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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 2022**

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 2022

These figures have not been audited

	3 months ended			9 months ended		
	30.09.2022	30.09.2021	Changes	30.09.2022	30.09.2021	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	520,538	504,891	3%	1,547,874	1,518,127	2%
Cost of sales	(224,555)	(194,427)	15%	(653,210)	(590,014)	11%
Gross profit	295,983	310,464	-5%	894,664	928,113	-4%
Other income	1,838	23,775	-92%	6,221	50,670	-88%
Administrative expenses	(12,070)	(6,871)	76%	(23,063)	(19,426)	19%
Other expenses	(53,017)	(46,228)	15%	(148,407)	(138,710)	7%
Results from operating activities	232,734	281,140	-17%	729,415	820,647	-11%
Finance income	3,184	2,773	15%	8,668	9,524	-9%
Finance costs	(15,674)	(18,709)	-16%	(48,388)	(55,749)	-13%
Share of results of a joint venture	3,736	(33)	11421%	2,979	(33)	9127%
Profit before tax	223,980	265,171	-16%	692,674	774,389	-11%
Tax expense	(73,586)	(66,115)	11%	(228,134)	(189,043)	21%
Total comprehensive income for the period attributable to owners of the Company	150,394	199,056	-24%	464,540	585,346	-21%
Basic earnings per ordinary share (sen)	4.41	5.84	-24%	13.62	17.17	-21%

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 2021 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

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Condensed Consolidated Statement of Financial Position

As At 30 September 2022

	Unaudited As at 30.09.2022	Audited As at 31.12.2021
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	1,779,529	1,727,165
Concession assets	2,450,674	2,499,028
Right-of-use assets	53,689	66,831
Investment in a joint venture	117,543	114,564
Total non-current assets	<u>4,401,435</u>	<u>4,407,588</u>
Current assets		
Inventories	5,892	5,374
Trade and other receivables	242,761	296,335
Investment	-	50,000
Cash and short term investments	620,261	656,003
Total current assets	<u>868,914</u>	<u>1,007,712</u>
Total assets	<u>5,270,349</u>	<u>5,415,300</u>
Equity		
Share capital	1,038,000	1,038,000
Reserves	2,001,316	2,088,855
Total equity	<u>3,039,316</u>	<u>3,126,855</u>
Non-current liabilities		
Borrowings	850,000	975,000
Employee benefits	8,611	8,590
Deferred tax liabilities	394,780	384,039
Service concession obligation	74,724	115,933
Lease liabilities	33,922	46,290
Total non-current liabilities	<u>1,362,037</u>	<u>1,529,852</u>
Current liabilities		
Trade and other payables	229,211	146,581
Provisions	330,394	313,827
Tax payable	57,910	46,912
Borrowings	175,000	175,000
Service concession obligation	54,259	52,203
Lease liabilities	22,222	24,070
Total current liabilities	<u>868,996</u>	<u>758,593</u>
Total liabilities	<u>2,231,033</u>	<u>2,288,445</u>
Total equity and liabilities	<u>5,270,349</u>	<u>5,415,300</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 2021 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

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Condensed Consolidated Statement of Changes in Equity

For The Period Ended 30 September 2022

These figures have not been audited

	Attributable to the owners of the Company			Total RM'000
	Non-distributable Share Capital RM'000	Goodwill Written off Reserve RM'000	Distributable Retained Earnings RM'000	
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>
At 1 January 2022	1,038,000	(47,732)	2,136,587	3,126,855
Profit for the period	-	-	464,540	464,540
Total comprehensive income for the period	-	-	464,540	464,540
<i>Distributions to owners of the Company</i>				
- Dividends	-	-	(552,079)	(552,079)
Total transactions with owners of the Company	-	-	(552,079)	(552,079)
At 30 September 2022	<u>1,038,000</u>	<u>(47,732)</u>	<u>2,049,048</u>	<u>3,039,316</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 2021 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

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Condensed Consolidated Statement of Cash Flows

