Westports Holdings Berhad

3Q2022 Results Conference Call

November 4, 2022

Event Summary

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[Participants]	
[Number of Speakers]	3 Eddie Lee — CEO Datuk Ruben Gnanalingam — Group Managing Director Kong Meng Chang — Investor Relations

Presentation

Chang: Thank you, everyone, who have dialed in. Welcome to our Q3 financial results and conference call. For those who are [inaudible] can hear Mr. Eddie with us. He's the CEO of Westport, and also acting CFO.

As usual, later, he will start with the commentary on the financial side. And then after that, I'll pass the time to Datuk Ruben. He will continue with the presentation, especially on the operational updates, the outlook, the expansion, and of course, he will later host the Q&A.

For those who are with us most of the time, we usually have time to take all your questions. So, no need to type in, just raise your hands later.

Revenue

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- **3Q22** Container revenue was identical while throughput -2% due to higher revenue per TEU arising from gateway volume growth. On QoQ and YoY basis, VAS normalized downward without congestion. Conventional revenue up with break bulk and liquid bulk volume
- **YTDSep22** Rental up with new tenants at Westports Logistics Centre. Marine revenue up with much increased vessel calls during 3Q22

Segmental **Revenue** (RM million)

Revenue RM million	3Q22	3Q21	% YoY	% Split	2Q22	% QoQ	YTDSep22	YTDSep21	% YoY	% Split
Container	441	441	0%	85.4%	441	0%	1,334	1,302	3%	86.4%
Conventional	43	32	36%	8.3%	39	11%	118	99	19%	7.6%
Marine	20	16	29%	3.9%	18	10%	55	50	10%	3.6%
Rental	12	10	22%	2.4%	12	0%	37	33	12%	2.4%
Op. Revenue^	**517**	**498**	**4%**	**100%**	**511**	**1%**	**1,544**	**1,484**	**4%**	**100%**
Construction	4	7	-41%	-	0	nm	4	34	-89%	-
Total Revenue^	521	505	3%	-	511	2%	1,548	1,518	2%	-

May not add up due to rounding

Very quickly, just on Q3. The main thing you will notice by now that this is our highest quarterly container volume. Definitely, the improvement is coming from the gateway volume, which is up by 23% for the quarter.

On the container handling capacity level, it's about 74% in Q3. We have no congestion this year. The yard occupation is just around 80%. And of course, the container dwell time at Q3, as well, is much, much improved compared to last year. Minimal to no waiting time as far as vessels are concerned. And you can see that the container revenue side, even though there was a slight decline in volume, but the revenue is flattish. Basically, as you can see, because of the higher composition of gateway contribution there.

Cost

- **3Q22** Fuel cost due to MOPS and weaker RM despite fuel use -4%. Electricity cost, ICPT from Feb22, more reefers but less days at yard
- **YTDSep22** RM1,500 minimum wage from Jan22 and annual increments. Depreciation included capitalisation of LBT5, 21 RTG cranes, 2 new replacement QCs, and 100 units terminal tractors/trailers. Others cost up due to conventional volume and marine

Cost Of Sales Breakdown (RM million)

Cost RM million	3Q22	3Q21	% YoY	% Split	2Q22	% QoQ	YTDSep22	YTDSep21	% YoY	% Split
Manpower	66	63	5%	30.0%	66	0%	200	192	4%	30.8%
Depreciation	52	50	4%	23.4%	52	-1%	154	147	5%	23.8%
Fuel	54	31	75%	24.5%	59	-9%	153	85	81%	23.5%
M&R	20	19	6%	9.3%	20	2%	60	58	2%	9.2%
Electricity	12	11	5%	5.4%	13	-12%	37	34	11%	5.8%
Others	16	14	21%	7.4%	14	14%	45	41	9%	6.9%
Op. Cost^	**221**	**188**	**17%**	**100%**	**226**	**-2%**	**649**	**556**	**17%**	**100%**
Construction	4	7	-41%	-	0	nm	4	34	-89%	-
Total Cost^	225	194	15%	-	226	-1%	653	590	11%	-

May not add up due to rounding

Then on the OP cost, I think we have highlighted since the beginning of the year. Fuel cost has been the main challenge. You can see the big increase there as well in this quarter.

Then, of course, on the other income side, there is no insurance recovery this year so far. So, which is why you noticed that in the other income, there's a bit of a decline there now.

For the quarter, you noticed that the contribution from the associate, which is only one Port Klang [inaudible] terminal that has turned around for Q3.

With that, I'll pass the time to Mr. Eddi.

Now let me just go and share my screen. Give me a minute here. I'll just do my shared screen. Okay. We can see the revenue page?

Company Representative: Yes.

Chang: Okay. So, I'll pass the time to you, Eddie. Thank you.

Lee: Thank you, Kong Meng. Hi, everyone. Welcome back to our quarterly pricing. I think Chang [inaudible] at the peak hour many of the key items for this quarterly increasing.

Overall Results & Profitability Margins

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		3Q22	3Q21	%Chg	2Q22	% QoQ	YTDSep22	YTDSep21	%Chg	On YTD Performance
Container	m TEUs	**2.59**	**2.63**	**-2%**	**2.49**	**4%**	**7.47**	**7.93**	**-6%**	Gateway +7%, transhipment -13%. No congestion as the average yard occupancy -11%. Key conventional segments all reported throughput growth, with RORO +33%
Conventional	m MT	**3.41**	**2.58**	**32%**	**2.80**	**22%**	**8.87**	**8.32**	**7%**	
Op. Revenue		517	498	4%	511	1%	1,544	1,484	4%	YTD VAS +growth rate moderated as yard occupancy normalized but overall revenue per TEU still +9%. Fuel cost +81% with higher MOPS and weaker RM. Conventional cost in-line with higher volume. Marine cost with +9% vessel calls. Electricity with ICPT charges and more reefers
Op. Cost Of Sales		-221	-188	17%	-226	-2%	-649	-556	17%	
Gross Profit		296	310	-5%	285	4%	895	928	-4%	YTDSep21 included non-recurrent insurance recovery of RM41.6m for QC51-52, outstanding 5% recovery. Higher Administrative Expenses and Other Expenses with increased post-Covid19 travelling, marketing, client engagement activities and resuming staff engagement programmes
EBITDA		**299**	**346**	**-13%**	**300**	**0%**	**928**	**1,013**	**-8%**	
	EBITDA %	57.9%	69.4%		58.8%		60.1%	68.3%		
Results From Op. Act.		233	281	-17%	233	0%	729	821	-11%	
Profit Before Tax		**224**	**265**	**-16%**	**220**	**2%**	**693**	**774**	**-11%**	Finance Income is lower with lesser average cash balance after record semi-annual dividend in Feb22 and 1Q22 Sukuk repayment of RM125m. Less Finance Cost after repayment. Results of JV is 50% in Port Klang Cruise Terminal, uses Equity Method Accounting, it is now profitable
	PBT %	43.4%	53.2%		43.0%		44.9%	52.2%		
Tax		-74	-66	11%	-58	28%	-228	-189	21%	
	Tax %	-32.9%	-24.9%		-26.2%		-32.9%	-24.4%		
Profit After Tax^		**150**	**199**	**-24%**	**162**	**-7%**	**465**	**585**	**-21%**	1-year Cukai Makmur in 2022. Expect tax rate of 32% to 34%

May not add up due to rounding

Let me just start with the operating revenue first as usual. With regards to our container, we had 7.5 million TEU for the first nine months of the year. As you remember, in Q1 of this year, our container volume is 2.4 million, affected by the impact of the massive flood in December of 2021. So, 2.4 million TEUs in Q1, and then recovered in Q2 of this year.

Volume handle is 2.5%, and Q3 this year have come in, as mentioned. [Inaudible] is six even. So, for that, that's what we handle 7.4 million approximately for the first nine months of the year.

Back to Q3 in regard to container volume. Yes, Kong Meng has mentioned that our container local boxes average has gone up, even though despite that the volume for container for Q3 slightly decreased by 2%. The reason why for the increase in the gateway boxes is because we handle more regional distribution cargo. And also, we had more recycled paper. There's plants setting up not too far away from Port Klang here, which is in funding.

This is the key reason why our container motor gateway boxes have increased in Q3. But of course, overall, continued volume reduced by 2%. It was dragged down by the transshipment volume. I think it was affected by the external factors, the international trades. So, the high inflation [inaudible] down. We actually have continuous [Syncope] policy in China, as well as [inaudible] contentions. So, these are the manufacturers that are actually facing the transient volume in Q3.

So overall, our container volume is down by 2% to 2.6 billion deals in Q3.

The gain, Kong Meng also mentioned, despite the down in the volume, our operating revenue for container have actually flattened. You can see the number here on slide four, 141 million is the same, right? And the reason is because of the local boxes.

With regards to the conventional volume, we had a good Q3 for conventional volume. Volume has increased by approximately 2% compared to the same period last year. There's two reasons for it. Number one, we handle more [inaudible] cargos, project cargo, machinery, as in [inaudible]. What I mean, there's a construction of power plants. So, it's imported by many project cargo and machinery, as well as the recycled paper plants in [Panting]. So, they are starting a new production line [Renaissance].

Recently, in the last few months, we have seen that many project cargoes that are coming in for the recycle, [inaudible] cycle paper plants in [Panting]. Besides the [inaudible] volumes, decreased [inaudible] has actually increased quite substantially. And so, Q3 this year, the main reason why is because we have a new [inaudible] Terminal five.

In terms of LPG, [inaudible], we handled much more compared to Q3 2021, as well as also import of resold import of gasoline have actually increased, because things are back to normal now. You can see many cars on the road now in Malaysia's [inaudible]. This is one of the main reasons why conventional overall volume went up by 32%.

With regard to the revenue, conventional revenue up by 36% to MYR43 million in Q3. In terms of the number of [inaudible] for Q3, they have actually increased. This is why you see the reason is 29% up in the marine revenue, an increase of MYR4 million to MYR20 million.

Rental for Q3, higher by 22%. This is because of the few new tenants that is in our logistic center here in Westport. So, we started adding the rentals from the beginning of this year, as we mentioned before in our last briefing.

