
6. PARTICULARS OF THE IPO

6.1 Opening and Closing of Application Lists

The Application Lists for the IPO will open at 10:00 a.m. on 7 March 2001 and will remain open until 8:00 p.m. on the same day or for such further period or periods as the Directors of BHB in their absolute discretion may decide.

6.2 Important Tentative Dates

The following events are intended to take place on the following tentative dates:-

Event	Tentative Dates
Opening of the IPO	19 February 2001
Closing of the IPO	7 March 2001
Balloting of applications for the Issue Shares	Mid-March 2001
Allotment of BHB Shares to successful applicants of Issue Shares	Early April 2001
Listing	Mid-April 2001

Note:-

The application for the Issue Shares will open at the time and date as stated above or such further period as the Directors of BHB in their absolute discretion may decide.

6.3 Details of the IPO

The IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares will be allocated in the following manner:-

(i) Public Issue at a Fixed Issue Price of RM2.00

(a) Eligible Employees of the BHB Group and BPA and Directors of the BHB Group

7,340,000 of the Issue Shares have been reserved for eligible employees of the BHB Group and BPA as well as the Directors of the BHB Group.

(b) Malaysian Investing Public

32,660,000 of the Issue Shares will be made available for application by Malaysian Persons, to be allocated via ballot, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

(ii) Public Issue via Placement at a Fixed Issue Price of RM2.00

(a) Eligible Ex-Employees and Ex-Directors of the BHB Group

220,000 of the Issue Shares will be placed to eligible ex-employees and ex-Directors of the BHB Group.

6. PARTICULARS OF THE IPO (Continued)

(b) Malaysian Institutions Approved by the MoF

32,480,000 of the Issue Shares will be placed to Malaysian Institutions approved by the MoF.

(iii) Public Issue via Tender at a Price of RM2.00 or above

27,300,000 of the Issue Shares will be made available for application by tender by Malaysian Persons and Foreign Persons.

(iv) Restricted Offer for Sale at a Fixed Issue Price of RM2.00

The 136,000,000 Restricted Offer Shares will be made available to investors identified by the EPU, namely Sarawak State Government, PETRONAS and BPM.

The IPO Shares in respect of paragraph (iv) above need not be underwritten. The IPO Shares in respect of (i), (ii) and (iii) above have been fully underwritten at an underwriting commission of one point seven five percent (1.75%) of the minimum issue price of RM2.00 per BHB Share.

Any IPO Shares not subscribed for under paragraph (i)(a) above not taken by the eligible employees of the BHB Group and/or BPA will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

Any IPO Shares not subscribed for under paragraph (ii) above not taken by the eligible ex-employees, ex-Directors of the BHB Group and/or Malaysian Institutions approved by the MoF will be made available for application by tender by Malaysian and Foreign Persons per (iii) above.

There is no minimum subscription to be raised from the Public Issue as the Public Issue shares are fully underwritten.

6.4 Objectives of the IPO

The objectives of the IPO are as follows:-

- (i) To obtain a listing of and quotation for the entire issued and paid-up share capital of BHB on the Main Board of KLSE;
- (ii) To put BPSB further on the path of its privatisation in line with the objectives of the Government's Privatisation Masterplan;
- (iii) To enable BHB/BPSB to gain access to the capital market in order to tap external sources of equity funds and borrowings for future expansion and continued growth;
- (iv) To provide Government/MoF Inc. opportunity to realise their investment in BPSB;
- (v) To provide an opportunity for the eligible directors, employees and the public to benefit directly from the continuing growth of the BHB Group by way of equity participation; and
- (vi) To raise proceeds for the items as stated in Section 6.5 below.

6. PARTICULARS OF THE IPO (Continued)

6.5 Proceeds of the IPO

The gross proceeds from the Restricted Offer for Sale amounting to RM272,000,000 will accrue entirely to MoF Inc. MoF Inc. shall bear the brokerage, stamp duty and share transfer fees relating to the Restricted Offer Shares, estimated at RM680,000.

On the assumption that all the new ordinary shares are issued at the Fixed Issue Price of RM2.00 per BHB Share, the IPO is expected to raise total gross proceeds of RM472,000,000. The total gross proceeds from the Public Issue amounting to RM200,000,000 will accrue entirely to the Company. The Company shall bear all expenses and fees incidental to the listing of and quotation for the entire issued and paid-up ordinary share capital of BHB on the Main Board of KLSE, estimated at RM11,000,000.