For The Period Ended 30 September 2022

These figures have not been audited

	9 months ended	
	30.09.2022	30.09.2021
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	692,674	774,389
Adjustments for :		
Share of results of a joint venture	(2,979)	33
Amortisation of concession assets	63,999	61,964
Depreciation of right-of-use assets	20,219	21,743
Depreciation of property, plant and equipment	114,850	108,963
Dredging expenditure	6,108	2,437
Finance costs - accretion of service concession obligation	6,620	8,498
Finance costs - lease liabilities	2,573	3,201
Finance costs - borrowings and others	39,195	44,050
Finance income	(4,968)	(4,828)
Income from money market fund	(3,700)	(4,696)
Provision for retirement benefits	324	318
Gain on disposal of property, plant and equipment	(2)	(1,717)
Property, plant and equipment written off	-	83
Impairment loss on trade receivables	37	88
Reversal of impairment loss on trade receivables	(257)	(266)
	934,693	1,014,260
Operating profit before working capital changes		
Changes in working capital:		
Trade and other receivables, excluding payment for dredging expenses	57,098	(53,231)
Payment for dredging expenses	(9,412)	(4,873)
Trade and other payables	80,156	11,472
Inventories	(518)	(576)
Provisions	16,568	286
	1,078,585	967,338
Cash generated from operations		
Income tax paid	(206,395)	(154,613)
Interest paid	(36,720)	(40,944)
Retirement benefits paid	(303)	(567)
	835,167	771,214
Net cash generated from operating activities		
Cash flows from investing activities		
Interest received	4,968	4,828
Income from money market fund	3,700	4,696
Acquisition of investment	-	(115,000)
Redemption in Sukuk Prihatin	50,000	-
Purchase of property, plant and equipment	(167,424)	(146,128)
Additions to concession assets	(15,644)	(101,713)
Proceeds from disposal of property, plant and equipment	212	1,718
	(124,188)	(351,599)
Net cash used in investing activities		

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Condensed Consolidated Statement of Cash Flows (Continued)

For The Period Ended 30 September 2022

These figures have not been audited

	9 months ended	
	30.09.2022	30.09.2021
	RM'000	RM'000
Cash flows from financing activities		
Fixed deposits pledged for borrowings	(551)	(550)
Redemption of borrowings-SMTN	(125,000)	(100,000)
Dividends paid to shareholders	(552,079)	(510,477)
Repayment of lease liabilities		
- Principal	(21,294)	(21,192)
- Interest	(2,573)	(3,201)
Annual lease paid for use of port infrastructures and facilities	(45,773)	(44,255)
Net cash used in financing activities	<u>(747,270)</u>	<u>(679,675)</u>
Net decrease in cash and cash equivalents	(36,291)	(260,060)
Cash and cash equivalents at 1 January	615,317	739,185
Cash and cash equivalents at 30 September	<u>579,026</u>	<u>479,125</u>

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

Cash and bank balances	398,045	203,278
Money market fund	167,070	262,018
Fixed deposits with licensed banks	55,146	54,317
	<u>620,261</u>	<u>519,613</u>
Less : Pledged deposits	(41,235)	(40,488)
	<u>579,026</u>	<u>479,125</u>

(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 cash flows				
	1.1.2022	Addition	from financing cash flows	Accretion of interest	30.09.2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Sukuk MTN	1,150,000	-	(125,000)	-	1,025,000
Lease liabilities	70,360	7,078	(23,867)	2,573	56,144
Service concession obligation	168,136	-	(45,773)	6,620	128,983
Total liabilities from financing	<u>1,388,496</u>	<u>7,078</u>	<u>(194,640)</u>	<u>9,193</u>	<u>1,210,127</u>

	Net changes from financing cash flows				
	1.1.2021	Addition	from financing cash flows	Accretion of interest	30.09.2021
	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	<u>1,581,612</u>	<u>33,054</u>	<u>(168,648)</u>	<u>11,699</u>	<u>1,457,717</u>

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

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Notes to Condensed Consolidated Financial Statements for the Third Quarter Ended 30 September 2022

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 2021.