So overall, operating revenue for Q3 increased by 4% to MYR517 million. So, you can see from the slide here. If you move to the right, which is the YTD, the percentage is the same. Operating revenue increased by about 4% as well from MYR1.48 billion to MYR1.5 billion.

Next, [inaudible] coming. This is the operating costs. Numbers in both, 17% higher, and increase, in operating cost for Q3 to MYR221 million. Now out of this, I think there's a total increase of about close to MYR19 million. MYR19 million from MYR188 million to MYR221 million.

70% of it comes from one item, Kong Meng just mentioned. There's a few costs. You can see a big 75% increase in a few from MYR31 billion to MYR54 million. I note that the fuel price, that more price has stabilized a little bit, but it's still much higher if you compared to the same period last year. So, I think, if you look at the fuel costs, approximately 70% of the increase from MYR31 million to MYR54 million, 70% of it is because of the fuel price. I think the 30% is because of the weakening [inaudible]. I think, more price in [inaudible] in US dollars. So, the weakening of ringgit versus USD from 4.2. Now, we are talking about 4.7% and 4.8%. It's also, of course, the reason for the increase in the fuel price.

Apart from the fields, the remaining items, I think, it's just marginal increase.

Very quickly. manpower up by 5%. This is because of the revisions of the minimum wage of 2005 from beginning of this year. [inaudible] margin up 4%, as we have capitalized, as I mentioned before, the new [inaudible] Terminal Five, and as well as for some port equipment that we purchased.

M&R cost, I think this is more to do with the scheduled plant maintenance that we have for the port equipment. Electricity, up by 5%, and this is quite normal. The [arch] items is other costs increased by 21%.

This is mainly because of the conventional [inaudible] volume has increased by 32%. So, the operation cost for entering big boxes has actually increased. This is one of the items here in the others.

Overall, the operating costs have shot up by 17% from CNY188 billion to CNY221 billion here. That was a CNY19 million increase in Q3. And for YTD, there's also [inaudible], same numbers, 17% increase in the operating cost to MYR649 million. Again, a big increase in the fuel price here of 81%. 70% of costs increases the cost of this item.

Next slide.

Cash Flows & Total Borrowings

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Consolidated Cash Flows

RM million	3Q22	3Q21	YTDSep22	YTDSep21
Operating Profit Before Working Capital Changes	302	346	935	1,014
Cash Generated From Operations	393	359	1,079	967
Net Cash Generated From Operating Activities	**264**	**299**	**835**	**771**
Net Cash Used In Investing Activities	-27	-242	-124	-352
Net Cash Used In Financing Activities	-259	-312	-747	-680
Net Change In Cash & Cash Equivalents	**-22**	**-255**	**-36**	**-260**
Cash & Cash Equivalents As At Starting Period	601	734	615	739
Cash & Cash Equivalents As At End Of Period	579	479	579	479

May not add up due to rounding

Sukuk Musharakah Medium Term Note (SMTN)

Tenure	• 20 year Sukuk Musharakah Medium Term Note program obtained on 20 April 2011 • Valid unless it has been redeemed, cancelled or repurchased by WMSB
Nominal Value	RM2,000 million available for issuance
Drawdown Total RM1,500m	• 03 May 2011 of RM450 million • 01 April 2013 of RM250 million • 23 Oct 2013 of RM200 million • 03 April 2014 of RM250 million • 07 August 2017 of RM200 million • 13 December 2017 of RM150 million
Utilisation of Proceeds	• Refinance previous SUKUK programme • Capital expenditure & assets acquisition • Working capital
Repayment Schedule	• RM450 mln - 6 tranches, 2021-2026 repaid RM100m • RM250 mln - 4 tranches, 2025-2028 • RM200 mln - 5 tranches, 2024-2028 • RM250 mln - 4 tranches, 2021-2024 repaid RM125m • RM200 mln - 2 tranches, 2019-2020 repaid RM200m • RM150 mln - 3 tranches, 2021-2027 repaid RM50m

- YTDSep22 RM183m **capex** mainly for 21 units of RTG cranes, 2 new replacement Quay Cranes for QC51-QC52, 100 new terminal tractors-trailers, initial payment 6 new Quay Cranes and initial work on LBT4A
- **Cash** deposits of RM620m as at Sep22, of which RM41m are pledged deposits
- **Sukuk borrowings** of **RM1,025m** after RM125m repayment in 1Q22. Next repayment of RM50m in Dec22
- **RAM** reaffirmed WMSB's AAA rating in its 1st annual review in Dec21
- Net and gross **debt-to-equity ratios** of 0.13x and 0.34x respectively as at Sep22

Despite the increase in operating revenue by 4%, we just talked about, you can see the gross profit is down by 5% because of the cost of fuel price is one of the main reasons. And then, if you move down the line, a result from operating activities, and also before tax, decreased by 17% and 16%, respectively. This is because of the one-off other income insurance recovery for QC51 and 52. Because in Q3 last year, we have [inaudible] MYR21 million of this other income.

But of course, YTD, January to September last year, is total is MYR42 million. September Q3 last year is MYR21 million. So, this is one of the main reason why you can see the profit before tax is down by 16%. But as to gross profit it is reduced by 5%. The other reason is also because of the other expenses. We have three active [back all event] with our staff goes up. The 2.5 years that we didn't organize any staff events, so this year, we started all this back. This is also increasing costs in sub-related expenses.

We also started visiting our clients, organized events of a client, something that is also part of the increase in costs. Profit before tax, down 16% in Q3 to MYR224 million. The tax rate for Q3, because of prosperity tax, is 3%, so MYR74 million. There you can see it. And profit after tax for Q3, we reported MYR150 million. A reduction of 24% if you compared to MYR199 million in the same period last year.

YTD, I think it's the same. Operating revenue has also increased by 4%. We can see a decrease in the margin depletion gross profits. For the same reasons, fuel price, and profit before tax results from operating activities is also the same reason. One big item is the QC51 and 52 booking. We are booking MYR42 million in the first nine months of last year for this one-off other income.

We moved down the profit after tax. Reductions of 21% to MYR465 million.

With regards to cash flows, our borrowings, you can see here, the last number for MYR579 million. So, that's an increase in terms of cash positions compared to Q3 2021. This is because lower capital expenditures, especially in the investing activity, you can see here.

I think two main reasons: number one, we have actually paid out in Q3 last year. I think it was September, if I'm not mistaken, it was September 2021. We paid out about MYR115 million to acquire a 50% stake in n Port Klang Cruise Terminal, as well as, of course, last year, in Q3, there was constructions of LPG five as well. So, these are the two main reasons why you can see the net cash, using our investing activity for Q3 this year, has shown a reduction compared to the same period last year.

Overall, we have spent about MYR183 million CapEx YTD. Mainly because of the port agreements. You can see here, RTG 21 are in this [inaudible], then key plan two units. So, 100 new terminal tractors, as well as the initial payments of the six QC that we just [inaudible], as well as the LPD four add that we're going to build this year. So, this is where we spent a total of MYR183 million.

With regards to the outstanding support is MYR1.025 billion. The bold number there, you can see, after repayments of MYR125 million this year. When is the next payment? The next payment will be in December this year, another MYR50 million. After this MYR50 million in December, I think our outstanding [inaudible] by the end of the year, we will reduce to below MYR1 billion. And next year, I think we're going to make another MYR150 million of support in 2023.

In terms of rating, I think no change here to [inaudible] by RAMs, as well as by healthy debt-to-equity. Gross is 0.35 times, as you can see here. But if you include our cash, minus on the debt, that's even better. So, [inaudible] equity net, it will be set at to 0.13 times.

I think that's all for me. I'll now pass on to our group managing directors.

Company Representative: Hi. Thanks, Eddie. Just to confirm, you can hear me?

Lee: Yes.

Container Terminal Expansion

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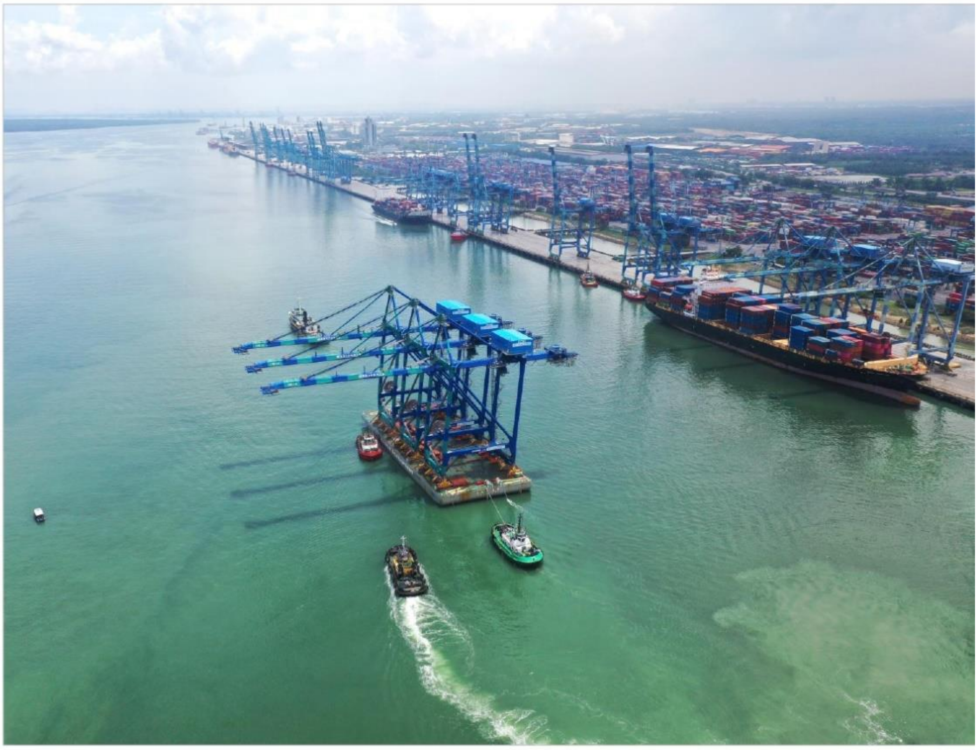
Expansion check-list
- Approval-in-Principle
- Purchase of PKNS land
- 8 detailed technical studies
- Finalised port layout design
- S&P to acquire Marina Land@
- Initial and detailed EIA reports
- Concession terms with PKA
- EIA approval on detailed study
- Approved land conversion for the 'Land Below The Sea' to industrial use, paid conversion premium
- UKAS
- Ministry of Transport
- Government of Malaysia

S&P conditions precedent@
- WHB shareholders approval
- No objection from EPU
- Approved land conversion for 'Marina Land' to industrial use. Paid the conversion premium
- Concession agreement

New facilities and equipment
- +12% ground slots to 52,455 and +58% reefer plugs at 4,132
- 67 QCs. Received 3 new QCs in 3Q22 and being commissioned, 3 more QCs by 1Q23
- Total of 218 RTG cranes



Company Representative: Okay. Thanks, everybody, for joining the call.