The net proceeds accruing to the Company will be utilised as follows:-

Utilisation	RM'000	Estimated Completion Date
Construction of warehousing facilities		
▪ Bulk fertiliser warehouse	20,000	March 2003
▪ General warehouse for timber	10,000	December 2002
Additional equipment/facilities for BICT		
▪ Mobile harbour cranes	16,000	December 2002
▪ 2 units of rubber-tyred gantry cranes	12,000	December 2003
▪ Container freight station	10,000	December 2003
▪ Container stacking yard	10,000	December 2003
5 units of tugboats	71,000	December 2002
Listing expenses	11,000	
Working capital	40,000	
Total	<u>200,000</u>	

Bulk fertiliser warehouse

The objective of this project is to provide warehousing and handling facilities for port users dealing in the import of bulk fertiliser. This warehouse is proposed to be sited on the South Dyke area of the port. Currently, the operations in respect of bulk fertiliser are undertaken at the General Cargo Berths 1 to 3 with an average vessel turnaround time of 68 hours and a grab-and-hopper method of discharging cargo. This proposed project would consist of a conveyor belt system of handling bulk fertiliser and a dedicated warehouse for temporary storage of fertiliser. This project would increase the productivity rate of bulk fertiliser handling.

General warehouse for timber

The objective of this project is to provide warehousing facilities for exporters of sawn timber in particular. Currently the port has 17,200 sq. m. of covered storage (two (2) transit sheds and three (3) warehouses). Priority for covered storage is given to cargo which are easily damaged if exposed to weather conditions thus leaving sawn timber to be stored in the open storage yard. This project would provide warehousing facilities for sawn timber thus ensuring the quality of the cargo during transit in the Port.

6. PARTICULARS OF THE IPO (Continued)

Procurement of mobile harbour cranes

The objective of purchasing mobile harbour cranes is to cater for handling of project cargo and heavy lifts through Bintulu Port. Currently the operations of this nature depend upon ship gears. For vessels which do not have gears to handle the cargo, agents would have to hire cranes from outside the port. In addition to project cargo and heavy lifts, these mobile cranes would provide backup stevedorage services to feeder container vessels in cases where both gantries are servicing the mainline vessels.

Procurement of 2 units of rubber-tyred gantry cranes

The objective of procuring two (2) additional units of rubber-tyred gantry cranes is to increase the container handling capacity at the container yard. Currently there are four (4) rubber-tyred gantry cranes working at 1,812 ground slots. The port is planning to increase the number of ground slots to 2,196 slots to cater for the projected increase in the number of containers handled.

Container freight station

The objective of building a container freight station is to provide a facility for stuffing and unstuffing activities associated with container handling. The container freight station is an important ancillary facility associated with all container terminals.

Container stacking yard

The objective of expanding the container yard is to provide additional capacity for projected containers through BICT. BICT is positioning itself as the transshipment hub for the BIMP-EAGA region. With the realisation of this economic concept, BICT is poised to handle transshipment containers from all corners of the BIMP-EAGA. Currently, the capacity of BICT is 180,000 TEUs per annum. This project will increase the capacity of BICT to about 220,000 TEUs per annum.

Procurement of marine tugboats

The objective of procuring marine tugboats is to gradually replace the current ageing tugboats which had been in operations since 1983.

Professional fees

Out of the RM11.0 million estimated listing expenses, approximately RM1.370 million is provided for fees for professional services rendered by advisers and experts.

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6. PARTICULARS OF THE IPO (Continued)

6.6 Brokerage, Underwriting Commission and Bookrunning Fee

Brokerage relating to the Issue Shares being subscribed by the eligible employees of the BHB Group and BPA, Directors of the BHB Group, eligible ex-employees and ex-Directors of the BHB Group and the Malaysian investing public will be paid by the Company, at the rate of one percent (1%) of the Fixed Issue Price of RM2.00 in respect of successful applications which bears the stamp of either CIMB, a member company of KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIH. No brokerage is payable on the Issue Shares being subscribed by the Malaysian Institutions approved by the MoF as well as on the Tender Shares.

Brokerage with respect to the Restricted Offer Shares is payable at the rate of zero point five percent (0.5%) of the offer price of RM2.00 on the Restricted Offer Shares by MoF Inc., PETRONAS, Sarawak State Government and BPM, collectively.

The Managing Underwriter to the Public Issue is CIMB. The Underwriters to the Public Issue are as follows:-

- (i) CIMB;
- (ii) HLG Securities Sdn. Bhd.;
- (iii) Sarawak Securities Sdn. Bhd.;
- (iv) OSK Securities Sdn. Bhd.;
- (v) KAF-Seagroatt & Campbell Securities Sdn. Bhd.;
- (vi) MIDF Sisma Securities Sdn. Bhd.;
- (vii) K&N Kenanga Berhad; and
- (viii) CIMBS.

