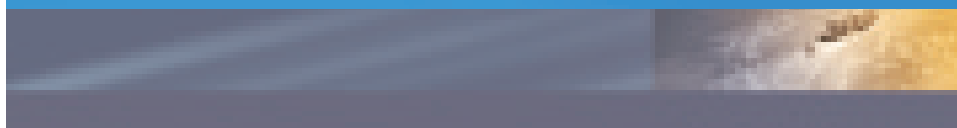


Directors' Report and
Audited Financial Statement
31 December 2003

Financial Statement



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DIRECTORS' REPORT

The Directors are pleased to submit their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activity of the Group is the provision of port services at Bintulu Port, Sarawak.

There was no significant change in the nature of these activities during the financial year except that a new subsidiary was incorporated during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Net profit for the financial year	90,631,784	48,253,958

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2002 were as follows:

	RM
In respect of the financial year ended 31 December 2002 as shown in the Directors' report of that year:	
Interim gross dividend of 15 sen per share, less income tax of 28%, paid on 15 February 2003	43,200,000
In respect of the financial year ended 31 December 2003:	
Interim gross dividend of 10 sen per share, less income tax of 28% paid on 1 October 2003	28,800,000
Interim gross dividend of 5 sen per share, less income tax of 28% paid on 18 February 2004	14,400,000

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2003.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS

Directors who have held office during the period since the date of the last report are as follows:

Tun Dato' Seri Hj. Mohd Eusoff Bin Chin (Chairman, appointed on 1 November 2003)
 Dato' Capt. Awangku Abdul Malit @ Awangku Malyx Bin Pengiran Mahran (Managing Director)
 Datuk Mohamed Adnan Bin Ali
 Tan Sri Dr. Samsudin Bin Hitam
 Dato' Haji Mohd Ali Bin Haji Yasin
 Abdul Rahim Bin Mokti
 Subkey Bin Abdul Wahab

In accordance with the Company's Articles of Association, Dato' Capt. Awangku Abdul Malit @ Awangku Malyx Bin Pengiran Mahran and Subkey Bin Abdul Wahab under Article 127 and Tun Dato' Seri Hj. Mohd Eusoff Bin Chin under Article 132, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election and election, respectively.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of 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 directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2003	Bought	Sold	At 31.12.2003
Datuk Mohamed Adnan Bin Ali	5,000	-	-	5,000
Dato' Capt. Awangku Abdul Malit @ Awangku Malyx Bin Pengiran Mahran	2,140,000	-	808,200	1,331,800

None of the other Directors held any interest in shares in the Company and its related corporations during the financial year.

DIRECTORS' REPORT (Continued)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

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, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the year in which this report is made.

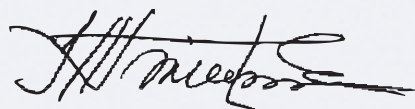
AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

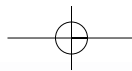
Signed on behalf of the Board of Directors in accordance with their resolution dated 26 February 2004.



TUN DATO' SERI HJ. MOHD EUSOFF BIN CHIN
DIRECTOR



**DATO' CAPT. AWANGKU ABDUL MALIT @
AWANGKU MALYX BIN PENGIRAN MAHRAN**
DIRECTOR



STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT 1965

Annual Report 2003

Bintulu Port Holdings Berhad (380802 - T)

We, Tun Dato' Seri Hj. Mohd Eusoff Bin Chin and Dato' Capt. Awangku Abdul Malit @ Awangku Malyx Bin Pengiran Mahran, two of the Directors of Bintulu Port Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 106 to 133 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2003 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 February 2004.

TUN DATO' SERI HJ. MOHD EUSOFF BIN CHIN

DIRECTOR

**DATO' CAPT. AWANGKU ABDUL MALIT @
AWANGKU MALYX BIN PENGIRAN MAHRAN**

DIRECTOR

STATUTORY DECLARATION

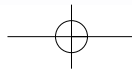
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

I, Rambli Bin Mashar, being the officer primarily responsible for the financial management of Bintulu Port Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 106 to 133 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.

RAMBLI BIN MASHAR

Subscribed and solemnly declared by the abovenamed Rambli Bin Mashar at Bintulu, Sarawak on 26 February 2004, before me.

COMMISSIONER FOR OATHS



REPORT OF THE AUDITORS TO THE MEMBERS OF BINTULU PORT HOLDINGS BERHAD (Company No. 380802-T)

We have audited the financial statements set out on pages 106 to 133. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and Company as at 31 December 2003 and of the results and cash flows of the Group and Company for the financial year ended on that date; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

Our reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection 3 of section 174 of the Act.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)
Chartered Accountants

THAYAPARAN A/L S. SANGARAPILLAI

No. 2085/09/04 (J)
Partner of the firm

Kuching

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

Annual Report 2003

Bintulu Port Holdings Berhad (380802 - T)

		Group		Company	
	Note	2003 RM	2002 RM	2003 RM	2002 RM
Revenue	4	309,642,144	273,332,395	60,450,000	60,450,000
Other operating income	5	14,709,388	15,355,263	7,905,084	8,001,138
Staff costs	6	(46,519,232)	(45,690,046)	(188,495)	(185,281)
Amortisation of purchased goodwill		(981,224)	(981,224)	-	-
Charter hire of boats		(5,035,808)	(5,167,149)	-	-
Depreciation of property, plant and equipment		(27,439,969)	(21,070,711)	-	-
Dredging costs		(13,216,088)	(7,446,567)	-	-
Fuel, electricity and utilities		(6,799,589)	(6,810,242)	(2,187)	(6,244)
Insurance expense		(4,189,794)	(2,413,733)	(3,447)	(3,030)
Leasing of port facilities		(70,881,346)	(65,604,071)	-	-
Impairment loss on properties under development and held for sale		-	(4,000,000)	-	-
Repair and maintenance		(11,333,955)	(10,204,991)	(1,665)	(2,782)
Stevedorage costs		(4,481,140)	(4,218,006)	-	-
(Loss)/gain on disposal of marketable securities		(7,383,416)	1,904,450	-	-
Write back/(down) of marketable securities		12,376,066	(3,029,350)	-	-
Other operating expenses		(10,250,609)	(11,159,054)	(809,332)	(782,210)
Profit from ordinary activities before tax	7	128,215,428	102,796,964	67,349,958	67,471,591
Tax	9	(37,583,644)	(30,048,683)	(19,096,000)	(19,202,683)
Net profit for the financial year		<u>90,631,784</u>	<u>72,748,281</u>	<u>48,253,958</u>	<u>48,268,908</u>
Earnings per share					
Basic (sen)	10	<u>22.66</u>	<u>18.19</u>		
Dividends per ordinary share in respect of the financial year (sen)	11	<u>15</u>	<u>25</u>	<u>15</u>	<u>25</u>

