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Westports Holdings Berhad

(Company No. 199301008024 (262761-A))

(Incorporated in Malaysia)

**Quarterly Financial Report for the
Third Quarter Ended 30 September 2021**

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

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Westports Holdings Berhad
(199301008024 (262761-A))
(Incorporated in Malaysia)

**Condensed Consolidated Statement of Profit or Loss and
Other Comprehensive Income**

For The Period Ended 30 September 2021

These figures have not been audited

	3 months ended			9 months ended		
	30.09.2021	30.09.2020	Changes	30.09.2021	30.09.2020	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	504,891	528,359	-4%	1,518,127	1,433,428	6%
Cost of sales	(194,427)	(194,866)	0%	(590,014)	(565,634)	4%
Gross profit	310,464	333,493	-7%	928,113	867,794	7%
Other income	23,775	9,507	150%	50,670	15,448	228%
Administrative expenses	(6,871)	(6,941)	-1%	(19,426)	(45,745)	-58%
Other expenses	(46,228)	(47,821)	-3%	(138,710)	(141,763)	-2%
Results from operating activities	281,140	288,238	-2%	820,647	695,734	18%
Finance income	2,773	3,529	-21%	9,524	13,220	-28%
Finance costs	(18,709)	(21,489)	-13%	(55,749)	(62,070)	-10%
Share of results of a joint venture	(33)	-	100%	(33)	-	100%
Profit before tax	265,171	270,278	-2%	774,389	646,884	20%
Tax expense	(66,115)	(66,429)	0%	(189,043)	(155,889)	21%
Total comprehensive income for the period attributable to owners of the Company	199,056	203,849	-2%	585,346	490,995	19%
Basic earnings per ordinary share (sen)	5.84	5.98	-2%	17.17	14.40	19%

The unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

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Condensed Consolidated Statement of Financial Position

As At 30 September 2021

	Unaudited As at 30.09.2021	Audited As at 31.12.2020
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	1,655,954	1,618,873
Concession assets	2,507,819	2,468,069
Right-of-use assets	73,584	62,273
Investment in a joint venture	114,967	-
Investment	50,000	50,000
Total non-current assets	<u>4,402,324</u>	<u>4,199,215</u>
Current assets		
Inventories	5,328	4,752
Trade and other receivables	334,403	278,558
Cash and short term investments	519,613	779,123
Total current assets	<u>859,344</u>	<u>1,062,433</u>
Total assets	<u>5,261,668</u>	<u>5,261,648</u>
Equity		
Share capital	1,038,000	1,038,000
Reserves	1,865,979	1,791,110
Total equity	<u>2,903,979</u>	<u>2,829,110</u>
Non-current liabilities		
Borrowings	1,025,000	1,150,000
Employee benefits	8,687	8,936
Deferred tax liabilities	388,885	391,031
Service concession obligation	128,984	168,136
Lease liabilities	53,627	41,765
Total non-current liabilities	<u>1,605,183</u>	<u>1,759,868</u>
Current liabilities		
Trade and other payables	181,600	167,021
Provisions	271,413	271,127
Tax payable	49,387	12,811
Borrowings	175,000	150,000
Service concession obligation	51,072	47,677
Lease liabilities	24,034	24,034
Total current liabilities	<u>752,506</u>	<u>672,670</u>
Total liabilities	<u>2,357,689</u>	<u>2,432,538</u>
Total equity and liabilities	<u>5,261,668</u>	<u>5,261,648</u>

The unaudited condensed consolidated statement of financial position should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

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Condensed Consolidated Statement of Changes in Equity

For The Period Ended 30 September 2021

These figures have not been audited

	Attributable to the owners of the Company			Total RM'000
	Non-distributable	Goodwill	Distributable	
	Share Capital RM'000	Written off Reserve RM'000	Retained Earnings RM'000	
At 1 January 2020	1,038,000	(47,732)	1,570,027	2,560,295
Profit for the period	-	-	490,995	490,995
Total comprehensive income for the period	-	-	490,995	490,995
<i>Distributions to owners of the Company</i>				
- Dividends	-	-	(385,671)	(385,671)
Total transactions with owners of the Company	-	-	(385,671)	(385,671)
At 30 September 2020	<u>1,038,000</u>	<u>(47,732)</u>	<u>1,675,351</u>	<u>2,665,619</u>
At 1 January 2021	1,038,000	(47,732)	1,838,842	2,829,110
Profit for the period	-	-	585,346	585,346
Total comprehensive income for the period	-	-	585,346	585,346
<i>Distributions to owners of the Company</i>				
- Dividends	-	-	(510,477)	(510,477)
Total transactions with owners of the Company	-	-	(510,477)	(510,477)
At 30 September 2021	<u>1,038,000</u>	<u>(47,732)</u>	<u>1,913,711</u>	<u>2,903,979</u>

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the unaudited condensed interim consolidated interim financial statements.