The Underwriters have agreed to underwrite the entire 100,000,000 Issue Shares which are available for application under the Public Issue. Underwriting commission is payable by the Company at the rate of one point seven five percent (1.75%) of the minimum issue price of RM2.00 for each Issue Share being underwritten. A management fee of zero point two five percent (0.25%) of the Fixed Issue Price on the Issue Shares is payable to the Managing Underwriter by the Company for managing the underwriting of the Issue Shares.

Notwithstanding, the Underwriting Agreement dated 5 December 2000 between BHB and the Underwriters stipulates that any of the Underwriters may by notice in writing to the Company given at any time before the Closing Date, terminate and withdraw their underwriting commitment if in the reasonable opinion of the Majority Underwriters (defined as a majority in number of the Underwriters) there shall have occurred happened or come into effect any of the following circumstances:-

- (a) Any material breach by the Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement which, if capable of remedy, is not remedied within three (3) Market Days after notice of such breach shall have been given to the Company by the Underwriters or by the Closing Date, whichever is the earlier, or material breach of any of the terms and conditions of the Underwriting Agreement by the Company;
- (b) Any change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the abovementioned events or occurrences;
- (c) Any change in any law, regulation, directive, policy or ruling in any jurisdiction;

6. PARTICULARS OF THE IPO (Continued)

- (d) The average KLSE composite index for five (5) consecutive Market Days falls below 600 points on or before the Closing Date;
- (e) The average three (3)-month Kuala Lumpur Interbank Offer Rate ("KLIBOR") for five (5) consecutive Market Days is above 6% on or before the Closing Date;
- (f) Any events or series of events beyond the reasonable control of the Underwriters including (without limitation) acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Issue or pursuant to the underwriting of the Public Issue Shares being underwritten;

which, in the reasonable opinion of the Majority Underwriters, would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group taken as a whole or the success of the Public Issue.

Fee for the Bookrunner is payable by the Company on the Tender Shares at the rate of one percent (1.0%) of the issue price of the Tender Shares.

6.7 Basis of Arriving at the Fixed Issue Price

The Fixed Issue Price of RM2.00 per BHB share was determined and agreed upon by the Directors of BHB and CIMB, as the Adviser and Managing Underwriter, after taking into consideration the following factors:-

- (a) The Group's operating and financial history and conditions as outlined in Sections 8 and 10 of this Prospectus;
- (b) The prospects of the Group and the Port Industry as outlined in Section 7 of this Prospectus;
- (c) The prevailing market conditions;
- (d) The estimate and forecast net PE Multiples of 10.95 times and 10.20 times, respectively, based on the estimate and forecast net EPS of 18.26 sen and 19.61 sen, respectively, computed using the enlarged issued and fully paid-up share capital of 400,000,000 BHB Shares and the Fixed Issue Price of RM2.00 per BHB Share; and
- (e) The pro forma consolidated NTA of BHB as at 30 September 2000 of RM1.66 per BHB Share.

Investors should also note that the market price of BHB Shares upon listing on KLSE are subject to the vagaries of market forces and other uncertainties which may affect the price of these shares.

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7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE BHB GROUP

7.1 Overview and Outlook of the Economy of Malaysia

The regional financial crisis, which began in July 1997, resulted in unprecedented turbulence for the Malaysian economy. The full deflationary impact of the regional financial crisis was, however, felt only in 1998. The economy experienced its sharpest decline in 1998 registering a real negative GDP growth of 7.5% compared to real positive GDP growth of 7.5% in 1997.

The severity of the economic crisis compelled the Government to take measures to minimise the social impact of the downturn and to promote economic recovery. A comprehensive set of policies consisting of expansionary fiscal and monetary policies, a fixed exchange rate, selective exchange controls and a longer-term programme of restructuring for the corporate and financial sector, were implemented.

As a result of the policies, initiated under the National Economic Action Council, and the implementation of programmes and projects set out in the National Economic Recovery Plan and strong external demand, the Malaysian economy turned around in 1999 registering strong positive real GDP growth of 5.4%, higher than the earlier forecast. The performance of the economy in 1999 and the monthly indicators for the current year confirmed a V-shaped turnaround.

For the first half of 2000, Bank Negara Malaysia announced that the economy recorded a GDP growth of 10.3% compared with 1.8% for the same period in 1999. The broad-based growth was supported by strong external demand, the fiscal stimulus and the positive domestic economic and financial environment.

Recently, in the 2001 Budget Speech on 27 October 2000, the Minister of Finance announced that the Malaysian economy is expected to register a GDP growth of 7.5% for 2000. Growth is expected to be broad-based with all sectors registering positive growth. It is anticipated that the manufacturing sector, which has registered double-digit growth for 15 consecutive months to date, will continue to lead this growth.

Value-added in the manufacturing sector is envisaged to record a growth of 17% this year, while output of the export-oriented industries is estimated to expand by 22.4% (1999: 10.8%), buoyed by continued strong global demand in electronics products and sustained economic growth in the United States and Asia.