BALANCE SHEETS

AS AT 31 DECEMBER 2003

		Group		Company	
	Note	2003 RM	2002 RM	2003 RM	2002 RM
NON CURRENT ASSETS					
Property, plant and equipment	12	372,308,444	315,134,795	-	-
Investment in subsidiaries	13	-	-	300,000,000	299,999,998
Purchased goodwill	14	13,737,133	14,718,357	-	-
		<u>386,045,577</u>	<u>329,853,152</u>	<u>300,000,000</u>	<u>299,999,998</u>
CURRENT ASSETS					
Properties under development and held for sale	15	11,359,586	11,309,586	-	-
Trade receivables	16	18,121,230	13,644,523	-	-
Other receivables	17	63,410,957	50,291,305	1,994,179	3,298,044
Marketable securities	18	-	33,630,682	-	-
Tax recoverable		-	959,385	-	959,385
Dividend receivable from a subsidiary		-	-	29,016,000	43,524,000
Short term deposits	19	442,988,578	426,050,206	232,143,000	240,943,000
Cash and bank balances		8,917,465	12,661,619	2,704,889	304,951
		<u>544,797,816</u>	<u>548,547,306</u>	<u>265,858,068</u>	<u>289,029,380</u>
CURRENT LIABILITIES					
Payables	20	47,159,747	19,374,455	1,079,876	770,016
Tax payable		6,860,220	7,583,995	264,872	-
Dividend payable		14,400,000	43,200,000	14,400,000	43,200,000
		<u>68,419,967</u>	<u>70,158,450</u>	<u>15,744,748</u>	<u>43,970,016</u>
NET CURRENT ASSETS					
		<u>476,377,849</u>	<u>478,388,856</u>	<u>250,113,320</u>	<u>245,059,364</u>
		<u>862,423,426</u>	<u>808,242,008</u>	<u>550,113,320</u>	<u>545,059,362</u>
Financed by:					
Share capital	21	400,000,001	400,000,001	400,000,001	400,000,001
Reserves		430,355,526	382,923,742	150,113,319	145,059,361
SHAREHOLDERS' EQUITY					
		<u>830,355,527</u>	<u>782,923,743</u>	<u>550,113,320</u>	<u>545,059,362</u>
NON CURRENT LIABILITIES					
Retirement benefits	22	20,211,899	17,313,265	-	-
Deferred tax	23	11,856,000	8,005,000	-	-
		<u>32,067,899</u>	<u>25,318,265</u>	<u>-</u>	<u>-</u>
		<u>862,423,426</u>	<u>808,242,008</u>	<u>550,113,320</u>	<u>545,059,362</u>

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

Annual Report 2003

Bintulu Port Holdings Berhad (380802 - T)

	Note	Share capital	Non-distributable Share premium	Distributable Retained earnings	Total
Group		RM	RM	RM	RM
At 1 January 2002					
- as previously reported		400,000,001	92,949,794	260,425,667	753,375,462
- prior year adjustment	24	-	-	33,280,000	33,280,000
As restated		400,000,001	92,949,794	293,705,667	786,655,462
Net profit for the financial year		-	-	72,748,281	72,748,281
Dividends	11	-	-	(76,480,000)	(76,480,000)
At 31 December 2002		400,000,001	92,949,794	289,973,948	782,923,743
At 1 January 2003					
- as previously reported		400,000,001	92,949,794	290,595,630	783,545,425
- prior year adjustment	24	-	-	(621,682)	(621,682)
As restated		400,000,001	92,949,794	289,973,948	782,923,743
Net profit for the financial year		-	-	90,631,784	90,631,784
Dividends	11	-	-	(43,200,000)	(43,200,000)
At 31 December 2003		400,000,001	92,949,794	337,405,732	830,355,527
Company					
At 1 January 2002					
- as previously reported		400,000,001	92,949,794	47,040,659	539,990,454
- prior year adjustment	24	-	-	33,280,000	33,280,000
		400,000,001	92,949,794	80,320,659	573,270,454
Net profit for the financial year		-	-	48,268,908	48,268,908
Dividends	11	-	-	(76,480,000)	(76,480,000)
At 31 December 2002		400,000,001	92,949,794	52,109,567	545,059,362
At 1 January 2003		400,000,001	92,949,794	52,109,567	545,059,362
Net profit for the financial year		-	-	48,253,958	48,253,958
Dividends	11	-	-	(43,200,000)	(43,200,000)
At 31 December 2003		400,000,001	92,949,794	57,163,525	550,113,320

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

Note	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
OPERATING ACTIVITIES				
Profit from ordinary activities before tax	128,215,428	102,796,964	67,349,958	67,471,591
Adjustments for:				
Allowance for doubtful debts	-	73,048	-	-
Impairment loss on properties under development and held for sale	-	4,000,000	-	-
Provision for retirement benefits	3,374,217	3,091,419	-	-
Depreciation of property, plant and equipment	27,439,969	21,070,711	-	-
Amortisation of goodwill	981,224	981,224	-	-
Gain on disposal of property, plant & equipment	(612,998)	-	-	-
Amount of marketable securities written (back)/down	(12,376,066)	3,029,350	-	-
(Loss)/gain on disposal of marketable securities	7,383,416	(1,904,450)	-	-
Interest income	(12,651,014)	(13,511,672)	(7,905,084)	(7,992,916)
Gross dividend income	(790,982)	(1,359,134)	(60,450,000)	(60,450,000)
	<u>140,963,194</u>	<u>118,267,460</u>	<u>(1,005,126)</u>	<u>(971,325)</u>
CHANGES IN WORKING CAPITAL:				
Properties under development and held for sale	(50,000)	(322,000)	-	-
Receivables	(18,640,435)	(9,016,202)	3,245,251	(344,488)
Retirement benefits paid	(475,583)	(159,582)	-	-
Payables	14,955,869	6,889,680	309,860	(6,789,996)
Restricted short term deposits	-	(2,633,000)	-	(18,000)
	<u>136,753,045</u>	<u>113,026,356</u>	<u>2,549,985</u>	<u>(8,123,809)</u>
Tax paid	(34,527,531)	(40,416,030)	(2,091,364)	(3,579,218)
Tax refund	1,145,621	-	1,145,621	-
Net cash flow from operating activities	<u>103,371,135</u>	<u>72,610,326</u>	<u>1,604,242</u>	<u>(11,703,027)</u>

