until 28 February 2019
OHSAS 18001:2007	<ul style="list-style-type: none"> • BPSB • Provision of Port Service • Valid until 14 September 2018
ISO 9001:2008	<ul style="list-style-type: none"> • BBSB • Handling and Storage of Edible Oil Products, Crude Oil, Sludge and Edible Oil Based Feed Materials • Valid until 14 September 2018
HACCP	<ul style="list-style-type: none"> • BBSB • Handling and Storage of Edible Oil Products, Crude Oil, Sludge and Edible Oil Based Feed Materials • Valid until 6 April 2019
GMP + B3	<ul style="list-style-type: none"> • BBSB • Trade, Collection and Storage & Transshipment (storage of palm fatty acid distillate and palm kernel fatty acid distillate for third party) • Valid until 11 July 2019
ISCC-EU	<ul style="list-style-type: none"> • BBSB • International Sustainability and Carbon Certification • Valid until 4 January 2019
ISCC PLUS	<ul style="list-style-type: none"> • BBSB • International Sustainability and Carbon Certification • Valid until 4 January 2019

Emergency Preparedness

BPHB's emergency preparedness plans uses a three-tiered approach which includes effective emergency response management, business continuity and crisis management efforts. The types of emergency in the case of BPSB and SPSB include operational disasters (land and marine based), natural disasters and security threats or incidents. The plan covers the response actions required at the various stages of the emergency, from the time the first responder initiates the alarm and the Emergency Response Team (ERT) is mobilised to emergency termination and business recovery. It clearly defines the personnel, team, their responsibilities and the regulatory authority to be notified during an emergency.

Drills and Exercises

In 2017, seventeen (17) emergency and response safety drills were conducted across BPHB. Of which seven (7) were evacuation drills, another seven (7) were joint drills and three (3) were spillage exercises. Each of these drills are conducted in real time and are known as wet drills. They are functional or full-scale exercises that examine and validate the coordination, command and control between various multi-agency coordination centres (e.g. emergency operation centre).



Type of Drill	Drills Conducted	Purpose of Drill
Evacuation Drill	7	<ul style="list-style-type: none"> To ensure that the Ports maintain at all times the highest achievable state of preparedness: To enable it to mobilise the resources required, To safely and expeditiously provide emergency assistance to ships berthed at the Ports and To coordinate with other emergency response.
Joint Drill	7	<ul style="list-style-type: none"> To provide the participants the opportunity to practice their emergency response capabilities and skills. To demonstrate the knowledge and skills of the ERT teams in the deployment and operation of their ERT equipment and boats. To test the reliability of the Emergency Response Plan equipment under simulated conditions. To identify improvement opportunities
Spillage Exercises	3	<ul style="list-style-type: none"> To assess and validate oil spill contingency plans, procedures, training, equipment and logistics. To clarify the roles and responsibilities of emergency response and incident management teams. To improve response coordination, integration and communication within and between the varied organisations and stakeholders. To identify gaps in response resources or capability. To build individual and team confidence and competence, and measure response team performance. To identify opportunities for improvements in preparedness and response.

Economically Sustainable & Leading Port Operator



We look to strengthen the economy that we operate in, i.e. the country's economy and more specifically, the state's economy. This section covers our efforts to directly and indirectly have a positive and sustainable economic impact.

Operational Efficiency

Operational excellence is one of the main thrusts of our Business Strategy (2016-2030). Towards this, we are exploring our options for process automation and integration, and strengthening our commitment to building a sustainable, safe and secure port. Also, by developing our internal capabilities and training our employees to be highly responsive to customers' requests, we ensure timely and accurate billings and a simple customer friendly process.

Both cargo handling productivity and vessel turnaround time have a significant impact on the ports' productivity. This section covers BPHB's performance and initiatives to meet and even exceed the targets set for these two aspects of our operations.

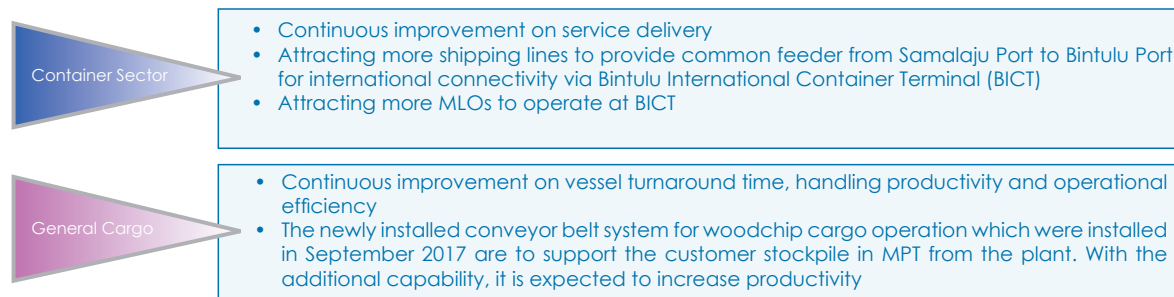
Cargo Handling Productivity

Improving productivity is a shared goal between the carrier and the terminal. Higher productivity does not just mean faster turnaround times for ships. It also means cargo moving quicker through ports, which benefits shippers' supply chains and improves the overall flow of trade. The initiatives undertaken by BPHB's ports are measured and reviewed on a quarterly basis as they are incorporated into the KPI of the employees concerned. Terminal operators must devote sufficient cargo-handling equipment to each vessel call so yard congestion does not become a chokepoint.

In 2017, we met and in some cases exceeded the targets that were set for cargo handling. These targets and benchmarks are reviewed and updated on a regular basis based on the benchmarking of competitors and industrial peers, past performance, and customer agreement, discussions and expectations.

Cargo Handling Productivity	Annual Target	Performance in 2017
³ Container (Gross moves/Crane hour) ⁴ MLO	26	29
⁵ General Cargo (Tonnes/Gang hour)	40	41
⁶ Dry Bulk (Tonnes/Day):		
Bulk Fertilizer	4,000	3,948
Palm Kernel Expeller	6,000	6,106
Woodchip	10,000	11,387
Palm Oil (Tonne/Hour)	350	385

Moving towards 2018, our plans to improve our services as far as cargo handling is concerned are:



³The container productivity movement target is based the number of units/moves handled over operation hours less non- terminal delay.

⁴Main Line Operators

⁵The general cargo (tonnes/gang hour) initial target basis is derived from historical data of productivity per gang and benchmarking with other ports.

⁶The dry bulk (tonnes/day) target basis is derived from mobile crane productivity rate, mutual contract agreement with contractors and contractor conveyor belt capacity.

Vessel Turnaround Time

Vessel turnaround time is a common indicator by which ports and terminals can be compared on how efficiently they work the ships and how quickly get them back to sea. The time taken has implications on the economic, environmental and social aspects of the business. Our performance in 2017 on overall vessel turnaround time and provision of marine services has improved from that of 2016. We consider this as a good indicator of progress and aspire to continuously improve and meet the benchmarks of high productivity in the coming years.



Performance	2017	2016
⁷ Ship Turnaround Time at Berth (Hours)	19	20
Provision of Marine Services (%)	99.98	99.96

Remuneration and Benefits

By complying with the standards and regulations that ensure workplace safety, diversity, career development, fair remuneration and benefits to our employees, we are able to provide our employee a conducive working environment. We comply with the Employment Act, 1955 and Sarawak's Labour Ordinance (Act A1237), both of which serve to protect the rights of employees in Malaysia. We also adhere to Malaysia's Minimum Wages Order 2016, towards ensuring the standard entry level wage is not below the amount stipulated by the Order.

A key component of attracting and retaining talent is providing competitive salaries and benefits. The benefits we provide include allowances (e.g. housing allowance), medical benefits, leave, loans, social security and insurance (including the Group Life Insurance Scheme).

Strengthening the Local Economy

As a major player in the market, we look to create local employment opportunities, thereby strengthening the local economy. Our preference to hire talent from Sarawak is evident in the figure below which shows that in 2017, across BPHB, 98 percent of our workforce was from Sarawak, while only 2 percent was not.



The ports have led to the economic growth and development of its surrounding areas. Our efforts in this direction include employing from communities neighbouring the ports who have the necessary skills and qualification. In 2017, eight (8) residents from Kampung Nyalau, a community in close proximity to Samalaju Industrial Port, were employed by BPHB at the non-executive level.

⁷ Overall ship turnaround time (berth) at all terminal/workpoint

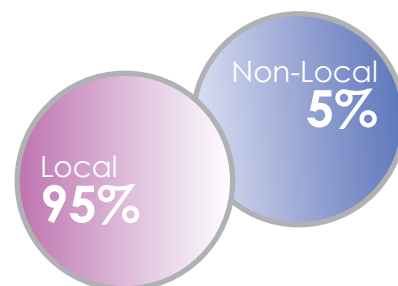
Senior Management

Using the same definition of local versus non-local, our senior management is 95 percent local and 5 percent non-local. Our preference for hiring local talent for positions within our senior management, is because we believe they are a valuable asset as they have a better understanding of the local market and are well versed in the international implications of our business.



Senior Management

Senior Management



Procurement Practices

Suppliers are key in supporting our services to the shipping industry and in carrying out our day-to-day operations. Our commitment to support local suppliers is reflected in our Standard Procurement Procedure. The Procedure emphasises that priority should be given to local suppliers in Sarawak before selecting from the pool of applicants from other states in Malaysia. Companies registered outside of Malaysia will only be considered in the bidding process when it is verified that there is no suitable match available locally.

Employment & Safety at Work



We provide an attractive work environment that values the wide-ranging perspectives inherent in our diverse workforce and fosters individual growth. A diverse workforce is a reflection of the communities we live and work in, and it allows us to benefit from the unique skills and experience that diverse teams bring to the organisation.

Given the nature of our operations at the subsidiaries, our priority is to foster a strong health and safety culture at the workplace. This section not only covers our initiatives to create opportunities for career development and talent retention, but also our efforts towards providing a safe workplace.

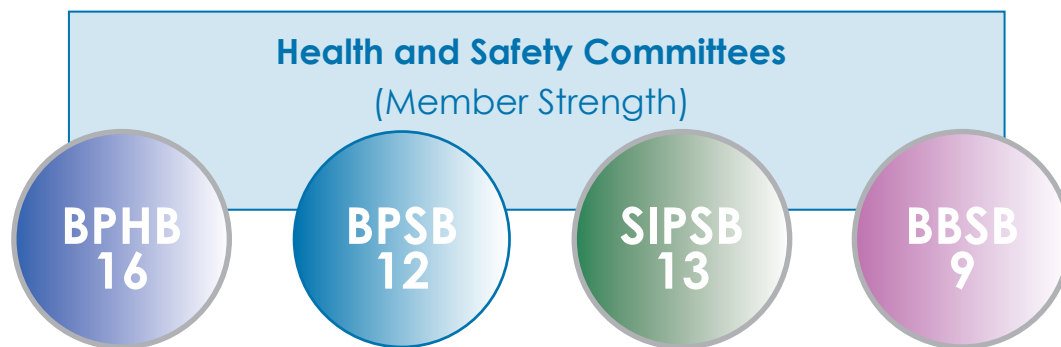
Health and Safety

Our robust health and safety framework protects our employees against possible occupational risks and accidents and has earned us the OHSAS 18001:2007 certification, which is valid until 14th September 2018. The total training hours across BPHB dedicated to health and safety in 2017 was 2,672 hours.

In complying with Occupational Safety and Health Act 1994, we have established HSE committees in BPHB and each of the subsidiaries. Additionally, we have a team of 17 within the Group Health, Safety and Environment Division that is dedicated to ensure the necessary HSE checks, measures and procedures are embedded throughout the organisation.

Total Training Hours





Despite such measures, seven (7) incidents of injury occurred in 2017 and they were reported to DOSH. Regrettably, we had one fatality in 2017. The accident which led to the fatality, occurred when one stevedore contractor was struck by a heavy object at the Bintulu International Container Terminal. Since the incident, we have strengthened our HSE efforts and rules, especially in relation to contractors. We have increased contractor engagement, HSE requirements of our contractors, safety training for stevedores, and established a Stop Work Policy.



Safety Stand Down

Furthermore, we started organising Safety Stand-Down which is a voluntary event for employers to talk directly to employees about safety on topics such as fatality and accidents. It is also a platform to remember the victims of occupational accidents and to discuss necessary actions to prevent such incidents from recurring.

Another activity that we organise towards ensuring safety at the workplace is the Management Walkabout sessions. The walkabout involves top level management such as the GCEO and the Group Chief Operating Officer, or the managers of the relevant divisions. During the walkabout, they observe work in progress and discuss opportunities to enhance workplace and worker safety. The team being visited during the walkabout is also given an opportunity to raise safety issues that they have experienced, so that senior management becomes aware of how these issues are managed and how they can help to address the issues.



Management Walkabout



MSOSH Award

We are pleased to announce that BPSB was awarded the OSH GOLD CLASS 1 AWARD in Logistics and Transportation Sector by the Malaysian Society for Occupational Safety and Health (MSOSH) in 2017. Although, the competition was for 2016, the assessment and inspection by the MSOSH competition panel at the workplace was conducted in 2017. In order to win this award, BPSB had to meet the award's criteria on OSH implementation, OSH documentation, OSH competency amongst staff and on safety standards at the workplace. Receiving the MSOSH Award demonstrates the importance we place on building a robust health and safety culture at the workplace.

A large part of the operations carried out by our subsidiaries involves working heavy machinery. As a result, in addition to the Occupational Safety and Health Act 1994, complying with the Factories and Machinery Act 1967 and its following regulations that require stringent and regular inspections and monitoring, is important:

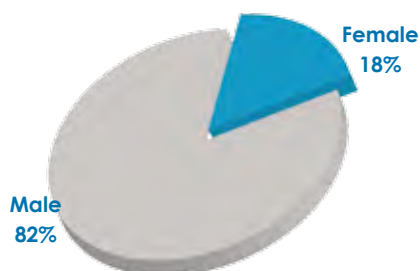
Factories and Machinery Regulations

- Factories and Machinery (Building Operations and Work of Engineering Construction) (Safety) Regulations 1970
- Factories and Machinery (Safety, Health and Welfare) Regulations 1970

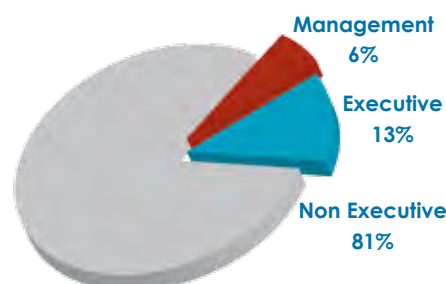
Diversity and Inclusiveness

We are committed to providing a work environment that is free from all forms of discrimination. Employment opportunities are available at BPHB for both men and women who possess the necessary qualifications and experience. However, in 2017 across BPHB (including BPSB, BBSB and SPSB), male employees constituted 82 percent while female employees constituted 18 percent. The disparity between male and female employees is highest at the non-executive level (79 percent of which are operational level jobs). Both the nature of work and the regulations stipulated by the regulatory authorities are not conducive for women to take up roles at the operational level.

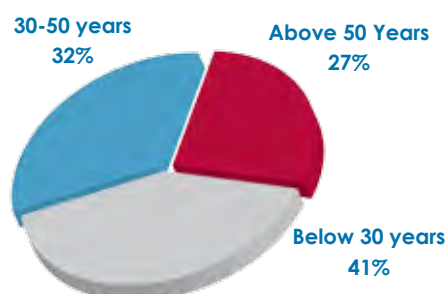
Gender Distribution



Employee Distribution



Age Distribution



Building Young Talent

As of December 2017, the percentage of employees below 30 years constituted the majority at 41 percent. We recognise that this 41 percent will be the future of the Group and we are committed to building and retaining them.

Human Resources Development

Through a comprehensive education and training programme, we encourage our employees to be successful in their roles. We offer our employees training programmes and opportunities to attend seminars, workshops and conferences covering a wide range of economic, environmental and social matters, that are integral to running our operations.

While training programmes such as Proficiency in Survival Craft are mandatory (i.e. a regulatory requirement), the non-mandatory programmes we offer include Psychosocial Health Corporate Wellness and Demystifying Procurement Fraud. The training we provide also serves to enhance the skills and know-how that is required to carry out specialised tasks and functions involved in port operations.