Aggregate domestic demand is expected to expand strongly by 16% to RM260.7 billion in the year 2000 on the back of strong growth in private sector expenditure of 17.6% (1999: -3.3%) and public sector expenditure of 12.4%.

GNP per capita is forecast to register growth of 4.7% to RM12,883 (USD3,390) from RM12,305 (USD3,238) in 1999. In terms of purchasing power parity, the country's per capital income is estimated to increase by 6% from USD7,277 in 1999 to USD7,716 this year.

The economic outlook for 2001 is expected to be favourable. The Malaysian economy is expected to sustain a GDP growth of 7% as its macroeconomic fundamentals continue to strengthen. The continued expansion in economic activities is expected to be achieved in an environment where external demand will continue to support aggregate domestic activities generated by a broad-based recovery. Growth is expected to be sustained by the stronger performance of the private sector which will provide the primary stimulus. Manufacturing activity will again propel growth as production is expected to grow by 12% in 2001.

7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE BHB GROUP (Continued)

The international economic environment is expected to continue to be conducive with world growth remaining strong at 4.2% (2000: 4.7%). The slower growth anticipated for the United States economy is expected to be mitigated by continued growth of Malaysia's other trading partners namely Japan and the European Union. Regional growth is expected to moderate but remain strong at 6%. Growth in the world trade is expected to continue to be robust at 7.8%.

(Sources: Economic Report 1998/1999; Economic Report 2000/2001; and Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2000, Bank Negara Malaysia, dated 23 August 2000)

7.2 Overview and Outlook of the Economy of the State of Sarawak

The Sarawak economy is undergoing a transformation from an economy once dominated by rural traditional agriculture and the production of petroleum and logs to an economy that is dominated by manufacturing and processing of petroleum, gas, petrochemicals and timber products.

Mining, manufacturing and the services sectors are the major industries in the State. With the development of resource-based industries such as timber-based and petrochemical industries, the manufacturing sector has superseded forestry as the second largest contributor to the State's economy after mining and quarrying. The contribution of the manufacturing sector to the State GDP had increased from 7.7% in 1980 to 22% in 1997. In 1998, the manufacturing sector contributed RM2.7 billion or 23.1% of the State's GDP, marginally behind mining and quarrying with RM2.8 billion or 23.6%.

In an effort by the State Government to transform Sarawak into an industrialised state, the following key growth and focus areas have been identified:-

- Modernisation and commercialisation of agriculture;
- Manufacturing;
- Infrastructure and development;
- Human resource development; and
- Urban development.

In addition, industrial estates have been developed in all major towns in the State by the Sarawak Economic Development Corporation and in Bintulu by the BDA. Major industrial areas in Sarawak include:-

- Pending, Kuching;
- Upper Lanang Industrial Estate, Sibul;
- Piasau Industrial Estate, Miri;
- Bintulu Light Industrial Estate;
- Kidurong Light Industrial Estate, Bintulu;
- Tanjung Kidurong Industrial Estate, Bintulu (for petroleum, petrochemicals and heavy industries);
- Kemena Industrial Estate, Bintulu (wood-based industry);
- Tanjung Manis Timber Processing Zone, Sarikei;
- Kuala Baram Timber Processing Zone, Miri; and
- Sama Jaya Free Industrial Zone, Kuching (electronics).

Small and medium size companies make up a huge proportion of the manufacturing sector in Sarawak. However, there are several major capital intensive projects in the State such as the existing two LNG plants owned by MLNG and MLNG Dua, one of Asia's largest granular urea plant owned by ABF, and the Middle Distillate Synthesis plant owned by SMDS.

7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE BHB GROUP *(Continued)*

A number of timber-based companies have also embarked on large-scale processing of plywood, veneer and sawn timber for export. Other timber-related industries include the Borneo Pulp & Paper plant in Bintulu. Lately, Sarawak has also become an attractive location for electronics and other high-tech manufacturing ventures including the country's second wafer fabrication plant in Kuching.

Total approved investment value in Sarawak amounted to RM1.6 billion in 1998, an increase of 177% from RM564 million in 1997. The State registered a GDP of RM12.3 billion (at constant prices) or growth of 5.3% in 1999. This was an improvement over growths of 3.8% and 4.8% recorded in 1998 and 1997 respectively.

(Source: Sarawak State Government's website, www.sarawak.gov.my)

Sarawak posted a RM4.5 billion external trade surplus in the first quarter of 2000 compared to RM2.7 billion recorded for the same period in the previous year. The increase in the trade balance was due to a surge of total exports to RM7.1 billion (1999: RM4.6 billion) against a smaller increase in total imports. Export of LNG, the leading revenue earner, reached RM3.0 billion during that period due to the higher export value attributed by the prevailing LNG favourable prices. Export of crude petroleum, the second largest export revenue earner, registered RM1.6 billion in the first quarter of 2000.