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Condensed Consolidated Statement of Cash Flows

For The Period Ended 30 September 2021

These figures have not been audited

	9 months ended	
	30.09.2021	30.09.2020
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	774,389	646,884
Adjustments for :		
Share of results of a joint venture	33	-
Amortisation of concession assets	61,964	60,640
Depreciation of right-of-use assets	21,743	30,522
Depreciation of property, plant and equipment	108,963	105,321
Dredging expenditure	2,437	2,653
Finance costs - accretion of service concession obligation	8,498	10,281
Finance costs - lease liabilities	3,201	2,965
Finance costs - borrowings and others	44,050	48,824
Finance income	(4,828)	(9,748)
Income from money market fund	(4,696)	(3,472)
Provision for retirement benefits	318	309
Gain on disposal of property, plant and equipment	(1,717)	(143)
Property, plant and equipment written off	83	6,859
Impairment loss on trade receivables	88	16,898
Reversal of impairment loss on trade receivables	(266)	(505)
Operating profit before working capital changes	1,014,260	918,288
Changes in working capital:		
Trade and other receivables, excluding payment for dredging expenses	(53,231)	(5,626)
Payment for dredging expenses	(4,873)	-
Trade and other payables	11,472	32,272
Inventories	(576)	(55)
Provisions	286	(49,129)
Cash generated from operations	967,338	895,750
Income tax paid	(154,613)	(123,337)
Interest paid	(40,944)	(46,356)
Retirement benefits paid	(567)	(107)
Net cash generated from operating activities	771,214	725,950
Cash flows from investing activities		
Interest received	4,828	9,748
Income from money market fund	4,696	3,472
Investment of a joint venture	(115,000)	-
Purchase of property, plant and equipment	(146,128)	(94,776)
Additions to concession assets	(101,713)	(118,097)
Proceeds from disposal of property, plant and equipment	1,718	143
Net cash used in investing activities	(351,599)	(199,510)

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Condensed Consolidated Statement of Cash Flows (Continued)

For The Period Ended 30 September 2021

These figures have not been audited

	9 months ended	
	30.09.2021	30.09.2020
	RM'000	RM'000
Cash flows from financing activities		
Fixed deposits pledged for borrowings	(550)	(891)
Redemption of borrowings-SMTN	(100,000)	(100,000)
Subscription of Sukuk Prihatin	-	(50,000)
Dividends paid to shareholders	(510,477)	(385,671)
Repayment of lease liabilities		
- Principal	(21,192)	(28,598)
- Interest	(3,201)	(2,965)
Annual lease paid for use of port infrastructures and facilities	(44,255)	(44,255)
Net cash used in financing activities	(679,675)	(612,380)
Net decrease in cash and cash equivalents	(260,060)	(85,940)
Cash and cash equivalents at 1 January	739,185	656,845
Cash and cash equivalents at 30 September	479,125	570,905

(a) Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

Cash and bank balances	203,278	150,215
Money market fund	262,018	407,459
Fixed deposits with licensed banks	54,317	52,973
	519,613	610,647
Less : Pledged deposits	(40,488)	(39,742)
	479,125	570,905

(b) Reconciliation of liabilities arising from financing activities

The table below details the reconciliation of the movement of liabilities in the statements of cash flows:

	Net changes from financing				30.09.2021
	1.1.2021	Addition	cash flows	Accretion of interest	
	RM'000	RM'000	RM'000	RM'000	RM'000
Sukuk MTN	1,300,000	-	(100,000)	-	1,200,000
Lease liabilities	65,799	33,054	(24,393)	3,201	77,661
Service concession obligation	215,813	-	(44,255)	8,498	180,056
Total liabilities from financing	1,581,612	33,054	(168,648)	11,699	1,457,717