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003 (Continued)

Annual Report 2003

Bintulu Port Holdings Berhad (380802 - T)

		Group		Company	
	Note	2003 RM	2002 RM	2003 RM	2002 RM
INVESTING ACTIVITIES					
Purchase of marketable securities		(3,189,220)	(30,127,897)	-	-
Purchase of property, plant and equipment	12	(71,171,195)	(46,963,922)	-	-
Incorporation of a subsidiary	25	-	-	(2)	-
Interest received		13,695,089	13,511,672	5,963,698	7,992,916
Proceeds from disposal of marketable securities		41,812,552	45,453,393	-	-
Net dividend received		675,857	1,168,365	58,032,000	62,582,000
Net cash flow from investing activities		(18,176,917)	(16,958,389)	63,995,696	70,574,916
FINANCING ACTIVITY					
Dividends paid		(72,000,000)	(33,280,000)	(72,000,000)	(33,280,000)
Net cash from financing activities		(72,000,000)	(33,280,000)	(72,000,000)	(33,280,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS					
		13,194,218	22,371,937	(6,400,062)	25,591,889
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR					
		436,078,825	413,706,888	241,229,951	215,638,062
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR					
	26	449,273,043	436,078,825	234,829,889	241,229,951

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activity of the Group is the provision of port services at Bintulu Port, Sarawak.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Kuala Lumpur Stock Exchange.

The address of the registered office and the principal place of business of the Company is Lot 15, Block 20, Kemena Land District, 12th Mile, Jalan Tanjung Kidurong, 97008 Bintulu, Sarawak.

The number of employees in the Group at the end of the financial year was 787 (2002: 776). The Company does not have any employees at the end of the financial year (2002: Nil).

2 BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies.

The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965. The new accounting standards adopted in these financial statements are as follows:

- MASB 25 "Income Taxes"
- MASB 29 "Employee Benefits"

With the exception of MASB 29 (See Note 24), there are no changes in accounting policy that affect net profit or shareholders' equity as the Group was already following the recognition and measurement principles in those standards. Comparative figures have been extended to conform with changes in presentation due to the requirements of those standards.

The preparation of financial statements in conformity with the provisions of the Companies Act 1965 and the applicable approved accounting standards in Malaysia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. A subsidiary is a company in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting except for one subsidiary which was accounted for using the merger method of accounting where the cost of investment in the Company's book is recorded at the nominal value of shares issued. The results of the company being merged are included as if the merger had been effected throughout the current and previous financial years. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve.

The Group has taken advantage of the exemption provided by MASB 21 "Business Combinations" to apply this Standard prospectively.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (Continued)

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

(b) Purchased goodwill

Purchased goodwill represents the excess of the cost of acquisition of the business by the subsidiary from Bintulu Port Authority over the net asset acquired based on the Privatisation Agreement between the Government of Malaysia, Bintulu Port Authority and the subsidiary of the Group.

Purchased goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3 (n).

Purchased goodwill is amortised on a straight-line basis over its estimated useful life of twenty five years.

(c) Investment in subsidiaries

The Company's investment in subsidiaries is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3 (n).

On disposal of such investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3 (n).

Construction-in-progress is not depreciated. 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 their estimated lives, at the following annual rates:

Buildings and port structure	Over 22 to 25 years
Machinery and equipment	10% - 14.3%
Motor vehicles	14.3%
Office furniture, fitting and equipment	10% - 13%
Vessels	6% - 13%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(e) Properties under development and held for sale

Properties under development and held for sale are stated at cost less accumulated impairment loss. The policy for the recognition and measurement of impairment loss is in accordance with Note 3 (n).

(f) Trade receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003 (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are credited or charged to the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is charged or credited to the income statement.

(h) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash and bank balances, short term deposits except for deposits pledged for banking facilities, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Trade payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(j) Share capital

Classification

Ordinary shares are classified as equity.

Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities in the period in which they are declared.

(k) Deferred tax

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Tax rates enacted or substantially enacted by the balance sheet date are used to determine deferred tax.

(l) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Post-employment benefits

Defined contribution plan

The Group's contributions to defined contribution plan are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits (continued)

(ii) Post-employment benefits (continued)

Defined benefit plan

The Group operates an unfunded, defined benefit Retirement Benefit Scheme for its employees. Benefits are payable based on the last drawn salary of the employee and the number of years of service with the Group.

Provision is made in the balance sheet of the Group for the cost of retirement benefits under this Scheme which is determined based on triennial actuarial valuation using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the income statement on a systematic basis so as to spread the cost over the employees' working lives in the Group. The obligation is measured at the present value of the estimated future cash outflows using the yield at balance sheet date on government securities that have maturity dates approximating the terms of the Group's obligations.

Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred. Such gains and losses are credited or charged to the income statement over the expected average remaining working lives of the employees participating in the plan.

(m) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

(i) Revenue from port operations

Revenue from port operations are recognised net of rebates on an accrual basis when the services are performed.

(ii) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(n) Impairment of assets

At each balance sheet date, property, plant and equipment and other non-current assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's net selling price and value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003 (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement.

(p) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a finance asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy notes associated with each item.

(iii) Fair value estimation for disclosure purposes

The fair values of long term financial assets and liabilities are estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial assets and liabilities.

The face values, less any estimated adjustments, for financial assets and liabilities maturing in less than one year are assumed to approximate their fair values.

The Group has no hedge instruments.