**Training Attendees
FY2017**

Executive 29%
Non-Executive 59%
Management 12%

**Total Training Hours
FY2017**

36,463

**Average Training Hours per
Employee FY2017**

Overall	20.19
Non-Mandatory	4.36
Mandatory	15.83

Management Development Programme

Since 2010, we have been selecting management-level employees for the Management Development Programme (MDP). In 2017, we selected four (4) candidates for the programme. MDP is an enhanced and accelerated leadership programme, offered by a well reputed international management institution and is tailored for management personnel, who are constantly managing change to lead, inspire, and transform our workforce.

MDP Objectives

Preparing Executives for Greater, Broader Responsibilities

Grooming senior managers who have achieved a reputation in a functional and/or area management for top management team effectiveness.

Cross-functional, Cross-border Orientation

Deepening cross-functional and cross-border management competencies of senior managers.

Leadership and Strategy Enhancement

Enhancing managerial leadership for crafting corporate strategy, organisational renewal and transformation processes.

Talent Retention

By providing our employees a conducive company culture, career path, diversity of responsibilities and work-life balance, we are able to retain our employees and build loyalty amongst them. We also recognise the importance of giving employees a voice and a say to participate in the business as it drives innovation and gives them a sense of feeling valued. As a result, the overall turnover rate at BPHB in 2017 was only 2.07 percent.

Female Turnover < 30 years = 4



Female Turnover 30-50 years = 3

Male Turnover < 30 years = 13



Male Turnover 30-50 years = 5

Our Environmental Responsibility



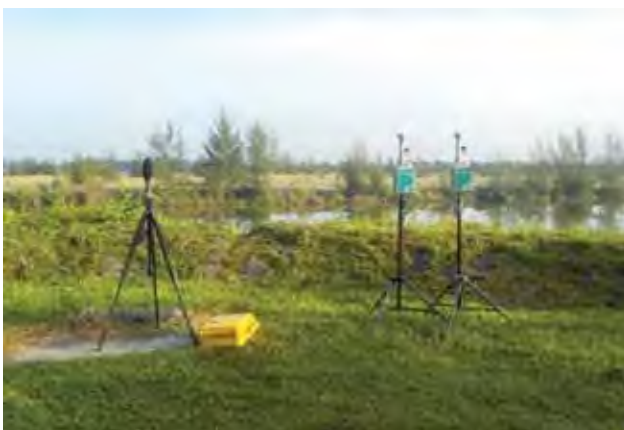
The activities within ports have the potential to affect the surrounding natural environment and human health. Mitigation measures and due care needs to be taken as the environment is an essential part of the port's management and operations. To that end, BPHB has implemented several initiatives that focuses on minimising the environmental impact of its port operations and at the same time preserves biodiversity and the ecologically rich waters surrounding the ports.

Environmental Monitoring

The construction of a port is a prescribed activity captured under the Environmental Quality Act 1974 and an Environmental Impact Assessment (EIA) is required to address the potential impacts of the activity. The EIAs for both Bintulu Port and Samalaju Industrial Port were approved by the Department of Environment with certain conditions to be met during operation. In complying with the approval conditions of the preliminary EIA, both the ports are required to undertake an environmental monitoring programme in order to monitor potential impacts on the surrounding environment.

Bintulu Port

In compliance to the requirements of the preliminary EIA, the Second Inner Harbour Development Project at Bintulu Port requires the undertaking of monitoring programmes for marine water quality, sediment quality, marine biological resources, air quality and noise quality. The quarterly monitoring involves a total of eight (8) sampling stations at the mouth of river- Sungai Sebatang, northern side of the palm oil jetty, within the second inner harbour (in front of reclamation area), behind constructed rock – bund and breakwater, between intersection of the first and second access channel, and three (3) sampling stations at the offshore disposal site. The monitoring reports are submitted to the Department of Environment and Department of Irrigation and Drainage for reviewing and recording purposes.



Environmental Monitoring

Samalaju Industrial Port

Samalaju Industrial Port is located adjacent to Similajau National Park, which is an environmentally sensitive area with its marine extension. Extra care has been taken into ensuring the port activities affect the environment minimally, especially with regard to the health of the coral reefs that surround the national park.

The programmes initiated include a Fisheries Landing Survey to establish a baseline for the fishing activities by the fishermen operating in the nearby waters. The survey identifies if there are any potential impacts on fish catches due to port activities.



Coral Reef Monitoring

The majority of the environmental efforts in Samalaju Industrial Port is focused on the health of the coral reefs. Healthy coral reefs are among the most biologically diverse and economically valuable ecosystems, providing valuable and vital ecosystem services. In Malaysia, the economic value of well-managed coral reefs is valued at ⁹RM150 billion per year, of which a majority are threatened by the growing threat of climate change (including bleaching and ocean acidification), overfishing, pollution and sedimentation.

Fringing coral reefs can be found at Batu Likau and Beting Similajau in Bintulu waters, while patches of coral reefs were encountered at numerous shoals within Similajau National Park. Periodic environmental monitoring is conducted next to the Port to provide status updates on the health of the coral reefs, with its fish and invertebrates. Coral reefs are threatened by potential increase in turbidity and total suspended solids related to port activities including maintenance dredging. By identifying the risks and threats on the coral reefs through the monitoring programme, mitigation strategies can be formulated to reduce further impact.

We closely monitor the concentration of sediments in the marine water column and the overall marine water quality. Both these factors if uncontrolled can adversely impact the health of coral reefs.

⁹Based on the report 'Status of Coral Reefs in Malaysia, 2016' by Reef Check Malaysia

Energy Management

Moving towards a more sustainable approach, our subsidiary BBSB which provides bulking services successfully replaced the use of diesel in heating cargos with natural gas in November 2010. This switch to a cleaner fuel, completely substituting use of diesel can significantly cut down CO₂ emissions by up to 27 percent according to the US Environmental Information Administration.

Energy Consumption



In the year 2016 and 2017, the amount of natural gas used was 82,407 and 96,613 Giga-Joules (GJ) respectively. At current usage, 1,569 tons and 1,840 tons of CO₂ emissions has been reduced compared to when diesel was used.

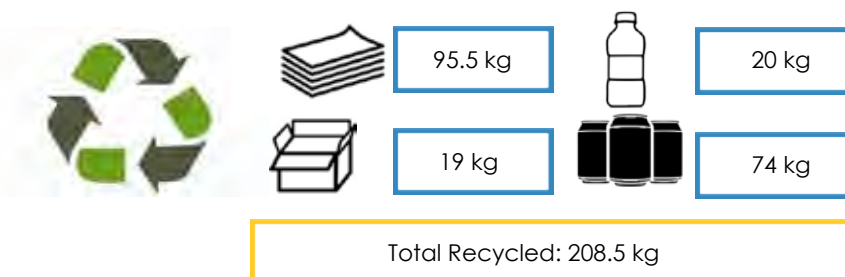
In 2016, BPSB set forth a target to reduce electricity expenses by 15 percent and has successfully achieved a 13.6 percent cost cut in electricity bills, saving nearly half a million ringgit. For 2017, BPSB targeted another 15 percent reduction and was able to achieve 9.15 percent cost reduction, saving RM 289,067. We have noted that the savings was less than what was achieved in 2016, nevertheless, we recognise the importance of setting targets and will continue to do so in the coming years.

Waste Management

We closely monitor, track and properly dispose of our routine operational waste. Aside from ensuring the proper handling of waste, the focus is also on reducing waste generation.

Recycling

With the BPSB reduce, reuse and recycle activities (3R), we have been actively recycling waste like tin cans, paper, plastic and cardboard. In 2017, 95.5 kg of paper, 19 kg of boxes, 20 kg of plastics and 74 kg of other materials were recycled, totalling to 208.5 kg of recycled resources.

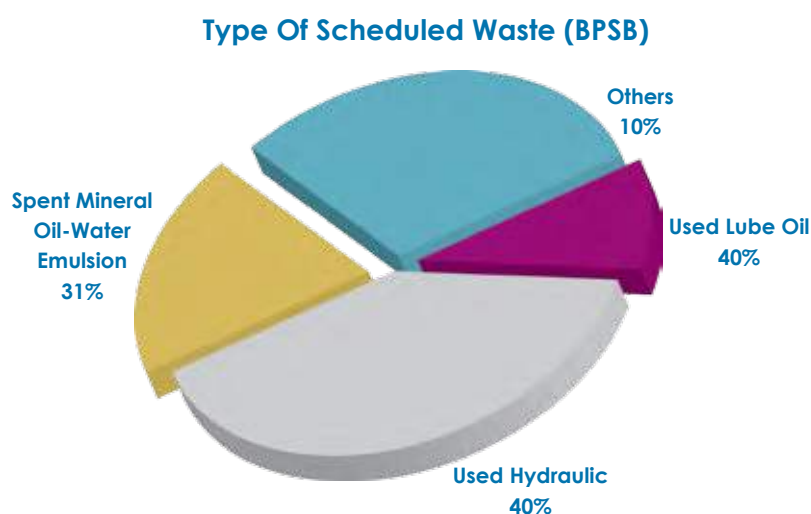


Rubber tyres are consumed in large quantities for cargo and container logistics in vehicles such as lorries, trucks and rubber tyre gantries (RTG). Vulcanized rubber tyres can pose significant environmental impact if not properly recycled or reused. Out of 740 tyres, 522 tyres we bought in 2017 were recycled by contractors pioneering in rubber tyres recycling technology.

Waste Disposal

In terms of scheduled waste, we ensure its proper management by engaging contractors licensed by the Department of Environment to transport the waste to approved recovery and recycling centres or to approved landfills for disposal. The scheduled waste include typical industrial waste such as spent lubricants, hydraulic oils, batteries, diesel etc. that requires specific disposal procedures to avoid environmental contamination.

From January to December 2017, BPSB has handled a total of 56.36 metric tonnes of scheduled waste from all its divisions. The categories of scheduled waste produced are listed in the figure below. The 'Others' category includes wastes such as used oil filters, contaminated diesel, used rags and disposed containers, each of which constituted less than 3 percent of the total scheduled waste generated.



Effluent Management and Water Pollution

Ports consume significant amount of fresh water and discharge equally significant amount of wastewater. The quality of effluent discharged by ports directly affects the sensitive ecology of coastal and marine waters.

At BBSB, an Effluent Treatment Plant (ETP) has been constructed to manage the effluent generated. Regular monitoring is carried out to ensure the discharge from the ETP complies with the Environmental Quality (Industrial Effluent) Regulations, 2009.

Throughout 2017, the analysis reports, the latest of which was conducted in December, show that the monitored parameters for effluent discharges recorded values well within the standard limit. The parameters include pH levels, Biological Oxygen Demand, Suspended Solids, ADML colour, Oil & Grease and Temperature.



Effluent Treatment Plant



Our Social Responsibility



We recognise the importance of supporting communities in Bintulu and towards this, we focus on engaging, building, fostering and strengthening these communities in the short, medium and long-term. Our corporate social responsibility (CSR) efforts in 2017 focused on the following main areas: Education and Training, Community Health, Serving the Community and Connecting through Sports.



Improving the standard of healthcare in Bintulu - Our commitment to support Bintulu Hospital is an ongoing one and will continue for the coming years. As one of the main players in the Bintulu industrial area, BPHB is aware of the risk of industrial injuries, including those caused due to fire. On 16 November, we donated four (4) special patients' beds and its accessories to Bintulu Hospital. The contribution was made to the Burns Unit as a gesture of good will to promote healthcare services for the community.

Over the years we have donated equipment and supplies to the hospital, to ensure its most urgent needs are met. The types of equipment include neonatal intensive care unit, Cardioserv defibrillator, ECG monitor, radiant monitor, cardiac monitor machine, Terumo syringe pump, infusion pump, portable transport ventilator and transport monitor. In 2017, we donated an ICU CCU electrical bed, Acare oxygen regulator and flowmeter.

Encouraging the spirit of sportsmanship - One of the largest community programme that BBSB organises is the annual futsal tournament. The tournament was first held in 2011 and grew in popularity through the years, attracting elite teams from all of Malaysia by 2015. Currently, it is one of the most successful annual events in terms of social engagement and well received by futsal enthusiasts.

Originally, the tournament was only held for male teams, but it now has a female category as well as a youth category for teenagers below age fifteen. It is an initiative by us to reach out to the greater community. The tournament also incorporate other activities for the spectators, such as lucky draw, social media interactions and 'Kick & Score' game.

Our Community Engagement Programmes



*Open and Invitational
Golf Tournament*



*Blood Donation
Activities*



*Donation to
Persatuan Warga
Emas Miri*



*Donation to
Bintulu Hospital Burn Unit*



*Back to School
Programme*



*Hari Bersama Wad
Kanak-Kanak*



*Donation to community
at Bakun Area*



*Donation to
Penan community at
Kampung Pengeran
Kalian*



*Donation to JKK Kpg
Long Lellang Baram*

We organise other activities and programmes towards supporting and engaging with local communities in and around Bintulu, which have been listed in the table below.

Theme and Objective	Programmes
Education and Training	
Understanding the needs of local schools	<p><u>Back-To-School Programme:</u> We support underprivileged students and children of the local fishing communities by providing them with school supplies for the year. This is the third year of running this programme and we plan to continue such efforts to encourage education amongst these children.</p> <p>On 18 May, BPHB donated 200 plastic chairs to SK St. Anthony towards improving the school's facilities. This is one of the initiatives that we undertook to support local schools and promote education.</p> <p>On 28 September, BPHB donated a brand-new motor boat to SK Sg. Anak to provide the students with safe transport during floods, which occur frequently in the region.</p> <p>On 22 and 23 November, both SK Hermanus Assan and SK Sungai Selad received books and bookshelves from BPHB with the aim of furnishing their libraries with quality educational resources. With a good and sufficient supply of books, these students will have a better and equal chance of excelling in academics.</p>
Building the quality of education	<p><u>SPM Programme:</u> On 12 July, titled 'Kembara Cemerlang SPM 2017', the programme helped prepare students for the upcoming standard examination SPM. The programme involved 810 SPM-bound students and 120 teachers from eight (8) local secondary schools and was jointly organised by BPHB and the Bintulu Education Office in collaboration with the Bintulu Principals Association and Bintulu Excellent Teachers Council.</p>
Increasing employability of local graduates	<p><u>Graduate Enhancement Training Sarawak¹⁰ (GETS):</u> BPHB is one of the companies that was selected by the Government to participate in the programme as a GETS partner. Ten (10) graduates were assigned to BPHB for on-the-job training for one year, so that they may acquire the necessary job skills and experience for future gainful employment. The GETS interns were paid an allowance of RM1,500 per month in which RM1,000 per month is reimbursable from the Workforce Development Unit, Chief Minister's Department, Sarawak while BPHB contributes RM500. Out of the ten (10) graduates assigned to the Group, seven (7) were recruited as permanent staff in 2017/2018.</p>
Enhancing the learning experience amongst college students	<p><u>Industrial Training:</u> BPHB offers students in their tertiary education in various fields of study to gain on-the-job learning experience.</p> <p>In 2017, the Group accepted 175 students for a training duration between two to six months. This industrial training is a pre-requisite requirement for the students to graduate from their institutions and the Group considers its participation in this programme as part of its CSR to the community.</p>
Community Health	
Making a significant difference to the lives of patients	<p>BPHB regularly organises blood donation campaigns, to promote voluntary blood donation, provide sufficient supply of safe blood and regulate blood banks at Bintulu Hospital.</p>

¹⁰ GETS is a human capital development initiative by the State Government to enhance the marketability and employability of Sarawakian graduates which was launched officially in March 2016 by the Chief Minister.

Theme and Objective	Programmes
Serving the Community	
Financially assisting and volunteering to serve the community	In 2017, we entered into a business collaboration with the Bintulu Fisherman Association, also known as <i>Persatuan Nelayan Kawasan</i> (PNK). This collaboration involves BPSB buying the products made by PNK such as sauces and shrimp paste, and using them as corporate souvenirs. By doing so, we promote their products to a larger market.
	BPHB supports the local Islamic community, by jointly organising events with the <i>Jawatankuasa Kebajikan Islam</i> (JKI) and <i>Jabatan Agama Islam Sarawak Bintulu</i> (JAIS). In conjunction with the commemoration of Israk Mikraj, a religious lecture session was held from 21 April to 24 April at mosques in Bintulu. A breaking fast ceremony was also held at the Assyakirin Mosque on 10 June in observance of the Ramadan Month.
	From 17 March to 19 May, SIPS launched a programme, asking employees to collect used apparel, blankets and curtains that were in good condition and donated them to an orphanage in Bintulu as well as the Red Crescent Society.
	On 21 October, BPHB organised a 'Bintulu Port CSR Free Market' at Kampung Sg. Anak and Kampung Kuala Tatau. The idea behind the free market was to distribute the clothes donated by our staff to the residents of those communities. We plan to continue such programmes in the future in effort to assist underprivileged local communities.
	On 8 December, BPHB donated a used MPV car Naza Ria to <i>Pusat Latihan Teknologi Tinggi</i> (ADTEC) in Bintulu to aid in the learning of automotive repairs.
Connecting through Sports	
Networking and building healthy competition	<u>Golf Tournament</u> : BPHB organises this tournament with the intention of networking and interacting with golfers in and around Bintulu, as well as golfers from the industry. On average, about 200 players participate in this tournament.
Encouraging sports in Sarawak	BPHB continuously supports the following sports programmes by providing financial assistance: <ul style="list-style-type: none"> • National Football Development Programme Sarawak • Kelab Hoki Fighter Bintulu • <i>Kesatuan Ragbi Negeri Sarawak</i> • School Sports Club (SK Sg. Kem Batu 18km, SK Kampung Baru and SK Kuala Serupai, Tatau)

Conclusion

This statement describes BPHB's sustainability initiatives and our approach to addressing the material sustainability matters that are embedded in the Group's value chain. Moving forward we will continue to progress in our journey towards sustainability, in a focused and meaningful way to build a better tomorrow for our future generation.