With regards to expansion, we are still in the same loop that we were before, but I can see that there has been some progress, to be fair. From a timeline perspective, I think it's looking more likely towards the middle of next year, when we should be able to sign the concession, mainly because although we are now probably closing in on most of the financial terms, we are not going to start the legal process of all the legal agreements that need to be adapted or started for the new expansion plan. So, that is where we are right now.

I think we're about six months away from signing, but there has been progress for sure in the last few months, so that's encouraging. I'm sure the question is going to come up later on, whether the change in government would make a difference with regards to our expansion. I don't think there would be any change. The main, you know, I don't want to use the word, delays, but the main discussions have all been with the civil service on the topic. And therefore, if any change of politicians do come in, it won't speed up or delay the process any further in my opinion.

Of course, whenever a new government comes in, there is some slowdown in general with regards to the government getting its feet going, but these are things that we have to expect anyway. So, I think sometime between now and the middle of next year is when I think we should hopefully be able to sign. As I said before, there's nobody who is opposing the project, it's just a question of having all the dots and crosses on the I's and T's are all dome properly. So, I think that's the main thing with regards to that.

That's with regards to the expansion plan.

We've got new equipment come in recently as well, as you can see from that picture.

Throughput Volume

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- **3Q22** Strongest gateway quarterly growth since 1Q18. Transhipment volume reflected easing of global supply chain challenges but increased blank sailings, demand contraction, and global inflationary effects. Some Asia-Africa services stoppages from late-2021
- **YTDSep22** Container % rate improved from -10% in 1Q22. Conventional growth from break bulk's project cargo, gasoline/diesel, LPG

Container & Conventional **Throughput**

Container m TEU	3Q22	3Q21	% YoY	% Split	2Q22	% QoQ	YTDSep22	YTDSep21	% YoY	% Split
Transhipment	1.55	1.79	-14%	60.0%	1.55	0%	4.52	5.18	-13%	60.5%
Gateway	1.04	0.84	23%	40.0%	0.94	10%	2.95	2.76	7%	39.5%
Total^	**2.59**	**2.63**	**-2%**	**100%**	**2.49**	**4%**	**7.47**	**7.93**	**-6%**	**100%**
Intra-Asia	1.64	1.56	5%	63.3%	1.50	9%	4.69	4.77	-2%	62.8%
Asia-Europe	0.43	0.43	-1%	16.7%	0.47	-9%	1.27	1.31	-3%	17.0%
Asia-Australasia	0.23	0.27	-15%	9.0%	0.24	-3%	0.72	0.82	-12%	9.7%
Asia-America	0.17	0.24	-30%	6.5%	0.19	-10%	0.52	0.63	-18%	6.9%
Asia-Africa	0.05	0.09	-43%	1.9%	0.05	-4%	0.14	0.28	-51%	1.8%
Others	0.06	0.04	60%	2.5%	0.03	88%	0.13	0.13	-1%	1.8%
Total^	**2.59**	**2.63**	**-2%**	**100%**	**2.49**	**4%**	**7.47**	**7.93**	**-6%**	**100%**
Conventional m MT	**3.41**	**2.58**	**32%**	-	**2.80**	**22%**	**8.87**	**8.32**	**7%**	-

May not add up due to rounding

Going on to the next slide, with regards to the volume.

Now the one thing I've mentioned in the last few calls is that looking at these trends is not helpful at the time being. But what I can tell you is that, approximately, starting maybe middle of next year, these trends will start to make a lot more sense. Because right now, we are starting to see trends happening from QtoQ already. But when you compare YoY, the issue is, last year was a very much disrupted cargo in the sense that our ships were moving towards where the money was, as opposed to -- and for us, the growth of certain areas versus others was more to do with the shipping lines' decisions, as opposed to the genuine general growth from those areas.

We are starting to see more trends coming on now with regards to when you compare month-to-month or QtoQ. So, I think a year from now, a lot of this will start to make sense in terms of where which markets are growing, and which markets are not.

As you can see, for us, the gateway is growing very strongly. I think that's really helped us. And the [champion] is the one that is not growing so fast. Recently, we saw strong growth, seriously, until the middle of September. And then H2 of September really just tapered off very, very quickly, indicating signs that there is weakening demand coming from the US and Europe. Some people are hoping that this is mainly because there is overstocking of inventory in a lot of the parts of the West, and once that inventory gets used up, then things will start to move back again. But for me, the sign of the overstocking of inventory is actually a sign of the content falling as it is.

Because, obviously, people were anticipating a much higher consumption level, and it's actually getting a lot lower. I think the one thing good is that even if we do have a recession of sorts, I feel that, because the labor market is so hot, that the recession won't spiral to be a long run. I think because the market is fast, even if some industries, you see people losing jobs. I think they will probably get jobs easily somewhere else, because there are many companies looking for people. And therefore, it will be probably short lived in that sense, and everything will start going back towards normality soon.

As I said before, consumption is the biggest driver for a lot of these things, especially for our cargo. So, that's where we see the largest indicator that I always look for. I think, even if we have a slowdown, will be fast after that.

So, for us, in Q4, on the other hand, we will be mostly growth, as I said before, mainly because Q4 first last year was very low. We are expecting growth in that sense. But one of the things I wanted to highlight just now, which was, some of you might have picked up on the financial slides, was that although our volume grew from Q2 to Q3, our revenue did not grow from Q2 to Q3 for the container side. And that's mainly because we are starting to obviously see a reduction in the value-added services, mainly storage becoming less than last year.

So that was expected, and I think we projected for it as well because we had a lot of storage last year, starting in Q1 or Q2 last year. I think to grow very strongly and repeat, I think, towards the end of the year, mainly because the others are congested and boxes stay for a very, very long time. Now obviously, the boxes are no longer staying that long anymore. And I think as Kang mentioned, just now the utilization is about 80%.

Because the boxes are not staying long, the storage has obviously come down quite dramatically. I think we should be able to see those going back to pretty much normal by the end of this year. It's still a bit higher than it was historically, and when I say historically, I mean pre-COVID. Therefore, we do expect it to be normalized by the early [inaudible]. From next year onwards, we'll probably be seeing it go back to its normal trend rate, grow slowly on a yearly basis.

So that is why, although the volume was higher in Q3 than Q2, the revenue was flat, many because that part has actually come down.

Now you can go on to the next slide.

Dividend & Outlook

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Dividend Distribution Track Record

	Dividend Per Share (RM)	Financial Year	Ex-Date	Payment Date
1st Interim Div	6.91 sen	1H 2022	12 Aug 2022	23 Aug 2022
2nd Interim Div	9.28 sen	2H 2021	15 Feb 2022	24 Feb 2022
1st Interim Div	8.50 sen	1H 2021	17 Aug 2021	26 Aug 2021
2nd Interim Div	6.47 sen	2H 2020	18 Feb 2021	01 Mar 2021
1st Interim Div	5.05 sen	1H 2020	11 Aug 2020	21 Aug 2020
2nd Interim Div	6.26 sen	2H 2019	20 Feb 2020	03 Mar 2020
1st Interim Div	6.74 sen	1H 2019	14 Aug 2019	23 Aug 2019
2nd Interim Div	6.33 sen	2H 2018	18 Feb 2019	01 Mar 2019
1st Interim Div	5.40 sen	1H 2018	07 Aug 2018	20 Aug 2018
Total Dividend	14.322 sen	FY 2017		
Total Dividend	14.00 sen	FY 2016		
Total Dividend	11.10 sen	FY 2015		
Total Dividend	11.25 sen	FY 2014		
Total Dividend	^5.22 sen	FY 2013	^October 2013 IPO. Only one payment	

- **Dividend payout ratio of 75%**
  - Record dividend payout of RM606m in 2021
  - 1-year reduction to 60% in 2020 due to Covid-19 precautionary measures and resumed the payout ratio of 75% in 2021
- Equity **fund raising** to part-finance Westports container terminal expansion is only after signing the concession agreement and also commencement of land reclamation work

Outlook 2022

To commence construction of Liquid Bulk Terminal 4A (LBT 4A) in 4Q22

- Broadening economic impact of conflict in Europe, higher inflation, easing consumption/container demand, higher interest rates and a weaker mostly non-US Dollar currencies are risk factors to economic growth. **Container volume** could ease by a single-digit decline rate
- Construction of **Liquid Bulk Terminal 4A** (LBT 4A) to start in 4Q22
- Finalising the strategic business plan for **Port Klang Cruise Terminal**
- A commitment and aspiration to achieve **net-zero carbon emissions by 2050**. Testing proof-of-concept electric terminal trucks in 2023

With regards to dividend, this is not a dividend quarter, the next one will be. There's nothing from that perspective. We are planning to keep our dividend payout ratio at 75% for next year. There's no change there for the time being. Seeing as how we will only be signing maybe towards the middle of next year for our transaction, we don't think the CapEx will start for that until H2 of next year as well. So, as far as the dividend payout ratio is concerned, next year's status is full.

With regards to the outlook for 2022. Obviously, for the container side, we are a bit cautious. We're projecting, basically, to be slightly higher than this year. Maybe, as I said, very, very small low-digit growth, single-digit growth, mainly because, as I said, the beginning of this year was a bit slow. So, this gives us an opportunity to grow versus that.