(Source: Starboard Quarterly Publication, BPSB)

7.3 Overview of the Port Industry in Malaysia

Ports are the major link to Malaysia's external trade and they play a vital role in the country's economic activities and development.

The port industry in Malaysia is rather large in view of Malaysia large external trade. Malaysia's total trade expanded significantly by 24.7% to RM447.3 billion during the first eight months of 2000. Gross imports increased strongly by 31.2% to RM204.9 billion while gross exports expanded by 19.7% to RM242.4 billion. Exports accounted for 54% of the total trade while imports made up 46%.

(Source: Economic Report 2000/2001)

Malaysia's Intermediate Services, which expanded by 2.2% in 1999 (1998 it fell by 2.3%) accounted for 20.1% (in 1998 it accounted for 20.8%) of the country's GDP. Growth in this sector emanated mainly from the transport, storage and communications sub-sector, particularly transportation services, underscoring the strong increase in international trade. The transport, storage and communication sub-sector, which contributed 8.0% of the country's GDP, grew by 3.8% in 1999 compared to 0.9% in 1998.

(Source: Bank Negara Malaysia, Annual Report 1999)

Services provided by the transport, storage and communications sub-sector is expected to increase at a higher rate of 6.7% in 2000 on account of higher contribution from air and major port services as well as from the expansion of information and communications technology and knowledge business activities.

(Source: Economic Report 2000/2001)

7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE BHB GROUP (Continued)

7.4 Overview of the Petrochemical Industry in Malaysia

The domestic petrochemical industry initially developed in 1972 with the production of synthetic resins such as polyvinyl chloride ("PVC") and polystyrene ("PS") resins from imported monomers. However, it was only in 1985 that the industry took-off with the setting up of methanol production plant in the Federal Territory of Labuan and the urea and ammonia processing plant in Bintulu. Further development occurred in early 1990s with the setting-up of a naphtha cracker plant in Pasir Gudang, Johor Darul Takzim along with production facilities of polyethylene ("PE") and polypropylene ("PP") resins.

The growth of the industry in recent years is inevitable in view of the country's abundant oil and natural gas resources. Today, the local petrochemical industry has a diversified base, producing a wide range of products. The types of petrochemical companies in operations/approved by the Malaysian Industrial and Development Authority ("MIDA") include:-

Types of Petrochemical Companies	No. in operation approved by MIDA
Methane-based	10
Ethane-based	24
Propane-based	7
Butane-based	3
Aromatics-based	17

(Source: Industry Brief, Petrochemical Cluster Report, MIDA; August 1999)

The output value of the local petrochemical industry is estimated to be at RM6.9 billion, based on the production of the 25 plants then existing in 1998. In 1998, export of petrochemicals as synthetic resins amounted to RM2.14 billion.

(Source: Industry Brief, Petrochemical Cluster Report, MIDA; August 1999)

Based on projects approved by MIDA as at January 1999, total investments in the petrochemical sector were estimated to be over RM28 billion. The breakdown of the proposed sources of capital investments is as follows:-

Country	Percentage of total approved investments
Malaysia	47
USA	21
Japan	13
UK	8
Germany	5
Taiwan ROC	3
Others	3
Total	100

(Source: Industry Brief, Petrochemical Cluster Report, MIDA; August 1999)

7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE BHB GROUP (Continued)

In Malaysia, PETRONAS is the biggest investor in this industry representing 87% of the total approved investments by MIDA. One of its investments is the ABF plant in Bintulu, which is one of Asia's largest granular urea plants. It is an ASEAN joint-venture with majority equity held by PETRONAS representing Malaysia. The plant, which began operations in 1985, produces 1,000 tonnes of ammonia and 1,500 tonnes of urea per day from natural gas. The ammonia is largely sold in the domestic market whilst the urea is sold to customers in Thailand and Australia.

Gebeng Industrial Estate in Kuantan, Pahang Darul Makmur has become a major petrochemical industrial site in Malaysia. The major project being the methyl tert-butyl ether ("MTBE")/propylene plant owned and operated by a subsidiary of PETRONAS, MTBE Malaysia Sdn. Bhd. The industrial estate also houses, among others, petrochemical plants owned by Eastman Chemicals, BP Amoco Chemical, W R Grace, Kaneka and Nikko Fine Products.

A little further north of Gebeng, Kerteh, Terengganu Darul Iman also has a concentration of petrochemical activities. Aromatics Malaysia Sdn. Bhd., a joint-venture between PETRONAS, Mitsubishi Corporation and Japan Energy, is a notable project located in Kerteh, producing paraxylene and benzene using as feedstock aromatics-rich heavy naphtha. Other projects include ethylene and PE plants which are joint-ventures between PETRONAS, BP Chemicals and Idemitsu Petrochemical Co.

7.5 The Thrust behind the Growth of Bintulu Port

Bintulu Port was built to facilitate the activities arising from the discovery of huge natural gas and oil reserves offshore Sarawak (i.e. in the Central Luconia Field, located approximately north of Bintulu) in the early 1970's. The commencement of the construction of the Bintulu Port project started in August 1979 and was completed in December 1982 at a cost of approximately RM558 million. It began operations on 1 January 1983. However, since then, Bintulu Port has expanded its services to cater for other industries which have grown around the Port and its hinterland.

(i) Petroleum Sector

The petrochemicals and gas industry has been identified as one of the major catalysts for the rapid development in Malaysia, and more particularly for the state of Sarawak. Crude petroleum, LNG and petroleum products contribute more than 4.87% and 46.72% of Malaysia and Sarawak's total export earnings, respectively.

(a) LNG

LNG had been the principal contributor to the cargo traffic at Bintulu Port since it started production in 1983. LNG traffic at Bintulu Port grew from 1.382 million tonnes in 1983 to an estimated 15.773 million tonnes in the year 2000.

The continued exploration activities undertaken by PETRONAS and its Production-Sharing-Contract contractors resulting in discoveries of more gas fields coupled with increase in demand for LNG, namely from Japan, Taiwan and South Korea, have made the construction of MLNG, MLNG Dua and now MLNG Tiga plants viable in Bintulu. The MLNG plant commenced operations in 1983 with a production capacity of 8.1 million tonnes per annum. The MLNG Dua plant has an annual production capacity of 7.8 million tonnes and is fully operational since 1996.

7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE BHB GROUP (Continued)

Construction of the MLNG Tiga plant has started and expected to begin production in 2002. The plant is located adjacent to the existing facilities which also house MLNG and MLNG Dua plants in Bintulu. The MLNG Tiga plant is capable of producing up to 6.8 million tonnes per year once it reaches full production. The completion of MLNG Tiga plant is monumental as Malaysia would then have the largest LNG plant complex in the world on a single site.

Presently, MLNG is chartering ten (10) large LNG tankers from Malaysia International Shipping Corporation ("MISC"), a subsidiary of PETRONAS. In addition, three small tankers are chartered from Asia LNG Transport Sdn. Bhd. and Asia LNG Transport Dua Sdn. Bhd., both being subsidiaries of MISC. To cater for additional demand in LNG, MISC is currently constructing another five large LNG tankers which will make MISC, the owner of the biggest fleet of LNG tankers in the world.

The above is testimony to the prospects of LNG as an energy source and the long-term commercial viability of the industries associated with it, particularly in Bintulu. With the expansion of LNG-related activities out of Bintulu, the total tonnage handled and the number of vessel calls at Bintulu Port are expected to increase significantly, thus giving continuing impetus to the growth of the Port.

(b) Crude Petroleum

In terms of tonnage handled in Bintulu Port, crude oil ranks second after LNG. In 1999, the registered tonnage for crude oil is 3.672 million tonnes, accounting for 15.5% of the total tonnage handled in Bintulu Port, and in the year 2000, this is estimated to amount to 3.570 million tonnes, contributing to 14.3% of the estimated total tonnage handled by the Port for that year.

Crude oil is handled offshore within the port water limits through two (2) Single Buoy Moorings ("SBM") owned and operated by Sarawak Shell Berhad. The SBMs are attached by submarine pipelines to the SSB Plant at Kidurong, Bintulu. From a terminal for oil receiving and storage facilities, the SSB Plant has grown into a nerve centre for the supply of natural gas to the various industries in Bintulu such as MLNG, ABF, SMDS, Sarawak Electricity Supply Corporation as well as Petronas Gas Berhad. In addition to crude oil, the SSB Plant also exports condensate to local refineries and overseas customers. The product is loaded into marine tankers via the SBMs. Currently the SSB Plant handles some 50,000 barrels of crude oil per day and 80,000 barrels of condensate per day.

(c) Petroleum Products

Bintulu Port also handles petroleum products via the Petroleum Jetty, catering primarily for the depots belonging to Petronas Dagangan Berhad and Shell Timur Sdn. Bhd. located adjacent to the jetty. The jetty is also connected by pipelines to plants owned by Petanak Enterprise Sdn. Bhd. and Bintulu Adhesives and Chemical Sdn. Bhd.

In 1999, petroleum products contributed 426,473 tonnes or equivalent to 1.8% of the total throughput. In the year 2000, the Port is estimated to handle 624,370 tonnes of petroleum products, contributing to 2.51% of the estimated total tonnage handled by the Port for that year.

7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE BHB GROUP (Continued)

(d) Middle Distillate Synthesis Products

SMDS, a joint-venture company between Shell Gas, PETRONAS, Mitsubishi Corporation and the Sarawak State Government was formed in 1986. SMDS owns and operates the SMDS Plant, the world's first commercial gas-to-liquid plant, in Bintulu, Sarawak. SMDS also owns the SMDS Jetty at Bintulu Port.

The SMDS Plant was set up to take advantage of the abundant supply of natural gas in the area. The SMDS Plant converts natural gas into high quality synthetic oil products and specialty chemicals which are paraffinic and colourless. Some 100 million standard cubic feet per day of natural gas are converted into 470,000 tonnes per annum of middle distillates (gas oil, kerosene, naphtha) and specialty products (detergent feedstock, solvent feedstock, various grades of waxes). The SMDS Plant started operations in May 1993 and its products are sold globally. SMDS liquid products are handled via the SMDS Jetty, which is connected via pipelines to the SMDS Plant. Various grades of solid wax are exported in containers through BICT.

In the year 2000, the Port is estimated to handle 174,778 tonnes of middle distillate synthesis products, contributing to 0.70% of the year's estimated total throughput.

(e) LPG

Bintulu Port commenced handling of LPG toward the end of 1998 with the handing over of the LPG Jetty from BPA. LPG is exported by PETRONAS through the said jetty which is attached by pipelines to the adjacent LPG Extraction plant. In 1999, LPG contributed 189,363 tonnes to the throughput handled by Bintulu Port or equivalent to 0.80% of the total throughput. In the year 2000, the Port is estimated to handle 263,269 tonnes of LPG, contributing to 1.06% of the estimated total tonnage handled by the Port for that year.

(ii) Dry Bulk Cargo**(a) Silica Sand**

Silica sand takes the lead in terms of tonnage for dry bulk cargo. In 1999, silica sand registered a tonnage of 553,132 tonnes equivalent to 2.34% of the total throughput, which in the year 2000 is expected to amount to 496,625 tonnes equivalent to 1.99% of the estimated total throughput for this year. It is handled via the jetty operated by Sebangun Sdn. Bhd. with BPSB providing towage and pilotage services to the vessels berthed thereat.

(b) Urea and Ammonia

Urea and ammonia contributed 483,178 tonnes and 63,956 tonnes respectively to the cargo throughput handled by Bintulu Port in 1999 and are expected to amount to 379,749 tonnes and 52,543 tonnes respectively, equivalent to 1.53% and 0.21%, respectively, of the estimated total throughput for the year 2000.

7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE BHB GROUP (Continued)

These products are manufactured by the ABF Plant, a world-scale granular urea plant which commenced operations in 1985. The ABF Plant uses natural gas as feedstock with capacity to produce 1,250 tonnes anhydrous ammonia and 1,800 tonnes granular urea per day. About 24% of the ABF Plant's granular output are sold in the domestic market while 76% are exported to markets in the ASEAN region, Australia, USA and Japan. The bulk of ammonia output is used internally for the production of urea while the excess amounting to some 68,000 tonnes are sold to both domestic and ASEAN markets.

ABF uses the bulk cargo berth at Bintulu Port for its export which is connected to the ABF Plant via pipes and a conveyor belt system for ammonia and urea, respectively.

(c) Bulk Fertiliser

Bintulu Port saw a steady increase in throughput from bulk fertiliser with the opening up of palm oil plantations in the Bintulu-Miri hinterland. Bulk fertiliser registered a tonnage of 116,452 tonnes in 1999 and in the year 2000, a total of 209,506 tonnes which is equivalent to 0.84% of total throughput, is expected to be handled by Bintulu Port.

Other types of dry bulk cargo that are handled by Bintulu Port include soda ash, sodium silicate, palm kernel expeller, clinker and gypsum. In 2000, these and other dry bulk cargo products are expected to contribute to 386,767 tonnes in throughput or 1.55% of the estimated total Port throughput for the year.

(iii) General Cargo**(a) Timber Products**

In the general cargo sector, timber products in the form of sawn timber, veneer and plywood contributed a combined tonnage of 1,282,948 tonnes in 1999, making it the third largest contributor to the total throughput after LNG and crude oil. In 2000, the total tonnage of timber products handled by the Port is estimated to amount to 1,316,074 tonnes or 5.29% of the total estimated throughput.

(b) Containers and Containerised Cargo

In 1999 Bintulu Port handled 36,418 TEUs of containers registering a tonnage of 518,801 tonnes. This is expected to grow by 30.7% in terms of TEUs in the year 2000 to 47,609 TEUs of containers with total tonnage of 671,283 tonnes.

Other general cargo generated a throughput of 384,997 tonnes in 1999 and is expected to generate throughput of 317,870 tonnes in the year 2000.

(iv) Other Industries

LNG has not only provided the needed source of energy to fuel the country's growing economic activities but it has also become a catalyst in the industrialisation process. It has stimulated the growth of gas-based and gas-related industries and services.

7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE BHB GROUP *(Continued)*

In consonant with the industrialisation programme of Sarawak, the Sarawak State Government has targeted the Bintulu Division as the major industrial hub of the State. Presently, there are four (4) large industrial estates developed by the BDA in Bintulu Division to promote a wide range of industries ranging from heavy industries to light industries.

The industrial estates are set out in the table below:-

Industrial Estate	Distance from Bintulu Town km	Area Hectares	Development Agency	Preferred Industries
Kidurong Industrial Area	18	202.34	BDA	Heavy and medium industries
Kemena Industrial Estate				
▪ Phase I	13.0	174	BDA	Wood-based industries
▪ Phase II	13.0	150	BDA	Wood-based industries
Bintulu Light Industrial Estate	4.0	13.9	BDA	Light industries
Kidurong Light Industrial Estate Phase I & II	15.0	62.06	BDA	Light and medium industries

(Source: BDA)

A key manufacturing plant belonging to Borneo Pulp & Paper Sdn. Bhd. ("BPP") is underway in Bintulu. The undertaking, located in Tatau, Bintulu, is a joint venture project between Sarawak Timber Industry Development Corporation and Asia Pulp and Paper Co. Ltd. With an initial development cost of USD1.5 billion, BPP started its land clearing for tree replanting in 1997. The pulp and paper mills will draw wood from industrial forest plantation totalling 300,000 hectares.

It is expected that when in operations in 2003, the pulp mill will produce some 750,000 tonnes of pulp annually, which naturally would be exported through Bintulu Port. The production of paper is expected to commence in 2006 with the completion of the paper mill. Like pulp products, all paper products are expected to be exported through Bintulu Port. These products will be trucked or barged down from Tatau to Bintulu Port on route to final export destinations.

7.6 Prospects of the BHB Group

Bintulu Port is strategically located near the main sea-lane between the Far East and Europe and has emerged as one of the busiest ports in Malaysia due to its geographical location. Already, in just over a brief period, it has demonstrated its ability to play an increasingly important role in Malaysia's external trade.

The Port has a technical advantage in terms of facilities to cater for the economic activities of its hinterland and upon the completion of the LNG Tiga plant and with it the LNG-3 Jetty in 2002, Bintulu Port will be the largest single LNG terminal in the world. The Port also handles the entire cargo throughput for middle distillates from the only SMDS plant in the world and the cargo throughput for urea from one of the largest granular urea plants in Asia, the ABF plant.

7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE BHB GROUP (Continued)

The development of the Bintulu Port as well as the industrial estates in Bintulu is expected to spur considerable economic opportunities in Sarawak. This is vital to Bintulu Port as it has the potential to become the principal terminal to facilitate the movement of materials, plant and equipment for development activities and eventually export of products produced by the industrial activities established. Moreover, the growing number of road projects linking the growth regions in Sarawak to Bintulu Port will boost the position of the Port in the external trade of the State. Notable being the interstate trunk road which upon completion will link the various divisions in Sarawak which will further enhance the flow of traffic from the regions and the Port's traditional hinterland to the Port.

In an effort to increase the Port's efficiency, BPSB had also invested a total of approximately RM79.5 million from 1995 to 1999 for the purchase of equipment such as quay cranes, rubber-tyred gantry cranes, forklifts, information systems, radar and electrical equipment. In addition, BPA had invested RM84 million for the development of the LPG Jetty, which was completed in 1998. In anticipation of the increase in non-LNG traffic and the growth of economic activities of Sarawak, the Government through the MoT and MoF approved the development and construction of a 443-metre general cargo cum container wharf (the BICT) by BPSB on a build-operate-transfer basis whereby BPSB has the responsibility to finance the development and construction, and the land on which the new facilities stand is sub-leased from BPA. The BICT commenced operations on 14 June 1999. Further, a 950-metre berth for handling of cement and paper and pulp products (a turnkey project) was completed in July 2000 at the cost of RM210 million. With the completion of these facilities, the throughput handled by BPSB is expected to increase.

The bright prospect of the LNG and petrochemical industries, the increasing prominence of the manufacturing sector in Sarawak and the external trade orientation of the economy augurs well to the growth of the ports in Sarawak, particularly Bintulu Port. The developments outlined above are expected to increase the BHB Group's existing customer base as well as to provide greater resilience against any downturn in specific industries and the nation's economy.

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