Statement made in accordance with the Board's Resolution dated 22 February 2018.

TAN SRI DR. ALI BIN HAMSA
Chairman

Dato' Sri Mohamed Khalid bin Yusuf @ Yusup
Independent Non-Executive Director

CORPORATE HIGHLIGHTS



AWARDS & RECOGNITIONS



A1



A2



B1



B2



B3



B4



B5



B6



B7



B8



B9

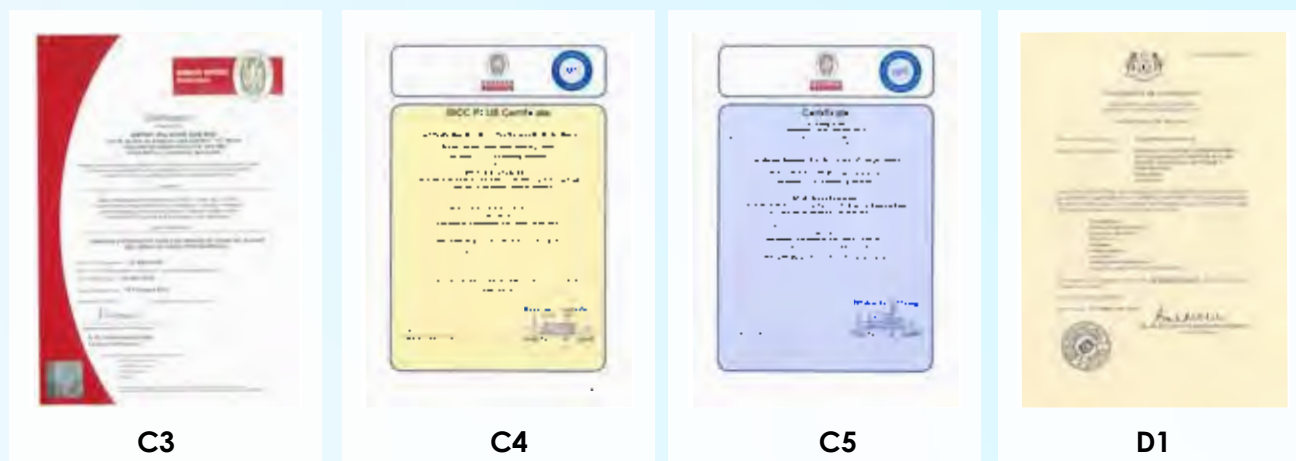


C1



C2





A. BINTULU PORT HOLDINGS BERHAD

1. Certified Information Security Management System in "Operation and Maintenance of Integrated Port Management System (IPMS)" (MS ISO/IEC 27001:2013) by CyberSecurity Malaysia
2. National Convention on Team Excellence 2017, Gold Award in Genting International Convention Centre, Malaysia

B. BINTULU PORT SDN BHD

1. Certified Quality Management System in "Provision of Port Services" (ISO 9001:2008) by Bureau Veritas Certification (Malaysia) Sdn Bhd
2. Certified Environmental Management System in "Provision of Port Services" (ISO 14001:2004) by Bureau Veritas Certification (Malaysia) Sdn Bhd
3. Certified Occupational Health and Safety Management System in "Provision of Port Services" (OHSAS 18001:2007) by Bureau Veritas Certification (Malaysia) Sdn Bhd
4. Certified Malaysia Standards on Occupational Safety and Health Management System in "Provision of Port Services" (MS 1722:2011) by Bureau Veritas Certification (Malaysia) Sdn Bhd
5. Certified HACCP System and Guidelines for its Application in "Management of Food Hazard Analysis System and Critical Control Point (HACCP) for the Handling of Palm Kernel Related Products" by Bureau Veritas Certification (Malaysia) Sdn Bhd
6. Certified Security Management System for the Supply Chain in "Provision of Port Operation Services (Sea Patrol, Control Tower, Pilotage, Tug Assistance, Mooring Boat, Mooring Gang, Stevedoring, Warehousing and Security Check - Point" (ISO 28000:2007) by Bureau Veritas Certification (Malaysia) Sdn Bhd
7. Certified in Trade, Collection and Storage & Transshipment "Handling of Palm Kernel Related Products" (GMP+B3 2007) by Bureau Veritas Certification (Malaysia) Sdn Bhd
8. Statement of Compliance under Section 249K Merchant Shipping Ordinance 1952 (ISPS Code Certification) by Director General of Marine Malaysia. (Group Security)
9. MSOSH OSH Award 2016, Gold Class 1 (Logistics and Transportations Sectors) in Recognition of Very Good Achievement 2016 OSH Performance (Safety, GHSE)

C. BIPOORT BULKERS SDN BHD

1. Certified Quality Management System in "Handling and Storage of Edible Oil Products, Crude Oil, Sludge and Edible Oil Based Feed Materials" (ISO 9001:2008) by Bureau Veritas Certification (Malaysia) Sdn Bhd
2. Certified in Trade, Collection and Storage & Transshipment "Storage of Palm Fatty Acid Distillate and Palm Kernel Fatty Acid Distillate Thrid Party" (GMP+B3 2007) by Bureau Veritas Certification (Malaysia) Sdn Bhd
3. Certified HACCP System and Guidelines for its Application in "Handling and Storage of Edible Oil Products, Crude Oil, Sludge and Edible Oil Based Feed Materials" by Bureau Veritas Certification (Malaysia) Sdn Bhd
4. Certified ISCC PLUS (International Sustainability and Carbon Certification) for "Individual Warehouse". The scope of the certificate includes the following chain of custody options : Mass balance by Bureau Veritas Certification Germany GmbH
5. Certified ISCC EU (International Sustainability and Carbon Certification) for "Warehouse" by Bureau Veritas Certification Germany GmbH

D. SAMALAJU INDUSTRIAL PORT SDN BHD

1. Statement of Compliance under Section 249K Merchant Shipping Ordinance 1952 (ISPS Code Certification) by Director General of Marine Malaysia (Group Security)



The honorary parade in conjunction with the farewell of former Group Chief Executive Officer, Dato Mior Ahmad Baiti on 28 February 2017



Welcoming ceremony of the new Group Chief Executive Officer, Dato Mohammad Medan bin Abdullah on 1 March 2017



Visit from ADTEC Bintulu on 6 March 2017



Courtesy visit from SITC on 31 March 2017



Visit by UNIMAS students on 5 April 2017



Participation in the 30th International Association of Ports and Harbors (IAPH) World Ports Conference 2017 in Bali, Indonesia on 7 - 12 May 2017



Disposal of Al Quran ashes activity in collaboration with *Jabatan Agama Islam Sarawak (JAIS)* and Coast Guard Malaysia (APMM) at Bintulu Port water area on 9 May 2017



Donation of School Chairs to SK St Anthony on 18 May 2017



SPM Motivational and Study Excellence 2017 Programme in collaboration with Pejabat Pendidikan Bahagian Bintulu on 11 July 2017



Signing Ceremony of Supplementary Agreement between Biport Bulkers Sdn Bhd and Bintulu Edible Oils Sdn Bhd on 3 August 2017



Bintulu Port Group Hari Raya celebration 2017 at Taman Sri Pelabuhan on 23 July 2017



Launching of HSE Week 2017 on 17 August 2017



Visit from Persatuan Nelayan Bintulu Board Members on 9 August 2017



Inaugural HSE Week 2017 - Run For Your Health on 19 August 2017



MSOSH 2016 Occupational Safety & Health Award during 35th Annual Award Presentation Ceremony on 24 August 2017



Participation in State-level National Day parade celebration at Dewan Suarrah Bintulu on 31 August 2017



Participation in Malaysia World Maritime Week 2017 International Conference, Business Exhibition Fair, Green Shipping Conference 2017 in Kuching on 5 - 9 September 2017



Signing Ceremony of Bulking Installation Facilities Agreement between Biport Bulkers Sdn Bhd and Borneo Edible Oils Sdn Bhd 7 September 2017



Sri Camelia Maiden Voyage at Bintulu Port on 14 September 2017



Donation of one (1) unit brand new fibre boat complete with an engine to SK Sg Anak, Selangau on 28 September 2017



Visit from Harbour China Delegates on 29 September 2017



Visit from SMK Bakun on 1 November 2017



Launching Ceremony of Helang Sakura Tug Boat on 7 November 2017



Donation of school books and bookshelves to SK Hermanus Assan, SK Sg Selad and SK Sg Silas on 22 - 23 November 2017





Petronas LNG Ltd (PLL), a subsidiary of Petronas LNG Sdn Bhd (PLSB), signed a Memorandum of Agreement (MOA) with Bintulu Port Sdn Bhd (BPSB) for provision of marine services to support PLL's Gassing Up and Cooling Down (GUCD) services on 23 November 2017



Donation of one (1) unit used Naza Ria to ADTEC Bintulu on 8 December 2017



Back To School 2017 programme for students of the local fishing communities from Kuala Tatau and Kampung Jepak on 18 December 2017



"Hari Bersama Wad Kanak-Kanak" programme at Bintulu General Hospital on 22 December 2017



PROFILE OF SUBSIDIARIES



PROFILE OF BINTULU PORT SDN BHD (BPSB)

Company No. 254396-V

BOARD OF DIRECTORS	
Dato Sri Fong Joo Chung	Chairman
Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani	Director
Encik Dzafri Sham bin Ahmad	Director

COMPANY SECRETARY

Abu Bakar bin Husaini
(LS0009926)

WEBSITE

<http://www.bintuluport.com.my>

REGISTERED OFFICE

Lot 15, Block 20, Kemena Land District
12th Mile, Tanjung Kidurong Road
97000 Bintulu, Sarawak, Malaysia

PLACE OF INCORPORATION

Incorporated in Malaysia

TELEPHONE

+60 86 291001 (30 Lines)

AUDITORS

Messrs. Ernst & Young
Chartered Accountants

FAX

+60 86 253597

PRINCIPAL BANKER

Malayan Banking Berhad

OPERATIONAL & FINANCIAL HIGHLIGHTS					
	2017	2016	2015	2014	2013
Cargo Throughput (Million Tonnes)	47.64	46.00	44.81	45.40	43.80
Container Handled (TEUs)	309,149	277,711	215,451	270,495	250,353
Vessel Calls	7,717	7,457	7,350	8,478	8,239
Turnover (RM Million)	582.06	539.99	507.42	510.16	493.00
Profit Before Taxation (RM Million)	235.13	188.11	170.72	186.88	172.58
Paid-up Capital (RM Million)	65.00	65.00	65.00	65.00	65.00
Total Shareholder's Fund (RM Million)	500.21	429.45	395.55	371.62	336.50

PROFILE OF BIPOrt BULKERS SDN BHD (BBSB)

Company No. 635147-V

BOARD OF DIRECTORS

Dato' Sri Mohamed Khalid bin Yusuf @ Yusup	Chairman
Datuk Yasmin binti Mahmood	Director
Datuk Nozirah binti Bahari	Director

COMPANY SECRETARY

Abu Bakar bin Husaini
(LS0009926)

WEBSITE

<http://www.bintuluport.com.my>

REGISTERED OFFICE

Lot 15, Block 20, Kemena Land District
12th Mile, Tanjung Kidurong Road
97000 Bintulu, Sarawak, Malaysia

PLACE OF INCORPORATION

Incorporated in Malaysia

TELEPHONE

+60 86 255101

AUDITORS

Messrs. Ernst & Young
Chartered Accountants

FAX

+60 86 255117 / 255114

PRINCIPAL BANKER

Malayan Banking Berhad

OPERATIONAL & FINANCIAL HIGHLIGHTS

	2017	2016	2015	2014	2013
Cargo Throughput (Million Tonnes)	4.09	3.65	3.57	3.56	3.21
Turnover (RM Million)	45.89	41.11	41.89	41.70	36.78
Profit Before Taxation (RM Million)	19.73	16.97	17.59	17.51	14.80
Paid-up Capital (RM Million)	40.00	40.00	40.00	40.00	40.00
Total Shareholders' Fund (RM Million)	133.14	124.46	117.94	107.76	94.80

PROFILE OF SAMALAJU INDUSTRIAL PORT SDN BHD (SIPSB)

Company No. 406345-H

BOARD OF DIRECTORS	
Datuk Nasarudin bin Md Idris	Chairman
Tan Sri Dr. Ali bin Hamsa	Director
Datuk Siti Zaayah binti Md Desa	Director
Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Hj. Zainuddin (R)	Director
Dato' Sri Mohamad Norza bin Zakaria	Director
Encik Salihin bin Abang	Director

COMPANY SECRETARY

Abu Bakar bin Husaini
(LS0009926)

WEBSITE

<http://www.bintuluport.com.my>

REGISTERED OFFICE

Lot 15, Block 20, Kemena Land District
12th Mile, Tanjung Kidurong Road
97000 Bintulu, Sarawak, Malaysia

PLACE OF INCORPORATION

Incorporated in Malaysia

TELEPHONE

+60 86 296800

AUDITORS

Messrs. Ernst & Young
Chartered Accountants

FAX

+60 86 296838

PRINCIPAL BANKER

CIMB Bank Berhad
CIMB Islamic Bank Berhad

OPERATIONAL & FINANCIAL HIGHLIGHTS					
	2017	2016	2015	2014	2013
Cargo Throughput (Tonnes)	2,642,890	450,050	71,183	5,743	-
Vessel Calls	154	40	21	3	-
Turnover (RM'000)	58,155	8,210	2,593	397	-
(Loss) / Profit Before Taxation (RM'000)	(38,054)	(56)	(14,656)	(7,208)	778
Paid-up Capital (RM'000)	600,000	600,000	600,000	600,000	600,000
Total Shareholder's Fund (RM'000)	539,652	574,782	576,511	591,167	598,397

An aerial, blue-tinted photograph of a large shipping port. In the foreground, there are extensive stacks of intermodal containers, many labeled with 'SITC', 'HANTIN', 'APL', and 'CMA CGM'. Several large gantry cranes are positioned along the quay, loading and unloading cargo from container ships. One large ship is docked at the pier, with its deck visible. In the background, the calm water of the harbor extends to the horizon, with a few more ships visible in the distance. The sky is clear and light blue. The overall scene conveys a sense of global trade and logistics.

AUDITED FINANCIAL STATEMENTS

DIRECTORS

Tan Sri Dr. Ali bin Hamsa
 Datuk Siti Zauyah binti Md Desa
 Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani
 Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Hj. Zainuddin (R)
 Dato Sri Fong Joo Chung
 Datuk Nasarudin bin Md Idris
 Dzafri Sham bin Ahmad
 Dato' Sri Mohamad Norza bin Zakaria
 Dato' Sri Mohamed Khalid bin Yusuf @ Yusup
 Datuk Yasmin binti Mahmood
 Datuk Nozirah binti Bahari
 Salihin bin Abang

REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

Lot 15, Block 20, Kemena Land District
 12th Mile, Jalan Tanjung Kidurong
 97000 Bintulu, Sarawak

AUDITORS

Ernst & Young

BANKERS

CIMB Bank Berhad

I N D E X

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and to provide management services.