	Net changes from financing				30.09.2020
	1.1.2020	Addition	cash flows	Accretion of interest	
	RM'000	RM'000	RM'000	RM'000	RM'000
Sukuk MTN	1,400,000	-	(100,000)	-	1,300,000
Lease liabilities	61,267	25,414	(31,563)	2,965	58,083
Service concession obligation	261,111	-	(44,255)	10,281	227,137
Total liabilities from financing	1,722,378	25,414	(175,818)	13,246	1,585,220

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Notes to Condensed Consolidated Financial Statements for the Third Quarter Ended 30 September 2021

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the requirements of the Companies Act 2016 in Malaysia. These condensed consolidated interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”).

The condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the financial year ended 31 December 2020.

2. Significant Accounting Policies

The accounting policies adopted in these condensed consolidated financial statements are consistent with the annual audited consolidated financial statements for the financial year ended 31 December 2020 except for the adoption of the following Amendments to MFRSs during the current financial period:

- *Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 Interest Rate Benchmark Reform – Phrase 2*
- *Amendment to MFRS 16 COVID-19 Related Rent Concessions*

The adoption of these Amendments to MFRSs did not result in significant changes in the accounting policies of the Group and has no significant effect on these condensed consolidated financial statements.

As at the date of authorisation of these condensed consolidated interim financial statements, the following amendments to MFRSs which were in issue but not yet effective and have not been early adopted by the Group:

Amendments to MFRSs		Effective for annual periods beginning on or after
Amendments to MFRS 101	<i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108	<i>Definition of Accounting Estimates</i>	1 January 2023

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Amendments to MFRS 101	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRSs	<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
Amendments to MFRS 3	<i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116	<i>Property, Plant and Equipment- Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137	<i>Onerous Contracts-Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 16	<i>Covid-19 Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to MFRS 10 and MFRS 128	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Yet to be confirmed

The adoption of these amendments to MFRSs are not expected to have any material financial impact on the financial statements of the Group in the period of initial application.

3. Qualification of Audit Report for the Preceding Annual Financial Statements

There was no qualification on financial statements prepared for the financial year ended 31 December 2020.

4. Seasonality or Cyclicity of Interim Operations

There has been no material seasonal or cyclical factor affecting the results of the quarter under review.

5. Unusual Items due to their Nature, Size or Incidence

a) Status of replacement STS Cranes and wharf repair works

The Group reported in the fourth quarter of 2019 the vessel incident involving two Ship-to-Shore Cranes ("STS Cranes") of its wholly-owned subsidiary, Westports Malaysia Sdn Bhd ("WMSB").

The Insurer has approved the replacement of the two damaged STS Cranes with two new STS Cranes. The dismantling work for the two damaged STS Cranes was completed on 12 January 2021. The repair works for the damaged wharf commenced on 18 January 2021 and the works are expected to complete by October 2021. The two new replacement STS

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Cranes are expected to be commissioned by January 2022. The total costs of the above are estimated to be RM84,179,000. These expenditures would be incurred progressively and would correspondingly be reimbursed by the Insurer in the same manner subject to the policy's terms and conditions. Hence, the amount of the assets written-off for the above incident in the fourth quarter of 2019 and 2020 will be recovered from the fourth quarter of 2020 to the financial year 2022 when WMSB receives reimbursement from the Insurer. To-date we have received RM48,714,000 from the Insurer.

b) Acquisition of 50% stake in Boustead Cruise Centre Sdn Bhd

The details of the Acquisition are reported in Note 24.

Save as disclosed above, there were no other unusual items affecting the assets, liabilities, equity, net income or cash flows because of their nature, size or incidence for the financial period to date.

6. Changes in Estimates

There were no changes in estimates that have had a material effect for the current quarter and financial period to date.

7. Debt and Equity Securities

There were no issuance, repurchase and repayment of debt and equity securities by the Group for the financial period to date.

8. Dividend Paid

During the financial period, the Company has paid the following dividend:

	RM'000
Second interim dividend of 6.47 sen per ordinary share in respect of financial year ended 31 December 2020 on 1 March 2021	220,627
First interim dividend of 8.50 sen per ordinary share in respect of financial year ending 31 December 2021 on 26 August 2021	<u>289,850</u>
	<u><u>510,477</u></u>

9. Events Subsequent to the End of the Financial Period

There were no other material events subsequent to quarter under review that have not been reflected in the quarterly financial statements.