4 REVENUE

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Revenue from port services rendered	309,642,144	273,332,395	-	-
Dividend income from a subsidiary	-	-	60,450,000	60,450,000
	<u>309,642,144</u>	<u>273,332,395</u>	<u>60,450,000</u>	<u>60,450,000</u>

5 OTHER OPERATING INCOME

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Gross dividend income from investments in marketable securities, quoted in Malaysia	790,982	1,359,134	-	-
Interest income	12,651,014	13,511,672	7,905,084	7,992,916
Rental income	103,492	124,850	-	-
Others	1,163,900	359,607	-	8,222
	<u>14,709,388</u>	<u>15,355,263</u>	<u>7,905,084</u>	<u>8,001,138</u>

6 STAFF COSTS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Wages, salaries, allowances and bonus	31,951,744	30,700,936	64,600	66,000
Defined benefit Retirement Benefit Scheme	3,374,217	3,091,419	-	-
Defined contribution plan (Employees Provident Fund)	3,348,387	3,098,352	-	-
Other employee benefits	7,419,772	8,411,222	23,395	37,781
Executive director's remuneration (Note 8)	425,112	388,117	100,500	81,500
	<u>46,519,232</u>	<u>45,690,046</u>	<u>188,495</u>	<u>185,281</u>

Details of the defined benefit Retirement Benefit Scheme of the Group are set out in Note 22 to the financial statements.

7 SUPPLEMENTARY INCOME STATEMENT DISCLOSURES

The following amounts have been charged/(credited) in arriving at profit from ordinary activities before tax:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Auditors' remuneration	60,500	58,000	30,000	30,000
Non-executive directors' remuneration	319,100	223,500	243,600	157,500
Rental of equipment	226,546	156,754	39,630	62,840
Rental of motor vehicle	-	-	46,800	81,900
Rental of premises	-	-	31,950	43,050
Allowance for doubtful debts	-	73,048	-	-
Gain on disposal of property, plant and equipment	<u>(612,998)</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003 (Continued)

8 DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by Directors of the Company during the financial year was as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Executive Director				
- salaries, bonus and other emoluments	311,500	299,590	60,000	60,000
- fees	60,000	36,000	36,000	18,000
- defined contribution plan (Employees Provident Fund)	44,112	45,027	-	-
- other remuneration	9,500	7,500	4,500	3,500
- estimated money value of benefits-in-kind	8,800	8,800	-	-
	<u>433,912</u>	<u>396,917</u>	<u>100,500</u>	<u>81,500</u>
Non-executive Directors				
- fees	276,000	192,000	210,000	132,000
- other remuneration	43,100	31,500	33,600	25,500
	<u>319,100</u>	<u>223,500</u>	<u>243,600</u>	<u>157,500</u>
Total	<u>753,012</u>	<u>620,417</u>	<u>344,100</u>	<u>239,000</u>
Analysis excluding benefits-in-kind:				
Total executive director's remuneration excluding benefits-in-kind (Note 6)	425,112	388,117	100,500	81,500
Total non-executive directors' remuneration excluding benefits-in-kind (Note 7)	319,100	223,500	243,600	157,500
Total directors' remuneration excluding benefits-in-kind	<u>744,212</u>	<u>611,617</u>	<u>344,100</u>	<u>239,000</u>

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is as follows:

	NUMBER OF DIRECTORS	
	2003	2002
Executive directors:		
RM350,001 – RM400,000	-	1
RM400,001 – RM450,000	1	-
Non-executive directors:		
Below RM50,000	4	3
RM50,001 – RM100,000	2	2

9 TAX

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
In respect of the current financial year:				
Malaysian tax	33,732,644	30,758,000	19,096,000	19,200,000
Deferred tax (Note 23)	3,851,000	(712,000)	-	-
	<u>37,583,644</u>	<u>30,046,000</u>	<u>19,096,000</u>	<u>19,200,000</u>
In respect of prior financial years:				
Malaysian tax	-	2,683	-	2,683
	<u>37,583,644</u>	<u>30,048,683</u>	<u>19,096,000</u>	<u>19,202,683</u>

The explanation of the relationship between tax expense and profit from ordinary activities before tax is as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Profit from ordinary activities before tax	<u>128,215,428</u>	<u>102,796,964</u>	<u>67,349,958</u>	<u>67,471,591</u>
Tax calculated at the Malaysian tax rate of 28% (2002: 28%)	35,900,319	28,783,150	18,857,988	18,892,045
Tax effects of:				
- expenses not deductible for tax purposes	1,683,325	1,262,850	238,012	307,955
- over provision in prior year	-	2,683	-	2,683
	<u>37,583,644</u>	<u>30,048,683</u>	<u>19,096,000</u>	<u>19,202,683</u>

10 EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

		Group	
		2003	2002
Net profit for the financial year	(RM)	90,631,784	72,748,281
Weighted average number of ordinary shares in issue		400,000,000	400,000,000
Basic earnings per share	(Sen)	<u>22.66</u>	<u>18.19</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003 (Continued)

11 DIVIDENDS

	Group and Company			
	2003		2002	
	Gross dividend per share Sen	Amount of net dividends RM	Gross dividend per share Sen	Amount of net dividends RM
Interim dividends:				
- 10 sen per share, less income tax of 28%	10	28,800,000	15	43,200,000
- 5 sen per share, less income tax of 28%	5	14,400,000	-	-
	<u>15</u>	<u>43,200,000</u>	<u>15</u>	<u>43,200,000</u>
Final dividends:				
- 4 sen per share, tax exempt	-	-	4	16,000,000
- 6 sen per share, less income tax of 28%	-	-	6	17,280,000
	<u>-</u>	<u>-</u>	<u>10</u>	<u>33,280,000</u>
Total		<u>43,200,000</u>		<u>76,480,000</u>

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2003.