The principal activities of the subsidiaries are set out in Note 16 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	<u>154,172</u>	<u>109,866</u>
Profit attributable to: Equity holders of the parent	<u>154,172</u>	<u>109,866</u>

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2016 were as follows:

	RM'000
In respect of the financial year ended 31 December 2016 as reported in the Directors' report of that year:	
Final single tier dividend of 6.00 sen per share on 460,000,000 ordinary shares, paid on 23 May 2017	27,600
In respect of the financial year ended 31 December 2017 :	
First interim single tier dividend of 6.00 sen per share on 460,000,000 ordinary shares, paid on 12 August 2017	27,600
Second interim single tier dividend of 4.00 sen per share on 460,000,000 ordinary shares, paid on 13 October 2017	18,400
Third interim single tier dividend of 5.00 sen per share on 460,000,000 ordinary shares, paid on 28 December 2017	23,000
	<u>96,600</u>

DIRECTORS' REPORT

DIVIDENDS (CONTINUED)

The Directors recommend the payment of a final single tier dividend of 6.0 sen per share and a special single tier dividend of 4.0 sen per share on 460,000,000 ordinary shares, amounting to RM27,600,000 and RM18,400,000 respectively, which, subject to the approval of members at the forthcoming Annual General Meeting of the Company, will be paid on 24 May 2018 to shareholders registered on the Company's Register of Members at the close of business on 11 May 2018. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

DIRECTORS

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Dr. Ali bin Hamsa
 Datuk Siti Zauyah binti Md Desa
 Tan Sri Datuk Amar Hj. Mohamad
 Morshidi bin Abdul Ghani
 Gen. Dato' Seri DiRaja Tan Sri (Dr.)
 Mohd Zahidi bin Hj. Zainuddin (R)
 Dato Sri Fong Joo Chung
 Datuk Nasarudin bin Md Idris
 Dzafri Sham bin Ahmad
 Dato' Sri Mohamad Norza bin Zakaria
 Dato' Sri Mohamed Khalid bin Yusuf @ Yusup
 Datuk Yasmin binti Mahmood
 Datuk Nozirah binti Bahari
 Salihin bin Abang

(Appointed on 1 February 2018)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member or with a company in which a Director has a substantial financial interest.

INDEMNITIES TO DIRECTORS OR OFFICERS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the director or officer of the Company.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, none of the Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT

ISSUE (OR-CALL UP) OF SHARES

There were no changes in the issued and paid up capital of the Company during the financial year.

OTHER STATUTORY INFORMATION

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

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 40 to the financial statements.

DIRECTORS' REPORT

AUDITORS

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

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

Auditors' remuneration are disclosed in Note 10 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 8 March 2018.

Tan Sri Dr. Ali bin Hamsa

Dato Sri Fong Joo Chung

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT, 2016

We, **Tan Sri Dr. Ali bin Hamsa** and **Dato Sri Fong Joo Chung**, being two of the Directors of **Bintulu Port Holdings Berhad**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 149 to 220 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 8 March 2018.

Tan Sri Dr. Ali bin Hamsa

Dato Sri Fong Joo Chung

STATUTORY DECLARATION

PURSUANT TO SECTION 251 (1)(B) OF THE COMPANIES ACT, 2016

I, **Daiana Luna Suip**, being the Officer primarily responsible for the financial management of **Bintulu Port Holdings Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 149 to 220 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
Daiana Luna Suip at Bintulu in the State of Sarawak
on 8 March 2018.

Before me,

Daiana Luna Suip

Magdalene Lucas

Q 082

Commissioner For Oath

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue from port services rendered	4	640,220	548,207	-	-
Revenue from construction services for concession infrastructure	4	137,376	581,356	-	-
Revenue from bulking services	4	39,600	35,409	-	-
Dividend income from subsidiaries	4	-	-	115,200	115,200
Management fee charged to subsidiaries	4	-	-	35,222	33,188
		<u>817,196</u>	<u>1,164,972</u>	<u>150,422</u>	<u>148,388</u>
Other income	5	<u>5,118</u>	<u>2,582</u>	<u>331</u>	<u>-</u>
Cost of construction services	6	(137,376)	(581,356)	-	-
Employee benefit expenses	7	(90,896)	(85,226)	(27,212)	(26,254)
Depreciation of property, plant and equipment	15	(31,369)	(31,150)	(234)	(177)
Amortisation of intangible assets	17	(150,692)	(125,975)	(121)	(91)
Charter hire of boats		(14,517)	(12,854)	-	-
Maintenance dredging costs	31	(7,659)	(10,682)	-	-
Fuel, electricity and utilities		(23,886)	(17,327)	(69)	(63)
Insurance expenses		(3,459)	(3,144)	(80)	(44)
Leasing of land and port facilities	8	(1,250)	(1,250)	-	-
Repair and maintenance		(38,090)	(32,592)	(395)	(276)
Service contracts		(42,279)	(32,449)	-	-
Other expenses	10	(31,976)	(31,550)	(14,128)	(11,916)
Total expenses		<u>(537,449)</u>	<u>(965,555)</u>	<u>(42,239)</u>	<u>(38,821)</u>

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		Group		Company	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Operating profit		248,865	201,999	108,514	109,567
Finance costs	9	(59,830)	(28,776)	-	-
Finance income	5	22,243	27,756	1,167	1,579
Profit before tax		211,278	200,979	109,681	111,146
Income tax expense/(credit)	12	(57,106)	(51,140)	185	-
Profit net of tax, representing total comprehensive income for the year		<u>154,172</u>	<u>149,839</u>	<u>109,866</u>	<u>111,146</u>
Profit attributable to:					
Equity holders of the parent		<u>154,172</u>	<u>149,839</u>	<u>109,866</u>	<u>111,146</u>
Earnings per share					
Basic (sen)	13	<u>33.52</u>	<u>32.57</u>		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets					
Non-current assets					
Property, plant and equipment	15	299,191	316,096	1,892	1,547
Investment in subsidiaries	16	-	-	940,000	940,000
Intangible assets	17	1,942,032	1,924,674	800	815
Deferred tax assets	23	59,298	52,818	-	-
		<u>2,300,521</u>	<u>2,293,588</u>	<u>942,692</u>	<u>942,362</u>
Current assets					
Inventories	24	4,544	6,563	-	-
Concession financial assets	19	48,098	25,982	-	-
Tax Recoverable		1,991	-	-	-
Trade receivables	25	59,495	46,240	-	-
Other receivables	18	31,353	32,271	3,703	2,287
Other current assets	20	24,852	25,882	369	376
Investment in securities	21	81,879	25,000	10,265	5,000
Cash and bank balances	22	563,481	626,462	27,385	20,493
		<u>815,693</u>	<u>788,400</u>	<u>41,722</u>	<u>28,156</u>
Total assets		<u><u>3,116,214</u></u>	<u><u>3,081,988</u></u>	<u><u>984,414</u></u>	<u><u>970,518</u></u>
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	26	890,818	460,000	890,818	460,000
Share premium	26	-	430,818	-	430,818
Retained earnings	27	323,430	265,858	90,411	77,145
Total equity		<u><u>1,214,248</u></u>	<u><u>1,156,676</u></u>	<u><u>981,229</u></u>	<u><u>967,963</u></u>

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (CONTINUED)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current liabilities					
Other payables	30	26,067	31,364	1,118	926
Loan and borrowings	29	947,299	944,207	-	-
Contractual obligation for lease payments	28	637,586	644,015	-	-
Deferred tax liabilities	23	1,064	-	-	-
		<u>1,612,016</u>	<u>1,619,586</u>	<u>1,118</u>	<u>926</u>
Current liabilities					
Other payables	30	123,781	164,972	2,067	1,629
Loans and borrowings	29	11,600	13,533	-	-
Contractual obligation for lease payments	28	117,248	102,851	-	-
Provision for maintenance dredging costs	31	18,909	11,250	-	-
Income tax payable		18,412	13,120	-	-
		<u>289,950</u>	<u>305,726</u>	<u>2,067</u>	<u>1,629</u>
Total liabilities		<u>1,901,966</u>	<u>1,925,312</u>	<u>3,185</u>	<u>2,555</u>
Total equity and liabilities		<u>3,116,214</u>	<u>3,081,988</u>	<u>984,414</u>	<u>970,518</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Non-distributable Share Capital RM'000	Share Premium RM'000	Distributable Retained Earnings RM'000	Equity Total RM'000
Group					
2017					
Opening balance at 1 January 2017		460,000	430,818	265,858	1,156,676
Transfer in accordance with Section 618 (2) of Companies Act (CA) 2016		430,818	(430,818)	-	-
Total comprehensive income		-	-	154,172	154,172
Transactions with owners					
Dividends on ordinary shares	14	-	-	(96,600)	(96,600)
Closing balance at 31 December 2017		<u>890,818</u>	<u>-</u>	<u>323,430</u>	<u>1,214,248</u>
2016					
Opening balance at 1 January 2016		460,000	430,818	226,419	1,117,237
Total comprehensive income		-	-	149,839	149,839
Transactions with owners					
Dividends on ordinary shares	14	-	-	(110,400)	(110,400)
Closing balance at 31 December 2016		<u>460,000</u>	<u>430,818</u>	<u>265,858</u>	<u>1,156,676</u>

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Non-distributable Share Capital RM'000	Share Premium RM'000	Distributable Retained Earnings RM'000	Equity Total RM'000
Company					
2017					
Opening balance at 1 January 2017		460,000	430,818	77,145	967,963
Transfer in accordance with Section 618 (2) of CA 2016		430,818	(430,818)	-	-
Total comprehensive income		-	-	109,866	109,866
Transactions with owners					
Dividends on ordinary shares	14	-	-	(96,600)	(96,600)
Closing balance at 31 December 2017		<u>890,818</u>	<u>-</u>	<u>90,411</u>	<u>981,229</u>
2016					
Opening balance at 1 January 2016		460,000	430,818	76,399	967,217
Total comprehensive income		-	-	111,146	111,146
Transactions with owners					
Dividends on ordinary shares	14	-	-	(110,400)	(110,400)
Closing balance at 31 December 2016		<u>460,000</u>	<u>430,818</u>	<u>77,145</u>	<u>967,963</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating activities					
Profit before tax		211,278	200,979	109,681	111,146
Adjustments for:					
Amortisation of intangible assets	17	150,692	125,975	121	91
Depreciation of property, plant and equipment	15	31,369	31,150	234	177
Finance costs	9	59,830	28,776	-	-
Property, plant and equipment written off	10	11	-	-	-
Gain on disposal of inventories	5	(1,281)	-	-	-
(Gain)/loss on disposal of property, plant and equipment	5/10	(12)	(533)	4	1
Dividend income	4	-	-	(115,200)	(115,200)
Dividend income from unit trust	5	(3,131)	-	(317)	-
Interest income	5	(22,243)	(27,756)	(1,167)	(1,579)
Other current assets written off	10	-	533	-	-
Loss on fair value of investments in securities	10	1,073	-	26	-
Staff gratuities	30	1,674	1,847	-	-
Provision for maintenance dredging costs	31	7,659	10,682	-	-
Directors' gratuities	30	192	186	192	186
Reversal of foreseeable losses	10	-	(6,700)	-	-
Write off of work-in-progress	10/17	-	13,056	-	-
Total adjustments		225,833	177,216	(116,107)	(116,324)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating cash flows before working capital		437,111	378,195	(6,426)	(5,178)
<u>Changes in working capital</u>					
Decrease in inventories		219	-	-	-
Increase in trade and other receivables		(13,255)	(19,426)	(235)	(582)
Decrease/(Increase) in other current assets		1,947	(11,933)	-	(282)
(Decrease)/increase in other payables		(42,744)	46,689	813	(736)
Net change in subsidiaries balances		-	-	(1,549)	(319)
Net change in concession finance assets		(22,116)	(1,455)	-	-
Total changes in working capital		<u>(75,949)</u>	<u>13,875</u>	<u>(971)</u>	<u>(1,919)</u>
Cash flow generated from/ (used in) operations		361,162	392,070	(7,397)	(7,097)
Payment of lease rental	28	(131,007)	(115,996)	-	-
Payment of maintenance dredging costs	31	-	(21,932)	-	-
Income tax paid		(59,406)	(57,563)	-	-
Income tax refunded		185	343	185	343
Directors' gratuities paid	30	-	(175)	-	(175)
Staff gratuities paid	30	<u>(5,611)</u>	<u>(4,198)</u>	<u>-</u>	<u>-</u>
Net cash flows generated from/(used in) operating activities		<u>165,323</u>	<u>192,549</u>	<u>(7,212)</u>	<u>(6,929)</u>

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Investing activities					
Interest received	5	22,243	27,756	1,167	1,579
Acquisition of property, plant and equipment	15	(15,348)	(14,078)	(583)	(839)
Increase in intangible assets	17	(37,035)	(514,055)	(106)	(383)
Proceeds from disposal of property, plant and equipment		122	3,018	-	-
Proceeds from disposal of inventories		3,081	-	-	-
(Purchase)/disposal of investment in securities		(54,821)	33,963	(4,974)	11,963
Net dividend received		-	-	115,200	115,200
Net movement in fixed deposits placed		157,899	86,078	-	-
Net cash flows generated from/(used in) investing activities		<u>76,141</u>	<u>(377,318)</u>	<u>110,704</u>	<u>127,520</u>
Financing activities					
Dividends paid	14	(96,600)	(110,400)	(96,600)	(110,400)
Proceeds from SUKUK financing	29	-	250,000	-	-
Interest paid on term loan	9	(716)	(1,211)	-	-
Sukuk interest paid		(37,630)	(37,733)	-	-
Repayment of term loan		(11,600)	(11,600)	-	-
Net cash flows (used in)/generated from financing activities		<u>(146,546)</u>	<u>89,056</u>	<u>(96,600)</u>	<u>(110,400)</u>
Net increase/(decrease) in cash and cash equivalents		94,918	(95,713)	6,892	10,191
Cash and cash equivalents at beginning of the year		<u>449,773</u>	<u>545,486</u>	<u>20,493</u>	<u>10,302</u>
Cash and cash equivalents at end of the year	22	<u>544,691</u>	<u>449,773</u>	<u>27,385</u>	<u>20,493</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at Lot 15, Block 20, Kemena Land District, 12th Mile, Jalan Tanjung Kidurong, 97000 Bintulu, Sarawak.

The principal activity of the Company is investment holding and to provide management service.

The principal activities of the subsidiaries are set out in Note 16.

There have been no significant changes in the nature of the principal activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have also been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Adoption of new and revised pronouncements

As of 1 January 2017, the Group and the Company adopted the following pronouncements that have been issued by the Malaysian Accounting Standards Board ("MASB") and applicable as listed below:

Effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, Statement of Cash Flows: Disclosure Initiative
- Amendments to MFRS 112, Income taxes: Recognition of Deferred Tax Asset for Unrealised Losses

The initial application of the abovementioned pronouncements do not have any material impact to the financial statements of Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.3 Pronouncements not yet in effect

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9: Financial Instruments (2014)
- MFRS 15: Revenue from Contracts with Customers
- Amendments to MFRS 15: Revenue from Contracts with Customers: Clarifications to MFRS 15

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16: Leases
- Amendments to MFRS 112 Income Taxes (Annual Improvements 2015–2017 Cycle)
- Amendments to MFRS 123 Borrowing Costs (Annual Improvements 2015–2017 Cycle)
- IC Interpretation 23: Uncertainty over Income Tax Treatments

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not to be expected to have any material impact to the financial statements of the Group and the Company except as mentioned below:

(a) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. An entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group and the Company have performed a preliminary impact assessment of adopting MFRS 15 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group and the Company adopts MFRS 15 in 2018.

Based on its assessment, the Directors do not expect that the application of MFRS 15 will result in significant impacts on the financial statements of the Group and the Company other than additional disclosures to be provided.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**2. Summary of significant accounting policies (Continued)****2.3 Pronouncements not yet in effect (Continued)****(b) MFRS 9 Financial Instruments**

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. During 2017, the Group and the Company have performed a detailed impact assessment of MFRS 9 on classification and measurement, and impairment. The Group and the Company do not have any hedge relationships. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in 2018 when MFRS 9 is adopted.

Based on the analysis of the Group's and the Company's financial assets and liabilities as at 31 December 2017 on the basis of facts and circumstances that exist at that date, the Directors of the Group and the Company have assessed the impact of MFRS 9 as follows:

(i) Classification and measurement

The Group and the Company do not expect a significant impact on its financial position or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group and the Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Impairment

The Group and the Company will apply the simplified approach and record lifetime expected losses on all trade receivables, while for other financial assets, the Group and the Company will apply the general approach in determining impairment amount. The Group and the Company have determined that no additional loss allowance is necessary.

(c) MFRS 16 Leases

MFRS 16 replaces existing leases guidance in MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases - Incentives, and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.4 New pronouncements not applicable to the Group and the Company

The MASB has issued pronouncements which are not yet effective, but for which are not relevant to the operations of Group and the Company and hence, no further disclosure is warranted.