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 2021 except for the adoption of the following Amendments to MFRSs during the current financial period:

- *Amendments to MFRS 3 (Reference to the Conceptual Framework)*
- *Amendments to MFRS 116 (Property, Plant and Equipment-Proceeds before Intended Use)*
- *Amendments to MFRS 137 (Onerous Contracts-Cost of Fulfilling a Contract)*
- *Amendments to MFRSs (Annual Improvement to MFRS Standards 2018-2020)*

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:

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Amendments to MFRSs		Effective for annual periods beginning on or after
Amendments to MFRS 4	<i>Extension of the Temporary Exemption from Applying MFRS 9</i>	1 January 2023
Amendments to MFRS 101	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101	<i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108	<i>Disclosure of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
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 2021.

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 with two new STS Cranes and repair work for the damaged wharf. The repair works has been completed on 29 October 2021 and the wharf was released to operations from 15 November 2021. The dismantling works for the two damaged STS crane

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was completed on 12 January 2021. We have taken delivery of the 2 new replacement unit of STS crane in January 2022 which were fully commissioned on 4th April 2022.

Total cost of cranes dismantling, wharf repair and 2 unit of new STS Crane is RM84,170,000 of which RM80,127,000 has been reimbursed by the insurer.

b) Fire Incident that Damaged Containers and Cargoes

The Fire and Rescue Department has identified that the source of fire was originated from a container that belongs to a shipping line (“the responsible party”). We notified the affected shipping lines/box operators to claim their losses directly from the responsible party.

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 was redemption of SMTN borrowings of RM125 million by the Group for the financial period to date.

Save as above, no other issuance and repurchase of debts 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 9.28 sen per ordinary share in respect of financial year ended 31 December 2021 on 24 February 2022	316,448
First interim dividend of 6.91 sen per ordinary share in respect of financial year ending 31 December 2022 on 23 August 2022	235,631
	<u>552,079</u>

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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.

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.

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	Port development and management of port operations			
	3 months ended		9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Profit				
Reportable segment profit <i>Included in the measure of segment profit are :</i>	233,388	281,730	731,652	822,489
Revenue - external customer	516,593	498,234	1,543,929	1,483,716
- construction service	3,945	6,657	3,945	34,411
Share of results of a joint venture	3,736	(33)	2,979	(33)
Amortisation of concession assets	(21,496)	(20,454)	(63,999)	(61,964)
Depreciation of right-of-use assets	(6,768)	(6,753)	(20,219)	(21,743)
Depreciation of property, plant and equipment	(38,364)	(37,276)	(114,850)	(108,963)
Property, plant and equipment written off	-	(19)	-	(83)
Gain on disposal of property, plant and equipment	2	-	2	1,717
Impairment loss of trade receivables	(36)	(15)	(37)	(88)
Reversal of Impairment loss of trade receivables	22	93	257	266
Reconciliation of reportable segment profit and revenue				
Profit				
Reportable segment	233,388	281,730	731,652	822,489
Non-reportable segment	(654)	(590)	(2,237)	(1,842)
Share of results of a joint venture	3,736	(33)	2,979	(33)
Finance income	3,184	2,773	8,668	9,524
Finance costs	(15,674)	(18,709)	(48,388)	(55,749)
Consolidated profit before tax	<u>223,980</u>	<u>265,171</u>	<u>692,674</u>	<u>774,389</u>
Revenue				
Reportable segment	520,538	504,891	1,547,874	1,518,127
Non-reportable segment	-	-	-	-
Consolidated revenue	<u>520,538</u>	<u>504,891</u>	<u>1,547,874</u>	<u>1,518,127</u>

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	As at
	30.09.2022	30.09.2021
	RM'000	RM'000
Claims related to Additional Assessment by Inland Revenue Board	<u>143,235</u>	<u>143,235</u>

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

13. Capital Commitments

The amount of commitments for capital expenditure not provided for in the condensed consolidated interim financial statements as at 30 September 2022 is as follows:

	As at 30.09.2022 RM'000	As at 31.12.2021 RM'000
Capital expenditure commitments:		
Property, plant and equipment and concession assets		
- Authorised and contracted for	<u>607,640</u>	<u>660,424</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:

<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	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
PR - Administrative expenses	4	-	4	1
C10 - Flight ticket and accomodation	575	-	815	-
GH - Office rental and utilities	-	65	54	196
WF - Financial support to community	60	250	290	250

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15. Review of Performance

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

	3 months ended			9 months ended		
	30.09.2022 RM'000	30.09.2021 RM'000	Changes	30.09.2022 RM'000	30.09.2021 RM'000	Changes
Revenue as reported	520,538	504,891	3%	1,547,874	1,518,127	2%
Less : Construction revenue (N1)	(3,945)	(6,657)	-41%	(3,945)	(34,411)	-89%
Operational revenue	516,593	498,234	4%	1,543,929	1,483,716	4%
Cost of sales as reported	224,555	194,427	15%	653,210	590,014	11%
Less : Construction cost (N1)	(3,904)	(6,589)	-41%	(3,904)	(34,067)	-89%
Operational cost of sales	220,651	187,838	17%	649,306	555,947	17%
Gross Profit	295,983	310,464	-5%	894,664	928,113	-4%
Profit before interest and tax	232,734	281,140	-17%	729,415	820,647	-11%
Profit before tax	223,980	265,171	-16%	692,674	774,389	-11%
Profit after tax	150,394	199,056	-24%	464,540	585,346	-21%

N1 - The construction revenue and cost are recorded in accordance with IC Interpretation 12 – Service Concession Arrangements and related 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.

Quarter Ended 30 September 2022 compared to Quarter Ended 30 September 2021

The Group recorded operational revenue of RM517 million in quarter ended 30 September 2022 (“3Q2022”), growth of 4% against the preceding year (“3Q2021”). It was mainly attributed to the growth in conventional revenue.

Profit before tax (“PBT”) for the Group in 3Q2022 showed a decline of 16% to RM224 million compared with 3Q2021. The reduction in PBT was mainly due to higher fuel cost and one-off sundry income in 3Q21.

Profit after tax (“PAT”) for the Group reduced 24% compared to 3Q2021 due to lower PBT and one-off Prosperity Tax in 2022.

Nine Months Ended 30 September 2022 compared to Nine Months Ended 30 September 2021

The Group recorded operational revenue of RM1.5 billion for the nine months of the year ended 30 September 2022 (“9M22”), an improvement by 4% compared to the same period last year (“9M21”). It was mainly attributed to the growth in container revenue.

The Group reported a PBT of RM693 million in 9M22, decline by 11% compared to 9M21. The reduction was mainly due to higher fuel cost, and lower sundry

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income as there was a RM42 million insurance reimbursements of QC51/52 in 9M21.

PAT for the Group reported RM465 million in 9M22, 21% lower compared to in 9M21. The reduction in PAT was due to lower PBT and one-off Prosperity Tax in 2022.

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
	30.09.2022	30.06.2022	
	RM'000	RM'000	
Operational revenue	516,593	510,975	1%
Gross profit	295,983	284,868	4%
Profit before interest and tax	232,734	233,024	0%
Profit before tax	223,980	219,949	2%
Profit after tax	150,394	162,293	-7%

The Group's operational revenue in 3Q2022 improved by 1% compared to the preceding quarter ended 30 June 2022 ("2Q2022") mainly due to growth in conventional revenue.

The Group recorded PBT of RM224 million in 3Q2022, increased by 2% due to higher operational revenue and improving results of a joint venture.

The Group registered a 7% reduction in PAT to RM150 million due to adjustment for overprovision of tax in 2Q2022.

17. Current Year's Prospects

Global inflationary pressure, zero-Covid policy in China, geo-political tension in Europe, market uncertainties are among the contributing factors to slower economic activities in 2022. The container throughput in the current year could ease toward a marginal single-digit decline.