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10. Segmental Information

The Group has identified the business of port development and management of port operations as its sole operating segment.

The Board of Directors does not consider investment holding activities as a reportable operating segment. For the purpose of segmental reporting, non-reportable segment relates to administrative expenses of the holding company.

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

Performance is measured based on segment profit before finance income, finance cost and taxation as included in the internal management reports that are reviewed by the Board of Directors.

Segment assets

Segment assets information is presented regularly to the Board of Directors and hence, no disclosure is made on segment assets.

Segment liabilities

Segment liabilities information is presented regularly to the Board of Directors and hence, no disclosure is made on segment liabilities.

	Port development and management of port operations			
	3 months ended		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Profit				
Reportable segment profit	281,730	288,847	822,489	697,869
<i>Included in the measure of segment profit are :</i>				
Revenue - external customer	498,234	500,666	1,483,716	1,362,801
- construction service	6,657	27,693	34,411	70,627
Share of results of a joint venture	(33)	-	(33)	-
Amortisation of concession assets	(20,454)	(20,150)	(61,964)	(60,640)
Depreciation of right-of-use assets	(6,753)	(9,704)	(21,743)	(30,522)
Depreciation of property, plant and equipment	(37,276)	(35,917)	(108,963)	(105,321)
Property, plant and equipment written off	(19)	-	(83)	(6,859)
Gain on disposal of property, plant and equipment	-	6	1,717	143
Impairment of property, plant and equipment	(33)	-	(33)	-
Impairment loss of trade receivables	(15)	(87)	(88)	(16,898)
Reversal of Impairment loss of trade receivables	93	-	266	505
Reconciliation of reportable segment profit and revenue				
Profit				
Reportable segment	281,730	288,847	822,489	697,869
Non-reportable segment	(590)	(609)	(1,842)	(2,135)
Share of results of a joint venture	(33)	-	(33)	-
Finance income	2,773	3,529	9,524	13,220
Finance costs	(18,709)	(21,489)	(55,749)	(62,070)
Consolidated profit before tax	<u>265,171</u>	<u>270,278</u>	<u>774,389</u>	<u>646,884</u>
Revenue				
Reportable segment	504,891	528,359	1,518,127	1,433,428
Non-reportable segment	-	-	-	-
Consolidated revenue	<u>504,891</u>	<u>528,359</u>	<u>1,518,127</u>	<u>1,433,428</u>

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11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

12. Contingent Liabilities

		As at 30.09.2021 RM'000	As at 30.09.2020 RM'000
Claims related to Oracle Case	(a)	<u>24,227</u>	<u>24,227</u>
Claims related to Additional Assessment by Inland Revenue Board	(b)	<u>143,235</u>	<u>120,576</u>

a) The details of litigation with Oracle case are reported in Note 22 (a).

b) The details of litigation on Additional Assessment by Inland Revenue Board are reported in Note 22 (b).

13. Capital Commitments

The amount of commitments for capital expenditure not provided for in the condensed consolidated interim financial statements as at 30 September 2021 is as follows:

	As at 30.09.2021 RM'000	As at 31.12.2020 RM'000
Capital expenditure commitments: Property, plant and equipment and concession assets		
- Authorised and contracted for	<u>776,878</u>	<u>590,515</u>

14. Related Party Transactions

Related party transactions have been entered into in the normal course of business and under negotiated terms. Details of the relationships and transactions between the Group and its significant related parties are as follows:

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<u>Name of Company</u>	<u>Relationship</u>
Pembinaan Redzai Sdn Bhd ("PR")	Corporate shareholder
Cloud Ten Executive Travel & Tours Sdn Bhd ("C10")	Company in which a Director has significant financial interest
Gryss Holdings Sdn Bhd ("GH")	Company in which Directors have significant financial interest
Westports Foundation ("WF")	Company in which Directors have significant financial interest

The transactions incurred for the financial period are as follows:

	3 months ended		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
PR - Administrative expenses	-	5	1	7
C10 - Flight ticket and accomodation	-	(104)	-	171
GH - Office rental and utilities	65	34	196	185
WF - Financial support to community	250	-	250	1,000