Effective for annual periods beginning on or after 1 January 2018

- Amendments to MFRS 1: First Time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)
- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4: Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)
- Amendments to MFRS 140: Investment Property: Transfer of Investment Property
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

- Amendments to MFRS 3 Business Combinations (Annual Improvements 2015-2017 Cycle)
- Amendments to MFRS 9: Prepayment Features with Negative Compensation
- Amendments to MFRS 11 Joint Arrangements (Annual Improvements 2015-2017 Cycle)
- Amendments to MFRS 128: Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

Effective for annual periods beginning on or after 1 January 2021

- MFRS 17: Insurance Contracts

Effective for a date yet to be confirmed

- Amendments to MFRS 10 Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 128 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**2. Summary of significant accounting policies (Continued)****2.5 Basis of consolidation (Continued)**

The Company controls an investee if and only if the Company has all the following:

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full except for unrealised losses, which are not eliminated when there are indications of impairment.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Business combinations

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.5 Basis of consolidation (Continued)

Business combinations (Continued)

The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed off and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2.6 Subsidiaries

A subsidiary is an entity over which the Group has all the following.

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**2. Summary of significant accounting policies (Continued)****2.7 Service concession arrangements**

The Group recognises revenue from the construction and upgrading of the infrastructure in accordance with its accounting policy for construction contracts set out in Note 2.8. Where the Group performs more than one service under the arrangement, consideration received or receivable is allocated to the components by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Financial assets are accounted for in accordance with the accounting policy set out in Note 2.13.

The Group recognises the consideration receivable as an intangible asset to the extent that it receives a right to charge users of the public service. Intangible assets are accounted for in accordance with the accounting policy set out in Note 2.9.

Subsequent costs and expenditures related to infrastructure and equipment arising from the Group's commitments to the concession contracts or that increase future revenue are recognised as additions to the intangible asset and are stated at cost. Capital expenditures necessary to support the Group's operation as a whole are recognised as property and equipment, and accounted for in accordance with the policy stated under property, plant and equipment in Note 2.10. When the Group has contractual obligations that it must fulfill as a condition of its license to: a) maintain the infrastructure to a specified standard or, b) to restore the infrastructure when the infrastructure has deteriorated below a specified condition, it recognises and measures these contractual obligations in accordance with the accounting policy for provisions in Note 2.19. Repairs and maintenance and other expenses that are routine in nature are expensed and recognised in the profit or loss as incurred.

2.8 Construction contracts

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

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.9 Intangible assets

(a) Concession intangible assets

A concession intangible asset is measured at the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. The intangible asset is amortised over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the entity, from the date when the right to operate starts to be used. Based on these principles, a concession intangible asset is amortised in line with the actual usage of the specific public facility, with a maximum of the duration of the concession. Concession intangible assets are amortised using straight-line method of amortisation over the concession period. Concession intangible assets under construction are not amortised these assets are not yet available for use.

The concession intangible assets are derecognised on disposal or when no future economic benefits are expected from their future use or disposal or when the contractual rights to the assets expire.

(b) Goodwill on acquisition of a subsidiary

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**2. Summary of significant accounting policies (Continued)****2.9 Intangible assets (Continued)****(c) Software**

Software acquired separately is measured on initial recognition at cost. Software has a finite useful life and is stated at cost less accumulated amortisation and impairment losses.

Software is amortised on a straight line basis over its estimated useful life of ten years.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use. Other property, plant and equipment are depreciated on a straight-line basis to write off the cost of each asset to their residual value over the estimated useful life, at the following annual rates:

Building and bulking facilities	25 years
Machinery and equipment	5 – 14 years
Motor vehicles	5 – 10 years
Office furniture, fittings and equipment	5 – 10 years
Vessels	14 – 20 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.11 Inventories

Inventories represent landed development properties in the staff housing project and are stated at the lower of cost and net realisable value. The cost of inventories include the expenditure incurred in acquiring the land, direct cost and appropriate proportions of common costs attributable to developing the properties to completion.

Any gains or losses on the disposal of inventories are recognised in the profit or loss in the year in which they arise.

2.12 Impairment of non-financial assets

The Group and the Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company makes an estimate of the asset's recoverable amount.

For intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by an asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**2. Summary of significant accounting policies (Continued)****2.13 Financial assets**

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transactions costs.

The Group and the Company determine the classification of its financial assets at initial recognition. All financial assets of the Group and the Company are classified as financial assets at fair value through profit and loss and loans and receivables.

(i) Financial assets at fair value through profit and loss

Investment in securities are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

The Group and the Company's financial assets classified under fair value through profit or loss include investment in securities.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

The Group and the Company's financial assets under loan and receivables include trade and other receivables, concession financial assets and cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.13 Financial assets (Continued)

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

2.14 Impairment of financial assets

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.15 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. All financial liabilities of the Group and Company are classified as other financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**2. Summary of significant accounting policies (Continued)****2.15 Financial liabilities (Continued)****(a) Other financial liabilities**

The Group's and the Company's other financial liabilities include other payables, loan and borrowings, and concession lease payable.

Other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Concession lease payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Concession lease payables are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, the financial guarantee contracts are measured at the higher of:

- (i) the amount determined in accordance with the accounting policy for provision set out in Note 2.19 or
- (ii) the amount initially recognised less cumulative amortisation recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.16 Revenue recognition

(a) Rendering of services

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Revenue from port operations and bulking services are recognised on an accrual basis when the services are performed.

(b) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.8.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Management fee

Management fees are recognised when services are rendered.

2.17 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances, unused tax losses and other unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused tax losses and other unused tax credits can be utilised.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**2. Summary of significant accounting policies (Continued)****2.17 Income taxes (Continued)****(b) Deferred tax (Continued)**

Deferred tax is measured at the tax rates that are expected to apply in the period when the assets is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the future taxable profit will be available against which the related tax benefit can be realised.

(c) Goods and Services Tax ("GST")

The net amount of GST, being the difference between output and input of GST payable to or receivable from the authorities at the reporting date, is included in trade and other receivables or other payables in the statements of financial position.

2.18 Employee benefits**(a) Short term benefits**

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

(b) Defined contribution plan

The Group and the Company participate in the national pension scheme as defined by the laws of the country in which it has operations. The Group and the Company makes contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.19 Provisions

A provision is recognized if, as a result of a past event, the Group or the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future net cash flows at a pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the accretion in the provision due to the passage of time is recognized as finance cost.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group and of the Company, are not recognized in the financial statements but are disclosed as contingent liabilities unless the possibility of an outflow of economic resources is considered remote.

2.20 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.22 Operating lease

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**2. Summary of significant accounting policies (Continued)****2.23 Segment reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers' report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.25 Fair value measurements

The Group and the Company measure financial instruments, such as, derivatives, and investment properties, at fair value at each reporting date. Also, fair values of the financial instruments measured at amortised cost are disclosed in Note 35.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group and the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.25 Fair value measurements (Continued)

All assets and liabilities for which fair values are measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurements as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities; or
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of nature, characteristics and risks of the assets or liabilities and the level of the fair value hierarchy as explained above.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates that could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Critical judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the Company's accounting policies which may have significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**3. Significant accounting judgements and estimates (Continued)****3.2 Key sources of estimation uncertainty (Continued)****(a) Impairment of concession intangible assets for Samalaju Industrial Port ("SIP")**

The Group assesses concession intangible assets at the end of each reporting period when there is an indication that an asset may be impaired by comparing its carrying amount with its recoverable amount. This requires an estimation of the recoverable amount by estimating the value-in-use of the cash-generating unit ("CGU"). Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in Note 17.

(b) Useful lives of concession intangible assets

Concession intangible assets are amortised on a straight-line basis over the concession period. The management considers that this is in line with the pattern in which the asset's economic benefits are consumed by the Group.

(i) Useful lives of concession intangible assets of BPSB for the purpose of the extension of concession agreement

For concession intangible assets that are constructed for the purpose of the extension of concession agreement, these intangible assets are amortised on a straight line basis over the extended period based on the approval in principle given by Ministry of Finance ("MoF") to renew the concession subject to terms and conditions to be decided.

(ii) Useful lives of immoveable concession intangible assets of BPSB and SIP

For immoveable concession intangible assets that are constructed for BPSB and SIP, these intangible assets are amortised on a straight line basis over the respective concession period remaining.

(c) Discount rate used for long term contractual obligation for lease payments and facilities for BPSB and SIP

In accordance with IC Interpretation 12 Service Concession Arrangement, a provision for the contractual obligations for the lease of land and facilities is accrued at the inception of the arrangement at the present value of the best estimated amount to be paid. The discount rate used by BPSB and SIP is disclosed in Note 28.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

3. Significant accounting judgements and estimates (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(d) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future profits together with future planning strategies.

The carrying value of deferred tax assets of the Group at 31 December 2017 was RM59,298,000 (2016: RM52,818,000).

4. Revenue

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Revenue from port services rendered	640,220	548,207	-	-
Revenue from construction services				
for concession infrastructure	137,376	581,356	-	-
Revenue from bulking services	39,600	35,409	-	-
Dividend income from subsidiaries	-	-	115,200	115,200
Management fee charged to subsidiaries	-	-	35,222	33,188
	<u>817,196</u>	<u>1,164,972</u>	<u>150,422</u>	<u>148,388</u>

The revenue from construction services is in respect of the construction and upgrading of port facilities, accounted for in accordance with IC Interpretation 12 Service Concession Arrangements.

5. Other income

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Finance income:				
Interest income from:				
- Current account	34	46	-	-
- Short term deposits	22,154	27,637	1,167	1,579
- Staff loans	55	73	-	-
	<u>22,243</u>	<u>27,756</u>	<u>1,167</u>	<u>1,579</u>
Other income:				
Dividend income from unit trust	3,131	-	317	-
Rental income	28	136	-	-
Gain on disposal of property, plant and equipment	12	533	-	-
Gain on disposal of inventory	1,281	-	-	-
Others	666	1,913	14	-
	<u>5,118</u>	<u>2,582</u>	<u>331</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**6. Cost of construction services**

	Group	
	2017	2016
	RM'000	RM'000
Cost of construction services for concession infrastructure	<u>137,376</u>	<u>581,356</u>

The Group considers the fair value for the consideration for the services rendered in the acquisition or construction and upgrade of the infrastructure approximates the cost incurred as all the construction works are subcontracted out.

7. Employee benefit expenses

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, allowance and bonus	68,655	63,453	20,055	19,073
Defined contribution plan (Employees Provident Fund)	9,783	9,355	3,078	2,978
Staff gratuities	1,674	1,847	-	-
Other employee benefits	10,784	10,571	4,079	4,203
	<u>90,896</u>	<u>85,226</u>	<u>27,212</u>	<u>26,254</u>

8. Leasing of land and port facilities

	Group	
	2017	2016
	RM'000	RM'000
Land lease	<u>1,250</u>	<u>1,250</u>

The above land lease expense relates to rental of land from Bintulu Port Authority ("BPA") by Biport Bulkiers Sdn. Bhd..

9. Finance costs

	Group	
	2017	2016
	RM'000	RM'000
Unwinding of discount (Note 28)	29,571	27,565
Interest expense on term loan	716	1,211
Interest expense on Sukuk Murabahah	29,543	-
	<u>59,830</u>	<u>28,776</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

10. Other expenses

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
The following items have been included in arriving at other expenses:				
Auditors' remuneration				
- Current year	284	267	95	90
Non-Executive Directors (Note 11)				
- Fees	1,580	1,523	960	925
- Other emoluments	590	623	509	499
Rental of equipment	2,277	912	75	77
Rental of premises	323	377	3,878	3,864
Reversal of provision for foreseeable loss	-	(6,700)	-	-
Property, plant and equipment written off	11	-	-	-
Loss on disposal of property, plant and equipment	-	-	4	1
Loss on fair value of investment in securities	1,073	-	26	-
Other current assets written off	-	533	-	-
Intangible assets written off	-	13,056	-	-

11. Directors' remuneration

The details of remuneration received and receivable by Directors of the Group and of the Company during the year are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-Executive Directors:				
- Fees	1,580	1,523	960	925
- Meeting and other allowances	398	437	317	313
	1,978	1,960	1,277	1,238
- Directors' gratuities	192	186	192	186
	2,170	2,146	1,469	1,424

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

	2017	2016
Non-executive Directors:		
Below RM50,000	-	1
RM50,001 - RM100,000	-	2
RM100,001 - RM150,000	10	8
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	1	1

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**12. Income tax expense/(credit)**

The major components of income tax expense/(credit) for the years ended 31 December 2017 and 2016 are:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Statement of profit or loss:				
Current income tax:				
Malaysian income tax	62,908	52,902	-	-
(Over)/Underprovision in previous years	(386)	274	(185)	-
	<u>62,522</u>	<u>53,176</u>	<u>(185)</u>	<u>-</u>
Deferred income tax (Note 23):				
Origination and reversal of temporary differences	(4,199)	2,091	-	-
Overprovision in previous years	(1,217)	(4,127)	-	-
	<u>(5,416)</u>	<u>(2,036)</u>	<u>-</u>	<u>-</u>
Income tax expense/(credit) recognised in profit or loss	<u>57,106</u>	<u>51,140</u>	<u>(185)</u>	<u>-</u>

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit before tax	<u>211,278</u>	<u>200,979</u>	<u>109,681</u>	<u>111,146</u>
Tax at Malaysian statutory tax rate of 24%	50,707	48,235	26,323	26,675
Adjustments:				
Non-deductible expenses	34,519	144,386	639	493
Income not subject to tax	(33,417)	(139,526)	(27,724)	(27,470)
(Over)/underprovision of tax expenses in previous years	(386)	274	(185)	-
Overprovision of deferred tax in previous years	(1,217)	(4,127)	-	-
Deferred tax assets not recognised during the year	<u>6,900</u>	<u>1,898</u>	<u>762</u>	<u>302</u>
Income tax expense/(credit) recognised in profit or loss	<u>57,106</u>	<u>51,140</u>	<u>(185)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

13. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the number of ordinary shares outstanding during the financial year.

The following tables reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group	
	2017 RM'000	2016 RM'000
Profit net of tax	<u>154,172</u>	<u>149,839</u>

	Group	
	2017 '000	2016 '000
Number of ordinary shares for basic earnings per share computation	<u>460,000</u>	<u>460,000</u>

	Group	
	2017	2016
Basic earnings per share for profit for the year (sen)	<u>33.52</u>	<u>32.57</u>

(b) Diluted

The diluted earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares outstanding.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

14. Dividends

	Dividends in respect of the year		Dividends recognised in year	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Final single tier dividend for 2015				
- 6.00 sen per share	-	-	-	27,600
Interim single tier dividend for 2016				
- 6.00 sen per share	-	27,600	-	27,600
- 6.00 sen per share	-	27,600	-	27,600
- 6.00 sen per share	-	27,600	-	27,600
Final single tier dividend for 2016				
- 6.00 sen per share	-	27,600	27,600	-
Interim single tier dividend for 2017				
- 6.00 sen per share	27,600	-	27,600	-
- 4.00 sen per share	18,400	-	18,400	-
- 5.00 sen per share	23,000	-	23,000	-
	<u>69,000</u>	<u>110,400</u>	<u>96,600</u>	<u>110,400</u>

The Directors recommend the payment of a final single tier dividend of 6.0 sen per share on 460,000,000 ordinary shares, amounting to RM27,600,000 and special single tier dividend of 4.0 sen per share of 460,000,000 ordinary shares amounting to RM18,400,000 which, subject to the approval of members at the forthcoming Annual General Meeting of the Company, will be paid on 24 May 2018 to shareholders registered on the Company's Register of Members at the close of business on 11 May 2018. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

15. Property, plant and equipment

Group	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
Cost:								
At 1 January 2016	34,576	159,545	270,096	9,562	18,810	117,524	4,535	614,648
Additions	391	-	1,896	913	2,913	-	7,965	14,078
Disposals	-	-	(12,429)	(340)	(119)	-	-	(12,888)
Transfer from capital work-in-progress	4,485	-	5,114	-	-	-	(9,599)	-
Reclassification from Intangible Assets	265	-	-	-	-	-	43	308
At 31 December 2016	<u>39,717</u>	<u>159,545</u>	<u>264,677</u>	<u>10,135</u>	<u>21,604</u>	<u>117,524</u>	<u>2,944</u>	<u>616,146</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