18. Profit Forecast or Profit Guarantee

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

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19. Tax Expense

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

	Current quarter 30.09.2022 RM'000	Financial period-to-date 30.09.2022 RM'000
Current tax	78,742	217,393
Deferred tax	<u>(5,156)</u>	<u>10,741</u>
	<u>73,586</u>	<u>228,134</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.

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.

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The Economic Planning Unit has confirmed on 22 September 2020 that they have no objection to the Proposed Expansion.

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.

The Conditional period in relation to the Proposed Acquisition has been extended for a further 6 months from 9 August 2022 to 8 February 2023 as the discussion with the relevant authorities for the Proposed Expansion is still ongoing.

21. Borrowings and Debts Securities

The Group's borrowings position as at 30 September 2022 is as follows: -

	As at 30.09.2022 RM'000	As at 31.12.2021 RM'000
Non-current		
Unsecured Sukuk Musharakah Medium Term Note ("SMTN")	850,000	975,000
Current		
Unsecured Sukuk Musharakah Medium Term Note ("SMTN")	175,000	175,000
Total Borrowings	<u>1,025,000</u>	<u>1,150,000</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 28 December 2021, RAM has reaffirmed the AAA/Stable rating of WMSB for its Sukuk Musharakah Programme.

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22. Changes in Material Litigation

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, then to 2 June 2021, 1 December 2021, 10 March 2022, 13 June 2022, 17 August 2022 and further to 22 November 2022. Interim stay has been granted until 22 November 2022.

The case mention for Special Commissioners of Income Tax (“SCIT”) was fixed on 17 February 2022 which the cause papers have been filed and the court has fixed a hearing date on 16 and 17 May 2023.

ii) Year of Assessment 2019

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.

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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 IRB has 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 rescheduled the hearing to 8 February 2022, which were then adjourned to 10 March 2022, then to 13 April 2022. The court heard the case on 6 July 2022. The initial decision date was on 7 September 2022 but rescheduled to 15 November 2022. Interim stay has been granted until then.

The case mention for Special Commissioners of Income Tax ("SCIT") was fixed on 7 May 2022 in which subsequently the parties have filed the cause papers on 3 October 2022. The Court has fixed a case management on 23 November 2022.

23. Dividends

Save as disclosed in Note 8, the Directors did not recommend any dividend for the period ended 30 September 2022.

24. 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.

	3 months ended		9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	150,394	199,056	464,540	585,346
Weighted average number of ordinary shares in issues (million)	3,410	3,410	3,410	3,410
Basic earnings per ordinary share (sen)	4.41	5.84	13.62	17.17
<u>Diluted earnings per share</u>				

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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.

25. 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	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Finance costs	15,674	18,709	48,388	55,749
Finance income	(3,184)	(2,773)	(8,668)	(9,524)
Share of results of a joint venture	(3,736)	33	(2,979)	33
Amortisation of concession assets	21,496	20,454	63,999	61,964
Depreciation of right-of-use assets	6,768	6,753	20,219	21,743
Depreciation of property, plant and equipment	38,364	37,276	114,850	108,963
Property, plant and equipment written off	-	19	-	83
Gain on disposal of property, plant and equipment	(2)	-	(2)	(1,717)
Dredging expenditure	2,096	668	6,108	2,437
Net realised foreign exchange loss/(gain)	39	37	(43)	190
Provision for retirement benefits	108	106	324	318
Impairment loss on trade receivables	36	15	37	88
Reversal of impairment loss on trade receivables	(22)	(93)	(257)	(266)

26. 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.

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.

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	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 2022					
Financial Asset					
Investment	-	-	-	-	-
Financial Liabilities					
Borrowings	-	-	1,148,807	1,148,807	1,025,000
Lease liabilities	-	-	56,144	56,144	56,144
Service concession obligation	-	-	128,983	128,983	128,983
At 31 December 2021					
Financial Asset					
Investment	-	-	49,465	49,465	50,000
Financial Liabilities					
Borrowings	-	-	1,327,746	1,327,746	1,150,000
Lease liabilities	-	-	70,360	70,360	70,360
Service concession obligation	-	-	168,136	168,136	168,136

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.

27. Authorisation for Issue

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