The growth in Q2, Q3, and Q4s is also up. Although, in Q3, there was no growth compared to the year before, but Q4, there is. But again, it's not massive growth, it's moderate growth; and therefore, we feel there is some opportunity to grow by a little bit compared to next year. But as I said, the expectation is not going to be a very high number. It will probably be a low single-digit number, if at all. But at worst case, we think it would be flat. So, something between 0% to 5% is, again, the range that we're going to predict for next year.

With regards to the conventional side, of course, because the new BT5 just started in Q3. There will be growth coming from there. And of course, we are looking now to expand with regards to another terminal called B4A. And of course, we're also expecting more growth to come from PKCT from the cruise seminal, because that just started in Q3, and it's actually going very, very well.

With regards to PKCT, there's plans going forward. We still have not finalized the other businesses we want to do, but we're definitely looking towards expanding the cruise business itself. That actually has huge potential.

We actually have more [inaudible] to fulfill more demand if we actually start to have a better facility there. So, we're looking at how we can upgrade those facilities there to cater for this growth in the cruise demand.

As mentioned, I think before, we committed to net being net zero carbon emissions by 2050 as well.

So, I think that's the main update. That's the last slide, right, [inaudible].

Company Representative: Yes.

Company Representative: I'm happy to answer any questions anybody has.

Question & Answer

Lee [M]: Okay. We will open the time for Q&A. Anyone who wants to ask questions, just raise your hand. First come, first serve.

Okay. Raymond, I see your hand. Let me allow you to talk. Raymond?

Participant [Q]: They call me, [inaudible], Ruben. Hi, good afternoon. Thank you very much. Thanks for the call. Ruben, I wanted to ask you about the size of the capital expenditure for Westports two. I do remember that you have to buy a marineland for about plus MYR400 million, including the stem duty. And then, you also mentioned before that you would spend about MYR1 billion on Phase 1 of the [inaudible]. So, are we looking at approximately MYR1.5 billion plus/minus from middle of next year onwards for another two years after that? That's one question about the size of the immediate CapEx funding.

Then I wanted to ask about inflation and whether that has had any impact on the original estimates, which were made probably two, three years back.

In terms of the funding of the paybacks, you did mention something about having no impact on the dividend payout in 2023, but are you looking at possibly reducing the payout in 2024 to 60%, or even less?

And then, in your slides, you did mention that in Q2 slides, you actually mentioned that you might do some equity funding and Sukok issuance to fund the CapEx. But in this set of slides that we just saw, you took up at the Sukuk, and you just left the equity there. So, what kind of equity are we looking at in terms of the size additions? And are you no longer looking at Sukok issuances to fund the CapEx? So maybe [I'll stop] talking for now. Thanks.

Datuk [A]: Yes. There's too many questions to answer.

You forgot the [inaudible], let me answer the last one first. There's no change in plans. It will be strong equity or dividend. We have not made up our minds yet with regards to that. As I said to you, the more we have time to postpone, the more we will not decide on it, because, as I said before, ideally, a strategic investor would be my ideal path to go down with regards to equity that could be raised.

If we don't raise equity, then dividend is the other option. Because I mentioned [TD] as well, we have about a 12-month runway from the time we sign to the time we actually need to raise equity. In that period, we can start off with Sukuk as well.

And therefore, because we don't take those signs for the middle of next year, I think next year's dividend should be safe in that sense. With regards to 2024, it really depends on what strategy you take with regards to how we raise some of the equity required. Equity can be raised by the dividend or via, actually, raising money, or a combination of both, where we give you the potential to have a dividend-investment plan.

So, to that part, actually it's being maintained as we have been for the last two, three years. The plan has not changed. A strategic investor is still my main goal if we can get. And the longer we can postpone it to make the decision, that I will not make a decision. I'll pay until the end where we really need to. So, there's no change there.

I think the fact that when Sukok was removed was probably more of a tight quarter than anything else. And then there's no intention for that purpose.

With regards to the expansion plan, the recognition and dredging was originally budgeted about MYR1 billion. Of course, one of the key elements there, which we have to take into account, which may be the postponement, is also a good in certain way, is that fuel price is an element on the recognition and dredging, and of course, fuel prices being higher, will increase that price from maybe MYR1 billion, depending on when the fuel price, or when we start, but it will have an impact on that. But the regulation of dredging is estimated to take about three years. So, it's not MYR1 billion over a year.

So, the question of the drilling project itself is about three years. It's a three-year project. The fuel prices we see will depend on what the fuel price is over that whole period of time, for that three years of regulation and dredging.

The land part, you're right, it's about MYR400 plus, plus the tax, et cetera. So, to the MYR1.5 billion in the initial pace is correct, except that, although the land products we paid upfront, their commission part is over a three-year period. And inflation, of course, will have an impact, especially for the fuel part of the recognition and hedging. But it depends when we actually start that process, and what the fuel prices are at that point in time.

With regards to the construction cost itself, we'll see that will only start three years after that. So, if we sign in 2023, we're looking to start for [TD] probably end of 2025 or maybe 2026. And then, one later after that is when the terminal can actually be ready. And after that, the cranes will arrive around the same time. So, we'll probably starting to use the terminal [TD] 2027 only.

I hope that answers most of your questions. I can't remember if there was the other one in there that I did not --

Participant [Q]: Yes, Ruben, in terms of the terminal construction, you will do CT10, CT11 and CT12 [inaudible] it three terminals [inaudible]?

Datuk [A]: I think 10, 11, and [inaudible].

Participant [Q]: Okay. 10 and 11, and each terminal would roughly cost how much?

Datuk [A]: So historically, before COVID, it was about MYR800 [TD], including equipment.

Participant [Q]: Okay. All right. So that would be slightly higher now, given that the ringgit is rather weak, right? But let's see what happens to the ringgit between now and then.

Datuk [A]: Yes, because there [inaudible] 26, it so mostly depends.

Participant [Q]: Okay. And --

Datuk [A]: And [inaudible] is expected to be slightly more anyway, because we're trying to do a lot more --

Participant [M]: Automation.

Datuk [A]: Automation, and also, electrification. So, it shouldn't be more. But of course, with electrification, it means that we won't be spending on fuel for this terminal as well.

Participant [Q]: Okay. And you mentioned that you preferred a strategic equity investor. Is that going to answer at the Westport's Two level? Or is it at the holding core level?

Datuk [A]: No, it will be at the holding core level. There will not be a separate company for Westports Two.

Participant [Q]: Okay, that's fair. And you mentioned that you've already finalized the commercial terms. Are you able to give us some key highlights of what those terms might be?

Datuk [A]: After we sign, we cannot, as you know. So --

Participant [Q]: Okay, I see. The final question on the CapEx, well, actually, sorry, the second last question. The CapEx guidance for 2022 and 2023, given that you'll be spending on the FLBT for [inaudible] 2023, is there an update on guidance?

Datuk [A]: I think that project will start next year. I think it's about MYR90 million or so for that. We're also looking to expand on building a new PMU, which is like a substation for more power, because we need more electricity, as you know. So, we're looking to do that, and I think that part is also going to be starting next year. Overall, that's the three-year project, which cost about MYR200 million. I'm not sure how it's phased over the three years, but probably say, one-third in the first year probably. And then the rest is normal maintenance CapEx, which is about MYR80 million or so. I think we might have to replace some trucks, which is about MYR3 million, MYR7 million, MYR10 million, something like that.

Participant [Q]: Okay. [TD] about MYR400 million for 2023?

Datuk [A]: No. So, the RBT3, say, [TD] --

Participant [M]: The MYR200 million is over three years.

Datuk [A]: Yes, exactly. So, it's about MYR60 [inaudible], MYR70 for that. So, maybe about MHYR200 plus.

Participant [Q]: Okay. The last question is on the waste paper that Eddie mentioned was being imported in containers. Is that coming from other parts of Asia? Or is that coming from Europe and the US?

Datuk [A]: [Inaudible] everywhere. She's coming from everywhere and is actually going to everywhere as well. So, this is being recycled, and then sent to various businesses. So, I think if there are some coming from Europe, some companies from the US, some coming from Asia as well.

Participant [Q]: Okay. Another question. Because the Intra Asia volume on a QoQ basis, that actually grew 9%, but Europe and the US actually fell about 9%, 10%. So --

Datuk [A]: I think the US is mostly transshipment [inaudible].

Participant [Q]: Okay. Then intra-Asia QoQ increase is driven by [inaudible] --

Datuk [A]: I think a lot of the recycled paper goes back to China. That's way it comes from, I think it's where it goes to, that it's going back to China as well. And this year, we have IKEA, which is coming in a very big way. And IKEA is a regional distribution center, which is Southeast Asia. So that growth is around this area only.

Participant [M]: Okay. That's it for me. Thank you so much, Ruben. Thank you, Eddie.

Lee [M]: [Inaudible].

Participant [Q]: Hi. Thank you for taking my questions. Particularly about the transshipment outlook. Like previously, I remember, Ruben, you spoke about that normalization of freight rates would make transshipment more attractive versus probably the past 12 months when the rates were very elevated, and it made sense to do more direct calls. Are you seeing any shift yet on that front, given that freight rates have probably collapsed much faster than anyone had expected?

Second thing on the same point is about, with easing congestion, you had expected some services to come back. What is the take on that?

Datuk [A]: With regards to the freight rates versus direct calls, I think it's a bit hard because we're seeing softness from those transshipments in the markets. For example, Europe, is where one of the key transshipments in the market for us. I think we are seeing softness in overall the European market. And therefore, if the volumes are not growing, then transient will also not be growing in general.

The freight rates, unfortunately, are coming down pretty fast. We don't think you'll go back to the levels where [inaudible] were losing money. I think it will still be profitable for them, but probably not as crazy profits they were having in the last two or three years. I think those were not sustainable where we're getting 20,000 TEUs or something.

From that perspective, transshipment has gone down quite a lot this year. We do expect it to start growing again next year, but probably not by least amounts, but probably a moderate growth from it.

With regards to the other services, we had two services call back, and that's one of the reasons the local volume is going back as well. Because some of these services were lost in [inaudible], and now the condition is eased, they'll come back and that's why some of these intra-Asia services, especially for local, have come back, and that's part of the reason why the [inaudible] gone.