15. Review of Performance

The summary of the operational results and costs are as follows:

	3 months ended			9 months ended		
	30.09.2021	30.09.2020	Changes	30.09.2021	30.09.2020	Changes
	RM'000	RM'000		RM'000	RM'000	
Revenue as reported	504,891	528,359	-4%	1,518,127	1,433,428	6%
Less : Construction revenue (N1)	(6,657)	(27,693)	-76%	(34,411)	(70,627)	-51%
Operational revenue	498,234	500,666	0%	1,483,716	1,362,801	9%
Cost of sales as reported	194,427	194,866	0%	590,014	565,634	4%
Less : Construction cost (N1)	(6,589)	(27,416)	-76%	(34,067)	(69,924)	-51%
Operational cost of sales	187,838	167,450	12%	555,947	495,710	12%
Gross Profit	310,464	333,493	-7%	928,113	867,794	7%
Profit before interest and tax	281,140	288,238	-2%	820,647	695,734	18%
Profit before tax	265,171	270,278	-2%	774,389	646,884	20%
Profit after tax	199,056	203,849	-2%	585,346	490,995	19%

N1 - The construction revenue and cost are recorded in accordance with IC Interpretation 12 – Service Concession Arrangements and relate to the construction of port development infrastructures under the privatisation agreements. The port development infrastructure is recognised as concession assets in the statement of financial position and amortised over the remaining concession period.

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Quarter Ended 30 September 2021 compared to Quarter Ended 30 September 2020

The Group recorded operational revenue of RM498 million in quarter ended 30 September 2021 ("3Q2021"), at flat against preceding year corresponding quarter ("3Q2020").

The Group recorded profit before tax ("PBT") of RM265 million in 3Q2021 representing 2% decline compared to 3Q2020. The deduction in PBT was due to higher operational cost in fuel.

The Group's profit after tax ("PAT") of RM199 million decrease by 2% compared to 3Q2020 and was due to similar reasons mentioned above.

Nine Months Ended 30 September 2021 compared to Nine Months Ended 30 September 2020

The Group recorded operational revenue of RM1.5 billion for nine months ended 30 September 2021 ("9M21"), recorded an improvement by 9% compared to corresponding period last year ("9M20"). It was mainly attributed to the growth in container revenue.

The Group achieved PBT of RM774 million in 9M21, increased by 20% compared to 9M20. The growth in PBT was due to higher container revenue and progressive insurance reimbursement for the vessel incident involving two quay cranes in 2019.

The Group's PAT at RM585 million, recorded an improvement by 19% and was due to similar reasons mentioned above.

16. **Changes in the Quarterly Results compared to the Results of the Preceding Quarter**

The summary of the operational results are as follows:

	3 months ended		Changes
	30.09.2021	30.06.2021	
	RM'000	RM'000	
Operational revenue	498,234	489,686	2%
Gross profit	310,464	303,961	2%
Profit before interest and tax	281,140	251,148	12%
Profit before tax	265,171	235,622	13%
Profit after tax	199,056	177,967	12%

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The Group's operational revenue in 3Q2021 growth by 2% compared to the preceding quarter ended 30 June 2021 ("2Q2021"), was mainly attributed by the growth of revenue generated from container value-added services.

The Group recorded PBT of RM265 million in 3Q2021, growth by 13% compared to 2Q2021. The improvement in PBT was due to progressive insurance reimbursement captured in 1Q21 for the vessel incident involving two quay cranes in 2019.

The Group's PAT of RM199 million, improved by 12% was due to similar reasons mentioned above.

17. Current Year's Prospects

The container volume in the latest quarter was affected by the on-going disruptions in the supply chain. Nevertheless, the increases in vaccination rates domestically and around the world should pave the way for further recovery in economic activities and consumer confidence. Fiscal stimulus is also supporting a certain threshold of economic activities in many countries. Hence, the Company is maintaining its single-digit container throughput growth guidance for 2021.

18. Profit Forecast or Profit Guarantee

The Group did not provide any profit forecast or profit guarantee.