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)								
Cost: (Continued)								
At 31 December 2016 and 1 January 2017								
Additions	39,717	159,545	264,677	10,135	21,604	117,524	2,944	616,146
Disposals	2,132	-	1,524	631	1,359	-	9,702	15,348
Write off	-	-	(67)	(581)	(881)	(2,820)	-	(4,349)
Transfer from capital work-in-progress	-	-	-	-	(49)	-	-	(49)
Reclassification to Intangible Assets	3,729	-	1,235	-	-	-	(4,964)	-
Adjustments	(380)	-	-	-	(40)	-	18	(402)
	-	-	(34)	-	-	-	(327)	(361)
At 31 December 2017	<u>45,198</u>	<u>159,545</u>	<u>267,335</u>	<u>10,185</u>	<u>21,993</u>	<u>114,704</u>	<u>7,373</u>	<u>626,333</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

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 2016	13,352	41,553	159,011	5,228	12,324	47,835	-	279,303
Charge for the year	2,711	6,382	14,648	661	1,582	5,166	-	31,150
Disposal	-	-	(9,997)	(292)	(114)	-	-	(10,403)
At 31 December 2016 and 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	18,857	54,140	178,442	5,885	14,636	55,182	-	327,142
Net carrying amount:								
At 31 December 2016	23,654	111,610	101,015	4,538	7,812	64,523	2,944	316,096
At 31 December 2017	26,341	105,405	88,893	4,300	7,357	59,522	7,373	299,191

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

15. Property, plant and equipment (Continued)

Company	Motor Vehicle RM'000	Office Furniture, Fittings and Equipment RM'000	Total RM'000
Cost:			
At 1 January 2016	776	465	1,241
Additions	425	414	839
Disposals	-	(2)	(2)
At 31 December 2016 and 1 January 2017	1,201	877	2,078
Additions	290	293	583
Disposals	-	(8)	(8)
At 31 December 2017	1,491	1,162	2,653
Accumulated depreciation:			
At 1 January 2016	244	111	355
Charge during the year	91	86	177
Disposals	-	(1)	(1)
At 31 December 2016 and 1 January 2017	335	196	531
Charge during the year	128	106	234
Disposals	-	(4)	(4)
At 31 December 2017	463	298	761
Net carrying amount:			
At 31 December 2016	866	681	1,547
At 31 December 2017	1,028	864	1,892

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

16. Investment in subsidiaries

	Company	
	2017	2016
	RM'000	RM'000
Unquoted shares in Malaysia, at cost	940,000	940,000

Name of subsidiaries	Country of Incorporation	Principal activities	Proportion of Ownership Interest	
			2017 %	2016 %
Held by the Company:				
Bintulu Port Sdn. Bhd.	Malaysia	Provision of port services at Bintulu Port, Sarawak	100	100
Biport Bulkiers 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

17. Intangible assets

Group	Concession Intangible Assets RM'000	Goodwill on Acquisition of a Subsidiary RM'000	Software RM'000	Capital Work-in- progress RM'000	Total RM'000
Cost:					
At 1 January 2016	2,431,891	15	16,022	519,970	2,967,898
Additions	805	-	454	552,286	553,545
Reclassification to property, plant and equipment	(265)	-	-	(43)	(308)
Write off*	-	-	-	(13,056)	(13,056)
Transfer from capital work-in-progress	6,211	-	1,195	(7,406)	-
At 31 December 2016 and 1 January 2017	2,438,642	15	17,671	1,051,751	3,508,079
Additions	109,587	-	311	59,208	169,106
Reclassification to property, plant and equipment	380	-	40	(18)	402
Transfer from capital work-in-progress	1,037,857	-	105	(1,037,962)	-
Adjustments	(1,339)	-	-	(119)	(1,458)
At 31 December 2017	3,585,127	15	18,127	72,860	3,676,129
Accumulated depreciation:					
At 1 January 2016	1,447,686	-	9,744	-	1,457,430
Charge during the year	124,603	-	1,372	-	125,975
At 31 December 2016 and 1 January 2017	1,572,289	-	11,116	-	1,583,405
Charge during the year	149,361	-	1,331	-	150,692
At 31 December 2017	1,721,650	-	12,447	-	1,734,097
Net carrying amount:					
At 31 December 2016	866,353	15	6,555	1,051,751	1,924,674
At 31 December 2017	1,863,477	15	5,680	72,860	1,942,032

* Included in this amount is RM11.6 million written off cost on design and consultancy cost on Second Inner Harbour.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

17. Intangible assets (Continued)

Interest expense capitalised during the year under capital work-in-progress of the Group amounted to RM20,846,000 (2016: RM39,490,000).

Company	Software RM'000
Cost:	
At 1 January 2016	600
Additions	383
At 31 December 2016 and at 1 January 2017	983
Additions	106
At 31 December 2017	1,089
Accumulated amortisation:	
At 1 January 2016	77
Charge during the year	91
At 31 December 2016 and 1 January 2017	168
Charge for the year	121
At 31 December 2017	289
Net carrying amount:	
At 31 December 2016	815
At 31 December 2017	800

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**17. Intangible assets (Continued)****Key assumptions used in value-in-use calculations of Samalaju Industrial Port impairment assessment ("CGU")**

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.

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 9.0% (2016: 8.0%).

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 7 years and published tariff rates issued by Samalaju Port Authority. Projected cargo volume is assumed to be constant after 7 years.

(c) Expenses

Expenses are annually escalated at 3% (2016: 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

18. Other receivables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amount due from subsidiaries	-	-	2,708	1,417
Interest receivable	1,035	1,467	24	27
Staff loans	1,950	2,006	674	527
Sundry receivables	28,368	28,798	297	316
	<u>31,353</u>	<u>32,271</u>	<u>3,703</u>	<u>2,287</u>

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

19. Concession financial assets

	Group	
	2017 RM'000	2016 RM'000
At 1 January	25,982	24,527
Facilitation fund receivable	99,038	59,102
Facilitation fund received	(76,922)	(57,647)
At 31 December	<u>48,098</u>	<u>25,982</u>

Concession financial assets comprises facilitation fund receivable from the Government of Malaysia for construction services rendered in respect of Samalaju Port development project up to 31 December 2017.

20. Other current assets

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Prepaid operating expenses	<u>24,852</u>	<u>25,882</u>	<u>369</u>	<u>376</u>

Included in prepaid operating expenses is prepaid base rental for the first quarter of the following year of RM18,431,452 (2016: RM18,431,452) paid to Bintulu Port Authority ("BPA").

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

21. Investment in securities

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<i>Fair value through profit or loss</i>				
Non-equity exposure unit trust fund quoted in Malaysia, at carrying amount	<u>81,879</u>	<u>25,000</u>	<u>10,265</u>	<u>5,000</u>

22. Cash and bank balances

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash at banks and on hand	7,571	16,843	185	2,043
Deposit with licensed financial institutions:				
Short term deposits with licensed banks	508,280	519,809	21,800	15,000
Money market instruments purchased under repurchase agreements	47,630	89,810	5,400	3,450
	<u>555,910</u>	<u>609,619</u>	<u>27,200</u>	<u>18,450</u>
Cash and bank balances	563,481	626,462	27,385	20,493
Trade receivables (Note 25)	59,495	46,240	-	-
Other receivables (Note 18)	31,353	32,271	3,703	2,287
Concession finance receivables (Note 19)	48,098	25,982	-	-
Total loans and receivables	<u>702,427</u>	<u>730,955</u>	<u>31,088</u>	<u>22,780</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

22. Cash and bank balances (Continued)

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

Group	Interest rate		Maturity	
	2017 %	2016 %	2017 Days	2016 Days
Deposits with licensed banks	3.00 - 3.90	3.40 - 4.10	31 - 365	31 - 365
Money market instruments purchased under repurchase agreements	<u>2.00 - 2.80</u>	<u>2.50 - 2.75</u>	<u>5 - 22</u>	<u>4 - 18</u>
Company				
Deposits with licensed banks	3.70	3.80	31 - 33	31 - 33
Money market instruments purchased under repurchase agreements	<u>2.70 - 2.75</u>	<u>2.70 - 2.75</u>	<u>11 - 18</u>	<u>7 - 18</u>

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	563,481	626,462	27,385	20,493
Less: Deposits with maturity period of more than 3 months	<u>(18,790)</u>	<u>(176,689)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u>544,691</u>	<u>449,773</u>	<u>27,385</u>	<u>20,493</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

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 Allowances RM'000	Contractual Obligation on Lease Payment RM'000	Retirement Benefits RM'000	Unabsorbed Capital Allowances RM'000	Others RM'000	Total RM'000
At 1 January 2016	28,876	(33)	(8,033)	(55,403)	(9,131)	-	(7,058)	(50,782)
Recognised in profit or loss (Note 12)	(11,302)	2	4,607	239	587	-	3,831	(2,036)
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)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

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	
	2017 RM'000	2016 RM'000
Deferred tax assets	(59,298)	(52,818)
Deferred tax liabilities	1,064	-
	<u>(58,234)</u>	<u>(52,818)</u>

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unabsorbed tax losses	29,431	18,303	9,445	6,645
Unutilised capital allowances	36,729	19,107	1,139	766
	<u>66,160</u>	<u>37,410</u>	<u>10,584</u>	<u>7,411</u>

24. Inventories

	Group	
	2017 RM'000	2016 RM'000
Landed development properties in staff housing project, at net realisable value	<u>4,544</u>	<u>6,563</u>

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.

Foreseeable losses amounting to RM6,700,000 were recognised in the previous financial year due to the uncertainty of project completion and the ability of BPSB to sell the houses. The project was revived in 2003 and completed in 2005 and was handed over to BPSB on 17 March 2006.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**24. Inventories (Continued)**

During the previous financial year, the provision for foreseeable losses was reversed as all issues in respect of the housing project was only resolved in 2016. Among others:

- (a) Consent Order for final settlement of the land issues with the former developer was only granted by the Court on 30 October 2013;
- (b) Payment of land premium to Land & Survey was effected on 14 September 2016;
- (c) The Issue Document of Title in respect of the individual subplot was only issued by Land & Survey Office on 6 February 2017.

Thus, BPSB has appointed its solicitors to prepare the necessary Memorandum of Transfer in favour of each individual buyers and now pending completion of the same.

25. Trade receivables

Trade receivables are non-interest bearing and are generally on 15 to 45 days (2016: 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, Petroliaam Nasional Berhad, with the amount of RM9,520,366 (2016: RM10,084,978) and RM1,186,697 (2016: RM2,641,902) respectively.

Ageing analysis of trade receivables

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

	2017 RM'000	Group 2016 RM'000
Trade receivables - LNG:		
Neither past due nor impaired	10,862	15,101
1 to 15 days past due not impaired	158	3
More than 15 days past due not impaired	-	440
	158	443
	<u>11,020</u>	<u>15,544</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

25. Trade receivables (Continued)

Ageing analysis of trade receivables (Continued)

	Group	
	2017 RM'000	2016 RM'000
Trade receivables - Non LNG:		
Neither past due nor impaired	17,790	19,539
1 to 45 days past due not impaired	336	1,255
More than 45 days past due not impaired	773	5,202
	<u>1,109</u>	<u>6,457</u>
	<u>18,899</u>	<u>25,996</u>
	<u>29,919</u>	<u>41,540</u>
Trade receivables – bulking services:		
Neither past due nor impaired	3,338	2,187
1 to 30 days past due not impaired	-	2
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	190	164
	<u>192</u>	<u>166</u>
	<u>3,530</u>	<u>2,353</u>
Trade receivables – port services at Samalaju:		
Neither past due nor impaired	21,551	2,252
1 to 30 days past due not impaired	4,357	26
31 to 60 days past due not impaired	-	68
61 to 90 days past due not impaired	-	1
More than 120 days past due not impaired	138	-
	<u>4,495</u>	<u>95</u>
	<u>26,046</u>	<u>2,347</u>
	<u>59,495</u>	<u>46,240</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

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 RM5,955,000 (2016: RM7,160,840) 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.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience and no adverse information to date, the directors of the Group are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

26. Share capital and share premium

	← No. of shares →		← Amount →			
Group/Company	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
At 1 January 2016 and 31 December 2016	<u>460,000</u>	<u>*</u>	<u>460,000</u>	<u>*</u>	<u>430,818</u>	<u>890,818</u>
At 1 January 2017	460,000	*	460,000	*	430,818	890,818
Transfer of share premium #	-	-	430,818	-	(430,818)	-
At 31 December 2017	<u>460,000</u>	<u>*</u>	<u>890,818</u>	<u>*</u>	<u>-</u>	<u>890,818</u>

* The Special Share amounted RM1.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

26. Share capital and share premium (Continued)

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.

- # 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 2017 under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

28. Contractual obligation for lease payments

	Group	
	2017 RM'000	2016 RM'000
At 1 January	746,866	835,297
Arose during the year *	109,404	-
Unwinding of discount (Note 9)	29,571	27,565
Payments	(131,007)	(115,996)
At 31 December	<u>754,834</u>	<u>746,866</u>
Current:	<u>117,248</u>	<u>102,851</u>
Non-current:		
Later than 1 year but not later than 2 years	120,858	112,769
Later than 2 years but not later than 5 years	422,700	388,445
Later than 5 years	94,028	142,801
	<u>637,586</u>	<u>644,015</u>
	<u>754,834</u>	<u>746,866</u>

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

In accordance with IC Interpretation 12 Service Concession Arrangement, 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 RM127,497,387 (2016: RM115,995,715) 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% (2016: 3.3%) is used to measure the present value of concession lease payable to BPA.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

28. Contractual obligation for lease payments (Continued)

(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 RM3,510,000 (2016: Nil) 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% (2016: Nil) is used to measure the present value of concession lease payable to SPA.

29. Loans and borrowings

	Group	
	2017 RM'000	2016 RM'000
Current		
Unsecured: Term loan	11,600	13,533
Non-current		
Unsecured: Term loan	-	9,666
Sukuk Murabahah	947,299	934,541
	947,299	944,207
Total loans and borrowings	958,899	957,740

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

	Group	
	2017 RM'000	2016 RM'000
On demand or within one year	11,600	13,533
Later than 1 year but not later than 2 years	-	9,666
Later than 2 years but not later than 5 years	-	-
Later than 5 years	947,299	934,541
	958,899	957,740

The effective interest rate during the financial year for term loan was 4.25% (2016: 4.25%).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**29. Loans and borrowings (Continued)****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.

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.

As at the reporting date, no values were ascribed on the corporate guarantee provided by the Company to secure the Sukuk Programme granted to Samalaju Industrial Port Sdn. Bhd.

Summary of the Sukuk Murabahah is tabulated below:

As at 31 December 2017/2016

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:

	2017 RM'000	2016 RM'000
Later than 6 years	<u>947,299</u>	<u>934,541</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

30. Other payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current:				
Other payables				
Due to subsidiaries	-	-	86	344
Accrued operating expenses	39,759	83,282	748	578
Sundry payables	38,142	41,893	1,233	707
Deposit received	3,361	7,064	-	-
Retention money	35,312	27,078	-	-
Staff gratuities	7,207	5,655	-	-
	<u>123,781</u>	<u>164,972</u>	<u>2,067</u>	<u>1,629</u>
Non-current:				
Directors' gratuities	1,118	926	1,118	926
Staff gratuities	24,949	30,438	-	-
	<u>26,067</u>	<u>31,364</u>	<u>1,118</u>	<u>926</u>
Total other payables	149,848	196,336	3,185	2,555
Add: Loans and borrowings (Note 29)	958,899	957,740	-	-
Add: Contractual obligation for lease payments (Note 28)	<u>754,834</u>	<u>746,866</u>	<u>-</u>	<u>-</u>
Total finance liabilities carried at amortised cost	<u>1,863,581</u>	<u>1,900,942</u>	<u>3,185</u>	<u>2,555</u>

(a) Other payables

Included in accrued operating expenses and sundry payables are amount due to PETRONAS Gas Berhad, a subsidiary of a substantial shareholder, Petroliaam Nasional Berhad of RM521,434 (2016: RM296,150). 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

30. Other payables (Continued)

(c) Staff gratuities

	Group	
	2017 RM'000	2016 RM'000
At 1 January	36,093	38,444
Arose during the year	1,674	1,847
Utilised during the year	(5,611)	(4,198)
At 31 December	<u>32,156</u>	<u>36,093</u>
Current:	<u>7,207</u>	<u>5,655</u>
Non-current:		
Later than 1 year but not later than 2 years	4,422	7,131
Later than 2 years but not later than 5 years	9,154	12,581
Later than 5 years	11,373	10,726
	<u>24,949</u>	<u>30,438</u>
	<u>32,156</u>	<u>36,093</u>

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	926	915	926	915
Arose during the year	192	186	192	186
Utilised during the year	-	(175)	-	(175)
At 31 December	<u>1,118</u>	<u>926</u>	<u>1,118</u>	<u>926</u>
Non-current:	<u>1,118</u>	<u>926</u>	<u>1,118</u>	<u>926</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

31. Provision for maintenance dredging costs

	Group	
	2017 RM'000	2016 RM'000
At 1 January	11,250	22,500
Arose during the year	7,659	10,682
Utilised during the year	-	(21,932)
At 31 December	18,909	11,250

32. Commitments

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Capital expenditure				
Approved and contracted for:				
Property, plant and equipment				
and concession intangible assets	52,717	273,123	-	-
Approved but not contracted for:				
Property, plant and equipment				
and concession intangible assets	2,452	1,945	-	-
	55,169	275,068	-	-

(b) Lease commitments

	Group	
	2017 RM'000	2016 RM'000
Not later than 1 year	1,375	1,250
Later than 1 year but not later than 5 years	5,773	5,636
Later than 5 years	40,010	41,522
	47,158	48,408

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Significant transactions with subsidiaries				
Dividend income	-	-	115,200	115,200
Management fee received from subsidiaries	-	-	35,222	33,188
Rental expense charged by a subsidiary	-	-	(3,600)	(3,600)
Transactions with subsidiaries of a substantial shareholder, Petroliaam Nasional Berhad:				
Rendering of services:				
- Malaysia LNG Sdn. Bhd.	263,112	274,691	-	-
- ASEAN Bintulu Fertilizer Sdn. Bhd.	-	292	-	-
- PS Terminal Sdn. Bhd.	1,288	1,336	-	-
- PETRONAS Carigali Sdn. Bhd.	10,910	4,787	-	-
- PETRONAS Dagangan Berhad	1,035	792	-	-
- PETRONAS Floating LNG 1 (L) Ltd	1,745	522	-	-
- PETRONAS Chemical Marketing (L) Ltd	858	671	-	-
Purchase of fuel and lubricants:				
- PETRONAS Dagangan Berhad	(1,617)	(228)	-	-
Purchase of gas:				
- PETRONAS Gas Berhad	(2,336)	(2,135)	-	-

Information regarding outstanding balances arising from related party transactions as at 31 December 2017 are disclosed in Notes 25 and 30.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Remuneration and benefits	2,890	3,051	2,190	2,209
Post-employment benefits: Defined contribution plan	123	154	123	154
	<u>3,013</u>	<u>3,205</u>	<u>2,313</u>	<u>2,363</u>

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**34. Service concession arrangements (Continued)****(a) Bintulu Port (Continued)**

	← Intangible assets →		
	Gross value	Net book value	Financial asset
	RM'000	RM'000	RM'000
• Description arrangement: Financing, building and operating of Bintulu Port	2,278,841 (2016: 2,276,626)	605,333 (2016: 721,868)	Nil (2016: Nil)
• 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			

(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 RM1.90 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

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	Net book value	Financial asset
	RM'000	RM'000	RM'000
• Description arrangement: Financing, building and operating of Samalaju Port	1,379,145 (2016: 1,213,767)	1,331,004 (2016: 1,196,236)	Nil (2016: Nil)
• 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			

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:

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**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 approximations 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).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

36. Fair value measurement (Continued)

Fair value hierarchy (Continued)

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:

Group	Date of valuation	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Liabilities for which fair values are disclosed (Note 35 (a))					
Loans and borrowings	31				
- Fixed rate term loan and SUKUK Murabahah	December 2017	-	968,253	-	968,253
Liabilities for which fair values are disclosed (Note 35 (a))					
Loans and borrowings	31				
- Fixed rate term loan and SUKUK Murabahah	December 2016	-	977,983	-	977,983

There have been no transfers between Level 1 and Level 2 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**37. Financial risk management objectives and policies (Continued)****(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 the Company's fixed deposits, money market investments and repurchase agreements ("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

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For cash and cash equivalents, the Group minimises credit risk by dealing exclusively with high credit rating financial institutions.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. Credit risk is controlled and minimised through the application of credit approvals, limits and monitoring procedures. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures. Outstanding customer receivables are regularly monitored and are generally covered by bank guarantee.

Credit risk concentration profile

Other than the amount owing by subsidiaries of Petroliam National Berhad as disclosed in Note 25, the Group does not have other significant concentration of credit risk. The credit risk is minimised and controlled through the application of credit approvals, credit limits, collaterals and monitoring procedures.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 25. Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

37. Financial risk management objectives and policies (Continued)

(b) Credit risk (Continued)

Financial assets that are past due but not impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 25.

(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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

37. Financial risk management objectives and policies (Continued)

(c) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

Group	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
At 31 December 2017					
Financial liabilities:					
Other payables (Note 30)	149,848	149,848	123,781	14,694	11,373
Loans and borrowings (Note 29)	958,899	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	<u>1,863,581</u>	<u>2,650,622</u>	<u>311,712</u>	<u>765,512</u>	<u>1,573,398</u>
At 31 December 2016					
Financial liabilities:					
Other payables (Note 30)	196,336	196,336	164,972	20,638	10,726
Loans and borrowings (Note 29)	957,740	1,570,770	51,163	160,290	1,359,317
Contractual obligation for lease payments (Note 28)	746,866	837,963	127,497	562,953	147,513
Total undiscounted financial liabilities	<u>1,900,942</u>	<u>2,605,069</u>	<u>343,632</u>	<u>743,881</u>	<u>1,517,556</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

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 2017					
Financial liabilities:					
Other payables (Note 30)	3,185	3,185	2,067	1,118	-
At 31 December 2016					
Financial liabilities:					
Other payables (Note 30)	2,555	2,555	1,629	926	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**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	2017 RM'000	2016 RM'000
Loans and borrowings	29	958,899	957,740
Other payables	30	149,848	196,336
Less: Cash and bank balances	22	(563,481)	(626,462)
Net debt		<u>545,266</u>	<u>527,614</u>
Equity attributable to the owners of the parent		<u>1,214,248</u>	<u>1,156,676</u>
Total equity		<u>1,214,248</u>	<u>1,156,676</u>
Capital and net debt		<u>1,759,514</u>	<u>1,684,290</u>
Gearing ratio		<u>30.99%</u>	<u>31.33%</u>

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

39. Segment information (Continued)

Except as indicated above, no operating segments have 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 2017						
Revenue:						
External customers representing total revenue (Note 4)	<u>777,596</u>	<u>45,897</u>	<u>-</u>	<u>(6,297)</u>		<u>817,196</u>
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	<u>197,071</u>	<u>19,727</u>	<u>109,680</u>	<u>(115,200)</u>	B	<u>211,278</u>
Assets:						
Additions to non-current assets	178,265	583	5,606	-	C	184,454
Segment assets	<u>2,926,750</u>	<u>150,373</u>	<u>984,416</u>	<u>(945,325)</u>	D	<u>3,116,214</u>
Segment liabilities	<u>1,886,886</u>	<u>17,233</u>	<u>3,186</u>	<u>(5,339)</u>	E	<u>1,901,966</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

39. Segment information (Continued)

	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 2016						
Revenue:						
External customers representing total revenue (Note 4)	<u>1,126,563</u>	<u>41,111</u>	<u>-</u>	<u>(5,702)</u>		<u>1,164,972</u>
Results:						
Interest income	25,468	709	1,579	-		27,756
Dividend income	-	-	115,200	(115,200)		-
Depreciation and amortisation	149,086	7,771	268	-		157,125
Other non-cash expenses	40,094	-	186	-	A	40,280
Segment profit	<u>188,057</u>	<u>16,976</u>	<u>111,146</u>	<u>(115,200)</u>	B	<u>200,979</u>
Assets:						
Additions to non-current assets	560,864	5,537	1,222	-	C	567,623
Segment assets	<u>2,904,755</u>	<u>149,864</u>	<u>970,518</u>	<u>(943,149)</u>	D	<u>3,081,988</u>
Segment liabilities	<u>1,900,521</u>	<u>25,402</u>	<u>2,555</u>	<u>(3,166)</u>	E	<u>1,925,312</u>

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

	Group	
	2017 RM'000	2016 RM'000
Staff gratuities	1,674	1,847
Maintenance dredging costs	7,659	10,682
Directors' gratuities	192	186
Unwinding of discount	<u>29,571</u>	<u>27,565</u>
	<u>39,096</u>	<u>40,280</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

39. Segment information (Continued)

- 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	
	2017 RM'000	2016 RM'000
Dividend income	(115,200)	(115,200)

	2017 RM'000	2016 RM'000
C Additions to non-current assets consist of:		
Property, plant and equipment	15,348	14,078
Intangible assets	169,106	553,545
	<u>184,454</u>	<u>567,623</u>

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

	Group	
	2017 RM'000	2016 RM'000
Goodwill	15	15
Investment in subsidiaries	(940,000)	(940,000)
Inter-segment assets	(5,340)	(3,164)
	<u>(945,325)</u>	<u>(943,149)</u>

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

	2017 RM'000	2016 RM'000
Inter-segment liabilities	<u>5,339</u>	<u>3,166</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

40. Subsequent event

On 29 July 2016, a wholly owned subsidiary of Bintulu Port Holdings Berhad ("BPHB"), Samalaju Industrial Port Sdn. Bhd. ("SIP") was served with a Writ of Summons and Statement of Claim filed by Macon Charter B.V. ("Macon"), a company incorporated in the Netherlands through Messrs Joseph & Partners ("JP") Advocates & Solicitors who named Inai Kiara Sdn. Bhd. ("IK") as the 1st Defendant, Integrated Marine Works Sdn. Bhd. ("IMW") as the 2nd Defendant and SIP as the 3rd Defendant. The Defendants are companies incorporated in Malaysia.

The action was initiated for alleged failure of the Defendants to effect payment to Macon under the Agreement of Hire of Dredging Equipment ("Charter Contract") dated 17 January 2015 between Macon and IMW. IK on behalf of IMW has entered into Amendment to the Charter Contract dated 16 October 2015 for the extension of the charter hire. SIP has awarded the Capital Dredging and Reclamation Package for Phase 1 Works ("the Contract") to IMW.

Macon sought the following relief against SIP:

- a) The sum of Euro 5.8 million;
- b) Late payment penalty;
- c) Judgement interest;
- d) Costs; and
- e) Any further or other relief that the Honourable Court may deem fit and just.

SIP has retained the services of Messrs. Shearn Delmore & Co ("SD") to act on its behalf. SIP has applied for striking out of the case but was dismissed by the court on the grounds that the case is not as utmost unsustainable case which deserved to be struck out without going for trial. The trial dates was fixed on 5 to 9 June 2017 and 11 to 15 September 2017 respectively while the date for clarification/oral submission/decision was fixed on 23 February 2018.

On 23 February 2018, the Court dismissed Macon's claim against the 3rd Defendant with cost.

41. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 8 March 2018.

INDEPENDENT AUDITORS' REPORT to the members of Bintulu Port Holdings Berhad - 380802-T (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 2017 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 149 to 220.

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 2017, 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.

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.

INDEPENDENT AUDITORS' REPORT

to the members of Bintulu Port Holdings Berhad - 380802-T

(Incorporated in Malaysia)

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 intangible 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 2017. As at 31 December 2017, the carrying amount of the concession intangible assets of SIPSB is RM1,332mil.

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.

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) reviewed the project engineer's (KTA Sarawak Sdn. Bhd.) project progress report on the construction progress of the port for the timing of cash flows;
- e) evaluated the appropriateness of 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
- f) assessed the sensitivity of the cash flows to changes in the discount rate and cargo projected.

In addition, we also evaluated the adequacy of 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.

INDEPENDENT AUDITORS' REPORT **to the members of Bintulu Port Holdings Berhad - 380802-T** **(Incorporated in Malaysia)**

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 2017 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon which we obtained prior to the date of this auditors' report, and the Group's 2017 Annual Report, which is expected to be made available to us after the date of this auditors' report.

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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the Group's 2017 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

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.

INDEPENDENT AUDITORS' REPORT to the members of Bintulu Port Holdings Berhad - 380802-T (Incorporated in Malaysia)

Auditor's responsibilities for the audit of the financial statements (Continued)

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 scepticism 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.
- 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.

INDEPENDENT AUDITORS' REPORT**INDEPENDENT AUDITORS' REPORT****to the members of Bintulu Port Holdings Berhad - 380802-T
(Incorporated in Malaysia)***Auditor's responsibilities for the audit of the financial statements (Continued)*

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

Kuala Lumpur, Malaysia
19 March 2018

Najihah Binti Khalid
No. 03249/10/2018 J
Chartered Accountant



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OTHER INFORMATION

1. ANALYSIS OF HOLDINGS AS AT 28 FEBRUARY 2018

Size of Holdings	No. of Holders		No. of Shares		%	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1-99	24	2	471	144	0.000	0.000
100-1,000	582	15	508,900	9,200	0.110	0.002
1,001-10,000	608	8	2,484,400	34,600	0.540	0.007
10,001-100,000	111	9	2,937,600	280,600	0.638	0.061
100,001-22,999,999	25	4	70,336,585	3,478,000	15.290	0.756
23,000,000 and above	5	0	379,929,500	0	82.593	0.000
Total	1,355	38	456,197,456	3,802,544	99.171	0.826

2. LIST OF TOP THIRTY (30) HOLDERS AS AT 28 FEBRUARY 2018

No.	Name of Holders	Holdings	%
1.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD	131,171,000	28.515
2.	STATE FINANCIAL SECRETARY SARAWAK	122,701,000	26.674
3.	EQUISAR ASSETS SDN BHD	60,000,000	13.043
4.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	42,078,300	9.147
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	23,979,200	5.212
6.	LEMBAGA TABUNG HAJI	17,000,000	3.695
7.	MISC BERHAD	10,619,000	2.308
8.	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM BUMIPUTERA	8,980,485	1.952
9.	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM WAWASAN 2020	8,400,200	1.826
10.	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM MALAYSIA	5,500,000	1.195
11.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	3,974,800	0.864
12.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ITTIKAL SEQUEL FUND	3,428,500	0.745
13.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	3,172,100	0.689
14.	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM DIDIK	3,000,000	0.652
15.	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	2,320,000	0.504
16.	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	1,001,200	0.217
17.	SHOPTRA JAYA (M) SDN BHD	913,800	0.198
18.	LOH KAH WAI	702,000	0.152

No.	Name of Holders	Holdings	%
19.	AMSEC NOMINEES (TEMPATAN) SDN BHD ASSAR ASSET MANAGEMENT SDN BHD FOR TABUNG BAITULMAL SARAWAK (MAJLIS ISLAM SARAWAK) (FM-ASSAR-TBS)	588,000	0.127
20.	WONG LOK JEE @ ONG LOK JEE	522,000	0.113
21.	KOPERASI JAYADIRI MALAYSIA BERHAD	500,000	0.108
22.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (I-VCAP)	468,000	0.101
23.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA FAMILY TAKAFUL BERHAD (FAMILY PRF)	433,800	0.094
24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (LIFE PAR)	354,000	0.076
25.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT DIVIDEND FUND (5311-401)	331,000	0.071
26.	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH KAH WAI	300,000	0.065
27.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NIK ABD RAHMAN BIN NIK ISMAIL(BPH 1)	298,200	0.064
28.	THAN THAI KIM @ TAN TAI KIM	214,300	0.046
29.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AHMAT BIN NARAWI (BPH 1)	205,000	0.044
30.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR UBS AG SINGAPORE (FOREIGN)	156,000	0.033

3. SUBSTANTIAL SHAREHOLDERS AS AT 28 FEBRUARY 2018

No.	Name of Holders	Shareholdings	%
1.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD	131,171,000	28.515
2.	STATE FINANCIAL SECRETARY SARAWAK	122,701,000	26.674
3.	EQUISAR ASSETS SDN BHD	60,000,000	13.043
4.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	42,078,300	9.147
Total		355,950,300	77.379

Summary of Equipment & Facilities as at 28 February 2018

Description	No. of Berth/Jetty	Total Capacity/Area		
Type Of Berth		Length (meter)	Depth (meter)	Max Vessel Size (dwt)
Bintulu Port				
General Cargo Wharf	3	514.5	10.5	25,000
Bulk Cargo Wharf	1	270	13.5	60,000
LNG Jetty	3	-	15.0	80,000
LPG Jetty (Decommisioned until completion of LNG4)	1	-	11.0	51,000
Petrochemical Terminal	2	-	11.0	30,000
Shell MDS Jetty	1	-	13.0	40,000
Container Terminal	2	450	14.0	55,000
Edible Oils Terminal	2	-	14.0	50,000
	1 (Barge Berth)	-	9.0	10,000
Single Buoy Mooring	2	-	19.5	320,000
Oil Barge Berth	1	65	7.0	2,000
Coastal Terminal	1	120	4.5	1,000
Multipurpose Terminal	5	950	14.0	55,000
Bunkering Berth (MPT 10)	1	45	4.5	
Samalaju Industrial Port				
Barge Berth	2	320	7	8,000
Ro Ro Ramp	1	20	7	8,000

Type Of Storage	Units	Area (m²)
General Cargo Wharf		
Transit Shed	2	10,000
- Transit Shed 1		5,000
- Transit Shed 2		2,860
- Timber Yard		2,140
- Storage Godown	3	7,200 (each Storage Godown area: 2,400 m²)
- Open Storage Area	16 Block (each bay length: 127.60 m) (each bay width : 18.25 m)	71,900
- Rigger Warehouse	1	2,376
Multipurpose Terminal		
- Timber Shed	2	7,800 m² each
- Hazardous Godown	1	1,200 m²
- Open Yard	6 Block A/B *each bay length: 55.22 m *each bay width: 15.86 m	17,160 m²

Type Of Storage	Units	Area (m ²)
Container Terminal		
- RTG Block	26	2,496 Ground Slots*
- RSD Block	8	640 Ground Slots*
- Customs Examination Area	1	12 Ground Slots*
- Dangerous Goods Storage	1	84 Ground Slots*
- Reefer Points	1	84 Ground Slots*
- On-Dock Depot (ODD)	5	442 Ground Slots*
*(Twenty Footer)		

Type Of Vessels	Units	Capacity
Mooring Boat	3	-
Mooring Boat (Charter)	1	-
Shiphandling Tug 45 Tons	3	45 tonnes bollard pull
Shiphandling Tug 45 Tons (Charter)	3	45 tonnes bollard pull
Shiphandling Tug 25 Tons (New)	2	25 tonnes bollard pull
Shiphandling Tug 25 Tons (Old)	2	25 tonnes bollard pull
Shiphandling Tug 25 Tons (Charter)	2	25 tonnes bollard pull
Mild Steel Pilot Boat	1	-
Pilot Boat (Charter)	2	-
Aluminium Pilot Boat	1	-
Aluminium Patrol Boat	2	-
Mild Steel Patrol Boat	1	-
Patrol Dinggy	1	-
Fiberglass Patrol Boat	1	-

Cargo Handling & Mechanical Equipment	No. of Units	Capacity (Tonnes) *Safe Working Load (SWL)
Container Handling Equipment		
Post-Panamax Quay Crane	2	40.6 (Under Spreader), 50 (Cargo Beam)
Panamax Quay Crane	2	40.6 (Under Spreader), 50 (Cargo Beam)
Rubber Tyred Gantry Crane (4+1 high / 6+1 high with 6+1 row)	14	40.6 (Under Spreader)
Reach Stacker	8	45
Towing Terminal Tractor	41	60 (Max. Towed Load including Trailer)
Container Trailer	49	40 (Safe Loading Capacity)
Heavy Forklift	4	8
LPG Forklift	3	3
Battery Powered Forklift	3	3
Empty Container Handler	2	10
Empty Reach Stacker	2	10

Cargo Handling & Mechanical Equipment	No. of Units	Capacity (Tonnes) *Safe Working Load (SWL)
Cargo Handling Equipment		
Heavy Forklift (Diesel)	7	8
Forklift (Diesel)	44	4
Extra Heavy Forklift (Diesel)	1	25
Terminal Tractor	27	60 (Max. Towed Load including Trailer)
Platform Trailer	32	40 (Safe Loading Capacity)
Mobile Truck Crane	1	50
Bulking Machinery & Equipment		
Oil Fired Package Boilers (2 units)	4	6,000kg/hr (Steam Generation)
Pumpsets (Pump House A) Road Tanker Pump – 7 Export Pump – 6	13	250-300mt/hr (for export pump) 115mt/hr (for Road Tanker Pump)
Pumpsets (Pump House B) Road Tanker Pump – 4 Export Pump – 4	8	250-300 mt/hr (for Export Pump) 115mt/hr (for Road Tanker Pump)
Tonnes Toyota Forklift	1	2.5 tonnes
Tonnes RY Forklift (2 Units)	2	3.0 tonnes
Ingersoll-Rand Air Compressor	4	427 CFM
Diesel Standby Generator Set	1	500kVA
Pressure Vessel	3	30m ³
Samalaju Industrial Port Handling Equipment		
<u>SIPSB Conveyor System Facilities</u>		
Conveyor Belt Line-A	1	600 TPH (max.)
Conveyor Belt Line- B	1	1,200 TPH (max.)
Conveyor Belt Line-C	1	1,200 TPH (max.)
Conveyor Belt Line-D	1	1,200 TPH (max.)
Stacker 1 (Stockpile 1)	1	3,000 TPH (max.)
Stacker 2 (Stockpile 2)	1	1,200 TPH (max.)
Stacker 3 (Stockpile 3)	1	1,200 TPH (max.)
<u>SIPSB Quay Equipment</u>		
Level Luffing Cranes	3	Under Grab: 25T @ max. 600 TPH Under Hook: 40T SWL
Mobile Harbour Cranes	2	Under Grab: 52T Under Hook: 84T SWL Under Spreader: 41T SWL
Portable Hoppers	2	Volumetric Capacity: 30m ³ & 55m ³ SWL: 100 Tonnes
<u>SIPSB Yard Equipment</u>		

Cargo Handling & Mechanical Equipment	No. of Units	Capacity (Tonnes) *Safe Working Load (SWL)
Material Handlers	5	Under Grab: 8T SWL Under Hook: 20T SWL Under Spreader: 9T SWL
Reach Stackers	2	45T
Dump Trucks	8	35T
Terminal Tractors	8	Towing Capacity: 70T
Container Trailers	4	40T SWL
Platform Trailers	4	40T SWL
Extra Heavy Forklifts	1	25T
Heavy Forklifts	2	8T
High Mast Forklifts	10	4T
Low Mast Forklifts	2	4T
Excavators	3	Operating weight: 13.5T Bucket volume: 0.54m ³ Lifting capacity: 4.3t SWL
Wheel Loaders	2	Operating Weight: 17.2T Bucket volume: 3.6m ³ Lifting Capacity: 5T
Skid Steer Loaders	4	Operating Weight: 3.3T Bucket volume: 0.4m ³ Lifting capacity: 1.7T

Bulking Facilities	No. of Units/Facilities	Capacity (Metric Tonnes)
2,600 MT Tank	19	49,400
2,000 MT Tank	42	84,000
1,000 MT Tank	16	16,000
650 MT Tank	8	5,200
Export Pipelines	13	-
Bulking Pipelines	8	-

LIST OF PROPERTIES AS AT 28 FEBRUARY 2018

Location	Description	Tenure (Years)	Area sq. Ft.
Land:			
Part of Lot 15 & 37 (Alienated Land), Tanjung Kidurong, Kemena Land District, Bintulu, Sarawak.	The surveyed land area identified in the Agreement to sub-Lease (Alienated Land) dated 31.12.1992	Leasehold (Expiring in 2022)	4,415,170
Part of Lot 15 & 37 (BICT Land) Tanjung Kidurong, Kemena Land District, Bintulu, Sarawak.	The surveyed land area which covers the BICT	Leasehold (Expiring in 2022)	2,693,040

Location	Age of Building (Years)	Area sq. Ft.	Net Carrying Value (RM'000)
Building, structures & improvements:			
<u>Built on Alienated Land</u>			
Single Storey Office Building	23	6,935	460
<u>Built on BICT Land</u>			
Receipt & Delivery Building	20	12,110	3,189
Gate House	20	5,015	178
Crane Service Station	20	9,300	226
Crane Service Workshop (Extension)	10	3,488	364
Custom Examination Shed	20	2,583	19
Canteen Building	20	11,959	2,144
Marine Operation Building	20	16,534	915
Marine Maintenance Building	20	9,300	344
Wisma Kontena Building	18	69,727	3,227
Access Road (including 2 bridges)	20	-	2,767
Container Stacking Yard	20	1,937,229	16,435
Empty Container Stacking Yard	8	282,143	1,957
New Storage Yard	22	-	189
Container Stacking Yard (BICT Extension)	8	618,279	25,523
Upgrading Work to Open Storage Yard at BICT	7	1,216,935	2,333
Main Intake Substation	22	2,174	298
Quay Crane Substation	20	1,485	176
CFS Substation Marine	20	904	96
Marine Operation Substation	20	1,098	119
Wharves 4 & 5	20	168,053	14,557
Small Craft Harbour	20	-	2,235
Coastal Terminal / Gravel Jetty	20	9,085	195
Bulk Fertiliser Warehouse	13	21,700	5,045
Container Freight Station	7	65,390	5,397

Location	Age of Building (Years)	Area sq. Ft.	Net Carrying Value (RM'000)
CFS Pit Type Weighbridge	7		28
Mooring Service Building	4		505
Lub Oil Storage Shed	4		69
Schedule Waste Storage	4		67
Empty Container Stacking Yard (extension)	4		2,443
Asphaltic Concrete Pavement near Coastal Terminal	4		3,321
Operator's Resthouse Building	1		1,480
<u>Built on Multi Purpose Terminal Land (950 Meter Wharf)</u>			
MPT Open Storage Yard	7	859,815	10,223
500m Ex-BPP Wharf at MPT	7	46,177	9,499
Transit Shed 1	7	95,723	5,948
Transit Shed 3	7	95,723	4,167
Plant Maintenance Workshop	7	23,182	2,364
Hazardous Goods Godown	7	17,823	2,338
Operator's Resthouse	7	2,809	374
M&E Plant Room	7	3,263	929
MPT Operational Gate	7	1,791	636
MPT Weighbridge	7	32,258	133
New Stone Base (Gravel) Area	7	22,604	86
Workers Resting Area at MPT	7	2,190	59
Temporary Bunkering Facility at MPT10	4	5,301	253
<u>Built on 2nd Inner Harbour Land</u>			
Edible Oil Terminal	12	44,215	13,801
Bulking Building: Built on 2nd Inner Harbour Land			
<u>Buildings</u>			
Administrative Building	13	6,272	603
M&E Block A Building	13	3,833	253
M&E Block B Building	13	3,005	221
Pump House A	13	14,592	604
Pump House B	7	13,612	1,594
Operator Rest House	5	784	160
One Stop Sampling Store	4	-	78

LIST OF PROPERTIES

Location	Age of Building (Years)	Area sq. Ft.	Net Carrying Value (RM'000)
Samalaju Industrial Port Building and Structures:			
<u>Interim Port Facility</u>			
Access Road	4	437,875.88	11,811
Breakwater & Revetment	4	552m (length)	33,896
Wharf	4	146,819.74	61,479
Fender system	4	74 (nos)	4,568
Navigation Lighting System	4	-	1,364
Check Point Building	4	513.44	124
Weigh Bridges	4	-	1,180
<u>Operation Buildings</u>			
Office Block A	4	7,407.17	791
Office Block B	4	7,407.17	727
Worker Rest Shed	4	4,347.01	466
Canteen	4	4,639.19	475
Maintenance Shed	4	8,815.64	856
Guard House	4	383.63	82
Miscellaneous Building	4	-	1,897
<u>Administration Building and Control Tower</u>			
Administration Building and Control Tower	1	20,700	13,320
Central Utilities Building Admin	1	3,198	611
Guard House	1	135	48
<u>On-Shore Facilities</u>			
Warehouse Type 1 (Enclosed)	1	38,750	5,745
Warehouse Type 2 (Open)	1	31,000	4,215
Central Utilities Building 1	1	2,906	417
Central Utilities Building 2	1	2,906	345
Central Utilities Building 3	1	2,906	345
Central Utilities Building 4	1	3,982	584
Check Point Building	1	5,855	1,235
Water Reticulation Works	1	7,840	1,935
Access Roads and Platforming (Stockpile)	1	3,181,811	62,663

LIST OF PROPERTIES

Location	Age of Building (Years)	Area sq. Ft.	Net Carrying Value (RM'000)
<u>Wharves Facilities</u>			
Handymax Wharf No.1 (including 2 nos. of Link Bridges)	1	136,739	55,602
Handymax Wharf No.2	1	96,972	39,432
Handymax Wharf No.3	1	91,660	37,271
Handymax Wharf No.4	1	84,154	44,172
Handysize Wharf (including 2 nos. of Link Bridges)	1	128,042	73,681
Tug Boat Jetty	1	3,789	3,756
Berth Amenity Shed	1	2,309	566
CUB Crane	1	4,361	784
2 nos. Beacon Light Tower	1	264	2,767
<u>Breakwater</u>			
Southern Breakwater	1	1.6 km (length)	125,191
Northern Breakwater	1	1.9 km (length)	148,664

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FORM OF PROXY



BINTULU PORT HOLDINGS BERHAD
Company No.: 380802-T
(Incorporated in Malaysia)

Number of Shares Held :
CDS Account No. :

I / We*NRIC / Company No.....
of (full address).....
being a member / members of Bintulu Port Holdings Berhad (the "Company") hereby appoint*.....
.....NRIC / Passport No.....
of.....
and / or* failing him / her*..... NRIC / Passport No.....
of.....
or failing him / her*, the Chairman of the Meeting as my/our* proxy, to vote for me/us* and my/our* behalf, at the Twenty-Second (22nd) Annual General Meeting of the Company to be held at Putrajaya Ballroom I, Level ML (Main Lobby) Putrajaya Marriott Hotel, IOI Resort City, 62502 Sepang Utara, Malaysia on Monday, 30th day of April 2018 at 2.30 pm or any adjournment thereof. My/our proxy is to vote as indicated below:

No.	Resolutions	For	Against
1.	To approve the payment of Final Single Tier Dividend of 6.0 sen per share and Special Single Tier Dividend of 4.0 sen per share in respect of the year ended 31 December 2017. Resolution 1		
2.	To approve the payment of Directors' fees amounting to RM1,579,200.00 for the year ended 31 December 2017. Resolution 2		
3.	To approve the payment of Directors' benefits amounting to RM398,000.00 to the Non-Executive Directors of Bintulu Port Holdings Berhad Group of Companies for the financial year ended 31 December 2017. Resolution 3		
4.	To approve the payment of Directors' fees amounting to RM2,568,100.00 to the Non-Executive Directors of Bintulu Port Holdings Berhad Group of Companies for the year 2018 starting from 1 January 2018 until the next AGM of the Company in 2019. Resolution 4		
5.	To approve the payment of Directors' benefits payable amounting to RM680,000.00 to the Non-Executive Directors of Bintulu Port Holdings Berhad Group of Companies for the year 2018 starting from 1 January 2018 until the next AGM of the Company in 2019. Resolution 5		
6.	To re-elect Dato' Sri Mohamed Khalid bin Yusup @ Yusup who retires under Article 127 of the Company's Articles of Association. Resolution 6		
7.	To re-elect Datuk Yasmin binti Mahmood who retires under Article 127 of the Company's Articles of Association. Resolution 7		
8.	To re-elect Encik Dzafri Sham bin Ahmad who retires under Article 127 of the Company's Articles of Association. Resolution 8		
9.	To re-elect Encik Salihin bin Abang who retires under Article 132 of the Company's Articles of Association. Resolution 9		
10.	To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 10		

Please indicate with an "X" in the appropriate space how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit, or at his/her discretion, abstain from voting.

For appointment of proxies. Percentage of shareholdings to be represented by the proxies:		
	No. of Shares	Percentage
First Named Proxy :		
Second Named Proxy :		
Total :		100%

Dated thisday of2018

.....
Signature(s) of Member(s) and / or Common Seal

***Delete where not applicable**

Notes:

Proxy

- Only depositors whose names appear on the Record of Depositors as at **23 April 2018** shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.
- A member of the Company entitled to attend and vote is entitled to appoint up to two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholding to be represented by each proxy.
- The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the **office of the appointed share registrar** for this AGM, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur **no later than 29 April 2018 (Sunday) at 2.30 pm.**
- Pursuant to Paragraph 8.29A of Bursa Malaysia Main Market Listing Requirements, all resolutions set out in the Notice of 22nd AGM will be put to vote on a poll.

2. FOLD THIS FLAP TO SEAL

AFFIX STAMP
RM0.80
HERE

The Share Registrar

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN. BHD. (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

1. FOLD HERE



BINTULU PORT HOLDINGS BERHAD

(Company No. 380802-T)

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