Participant [Q]: Okay. I have one more question on the O&D front. We spoke about the recycling plants coming in the vicinity, and then that kind of driving the volumes for O&D. And YoY, you, of course, had the base effect from the lockdowns last year versus this year, a full reopening. But going ahead, at what period do you see the impact of these IKEA distribution centers and the recycling paper additions impact. Is it something which started in Q3, and so,, we can see the impact going into next year as well, until Q2 of next year? Or is it something which you think will fade?

Datuk [A]: 7% growth for the local is actually quite strong. I think some of that has to be [inaudible] coming back. They started coming back in Q3 as well. So, you could see that some of them were lost for the next few quarters as well, because he wasn't there a year ago.

But with regards to IKEA, as well, most IKEAs started earlier this year, and with regards to the paper stuff, some of the factories are still being built. So, we do expect more volume to come from them as those plants have been completed. We do expect system growth. But, in general, 7% is not something I would recommend long term, because it's not something that we're used to. Especially, with our volume size that we are [inaudible] today, that number is a pretty high number of growth. You say it tapers down. What we normally used to is about 4% to 5% growth. I think you probably go back to that over the long-term period.

But there are more facilities coming through. We are trying to attract more companies to set up distribution centers here. So that's part of the key activities we're doing. To be fair, invest [inaudible] and many other companies are under the slang umbrella, are trying to bring a lot of these companies set up the distribution centers. So, we can expect more in the future. But the ones we see right now are mostly the new paper guys coming up.

Participant [Q]: Okay. And then one last question for me on the cost side. When we look at the administrative expenses, right, there was a sizable jump, and you did think about reactivation of travel, reactivation of client and staff engagement activities. So is it just that the lumping of these activities after a prolonged period are like a pent-up demand, that's why we saw a huge surge in Q3, and this should normalize, because it is significantly higher, even compared to the pre-COVID levels. My guess is that this is because all of these activities, along together in Q3, and over a period of time, this should normalize?

Datuk [A]: Yes, definitely. I think that part is very true.

Participant [M]: Good. Okay. Thank you. All the best.

Datuk [M]: Thank you.

Company Representative [M]: [Inaudible], you're next.

Participant [Q]: Hi. Thank you for your time. Just a very quick recap. Your gateway is growing fast because of recycled paper, and those kind of products. Is that correct, including IKEA? That's the first question.

Datuk [M]: And also, the services that came back from [TD].

Participant [Q]: Okay. Because you were congested before and was under flood repair. Is that right?

Datuk [A]: Yes. Correct.

Participant [Q]: Second question is on effective tariff and discount. Let's say, if your view of rates normalizing above pre-COVID, and the line is still making money, proven to be too bullish, i.e., rate fall into losses, what was the mechanism like on negotiating the effective tariff with liners? Can we expect, let's say, Westport's' PTP and the PSA to widen the discount to compete for volume, especially if container volume is declining?

Datuk [A]: I can't speak on behalf of the other two because they are my competitors. I think, in general, all of us have tried to avoid giving any more discounts going forward. I think the shipping lines have made a lot of money, and people probably have enough buffers to not ask us for the discounts for a while. And I think what we're trying to get from them is probably reasonable increases over time, because we have to spend more now on trying to be: number one, sustainable, and trying to also cope with the [inaudible] that we're having as well.

So, I don't see us going back to giving crazy discounts to them, especially when they are pushing us to be greener in many ways. I think they need to pass on this increase across to their consumers. The consumers are the ones who want us to go green anyway, right? So, I presume, and therefore, the other ones should be paying for this, and I'm hoping the [inaudible] will pass it on.

Participant [Q]: Got it. And just lastly, just to recap, your guidance for volume next year is 0% to 5%, right?

Datuk [A]: Yes, correct.

Participant [M]: Thank you very much. That's it for me. Thank you.

Datuk [M]: No problem.

Company Representative [M]: Hi, [inaudible], you're next.

Participant [Q]: Hi. Thanks, Ruben, thanks, Eddie for taking my questions. Now, [TD]. Actually, some of my questions are already asked by the other initiatives now. But I think just a few more regarding the LTT side. I know that the current utilization and the conventional side, it's because it's strong because of the construction activities, right? Can we expect this to sustain [TD] because you say there are more factories upcoming, right?

Datuk [A]: On the box side, it is very lumpy. Usually, when these things happen, it suddenly grows a lot. So, for example, in the past, when [inaudible] first started, it was a bit lumpy growth of breakbulk then. And again, we don't know what phase the development of factory is right now. So, in the [lottery], [inaudible], you need a lot of raw material to come in, it's done, then we don't see it continuing, although the factory is still being built. So, some parts come into containers, some to bulk. The bulk parts, they're already done.

We don't have clear visibility on that growth specifically. BT5, literally, just started. But the one main plant which we had built it for is using it quite well. So, we don't actually have the utilization numbers yet, but I think you can expect it to be at this level going forward into the future.

Whether it's going to grow further, I think it depends on how this customer then grows that business as well. But one of the key things is that we have other demands for other players, and that's why we need to not build LBT4A as well, because LBT5 is mostly for LNG-type cargo. And so LBT4A will be for other kinds of cargo.

If we can get more LNG players, then I think LBT5 will be higher utilized, but I don't think it's anywhere close to 40%, 30% at the moment. But we don't expect it to grow in a massive rate because that customer needs to slowly build up this business as well.

Participant [Q]: Okay. I understand. What's the potential earnings contribution we can expect from the top [inaudible]? And is this a new tenant that you mentioned just now at the [inaudible] fees in [India], I guess. Can we know if it's sustainable, or what industry they are for?

Datuk [A]: [Inaudible].

Participant [Q]: New tenants [TD].

Datuk [A]: The new --

Participant [Q]: New tenants at Westport Logistics Center.

Datuk [A]: Oh, Logistics Center. Also, they are mostly doing value-added services for polymer customers. This is mostly a container base. And we do expect them to grow more of the polymer business that we have already. They won't be like the IKEA type because it's not their own cargo. They're more a logistics company trying to do value-added services at the port. So, they will grow the container business, and we have agreements where they have to go to [inaudible] business. But in terms of size, they're not as big as IKEA or any player at [inaudible]. But we do expect it to contribute to the growth of the container side as well.

Participant [Q]: Okay. And what about the potential contribution from [inaudible]?

Datuk [A]: With regards to the earning contribution there, it was making about MYR20 million before the dynamic. We do expect that, from a revenue perspective, to go up to that level, and therefore, the margins eventually will be better. But we won't be declaring any dividends there for the near future, mainly because we want to expand the facility and all the cash there will be saved towards doing that.

While it will be contributing to the top line, it won't be contributing to the dividend payout ratio directly for a while because we want to preserve cash, and I think we have to borrow some cash there as well to actually expand the [inaudible]. I think one of the key things from IKEA is adding a new cruise birth there, which would be very useful for that terminal. Also, it means that Westports won't have to handle customers going forward as well.

I think it's got a double effect for that, where we won't be hampered by having two vessels, and the cruises can go there. I think that will also increase the efficiency of the cruise [inaudible] over there as well.

So, whilst we expect the revenue to grow to the bottom line towards WHB, we don't see any contributions coming from them for the near time, because we want to expand the [inaudible].

Participant [Q]: Right. So, can I expect all the expansion for the cruise [inaudible] will be coming from internal generated funds from that associate itself?

Datuk [A]: We don't have the budget yet because we need to see how much it costs to build it. But ideally, if it can borrow itself and use it to internally generate funds, and that's exactly where we're going to go with it. I think you would definitely have to borrow, the question now, is once this cash flow is actually very healthy, we probably want to just use their borrowings directly from there, as opposed to getting the shareholders to contribute.

Participant [Q]: Okay. All right. One last question from me. I know you can't share much for the concession terms, but will there be any surprise, or some different costs that we should expect?

Datuk [A]: As you [inaudible], first of all, I can't say anything.

Participant [M]: Okay. That's all from me then. Thank you

Company Representative [M]: [Homing], your next. Let me just unmute you.

Participant [Q]: Hi [TD]?

Datuk [A]: Yes.

Participant [Q]: [TD]. I have a few questions. Just [TD] to follow up [TD] question earlier on the cruise [TD]. The expansion on the [TD], I think that's why [TD]. That would depend on the Ministry's approval. How [TD] is this [TD] to approve the [TD]? And I [TD] the discussion of funding, [TD] be like [TD], or say, would there ever be a different, some kind of agreement?

Datuk [A]: Well, I think, as I said just now, if we can fund it directly by the Company itself, we will fund it directly for the Company itself. But I think, at the moment, because the business is just restarting again, the banks will probably be a bit cautious. The [inaudible] might need to help out in a way by either guarantees or things like that. But whatever is going to be done, will be done equally by both sides going forward. But if we can't do it already from PKCP itself, I think that's why we want to do with that.

With regards to how long we think it's more of our internal planning, I think the government is quite happy to see us expand the [TD], especially administrative tourism of [inaudible] of transport. They all want it to happen. And I think they are also trying to help us get it going.

The bigger issue is, of course, making sure that the environmental parts are done properly, and we are getting the land approval to [inaudible], et cetera, from the state government, and things like that. But we're just starting the process only, so we don't even have a budget for it yet. One of the things we want to do is expand that site. And that's one of the key things that is part of our growth plan there.

What else we do there is the part we have to also discuss with the government. And again, they are also open towards all the things we could do there, and we'll started the discussions with them already.

Participant [Q]: Got it. And also, in your [inaudible] number for Q3, should we expect this kind of momentum? Is the cross-terminal performance in [TD]? Have you already seen the big capacity in [TD]?

Datuk [A]: I think that is what you can see going forward, mainly because I think we can do a bit better. But I also think Q3, from my opinion, I think Q3 has a bit of pent-up cruise demand.

Participant [M]: [TD] as well.

Datuk [A]: I think there's a lot of demands on me, and therefore, it just went through the [inaudible] straight away. But as I think that the pent-up demand will start to taper off, I do think that we will have growth from general market growth overall after that as well. I think that number, if you want to think that going forward, is probably a fair number going forward.

Participant [Q]: Yes. [TD]. demand. I think I also read somewhere that during September itself, there was some overbookings, and there were substantial media poster there that some of the cruise passengers were [TD] cruise due to the overbookings. Does that have impact to your profit, maybe showing your [TD] numbers for the cruise side [TD]. Is that a material concern from that side?