19. Tax Expense

The breakdown between current tax and deferred tax for the Group is as follows:-

	Current quarter 30.09.2021 RM'000	Financial period-to-date 30.09.2021 RM'000
Current tax	66,582	191,189
Deferred tax	<u>(467)</u>	<u>(2,146)</u>
	<u>66,115</u>	<u>189,043</u>

20. Status of Proposed Expansion

On 25 August 2017 the Company announced to Bursa, that its wholly owned subsidiary, WMSB has received an Approval-in-Principle ("AIP") from the Government of Malaysia ("GOM"), to expand its container terminal facilities beyond CT9 ("Proposed Expansion"). The terms and conditions of the Proposed Expansion are subjected to further deliberations between the GOM and WMSB.

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On 30 April 2018, the Company announced the acquisition of a piece of leasehold land under the sea with the size of 154.2 hectares (381 acres) from Perbadanan Kemajuan Negeri Selangor (“PKNS”) after going through a successful bidding process.

As part of the ongoing preparations for the Proposed Expansion, Port Klang Authority (“PKA”) has informed the Company that the regulator has concluded its detailed evaluations with satisfactory findings on the various studies undertaken and recommendations proposed by the Company.

On 7 February 2020, the Company announced that WMSB has entered into a conditional sale and purchase agreement with Pembinaan Redzai Sdn Bhd (“PRSB”) to acquire a parcel of leasehold land held under Pajakan Negeri (PN) 7374, Lot No. 72778, Mukim and District of Klang, State of Selangor Darul Ehsan measuring about 146.4 hectares (361.762 acres), for a total cash consideration of RM393,958,900 (“Proposed Acquisition”).

The parcel of leasehold land is located adjacent to the Company’s existing container terminal facilities. The Company plans to develop additional container terminal facilities on both the aforementioned land and to create one of the longest linear ports in the region. On 5 May 2020, shareholders (excluding PRSB and other directors/parties deemed with vested interests) approved the Proposed Acquisition of the said leasehold land in a virtual Extraordinary General Meeting.

The Company had obtained the Conditional Approval for the Detailed Environmental Assessment Impact (“DEIA”) from the Department of Environment on 29 January 2021. With regards to the Social Impact Assessment (“SIA”), approval has been issued by PLAN Malaysia Putrajaya on 1 April 2021.

The Development Order (“KM”) for the land reclamation has been approved by Majlis Perbandaran Klang (“MPK”) for Phase 1 of CT10 – CT13 on 24 August 2021.

The application for Conversion of Land Status from Residential to Industrial for PKNS land and Marina Land was approved on 16 July 2021 and 18 August 2021 respectively by the Land Office.

Discussion with the relevant authorities for the Proposed Expansion is currently ongoing.

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21. Borrowings and Debts Securities

The Group's borrowings position as at 30 September 2021 is as follows: -

	As at 30.09.2021 RM'000	As at 31.12.2020 RM'000
Non-current		
Unsecured Sukuk Musharakah Medium Term Note ("SMTN")	1,025,000	1,150,000
Current		
Unsecured Sukuk Musharakah Medium Term Note ("SMTN")	175,000	150,000
Total Borrowings	<u>1,200,000</u>	<u>1,300,000</u>

SMTN has been implemented on a clean basis and certain pledged deposits (as disclosed in the statement of cash flows) are maintained in the Finance Service Reserve Account. The above borrowings are denominated in Ringgit Malaysia.

On 8 February 2021, the Company announced that RAM Rating Services Berhad ("RAM") has assigned a long-term AAA/stable rating to WMSB for its Sukuk Musharakah Programme.

On 11 March 2021, the Extraordinary Resolutions as set out in the Notice of Extraordinary General Meeting of Sukukholders for the Proposed Change of Rating Agency to RAM were duly passed unanimously by the Sukukholders.

22. Changes in Material Litigation

a) Westports Malaysia Sdn Bhd against Oracle Corporation Malaysia Sdn Bhd and Bank of America Malaysia Berhad

On 12 June 2020, Westports Holdings Berhad announced that WMSB commenced legal proceedings against Oracle Corporation Malaysia Sdn Bhd ("Oracle") and Bank of America Malaysia Berhad ("BOA") at the Kuala Lumpur High Court on the termination of two agreements.