12 PROPERTY, PLANT AND EQUIPMENT

Group 2003	Buildings and port structures RM	Machinery and equipment RM	Motor vehicles RM	Office furniture, fittings and equipment RM	Vessels RM	Construction- in-progress RM	Total RM
Cost							
At 1 January 2003	229,797,276	89,084,748	4,336,075	12,477,766	65,873,858	31,331,504	432,901,22
Additions	135,842	1,960,984	184,595	490,677	-	81,841,522	84,613,620
Disposals	-	(2,987,359)	(149,691)	-	-	-	(3,137,050)
Reclassification	865,292	18,606,276	-	-	-	(19,471,568)	-
At 31 December 2003	230,798,410	106,664,649	4,370,979	12,968,443	65,873,858	93,701,458	514,377,797
Accumulated depreciation							
At 1 January 2003	37,849,047	41,434,126	3,542,372	7,663,676	27,277,211	-	117,766,432
Charge for the financial year	9,679,011	10,212,914	216,972	1,045,518	6,285,554	-	27,439,969
Disposals	-	(2,987,357)	(149,691)	-	-	-	(3,137,048)
At 31 December 2003	47,528,058	48,659,683	3,609,653	8,709,194	33,562,765	-	142,069,353
Net book value							
At 31 December 2003	183,270,352	58,004,966	761,326	4,259,249	32,311,093	93,701,458	372,308,444
At 31 December 2002	191,948,229	47,650,622	793,703	4,814,090	38,596,647	31,331,504	315,134,795

The Group's buildings and port structure are sited on land which are leased from Bintulu Port Authority. These land leases will expire in the year 2022. Construction work in progress relates to extension of the port facilities and capital projects for the Group. Construction in progress include an amount of RM8,620,000 (2002: RM8,620,000) represents progress payments made to the developer in connection with the staff housing project of the subsidiary, as disclosed in Note 15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003 (Continued)

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group	
	2003 RM	2002 RM
Property, plant and equipment acquired by means of:		
Cash	71,171,195	46,963,922
Payables	12,829,425	-
Trade-in	613,000	-
	<u>84,613,620</u>	<u>46,963,922</u>

13 INVESTMENT IN SUBSIDIARIES

	Company	
	2003 RM	2002 RM
Unquoted shares in Malaysia, at cost	<u>300,000,000</u>	<u>299,999,998</u>

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective equity interest		Principal activity
		2003 %	2002 %	
Bintulu Port Sdn. Bhd.	Malaysia	100	100	Provision of port services at Bintulu Port, Sarawak
Biport Bulkiers Sdn. Bhd.*	Malaysia	100	-	Provision of business of palm oil, edible oils, vegetable oils, fats and its by-products and bulking installation facilities.

* Dormant as at 31 December 2003.

14 PURCHASED GOODWILL

	Group	
	2003 RM	2002 RM
Net book value:		
At beginning of the financial year	14,718,357	15,699,581
Less: Amortisation during the financial year	(981,224)	(981,224)
At end of the financial year	<u>13,737,133</u>	<u>14,718,357</u>
At cost	24,530,596	24,530,596
Less: Accumulative amortisation	(10,793,463)	(9,812,239)
	<u>13,737,133</u>	<u>14,718,357</u>

Purchased goodwill represents the excess of the amount paid for the purchase of the business by the subsidiary of the Company from Bintulu Port Authority over the net assets acquired in accordance with the Privatisation Agreement between the Government of Malaysia, Bintulu Port Authority and the subsidiary of the Company.

15 PROPERTIES UNDER DEVELOPMENT AND HELD FOR SALE

	Group	
	2003 RM	2002 RM
Properties under development and held for sale, at cost	15,359,586	15,309,586
Less: Accumulated impairment loss	(4,000,000)	(4,000,000)
	<u>11,359,586</u>	<u>11,309,586</u>

The properties under development and held for sale are in respect of progress payments made to a developer for the houses purchased by a subsidiary, Bintulu Port Sdn. Bhd. in connection with the subsidiary's staff housing project in Bintulu. This project was abandoned in year 2000. In view of this, the subsidiary has issued a notice of termination to the developer on 30 June 2003, and has taken possession of the project site. In relation to this, the developer, had, in November 2003, submitted a claim of RM13,881,027 to Bintulu Port Sdn. Bhd. and has indicated its desire to settle the claim amicably. This claim is disclosed as contingent liability in Note 33 to the financial statements.

In addition, the Company has appointed Syarikat Perumahan Negara Berhad as the new developer to complete the project. Currently, the Group is in the midst of finalising the terms and conditions to complete the project with the new developer.

16 TRADE RECEIVABLES

	Group	
	2003 RM	2002 RM
Trade receivables	18,121,230	13,717,571
Less: Allowance for doubtful debts	-	(73,048)
	<u>18,121,230</u>	<u>13,644,523</u>

Trade receivables are denominated in Ringgit Malaysia.

Trade receivables include amounts due from Malaysia LNG Sdn. Bhd., ASEAN Bintulu Fertilizer Sdn. Bhd., MISC Agencies (Sarawak) Sdn. Bhd. and PS Terminal Sdn. Bhd. amounting to RM12,177,952 (2002: RM7,686,487), RM70,205 (2002: RM106,530), RM128,541 (2002: RM333,530) and RM66,343 (2002: RM79,001), respectively. All these companies are subsidiaries of a substantial shareholder, Petroliaam Nasional Berhad.

The Group's normal trade credit term ranges from 15 to 45 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single customer or to groups of customers.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003 (Continued)

17 OTHER RECEIVABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Amount due from a subsidiary	-	-	51,793	-
Amount due from Bintulu Port Authority	49,911,514	33,564,941	-	-
Staff loans	5,256,664	6,501,298	-	-
Prepayments	380,588	1,455,479	-	-
Sundry receivables	7,862,191	8,769,587	1,942,386	3,298,044
	<u>63,410,957</u>	<u>50,291,305</u>	<u>1,994,179</u>	<u>3,298,044</u>

The amount due from a subsidiary is unsecured, interest free and has no fixed terms of repayment.

Amount due from Bintulu Port Authority represents payment on behalf of Bintulu Port Authority in connection with the construction and upgrading of port structures and other facilities undertaken by Bintulu Port Authority. The amount is unsecured, interest free and has no fixed terms of repayment.

Other than the amount due from Bintulu Port Authority, the Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

Other receivables are denominated in Ringgit Malaysia.

18 MARKETABLE SECURITIES

	Group	
	2003 RM	2002 RM
Quoted investments in Malaysia, at cost		
Shares of corporations	-	33,627,748
Private debt securities	-	79,000
Unit trusts	-	12,300,000
	<u>-</u>	<u>46,006,748</u>
Less: Amounts written down	-	(12,376,066)
	<u>-</u>	<u>33,630,682</u>
Market value:		
Shares of corporations	-	24,372,702
Private debt securities	-	64,780
Unit trusts	-	9,193,200
	<u>-</u>	<u>33,630,682</u>

All marketable securities have been disposed off as at financial year end.

19 SHORT TERM DEPOSITS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Money market instruments purchased under repurchase agreements	25,500,000	21,197,145	-	-
Deposits with:				
- licensed banks	308,995,360	328,191,014	210,643,000	211,943,000
- licensed finance companies	108,493,218	76,662,047	21,500,000	29,000,000
	<u>442,988,578</u>	<u>426,050,206</u>	<u>232,143,000</u>	<u>240,943,000</u>

Deposits with licensed banks of the Group and Company amounting to RM2,633,000 (2002: RM2,633,000) and RM18,000 (2002: RM18,000) respectively are pledged for bank guarantee facilities granted to the Group and Company.

Short term deposits are denominated in Ringgit Malaysia.

The interest rates per annum of short term deposits that was effective as at 31 December 2003 were as follows:

	Group		Company	
	2003 %	2002 %	2003 %	2002 %
Licensed banks	2.40 – 4.24	2.66 – 4.30	2.52 – 4.24	3.10 – 4.12
Licensed finance companies	2.53 – 3.70	2.66 – 4.25	2.65 – 3.70	2.86 – 4.00
Money market instruments purchased under repurchase agreements	<u>2.00 – 2.40</u>	<u>2.00 – 2.60</u>	<u>-</u>	<u>-</u>

Deposits of the Group and Company have an average maturity period of 1 to 365 days (2002: 2 to 91 days) and 182 to 365 days (2002: 182 to 365 days), respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003 (Continued)

20 PAYABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Amount due to a subsidiary	-	-	938,764	716,500
Amount due to Bintulu Port Authority	16,287,587	7,650,745	-	-
Accruals	4,427,352	4,681,935	-	-
Sundry payables	26,444,808	7,041,775	141,112	53,516
	<u>47,159,747</u>	<u>19,374,455</u>	<u>1,079,876</u>	<u>770,016</u>

Sundry payables of the Group include amount of RM250,954 (2002: RM180,037) which represents amount payable for the contribution to the Employees Provident Fund, the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

The amount due to Bintulu Port Authority is unsecured, interest free and has no fixed terms of repayment.

The amount due to a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

Payables are denominated in Ringgit Malaysia.

21 SHARE CAPITAL

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Authorised				
Ordinary shares of RM1 each				
1,000,000,000 ordinary shares of RM1 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Redeemable preference share of RM1 each				
One special rights redeemable preference share of RM1 ("Special Share")	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>1,000,000,001</u>	<u>1,000,000,001</u>	<u>1,000,000,001</u>	<u>1,000,000,001</u>

21 SHARE CAPITAL (CONTINUED)

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Issued and fully paid				
Ordinary shares of RM1 each:				
At beginning and end of financial year	400,000,000	400,000,000	400,000,000	400,000,000
One special rights redeemable preference share of RM1:				
At beginning and end of financial year	1	1	1	1
	<u>400,000,001</u>	<u>400,000,001</u>	<u>400,000,001</u>	<u>400,000,001</u>

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 109A 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.
- (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 the 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003 (Continued)

22 RETIREMENT BENEFITS

The Group operates an unfunded, defined benefit Retirement Benefit Scheme for its employees. The Group's obligations under this scheme are determined based on triennial actuarial valuation using the projected unit credit method.

The Retirement Benefit Scheme was last revalued on 17 December 2002.

The movements during the financial year in the amount recognised in the balance sheet in respect of the Group's Retirement Benefit Scheme are as follows:

	Group	
	2003 RM	2002 RM
At beginning of the financial year	17,313,265	14,381,428
Charge to income statement	3,374,217	3,091,419
Contributions paid	(475,583)	(159,582)
At end of the financial year	<u>20,211,899</u>	<u>17,313,265</u>

The amount recognised in the Group's balance sheet may be analysed as follows:

	Group	
	2003 RM	2002 RM
Present value of unfunded obligations	20,655,929	17,655,875
Unrecognised past service cost	(140,411)	(280,822)
Unrecognised actuarial losses	(303,619)	(61,788)
Liability in the balance sheet	<u>20,211,899</u>	<u>17,313,265</u>

The expenses recognised in the Group's income statement may be analysed as follows:

	Group	
	2003 RM	2002 RM
Current service cost	2,005,938	1,910,417
Interest cost	1,227,868	1,040,591
Past service cost	140,411	140,411
Total, included in staff costs (Note 6)	<u>3,374,217</u>	<u>3,091,419</u>

The principal actuarial assumptions used in respect of the Group's defined benefit plan were as follows:

	Group	
	2003 %	2002 %
Discount rate	7.00	7.00
Expected rate of salary increases	<u>5.00</u>	<u>5.00</u>

23 DEFERRED TAX

Deferred tax assets and liabilities 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 following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Deferred tax liabilities	11,856,000	8,005,000	-	-
Deferred tax assets	-	-	-	-
	<u>11,856,000</u>	<u>8,005,000</u>	<u>-</u>	<u>-</u>
At beginning of the financial year	8,005,000	8,717,000	-	-
Charged/(credited) to income statement	<u>3,851,000</u>	<u>(712,000)</u>	<u>-</u>	<u>-</u>
At end of the financial year	<u>11,856,000</u>	<u>8,005,000</u>	<u>-</u>	<u>-</u>
Deferred tax assets (before offsetting)				
Retirement benefits	(5,660,000)	(4,848,000)	-	-
Others	<u>(1,256,000)</u>	<u>(4,605,000)</u>	<u>-</u>	<u>-</u>
	<u>(6,916,000)</u>	<u>(9,453,000)</u>	<u>-</u>	<u>-</u>
Offsetting	<u>6,916,000</u>	<u>9,453,000</u>	<u>-</u>	<u>-</u>
Deferred tax assets (after offsetting)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	18,772,000	17,458,000	-	-
Offsetting	<u>(6,916,000)</u>	<u>(9,453,000)</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities (after offsetting)	<u>11,856,000</u>	<u>8,005,000</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003 (Continued)

24 PRIOR YEAR ADJUSTMENTS

Dividends

The prior year adjustment of the Company relates to final dividends in respect of the financial year ended 31 December 2001, approved by the shareholders at the Annual General Meeting in year 2002, which were accrued as liabilities in the financial statements for the financial year ended 31 December 2001. In accordance with the accounting policy of the Group and Company (Note 3(j)), these dividends were to be accrued as liabilities in the financial statements for the financial year ended 31 December 2002.

Employee benefits

During the financial year, the Group changed its accounting policy to comply with MASB 29 "Employee Benefits".

In previous years, unutilised annual leave that can be carried forward was not accrued for in the financial statements. The Group has now changed its accounting policy to accrue for these unutilised annual leave carried forward in the financial statements.

This change in accounting policy has been accounted for retrospectively.

Comparative information have been restated accordingly as follows:

	As previously reported RM	Effect of adjustment RM	As restated RM
Group			
Retained earnings at 1 January 2002	260,425,667	33,280,000	293,705,667
Net profit for the financial year ended 31 December 2002	73,369,963	(621,682)	72,748,281
Net dividends for the financial year ended 31 December 2002	43,200,000	33,280,000	76,480,000
Payables as at 31 December 2002	18,752,773	621,682	19,374,455
	<hr/>	<hr/>	<hr/>
Company			
Retained earnings at 1 January 2002	47,040,659	33,280,000	80,320,659
Net dividends for the financial year ended 31 December 2002	43,200,000	33,280,000	76,480,000
	<hr/>	<hr/>	<hr/>

25 INCORPORATION OF A SUBSIDIARY

On 20 November 2003 and 17 December 2003 respectively, the Company paid in total RM2 in cash to subscribe for 100% equity interest in Biport Bulkers Sdn. Bhd., a newly incorporated company in Malaysia.

The effect of this incorporation of a subsidiary on the financial results of the Group during the financial year is shown below:

	2003 RM
Revenue	-
Operating costs	(52,293)
Loss from ordinary activities before tax	(52,293)
Tax	-
Decrease in net profit for the financial year	(52,293)

The effect of this incorporation of a subsidiary on the financial position at the financial year end is as follows:

	2003 RM
Bank balance	2
Trade payables and accruals	(52,293)
Group's share of net liabilities	(52,291)

A summary of the effect of this incorporation of a subsidiary on the cash flows of the Group at the date of incorporation is set out below:

	2003 RM
Bank balances	2
Fair value of net assets	2
Total purchase consideration	2
Less: Cash and cash equivalents of the subsidiary	(2)
Cash inflow on incorporation	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003 (Continued)

26 CASH AND CASH EQUIVALENTS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Cash and bank balances	8,917,465	12,661,619	2,704,889	304,951
Short term deposits (Note 19)	442,988,578	426,050,206	232,143,000	240,943,000
	451,906,043	438,711,825	234,847,889	241,247,951
Less: Short term deposits pledged for bank guarantees (Note 19)	(2,633,000)	(2,633,000)	(18,000)	(18,000)
	449,273,043	436,078,825	234,829,889	241,229,951

Cash and cash equivalents are denominated in Ringgit Malaysia.

27 RETAINED EARNINGS

The Company has sufficient Section 108 tax credits to frank RM39,278,140 (2002: All) of its retained earnings as at 31 December 2003 if paid out as dividends.

28 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Approved and contracted for:				
Property, plant and equipment	392,551,540	67,541,211	-	-
Others	-	3,947,600	-	-
	392,551,540	71,488,811	-	-
Approved but not contracted for:				
Property, plant and equipment	18,580,000	63,400,000	-	-
	411,131,540	134,888,811	-	-

Commitments on contractual future payment to be made on behalf of Bintulu Port Authority in connection with the construction and upgrading of port structures and other facilities undertaken by Bintulu Port Authority amounting to RM7,880,601 (2002: RM24,115,773).

29 LEASE COMMITMENTS

	Group	
	2003 RM	2002 RM
Lease commitments:		
- within one year	81,310,257	65,945,757
- between one to five years	352,116,314	283,124,152
- more than five years	1,542,191,678	1,417,811,097
	<u>1,975,618,249</u>	<u>1,766,881,006</u>

Lease commitments are in respect of leases for land, buildings and port structures payable to Bintulu Port Authority. Lease commitments include amounts of RM736,569,017 (2002: RM481,007,194) represent lease commitments for which agreements with Bintulu Port Authority have yet to be finalised. The lease will be expired on 31 December 2022.

30 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

	Group	
	2003 RM	2002 RM
Transactions with subsidiaries of a substantial shareholder, Petroliaam Nasional Berhad:		
Revenue received and receivable from Malaysia LNG Sdn. Bhd.	203,713,915	190,277,472
Revenue received and receivable from ASEAN Bintulu Fertilizer Sdn. Bhd.	710,861	880,782
Revenue received and receivable from MISC Agencies (Sarawak) Sdn. Bhd.	2,083,797	1,905,867
Revenue received and receivable from PS Terminal Sdn. Bhd.	776,921	690,700
Purchase of fuel and lubricant from Petronas Dagangan Berhad	<u>(970,722)</u>	<u>(1,959,908)</u>

31 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's overall risk management approach is to minimise the effects of its exposure to interest rate risk, credit risk and liquidity risk.

(a) Interest Rate Risk

The Group's earnings are affected by the changes in interest rates due to the impact such changes have on interest income from cash and short-term deposits.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003 (Continued)

31 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk

Other than the amount owing by Bintulu Port Authority as disclosed in Note 17, the Group does not have significant concentration of credit risk. The credit risk is minimised and controlled through the application of credit approvals, credit limits and monitoring procedures.

(c) Liquidity risk

The Group's holdings of cash and short-term deposits are expected to be sufficient to meet its working capital requirements.

Fair value

The carrying amounts of financial assets and liabilities of the Group and Company at the balance sheet date approximated their fair values.

32 SEGMENTAL REPORTING

Segmental analysis of the Group's operation is not provided as the Group operates in a single segment business, namely provision of port services at Bintulu Port, Sarawak.

33 CONTINGENT LIABILITY (UNSECURED)

	Group	
	2003 RM	2002 RM
Claim from a developer in connection with staff housing project of a subsidiary	13,881,027	-

As explained in Note 15 to the financial statements, this claim is in respect of claim made by a developer in connection with the staff housing project of a subsidiary, Bintulu Port Sdn. Bhd..

Based on legal advice, the Directors are of the opinion that this claim is not sustainable.

34 COMPARATIVE FIGURES

Comparative figures have been adjusted to conform with changes in presentation resulting from prior year adjustment as explained in Note 24.

35 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 February 2004.

BINTULU PORT HOLDINGS BERHAD

Company No.: 380802 - T
(Diperbadankan di Malaysia)

BORANG PROKSI

Saya / Kami _____
beralamat _____
sebagai ahli-ahli BINTULU PORT HOLDINGS BERHAD, dengan ini melantik

beralamat _____
atau sekiranya beliau tidak hadir, **PENGERUSI MESYUARAT** sebagai proksi saya / kami untuk mengundi bagi pihak saya / kami, Mesyuarat Agung Tahunan Syarikat Yang Ke-8 yang akan diadakan di **Ballroom, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93748 Kuching, pada hari Khamis, 22 April 2004 pada jam 9.00 pagi** atau pada tarikh-tarikh lain yang ditetapkan sekiranya berlaku penangguhan. Proksi saya / kami haruslah mengundi seperti yang berikut: -

Bil.	Resolusi	Untuk	Menentang (against)
1.	Menerima dan meluluskan Laporan Pengarah dan Penyata Akaun yang telah diaudit bagi tahun berakhir 31 Disember 2003 dan Laporan Juruaudit yang dilampirkan		
2.	Meluluskan kenaikan yuran Pengarah-Pengarah daripada RM 150,000.00 kepada RM 246,000.00 untuk tahun berakhir 31 Disember 2003		
3.	Melantik semula Y. A. Bhg. Tun Dato' Seri Hj. Mohd Eusoff bin Chin yang bersara menurut Artikel 132 Tataurusan Syarikat		
4.	Melantik semula Pengarah Y. Bhg. Dato' Capt. Awangku Malit @ Awangku Malyx bin Pengiran Mahran yang bersara menurut Artikel 127 Tataurusan Syarikat		
5.	Melantik semula Pengarah Encik Subkey bin Abdul Wahab yang bersara menurut Artikel 127 Tataurusan Syarikat		
6.	Melantik semula Tetuan PricewaterhouseCoopers sebagai juruaudit terhadap syarikat dan memberi kuasa kepada Pengarah-Pengarah untuk menetapkan ganjarannya.		
7.	Menjalankan sebarang urusan lain yang mana notis sewajarnya telah diberitahu selaras dengan Akta Syarikat 1965		

Sila tandakan 'X' di ruangan yang telah disediakan bagaimana anda menghendaki proksi anda mengundi.
Jika tidak, proksi anda berhak mengundi atau tidak mengikut budibicaranya sendiri

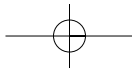
Bertarikh pada hari bulan 2004

Jumlah Saham Dipegang

.....
Tandatangan Ahli / Ahil-Ahil / Meteri Syarikat

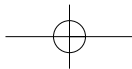
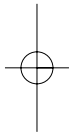
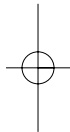
Nota : -
PROKSI

- Seorang yang berhak hadir dan mengundi adalah berhak melantik seorang proksi untuk hadir dan mengundi bagi pihaknya. Seorang proksi tidak semestinya ahli syarikat.
- Surat Perlantikan Proksi dari seseorang individu mestilah ditandatangani oleh perlantik atau wakilnya yang telah dilantik dengan segera secara bertulis, dan surat perlantikan proksi dari sesebuah perbadanan mestilah disempurnakan dibawah meteri syarikat atau ditandatangani oleh pegawai yang di berikuasa berbuat demikian.
- Borang proksi yang telah disempurnakan mestilah dihantar kepada Pejabat Berdaftar Syarikat, Ibu pejabat, Bintulu Port Holdings Berhad, Lot 15, Blok 20, Kemena Land District, 12th Mile, Jalan Tanjung Kidurong, 97008 Bintulu, Sarawak, Malaysia tidak lewat dari 48 jam sebelum waktu Mesyuarat yang ditetapkan dan atau penangguhannya.



Setiausaha Syarikat

Bintulu Port Holdings Berhad
Lot 15, Block 20, Kemena Land District
12th Mile Tanjung Kidurong Road
P. O. Box 996, 97008 Bintulu, Sarawak, Malaysia



BINTULU PORT HOLDINGS BERHAD

Company No.: 380802 - T
(Incorporated in Malaysia)

PROXY FORM

I/We _____
of _____
being a member /members of BINTULU PORT HOLDINGS BERHAD, do hereby appoint

_____ of _____
or failing him, **THE CHAIRMAN OF THE MEETING** as my/our proxy, to vote for me/us and my/our behalf, at the Eight Annual General Meeting of the Company to be held at **Ballroom Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93748 Kuching, on Thursday, 22nd day of April, 2004 at 9.00 a.m.** or any adjournment thereof. My/our proxy is to vote as indicated below : -

No.	Resolution	For	Against
1.	To receive and adopt the Directors' Report and Audited Accounts for the year ended 31 December 2003 and the Auditors' Report thereon;		
2.	To approve the increase of Directors' Fees from RM 150,000.00 to RM246,000.00 for the year ended 31 December 2003.		
3.	To re-elect Y. A. Bhg. Tun Dato' Seri Hj. Mohd Eusoff bin Chin who retires under Article 132 of the Company's Articles of Association.		
4.	To re-elect Y. Bhg. Dato' Capt. Awangku Abdul Malit @ Awangku Malyx bin Pengiran Mahran who retires under Article 127 of the Company's Articles of Association.		
5.	To re-elect Encik Subkey bin Abdul Wahab who retires under Article 127 of the Company's Articles of Association.		
6.	To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	To transact any other business for which due notice shall have been given in accordance with the Companies Act 1965.		

Please indicate with "X" on the spaces provided how you wish your votes to be cast. In the absent of specific directions, your proxy will vote or abstain from voting at his discretion.

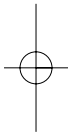
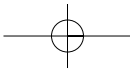
Dated this day of 2004

Signatures of Member(s)/Common Seal

No. of Shares Held

Notes : -
PROXY

- A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- The instrument appointing a proxy in the case of an individual shall be signed by the appointor 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 Registered Office of the Company at Headquarters Building, Bintulu Port Holdings Berhad, Lot 15, Block 20, Kemena Land District, 12th Mile, Jalan Tanjung Kidurong, 97008 Bintulu, Sarawak, Malaysia, not less than 48 hours before the time appointed for holding the Meeting and or any adjournment thereof.



The Company Secretary
Bintulu Port Holdings Berhad
Lot 15, Block 20, Kemena Land District
12th Mile Tanjung Kidurong Road
P. O. Box 996, 97008 Bintulu, Sarawak, Malaysia