Datuk [A]: From [inaudible] of the cruise company side, it's the fact that they do these kind of things, it's not good for them. But, for us, most of these vessels are going out recharge [TD] anyway. In any case, they're all full. It won't really affect our bookkeep efforts. Going forward, their customers are unhappy, and we don't want to book anymore. Of course, we won't have anybody there.

But some of the things that we're looking at right now is that they wanted to do more, some customers wanted to do more. For example, in the past, the way our predecessors handled it was they only handled one vessel per day. We are now seeing that it's possible to even handle two vessels per day if you actually time it properly.

These are things that we're looking at to see how we can actually expand the capacity, but people have to change their mindset, it's bitter. Because everybody is used to coming in the morning, leaving in the evening. But actually, if you're going to cruise to nowhere, it really doesn't matter what time you board, to be honest, right? So, this is where we are seeing whether there's demand, we can fulfill in that manner. I see that might actually expand the current facility with our expansion to actually having more capacity utilization as well.

Participant [Q]: Okay. Great. [TD] double-check some things. I know you can't review the terms yet. But we are now in high interest environment and I'm pretty sure probably in [TD] and CapEx numbers are also changing all the time, right?

Can I just double confirm? What is the minimum in internal [TD] return process that you're still looking at for the investment for concession because you would think [TD] are very different [TD]? So, just [TD] this guidance?

Datuk [A]: Our target is about 8% to 9% IR.

Participant [Q]: [TD] in view of the, for example, if the fact also reached the maximum that [TD], is that 3% to 9% sufficient for [TD] project?

Datuk [A]: This is, I think, a multiyear deal. So, unless you're seeing the 30's, they are going to stay that way for 40, 50 years that [TD]. But I don't think it will stay way [inaudible].

Participant [Q]: Okay. And if the government probably allowing you to have some sort of flexible provisions, like assuming the supply chain disruptions, material cost is still jumping up and down, less pre-costs, do they allow you to have flexible tariffs?

Datuk [A]: The tariff is never flexible. It's always guided by some kind of priority. From that perspective, we will never have flexible tariffs. But as you've seen in the past before, if the inflation has become unbearable, the government has provided for us to increase the tariffs. So, I think in the normal scheme of things, as I mentioned before, commercial tariff hasn't changed since 2012. So that's the one we're pushing very hard right now for marine and conventional to get a revision there.

For container, we had one increase, I think, in 2019. So probably, in due course, we will obviously be discussing with them with regards to the inflation that's happened, that we probably need to increase. But I think that's got nothing to do with us to per se. It's more to do with just inflation.

Participant [Q]: Okay. And double check on the [TD] performance. You mentioned about the trends, right? But [TD] it looks like [TD], your [TD] performance, does it reflect the general expectation of [TD] container season? And then you mentioned about inventory destocking and recession fears, but I thinks you're still looking at that gross [TD] volume, because the previous was [TD]. [TD], but what other trends that you're seeing here that is not [TD]?

Datuk [A]: I think, as I said before, we were actually seeing a lot of good growth in Q3, to be honest. And despite the first two months being slower, we saw very strong growth in H1 of September. And then suddenly, everything just tapered off very quickly towards the air. And a lot of the feedback we're getting from our clients is that there is a huge softening in the US market, and Europe is getting very, very weak as well.

The US, we are claiming is because the inventory is very high right now, and therefore, stocks are not moving. And once that inventory clears, which we feel we're clear by some part of early next year. After that, they fear that the momentum will start going back again. So those are the trends that we were seeing from our discussions with our customers. It's why we feel the [TD] because last year was weak.

Even if we just maintain what we did, for example, I think, for October, we grew by about 3% or something like that. So, we maintained the October number in November, December. Even if there's no growth, we will still be higher than last year.

Participant [Q]: Understood. And the new decrease, right, you mentioned two [TD] after November?

Datuk [A]: I don't think they started yet. I think they are being commissioned right now.

Participant [M]: Okay. [TD].

Lee [M]: [Deva], you're next. Deva, can you hear? Deva, I think you're muted at your end. Try and see.

Okay. We'll come back here again. [Maxine]? Maxine, can you try and --

Participant [Q]: [TD]?

Lee [A]: Yes, I can hear you.

Participant [Q]: Okay. Excellent. Thank you very much for the presentation. I just have a couple of quick questions. Namely about the Westports' true funding right. I know that right now maybe the price has not been decided yet, but do you have any idea of what kind of a funding mix you guys would plan for, like how much of it is going to be debt? How much of it is going to be equity? How much of it is going to be internally generated?

Lee [A]: We don't have a number on that yet. The idea is actually to use up debt and internally generate funds as much as possible. And if that is not enough, then maybe either decide between raising more funds equity-wise or reducing dividends. But we have not allocated by category yet.

Participant [Q]: Okay, right. Just wondering, right, if the intention is to use borrowings? Is there any time that you can provide on any potential, I guess, [inaudible]? And then, as well, I would just like to ask, how much leveraging are you guys comfortable with? Because currently, I believe your gearing is quite loose. It's about 0.36 times. So, I'm just wondering to what level would you guys be comfortable with?

Datuk [A]: I think we have a lot of room still because I have to say the gains is quite low. I think, even to one time, it's also quite comfortable from that perspective. But I think when we look at it long term, I don't think we want to go past a certain level, which would restrict dividends. So that will be our main concern with regards to how high we want to go.

With regards to when we will start to raise the capital, I think it will be approximately six months after we sign the deal. I think that's probably when we will probably need to start raising Sukuk.

With regards to when we raise equity, probably one year. So, between maybe three to six months after we sign is probably when we need to raise some Sukuk. But after that, it's probably where we need to start raising the equity, or having a dividend reinvestment plan, or reducing dividends.

Participant [Q]: Okay. Right. And just wondering, if in the event that raising the Sukok will actually result in maybe a negative outlook or ratings downgrade, would that be a situation that you guys will be comfortable with? Or will the rating and the outlook be considered while --

Datuk [A]: All reconsidered.

Participant [Q]: Okay. All right. And my second question is a bit more maybe on the shipping alliance regulatory side. I'm wondering, do you guys see any shakeup in the current shipping alliances? Is there any risk that regulators may separate in the future to actually also [inaudible] on some of these alliances, like the 2M alliance?

Lee [A]: We don't see all that actually at all.

Datuk [A]: I know not anything about regulators trying to break them up. I think I've heard the regulators are just trying to monitor their actions, to see whether they are deliberately reducing capacity with regards to supply. But I don't see an onset of anything where they are suggesting that they might want to break up these alliances.

And the more we talk to the respective alliances, they seem to be talking about more things long term. So, from their perspective as well, they don't seem to be talking about separating in any way.

Participant [Q]: Okay. Right. That's good to know. And I guess, my last question is, we are approaching December, and the metrological department just issued a monsoon, a bit of a warning that we are approaching that monsoon season. On Westports' side, right, are you guys expecting a similar sort of flooding that we've seen last year? And how are you guys actually preparing, I guess, is sort of like climate change transition and mitigation sort of risk?

Datuk [A]: Since the flood we had in December, Malaysia has had multiple floods during the period as well since then. None of the [inaudible] affected us in any way. The one flood that did happen in last year December, I think, if you analyze it carefully, it's a flat that was quite unique in the sense that it was actually caused by a typhoon that skipped for the US to Vietnam and skipped Philippines and came down to [inaudible] Malaysia in a very weird manner, which has not happened in a long, long time.

So, we don't expect that to happen on a regular basis. The way it around Philippines and didn't hit them like a curve ball was quite strange. So that's why the fact is. But just to be clear, it didn't actually affect the ports. The port was not affected by the monsoon or the flooding at all. It affected the fact that our staff couldn't come to work. So, the fact wasn't because the port was flooded, it's because our staff couldn't reach the workplace.

Now of course, we have recently advised to move to better locations to live. Aside of travel, we can't cost them to choose where they live. And some of them, because it was their houses which are flooded, some of them was because the road between their house and the port was flooded. So, this is where they were affected.

We hope that the government actually tries to make sure that people's houses don't get flooded in the future. And we try to talk to the government make sure that roads are not flooded in the future as well, but we can't really do much to their houses or to the roads between where they live and where we work. So that part, approximately, we cannot do much about. We just have to pray that people get to live in places where I doesn't get flooded going forward.

But the kind of flood that we've seen then was actually quite unique. And since then, as I said, there may have been many, many, many [inaudible], and none of them actually affected us in any significant way at all. And therefore, we're not afraid of the ones which are quite the normal floods. I guess, to put into perspective, fairer of these ones in a lifetime or once in the year type of floods. Those are the ones which can cause disruption for us.

Participant [Q]: Right. Okay. So basically, what you're saying is that on your side, you can try and implement any sort of like flood mitigation practices. But ultimately, the problem was that the flood affected areas outside of Westports' control. So, in the sense, there's not much you can do. Is that correct?

Datuk [A]: Yes. As I said, I can't tell my staff where to live. That would be the only other way. But I could ask them to live closer to the port, but again, I have to make sure that there is housing close to the port, but there isn't housing close to the port as well. From that perspective, we couldn't really do much with regards to that.

Participant [Q]: Okay. Just in terms of the assessment of Westports' own situation, is there any risk of rising tides or damage from flood within like the near term? I assume that you guys have actually reached out to climate experts to assess how one [TD].

Datuk [A]: That's actually very well detailed in our [inaudible] report.

Participant [Q]: Okay. So, for this current [TD] no issue there.

Datuk [A]: Not for the port itself, but as I said, if you guys really bet some of our staff may be a bit affected. But if we get the same kind of typhoon that skips Vietnam, we seen the typhoon when he came in, you have to understand. Usually, those outside typhoons come from the Pacific Ocean. And if you look at the map, it usually will either hit Vietnam or hit the Philippines. But this one went around both and managed to squeeze through and come to Pahang. and therefore, ended up in Port Klang or in [inaudible].

This is the one that we normally don't see another pattern like that, or a front move in that manner. So, if that happens again, I cannot, obviously, you try to predict that lightning will not strike twice at the same place, but it can strike twice to the same place. So, from that perspective, it could happen again, but it's unlikely that it will happen again for a long, long time.

Participant [M]: Okay. That's all my questions. Thank you very much.

Datuk [M]: No problem.

Lee [M]: Okay. Deva, we'll try to ask you it again. Try again. Deva, can you hear us?

Okay. Never mind. We'll go to Peter. Peter?

Participant [M]: Hi. [TD].

Datuk [M]: Yes, we can hear you.

Participant [Q]: I just have two quick questions. The first one is quite simple. I think, as I heard correctly, as Ruben mentioned, that next year, expecting shipments to sort of improve a little bit. I was just wondering, if supposing we do go into a smaller global environment, what are some of the confidence, or some of the factors that gives you that confidence that kind shipment could grow on a sort of a YoY basis? That's my number one question.

My second question is more of an education question, which I apologize if I don't understand the technicalities. This time, I heard the answer to Maxine's question on the timeline of raising equity of within one year of signing the agreement. I suppose one of my questions is whether this timeline is something that the government imposes or influences as to the timing of a quantum of how much security you may need to raise? And if that was the case, do they have a say on who your strategic shareholder has to be?

Lee [A]: Let me answer the second one first. The timeline is based on the fact that we don't need to raise it. We can use internally directive funds and Sukuk in the meantime. So obviously, raising any equity, we want to push to the end, if possible. Unless, as I said, this is a strategic investor. So, to answer your question, the government has no say with regards to what ability we need to raise. Nor do they have a say with regards to who we want to bring in. Of course, subject to, obviously, we can't bring criminals as a trust [inaudible] apart from those kind of typical guidelines, If it's a strategic investor that it's a good party, then I think they will not be wanted, right?

With regards to transshipment, on the other hand, we've seen the transshipment levels where we have dropped to a very low level in comparison to even 2019. And therefore, if we expect the markets to start stabilizing, and start going back to normality, as I said, I don't think if there is a recession as well, it would be very long, prolonged. And that's why if you look at our numbers this year compared to the earlier part of this year, that's why we do feel there can be some small growth coming through.

Participant [M]: Okay. That's all for me. Thank you.

Lee [M]: Okay.

Deva, we'll try to see whether you can try and ask your question.

Participant [M]: Can you hear me?

Datuk [M]: Yes we guess.

Participant [Q]: Thank you so much. Sorry for the issues with my system. My question was on the Westports two projects. With one more year today, are you concerned that you might reach the limit of port utilization before 2027, and have to compromise on some growth? And would we have some mitigation plans. Is it possible, for instance, to increase Westports [inaudible] a bit from the current capacity of 14 million TEUs per year to maybe 15 [TD] --

Datuk [A]: [TD]. When we started doing this --

Participant [Q]: Yes, I think --

Datuk [A]: When we started doing this, we were at MYR10.9 million. This year, we're looking much closer to a much lower number than that. So, I think with regards to timeline wise, it hasn't been affected much because we haven't had growth in that period in between anyway.

Participant [Q]: Okay. But could we possibly increase to maybe [TD] 5 million capacity by adding more claims to the existing terminal?

Datuk [A]: We can go up to maybe 14.5%. But I think we'll be pushing it. You can, but again, there are many other factors that come into play.

Participant [Q]: Okay. Sure. Also, about the recycling paper going to China. I think you had mentioned that a lot of the containers go to China. How does this work exactly given these paper import ban was put in by the Chinese government?

Datuk [A]: The recycled paper, right, after it's recycled, we send to China for consumption.

Participant [Q]: After recycling. Okay. I also noticed that the revenue per TEUs increased on a YtoY basis. I was wondering whether the value-added services had increased YtoY. So, from Q3 2021 into Q3 2022, had they increased? And what was the peak of the VAS?

Datuk [A]: So, it's not the VAS. It's the VAS is coming down. The increase is mainly because the composition of local is actually higher than it was last year. And we earn a lot more from local than we do from transshipping.

Participant [Q]: Right. Okay. Sure. Last question. Has the utilization of the cruise center come back to pre-COVID then? I know you mentioned there was a surge in Q3. What are the passenger numbers back to pre-COVID ends, or is there still some room to grow?

Datuk [A]: Q1 is actually very much similar to pre-COVID time. Well, it depends on which quarter because, actually, it depends on the rate seasonal in that sense. But that was a very large surge, especially in September. The key question is, I don't know whether it could be maintained, because as I said, I believe some of it is pent up demand. But we hope that it will maintain, and we hope they will continue. But, no, I won't be surprised if it starts to normalize as well.

But we have room for more vessels to call. Because in July, it's when it just started. So, it's only that September was very, very strong. October, we don't have the numbers yet, but I think October is also very strong.

Participant [M]: That's it for me. Thank you.

Datuk [M]: Thank you.

Lee [M]: Paul Chew, can we go with you first?

Datuk [M]: I can think maybe you [inaudible] about to die.

Participant [Q]: So sorry. Just one question for me, it's a macro question. The general reduction that you see in port congestion or waiting times, I just wondered how much is it due to fewer lockdowns? Or has there been a huge improvement in shipping or port capacity? That's my only question.

Datuk [A]: I think the lockdowns were the main reason for the congestion in the yard. And our congestion for 2021 was mainly the yard was congested because boxes were not moving. And boxes not just moving in [inaudible] or Malaysia, but also in the Southeast Asian region. So, in Bangladesh when Bangla doesn't move, the various boxes don't move either. So that's why we have a lot of boxes stacked in our space. So, the fact that there's no more lockdowns, definitely has been one of the key reasons why the congestion is eased, and all those boxes can now move freely between those spaces as well.

We may see some increase in congestion because there are a lot of boxes right now, which are not moving. And these empties need to be stored in some places. So, we might see some growth coming back from that, but these are all the empty boxes mostly. The empty boxes, the [inaudible] box is usually not so bad because you can move them around whenever you need. But in general, right now, the condition level has come down before some boxes are no longer there.

Participant [Q]: So, it's not so much contrasted in China or even in the US and Soku?

Datuk [A]: For example, if China is in lockdown, then boxes don't go to China, and they get stuck here. So it depends on what you mean by China. You're saying China lockdown? If Chinese ports are closed, it doesn't [inaudible] for COVID [inaudible] typhoon.

If China says the port is closed for one month because of the typhoon, then the boxes get stuck here as well. So, it's that can actually cause that part too. But of course, what happened in a typhoon is that one place gets locked down. So, it's not as affectively, when everybody gets locked down at the same time, that's why the congestion gets really, really tough.

Participant [M]: Okay. Got it. Thanks so much.

Lee [M]: Mr. Ruben, will go for one last one with [Jerry], then we'll let you go. We can take the rest, if necessary. Jerry?

Participant [Q]: Thanks for taking my call. I have just one question. How much of your fuel is subsidized by the government now?

Datuk [A]: None.

Participant [Q]: Okay. Thank you so much.

Dakut [A]: We pay market rate for the fuel. Of course, we [inaudible] can be, I think that might be subsidized slightly. But again, we pay the industrial rate, which is not subsidized every either.

Participant [M]: Okay. That's good to know. Thank you, Dr. Ruben.

Datuk [M]: No problem.

Lee [M]: Okay. Mr. Ruben, I think you don't mind Mr. Eddie and I can take the rest since --

Datuk [M]: Okay, [inaudible]. Thanks, everybody, for calling. Sorry, I've got to go. My [inaudible] is supposed to die. Thank you, guys.

Chang [M]: Okay. Mr. Lee? I still see [Homing] and a few hands. Okay, let me allow, since Isaac is new to the queue. Let me allow Isaac to ask questions. Isaac?

Participant [Q]: Just a very simple question, actually. I think you can answer. The higher JV earnings during Q3, was it solely due to the improvement in operation? Does anyone know that? That's number one.

And number two is also very easy. We talked about the ETI distributor center. Has it started? Thank you.

Chang [A]: Okay. Mr. Eddie, do you want to answer, or I'll take the question. Okay, I think I'll take the question.

The PKCT is mainly the improved operations. And I think Dr. Ruben did mention some of it could be pent-up demand on traveling, and so on. So therefore, we had a very good Q3.

The other question was, how is it going to be in Q4? I think, hopefully, we can replicate what we have seen in Q3 as far as PKCT is concerned.

Then, the other question was on?

Participant [Q]: DTI distribution center [TD] good to any volume?

Lee [A]: Sorry, I got a problem just talking about it. In regard to the [inaudible] regional distribution, and yes, the short answer to your question is yes.

Participant [Q]: When we commenced?

Lee [A[: They have commenced operations sometimes in March or April this year. I think, until today, what I heard is basically, we have actually visited the distribute center. I think they're doing a lot of automation there, including appointing consultants from [inaudible] Logistics, to up the automations in the [TD] Center., But I think until today, I think there's a little bit of teasing problem to resolve. That's the reason why I think when it started in March and April, whatever the plan in terms of import of the laden container to send it to the centers, and then distribute to the regions, they have a little bit of hiccup there. So, a little bit delay, and ended up, some of the boxes is actually a long thing in our ports in order.

But they are doing better now because in terms of automation, still, they've not resolved all the problems. And there's also, initially, in the first [inaudible] when it started the operation, they have a shortage of the manpower. So now they're getting better just now. So, we can see normal containers of the EKI is now getting reduced.

Participant [M]: Alright. Thank you. That's all for me.

Lee [M]: Thank you.

Chang [M]: [Manho]? Manho from EPS, can you hear?

Participant [Q]: I wanted to ask from you, you were getting the big boat, where is the [inaudible] growth coming from?

Lee [A]: Yes. I think I mentioned about great [inaudible] volume for Q3 of this year, for substantial increase. The [inaudible] cargo is basically project cargo, machinery. As I, think Dr. Ruben mentioned that I mentioned before. If you come to bundling, now this [inaudible] [Panting], is about half an hour from Westports. You can see a lot of constructions of the paper companies over there. So, the last, I went there, we sat there about three, four months ago, I saw three paper companies, and approximately 2,000 foreign workers is working on the construction of one paper company. So, what the message is basically, they're huge, they're huge, and they are adding new production lines. So, this increased, and the [brick ban] cargo for the last few months is because of the importation of project cargo, machinery. So that's one.

And the other one is in [inaudible]. India sell these items. So, there's a construction of our plant. There's a construction of power going on. So, I think for Q2 of this year, they have an importing law of project cargos and machine as well here. So, these are the two main reasons why you can see an increase in the [inaudible] volume in Q3 of this year.

Participant [Q]: So, you're using the three papers. Any factories coming up, and you [inaudible]?

Lee [A]: Yes.

Participant [Q]: So, we can expect local cargo, it will contribute to quite a bit of volume to your local cargo, I mean, at least come up?

Chang [A]: Yes. This is what we expect for 2023. When they start new production lines, long time since early next year, right? So, I think this will, as a catalyst. So, just as we mentioned before, this paper, risk recycled people will come all with the [inaudible], especially from Europe and part of it is from the US and recycle here, add value here, and then just exported out to South Asia, especially also to Asia, China, this part of the world. So yes, the short answer or reply to your questions, yes, we expect local boxes to increase in 2023.

Participant [Q]: Thank you for the outlay. So, does it mean that machinery is needed?

Lee [A]: Yes, yes. I think now, Japan [inaudible] paper company you're talking to, this company called [inaudible]. I can give you one example. In the last stage, our final stage of adding a new production line, I think they already started too, by the way, this is not the first production line. They have just started. I think sometime last year, they had two production lines, and this is the third one. So, from what I understand, I think they will start the third production line sometime beginning of next year.

Participant [Q]: And the other two questions I also asked, is on the [inaudible] mini growth next year, you're expecting a small growth, but we are also expecting a recession from Europe and possibly one in US. Where is the [inaudible] growth will come from?

Eddie can still answer it.

Lee [A]: I think, yes, as of these challenges in the market in terms of the international trade. But what we have actually projected, a margin increase in terms of tons in East Asia, we can look at the effect of the massive flat in December. So, we mentioned that in Q1 of this year, The [inaudible] is 2.4 million TEUs.

Now the massive flood is only affected in December 2021. It's only, I think, a few weeks, a couple of weeks, right? So, because [inaudible] company made off of December. But the impact of it, the impact of the massive flooding in December is actually for Q3.

We started getting back some of the services in March. And also, I think some of it is actually in good Q2 of 2022 this year. I think, now, I think most of the things I think that we mentioned a few services is already back to us already. So, whatever they need to be back, services is already back in Q3 of this year.

We are seeing that the low base, even though, yes, there will be headwinds, challenges, uncertainty in terms of the transshipment in the regions, but we think that there's a margin growth because we started from quite a low base in the first quarters, as well as lower [inaudible] base in Q2.

Participant [Q]: So in Q1, this year, the transshipment went to other parts?

Lee [A]: Yes, some of the weather, it couldn't come to us because, 2,000 of our employee couldn't come to work for the first few days of a massive flooding. So, some of the vessels, this [inaudible] to call the other [quotes].

Participant [Q]: Right. And the last question I wanted to ask was, one thing Ruben mentioned is one of the key goals to [respond] is to [inaudible] a strategic investor. Is that for the equity raising for Westport Two?

Lee [A]: Yes, we have been talking about, of course, now I think some of the strategic investors that we have been talking to in terms of the [inaudible] Malaysia, too, yes, that is for the equities. But of course, I think we are still early in the preliminary stages right now. I think it all depends on how fast we can get sign the concession -- the new concessions for best bond Malaysia too.

I think there's one thing that even though we are engaged with a couple of the strategic investors, but the question asked is, when we're going to get us our new construction agreement signed. This is something that I think we can't confirm even with all these strategic investors. So, we have been engaging with some of them, yes, but I can't reveal that.

Participant [Q]: I understand. If I'm understanding correctly, the first preference will be internally generated funds, and then the next will be a strategic investor. And then, probably the next one will be general equity raising, let's say, a rise issue?

Lee [A]: Yes, this is the plan right now.

Participant [M]: I understand. All right. Thanks.

Lee [M]: Thank you.

Chang [M]: Raymond?

Participant [M]: Hi. [inaudible].

Lee [M]: Hi, Raymond.

Participant [Q]: Hi, Eddie. Hi, [TD]. Usually when Ruben is on the line, we usually don't get to speak too much. I think internally [TD].

Just two things on the financing side. You mentioned that the discussion to the strategic investor is continuing. However, it's still at the early stage. [TD], doesn't, if one year has passed since the signing of the concession agreement, and the talks have not yet concluded, will you consider going through a rights issue, so that rather than a strategic investor, just raise money from all the existing shareholders. Is that something, or would you do a placement, or is it still too early, Eddie? What are your thoughts?

Lee [A]: Yes, we have not, to be fair, I think we have not discussed this internally, and I think, especially the right issue is something that we do not have in our plan now in terms of raising capital, racing funds for Westfords Malaysia too. So, I think, as what to Dr. Ruben mentioned, this is still something that we are not [inaudible]. It will keep changing based on whatever happens in the market and whatever is the discussion with what we have with the strategic investors. But I think, currently, to answer your question, the right issue is not something that we are discussing right now in terms of our capital [inaudible].

Participant [Q]: Okay, sure. And another thing that Ruben mentioned was that he does not want to raise so much Sukuk as to impinge on the ability to pay dividends. What is the threshold of the gross net equity or net [inaudible]?

Lee [A]: I think there's no threshold because we have not confirmed the agreements. We don't know if we are there, actually.

Participant [Q]: Okay. I mean the existing [inaudible] that you have, are there any, what you call the service and conditions, that prevent you to increase your debt ratio beyond the level that you cannot pay dividends?

Lee [A]: Yes. Of course, there's the current so-called that we have, I think they have some government's right to the conditions and all that. I think now you look at the debt-to-equity ratio, I think it's very healthy. I think there's still more room for us to refinancing. In fact, many bankers, some of the bankers, even including the current ones have actually approached us. I think they, obviously, they know about the investor of the merger of Malaysia Two plant and [inaudible] --

Participant [Q]: Eddie, I was just wondering, what's the threshold above, let's say, now the gross debt-to-equity ratio is 0.34, right?

Lee [A]: Yes, I think the number is one times.

Participant [Q]: One times, so it cannot exceed one time on?

Lee [A]: Yes.

Participant [Q]: Then you cannot pay a dividend at all, is it?

Lee [A]: Yes, I think we need to get approvals in order before we declare a dividend or something like that.

Participant [M]: Okay. I understand. All right. Thank you so much.

Lee [M]: Thank you, Raymond, for your questions.

Chang [M]: Okay. [Homing], you're the last one, then.

Participant [Q]: Hi. Just two quick questions. One is a follow-up on [inaudible] earlier question. In general, let's say, like the construction activities in Malaysia is booming, [TD] benefit, is it, I mean, just remind us on that [TD] for machinery. [TD].

Lee [A]: Yes. Generally, the consumptions in Malaysia's activity projects, more properly dividend projects, that will be usually, I think, the normal circumstances, there will be increase in terms of the also [inaudible] volume, not only breakdown, but more dry [inaudible] volume in terms of the big construction, you need a lot of cement.

But during the COVID time, the 2.5 years, we did not see any import of cements, actually. And also, even when we talk to some of the cement players, recently, they expect that next year, 2023, yes, there will be, in terms of more construction activities compared to the last year, this year. But of course, even back to the prefinancing level, yes, but to answer your question, yes, So, when there's --

Participant [Q]: [TD] benefit? It's more just on [TD].

Lee [A]: Construction, yes, of course, obviously, you've got to import manage many things where the construction's activity, furniture, other things, households things. But I think the main beneficiary will be conventional, especially the cements, clinkers, those attentive [TD].

Participant [Q]: And my last question is on the [TD] perspective. You mentioned you want to test the electric tractors in your slides. Maybe we have a view of [TD] on your plan?

Lee [A]: Sorry, can I ask you what tractors?

Participant [Q]: The proof of [TD].

Lee [A]: Correct. Yes. So, we have basically ordered two autonomous trucks. These are also electric trucks, and all from this company called [inaudible]. So, I think we're supposed to be taking delivery of this truck by December or January next year, or December this year and January next year. So, we will take approximately four to five months to do a proof for concept. Basically, to test the autonomous trucks, whether it's meeting the requirements or not.

This is something we will do after we have taken delivery of the two trucks and all. Of course, when it's meeting our requirement, then, obviously, some of the trucks, currently, we have about approximately, I think, 600 million trucks in Westfords Malaysia, right? So, when this is meeting requirements of the next phase of our expansion, the next phase of replacement, we will probably order more. But I think --

Participant [Q]: What's the cost of these two trucks versus your standard [inaudible] tractors?

Lee [A]: It's three to four times [a year], actually.

Participant [Q]: Oh, I see. [TD]?

Lee [A]: Sorry?

Participant [Q]: What's the company name that you order from?

Lee [A]: Westwell.

Participant [Q]: How do you spell it?

Lee [A]: W-E-S-T-W-E-L-L.

Participant [M]: Right. Okay.

Lee [A]: I think this is something they have already done before. You know, the part of the shareholders, I think 34% of the shareholders, shareholdings has belonged to this company, Hutchison. So, Hutchison has many terminal ports in the world. So, one of the ports they have, they are operating this key truck.

This is something that we talk to about because we communicate a lot with our shareholders, especially Hutchinson, in terms of the operations, in terms of commercial. So, when it comes to operations, this is something that I think started because they already implemented it, and we have actually sent some of our engineers to the port to take a look at the [inaudible] trucks, to take other trucks.

This is something that we are trying out in the next two, three months. Hopefully, we can get more information to use. When you start to do, [inaudible] sometimes earlier of the next year.

Participant [M]: Great. Thank you for that. That was the last question.

Lee [M]: Thank you.

Chang [M]: I think that's the last question. I don't see any raised hands. Thank you, everyone, for taking your time to dial in. I think this is our record, 1 hour and 30 something minutes.

Things are steady. If there's anything, as usual, you know where to reach us, or can always drop me a mail. Okay, thanks.

Lee [M]: Thank you, everybody. Thank you. Have a nice weekend.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
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