On 30 November 2018, WMSB had subscribed into the Oracle ERP Software System by executing two agreements with Oracle. The first agreement, Oracle Cloud Services Agreement, entailed an Oracle license fee of RM15,692,378. WMSB has entered into another agreement with Oracle and a contract with Oracle's outsource partner, the total value amounting to RM15,285,307 for the implementation of the Oracle ERP Software System and Payroll System. Oracle subsequently assigned the

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first agreement to BOA, and WMSB is required to pay the license fee directly to BOA.

The Oracle ERP Software Systems project commenced in February 2019. During the User Acceptance Testing (“UAT”) phase, WMSB discovered there were data discrepancy and inability of the system to execute the purported requirements. Highlighted technical requests remained unresolved and WMSB could not proceed with the Go-Live. WMSB terminated the two agreements on 30 December 2019. WMSB had paid RM6,750,697 prior to the termination.

Subsequent to the termination, WMSB still received a letter of demand from BOA for RM592,838. Oracle made a counter-claim of RM4,059,077 for the services rendered. WMSB is disputing against the counter-claim on the basis that the two agreements have been terminated, and that the system could not proceed with the Go-Live. WMSB is seeking the Court to declare that the termination of the two agreements are valid and negated the obligation to pay to BOA and Oracle.

The estimated potential liability for this litigation case is RM30,977,685 of which RM6,750,697 has already been paid to the Oracle and BOA as at 31 December 2019. The remaining balance exposure is RM24,226,988 and the counter-claim of RM4,059,077 is part of this amount.

Below is the latest update since our last announcement to Bursa.

BOA

On 11 January 2021, BOA filed an appeal to the Court of Appeal against the High Court’s decisions in dismissing BOA’s striking out and summary judgment applications. The Court of Appeal has vacated the hearing scheduled on 21 October 2021 and fixed new hearing date on 11 January 2022.

Oracle

- i) On 19 January 2021, Oracle filed an appeal to the Court of Appeal against the High Court’s decision in dismissing Oracle’s summary judgement application. The Court of Appeal has vacated the hearing scheduled on 4 October 2021 and fixed case management on 13 December 2021.
- ii) On 22 September 2021, the Court fixed hearing on Westports discovery application on 24 November 2021.
- iii) On 22 September 2021, the Court fixed hearing on Oracle Interrogatories application 24 November 2021.

The High Court fixed full trial on 25, 26, 29 and 30 August 2022.

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b) Notice of Additional Tax Assessment Received from Inland Revenue Board of Malaysia

i) Year of Assessment 2013 to 2018

WMSB has been served with the notice of additional assessment for additional tax liabilities, inclusive of penalties for the years of assessment from 2013 to 2018, by the Inland Revenue Board of Malaysia (“IRB”) (“the Notices”) on 2 October 2020.

The IRB raised an additional tax assessment of RM120,576,256 in relation to the following:

i) Total annual lease payment made by WMSB to the Port Klang Authority (“PKA”) amounting to RM299,901,840 for the years of assessment from 2013 to 2018; and

ii) Deferred revenue of RM7,965,536 for the year of assessment 2018.

The IRB assessed that the annual lease payment made by WMSB to PKA as not allowable for deduction in WMSB’s tax computation.

WMSB has obtained confirmation from its tax advisors and legal advice from the tax solicitors to contend incontrovertibly that the IRB’s interpretation is fundamentally erroneous. WMSB’s accounting policy and the treatment of the annual lease payments have been audited annually by among the largest professional accounting firms since 2013 with no qualification.

WMSB has written to the Minister of Finance (MOF) to raise our concern in relation to the Notice. Subsequently, WMSB has on 14 October 2020 submitted a notice of application of judicial review against MOF.

The hearing was fixed on 28 October 2020 but adjourned to 18 January 2021. The Court postponed the hearing date to 2 June 2021, and further postponed to 1 December 2021. Interim stay has been granted until 1 December 2021.

Concurrently, case mention for Special Commissioners of Income Tax (“SCIT”) has been rescheduled to 16 December 2021.

ii) Year of Assessment 2019

Further, WMSB has been served with the notice of additional assessment for additional tax liability, inclusive of penalty for the year of assessment 2019, by the IRB dated 26 July 2021 (“the Notice”), received via email on 29 July 2021.

The IRB has raised an additional tax assessment of RM22,658,626 in relation to the total annual lease payment made by WMSB to the Port Klang Authority amounting to RM59,006,840 for the year of assessment 2019. The

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IRB has now assessed that the annual lease payment made by WMSB to the PKA as not allowable for deduction in WMSB's tax computation.

It is the same case of additional tax assessment received for the year of assessment from 2013 to 2018 as reported on note 22 (b) (i) above.

The Court has fixed the hearing on 8 February 2022 and interim stay has been granted until 8 February 2022.

23. Dividends

Save as disclosed in Note 8, the Directors did not recommend any dividend for the period ended 30 September 2021.

24. Status of corporate acquisition

On 19 March 2021, the Company announced that it has entered into a conditional share sale and purchase agreement ("SSPA") with Klang Port Management Sdn Bhd ("KPM"), a wholly owned subsidiary of Northport (Malaysia) Bhd, to jointly acquire 100% of the total issued and paid-up share capital in Boustead Cruise Centre Sdn Bhd ("BCC") from Boustead Holdings Berhad ("BHB") for a total purchase consideration of RM230 million. The 369,712,894 ordinary shares representing 100% will be payable by the Company and KPM in a 50:50 ratio. ("Acquisition"). The Company's shareholding value is RM115 million and have paid a deposit of RM34.5 million for its share in accordance with the SSPA.

The Acquisition is an opportunity for the Company to expand into the cruise terminal business and explore other complementary activities by increasing the utilisation of the vacant lands owned by BCC.

The SSPA is conditional upon the fulfilment of the condition precedents which include the approval from the Economic Planning Unit, Prime Minister's Department ("EPU") pursuant to the EPU Guidelines on the Acquisition of Property.

The Company and KPM have obtained the approval of EPU on 14 September 2021 and thereafter the Acquisition has been completed. The Company paid to BHB the remaining balance of the consideration of RM80.5 million on 23 September 2021.

25. Earnings per Share

Basic earnings per share

The basic earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders of the Company for the financial period by the weighted average number of ordinary shares in issue during the financial period.

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	3 months ended		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	199,056	203,849	585,346	490,995
Weighted average number of ordinary shares in issues (million)	3,410	3,410	3,410	3,410
Basic earnings per ordinary share (sen)	5.84	5.98	17.17	14.40

Diluted earnings per share

The diluted earnings per share of the Group is similar to the basic earnings per share as the Group does not have any dilutive instruments.

26. Profit Before Tax

Profit before tax for the financial period is arrived at after charging/(crediting) the following items:-

	3 months ended		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Finance costs	18,709	21,489	55,749	62,070
Finance income	(2,773)	(3,529)	(9,524)	(13,220)
Share of results of a joint venture	33	-	33	-
Amortisation of concession assets	20,454	20,150	61,964	60,640
Depreciation of right-of-use assets	6,753	9,704	21,743	30,522
Depreciation of property, plant and equipment	37,276	35,917	108,963	105,321
Property, plant and equipment written off	19	-	83	6,859
Gain on disposal of property, plant and equipment	-	(6)	(1,717)	(143)
Dredging expenditure	668	884	2,437	2,653
Net realised foreign exchange loss/(gain)	37	(109)	190	214
Provision for retirement benefits	106	103	318	309
Impairment loss on trade receivables	15	87	88	16,898
Reversal of impairment loss on trade receivables	(93)	-	(266)	(505)

27. Fair Value Information

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate their fair values due to the relatively short term nature of these financial instruments.

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Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instrument not carried at fair value			Fair Value RM'000	Carrying amount RM'000
	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000		
At 30 September 2021					
Financial Asset					
Investment	-	-	50,215	50,215	50,000
Financial Liabilities					
Borrowings	-	-	1,356,299	1,356,299	1,200,000
Lease liabilities	-	-	77,661	77,661	77,661
Service concession obligation	-	-	180,056	180,056	180,056
At 31 December 2020					
Financial Asset					
Investment	-	-	50,153	50,153	50,000
Financial Liabilities					
Borrowings	-	-	1,535,939	1,535,939	1,300,000
Lease liabilities	-	-	65,799	65,799	65,799
Service concession obligation	-	-	215,813	215,813	215,813

The fair value of the investment, borrowings, lease liabilities and service concession obligation is calculated based on the present value of net cash flows, discounted at the indicative market profit rate at the end of the reporting period.

28. Authorisation for Issue

This quarterly financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors.