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Westports Holdings Berhad

(Company No. 262761-A)
(Incorporated in Malaysia)

Quarterly Financial Report for the Third Quarter Ended 30 September 2018

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

Table of Contents **Pages**

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Period Ended 30 September 2018

These figures have not been audited

	3 months ended			9 months ended		
	30.09.2018 RM'000	30.09.2017 RM'000	Changes %	30.09.2018 RM'000	30.09.2017 RM'000	Changes %
Revenue	417,552	492,277	-15%	1,196,679	1,514,649	-21%
Cost of sales	(171,568)	(262,830)	-35%	(498,045)	(821,159)	-39%
Gross profit	245,984	229,447	7%	698,634	693,490	1%
Other income	3,111	10,416	-70%	7,916	24,172	-67%
Administrative expenses	(4,175)	(6,001)	-30%	(14,101)	(18,469)	-24%
Other expenses	(41,673)	(39,009)	7%	(122,683)	(118,346)	4%
Results from operating activities	203,247	194,853	4%	569,766	580,847	-2%
Finance income	2,326	3,379	-31%	8,155	8,561	-5%
Finance costs	(23,412)	(20,291)	15%	(70,552)	(57,961)	22%
Profit before tax	182,161	177,941	2%	507,369	531,447	-5%
Tax expense	(39,839)	(27,120)	47%	(119,437)	(90,917)	31%
Total comprehensive income for the period attributable to owners of the Company	142,322	150,821	-6%	387,932	440,530	-12%
Basic earnings per ordinary share (sen)	4.17	4.42	-6%	11.38	12.92	-12%

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 2017 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

Westports Holdings Berhad (262761-A)

(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position

As At 30 September 2018

	Unaudited As at 30.09.2018	Audited As at 31.12.2017
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	1,790,438	1,828,931
Concession assets	2,414,441	2,374,350
Total non-current assets	4,204,879	4,203,281
Current assets		
Inventories	6,049	11,318
Tax receivable	-	3,244
Trade and other receivables	385,741	305,831
Cash and cash equivalents	251,412	560,305
Total current assets	643,202	880,698
Total assets	4,848,081	5,083,979
Equity		
Share capital	1,038,000	1,038,000
Reserves	1,169,378	1,236,681
Total equity	2,207,378	2,274,681
Non-current liabilities		
Borrowings	1,400,000	1,500,000
Trade and other payables	11,510	44,476
Employee benefits	9,733	9,559
Deferred tax liabilities	367,570	300,774
Service concession obligation	271,871	304,150
Total non-current liabilities	2,060,684	2,158,959
Current liabilities		
Borrowings	100,000	-
Trade and other payables	226,926	376,555
Provisions	201,316	240,593
Tax payable	11,200	-
Service concession obligation	40,577	33,191
Total current liabilities	580,019	650,339
Total liabilities	2,640,703	2,809,298
Total equity and liabilities	4,848,081	5,083,979

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 2017 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

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

Condensed Consolidated Statement of Changes in Equity
For The Period Ended 30 September 2018

These figures have not been audited

	Attributable to the owners of the Company				
	Non-distributable			Distributable	
	Share Capital RM'000	Share Premium RM'000	Goodwill Written off Reserve RM'000	Retained Earnings RM'000	Total RM'000
At 1 January 2017	341,000	697,000	(47,732)	1,078,657	2,068,925
Profit for the year	-	-	-	440,530	440,530
Total comprehensive income for the year	-	-	-	440,530	440,530
Distributions to owners of the Company					
- Dividends	-	-	-	(445,755)	(445,755)
Total transactions with owners of the Company	-	-	-	(445,755)	(445,755)
Transfer in accordance with Section 618(2) of CA 2016[1]	697,000	(697,000)	-	-	-
At 30 September 2017	1,038,000	-	(47,732)	1,073,432	2,063,700
At 1 January 2018	1,038,000	-	(47,732)	1,284,413	2,274,681
Profit for the year	-	-	-	387,932	387,932
Total comprehensive income for the period	-	-	-	387,932	387,932
Distributions to owners of the Company					
- Dividends	-	-	-	(455,235)	(455,235)
Total transactions with owners of the Company	-	-	-	(455,235)	(455,235)
At 30 September 2018	1,038,000	-	(47,732)	1,217,110	2,207,378

Note 1

The new Companies Act 2016 ("CA 2016"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the CA 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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 2017 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

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

Condensed Consolidated Statement of Cash Flows
For The Period Ended 30 September 2018

These figures have not been audited

	9 months ended	
	30.09.2018	30.09.2017
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	507,369	531,447
Adjustments for :		
Amortisation of concession assets	61,093	51,690
Depreciation of property, plant and equipment	97,708	82,676
Dredging expenditure	1,562	785
Finance costs - accretion of service concession obligation	13,283	14,524
Finance costs - borrowings	57,269	43,437
Finance income	(8,155)	(8,561)
Provision for retirement benefits	417	394
Gain on disposal of property, plant and equipment	(716)	(821)
Property, plant and equipment written off	-	978
Impairment loss on trade receivables	592	874
Reversal of Impairment loss on trade receivables	(781)	(8,317)
Operating profit before working capital changes	729,641	709,106
Changes in working capital:		
Trade and other receivables	(52,736)	95,205
Trade and other payables	(184,533)	31,009
Inventories	5,269	(1,711)
Provisions	(39,277)	4,010
Cash generated from operations	458,364	837,619
Income tax paid	(38,197)	(44,689)
Interest paid	(55,331)	(39,977)
Retirement benefits paid	(243)	(4)
Net cash generated from operating activities	364,593	752,949
Cash flows from investing activities		
Interest received	8,155	8,561
Purchase of property, plant and equipment	(59,365)	(278,857)
Additions to concession assets	(101,184)	(241,890)
Payment for dredging expenditure	(28,547)	-
Proceeds from disposal of property, plant and equipment	868	1,303
Net cash used in investing activities	(180,073)	(510,883)

Westports Holdings Berhad (262761-A)

(Incorporated in Malaysia)

Condensed Consolidated Statement of Cash Flows (Continued)

For The Period Ended 30 September 2018

These figures have not been audited

	9 months ended	
	30.09.2018	**30.09.2017**
	RM'000	**RM'000**
Cash flows from financing activities		
Fixed deposits pledged for borrowings	(1,014)	(890)
Proceeds from Sukuk MTN	-	200,000
Proceeds from revolving credit facility	-	200,000
Repayment of revolving credit facility	-	(150,000)
Dividends paid to shareholders	(455,235)	(445,755)
Annual lease paid for use of port infrastructures and facilities	(38,176)	(38,176)
Net cash used in financing activities	(494,425)	(234,821)
Net increase / (decrease) in cash and cash equivalents	(309,905)	7,245
Cash and cash equivalents at 1 January	524,244	387,907
Cash and cash equivalents at 30 September	214,339	395,152

(a) **Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:**

Cash and bank balances	114,133	321,038
Fixed deposits with licensed banks	137,280	107,607
	251,413	428,645
Less : Pledged deposits	(37,074)	(33,493)
	214,339	395,152

(b) **Reconciliation of movement of liabilities to cash flows arising from financing activities**

The movement of borrowings in the statements of cash flow was as follows:

	1.1.2018 RM'000	**Net changes from financing cash flow RM'000**	**Accretion of interest RM'000**	**30.09.2018 RM'000**
Sukuk MTN	1,500,000	-	-	1,500,000
Service concession obligation	337,341	(38,176)	13,283	312,448
Total liabilities from financing activities	1,837,341	(38,176)	13,283	1,812,448

In accordance with the transitional provision of Disclosure Initiative (Amendment to MFRS 107) for the reconciliation of movement of liabilities to cash flows arising from financing activities, comparative information is not required for preceding periods.

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 2017 and the accompanying explanatory notes attached to the cndensed consolidated interim financial statements.

Notes to Condensed Consolidated Financial Statement for the Third Quarter Ended 30 September 2018

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. This condensed consolidated financial statements also complies 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 2017.

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 2017 except for the adoption of the following MFRSs and Amendments to MFRSs during the current financial period:

- MFRS 9, *Financial Instruments (International Financial Reporting Standards ("IFRS") 9 as issued by IASB in July 2014)*
- MFRS 15, *Revenue from Contracts with Customers (and the related Clarifications)*
- Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, Applying MFRS 9 *Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 140, *Transfers of Investment Property*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time adoption of Malaysian Financial Reporting Standards – Deletion of short term exemptions for first-time adopters (Annual Improvements to MFRSs 2014-2016 cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Measuring an associate or joint venture at fair value (Annual improvements to MFRSs 2014-2016 Cycle)*
- MFRS 12, *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard (Annual improvements to MFRSs 2014-2016 cycle)*

The adoption of the above MFRSs and Amendments to MFRSs did not have any material financial impact on these condensed consolidated financial statements save as disclosed in Note 15.

As at the date of authorisation of these condensed consolidated financial statements, the following new MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

MFRSs and Amendments to MFRSs and IC Interpretation		***Effective for annual periods beginning on or after***
MFRS 16	*Leases*	01-Jan-19
Amendments to MFRS 9	*Prepayment Features with Negative Compensation*	01-Jan-19
Amendments to MFRS 119	*Employee Benefits (Plan Amendment, Curtailment or Settlement)*	01-Jan-19
Amendments to MFRS 128	*Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*	01-Jan-19
IC Interpretation 23	*Uncertainty over Income Tax Treatments*	01-Jan-19
Amendments to MFRS 3	*Business Combinations - Previously held interest in a joint operation (Annual Improvements to MFRSs 2015-2017 Cycle)*	01-Jan-19
Amendments to MFRS 11	*Joint Arrangements - Previously held interest in a joint operation (Annual Improvements to MFRSs 2015-2017 Cycle)*	01-Jan-19
Amendments to MFRS 112	*Income Taxes - Income tax consequences of payments on financial instruments (Annual Improvements to MFRSs 2015-2017 Cycle)*	01-Jan-19
Amendments to MFRS 123	*Borrowing Costs - Borrowing costs eligible for capitalisation (Annual Improvements to MFRSs 2015-2017 Cycle)*	01-Jan-19
MFRS 17	*Insurance Contracts*	01-Jan-21
Amendments to MFRS 10 and 128	*Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Yet to be confirmed

The Group plans to apply the above applicable MFRSs, amendments and interpretations in the respective annual periods based on their effective dates and applicability.

The initial application of the accounting standards, amendments and interpretation are not expected to have any material financial impact on the financial statements of the Group except as mentioned below:

MFRS 16, Leases
MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

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 2017.

4. Seasonality or Cyclicality 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

There were no 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 7.95 sen per ordinary share in respect of financial year ended 31 December 2017 on 6 March 2018	271,095
First interim dividend of 5.40 sen per ordinary share in respect of financial year ending 31 December 2018 on 20 August 2018	184,140
	455,235

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 not presented regularly to the Board of Directors and hence, no disclosure is made on segment assets.

Segment liabilities
Segment liabilities information is not 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	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Profit				
Reportable segment profit	203,919	195,332	571,739	582,599
Included in the measure of segment profit are :				
Revenue - external customer	417,552	421,189	1,196,679	1,280,747
- construction service	-	71,088	-	233,902
Amortisation of concession assets	(20,467)	(17,725)	(61,093)	(51,690)
Depreciation of property, plant and equipment	(33,720)	(28,451)	(97,708)	(82,676)
Property, plant and equipment writtten off	-	-	-	(978)
Gain on disposal of property, plant and equipment	340	-	716	821
Impairment of trade receivable	(269)	-	(592)	-
Reversal of Impairment of trade receivable	242	-	781	-

Reconciliation of reportable segment profit and revenue

	3 months ended 30.09.2018	3 months ended 30.09.2017	9 months ended 30.09.2018	9 months ended 30.09.2017
Profit				
Reportable segment	203,919	195,332	571,739	582,599
Non-reportable segment	(672)	(479)	(1,973)	(1,752)
Finance income	2,326	3,379	8,155	8,561
Finance costs	(23,412)	(20,291)	(70,552)	(57,961)
Consolidated profit before tax	182,161	177,941	507,369	531,447
Revenue				
Reportable segment	417,552	492,277	1,196,679	1,514,649
Non-reportable segment	-	-	-	-
Consolidated revenue	417,552	492,277	1,196,679	1,514,649

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 30.09.2018 RM'000	As at 30.09.2017 RM'000
Claims related to Bills of Demand issued by the Royal Malaysian Customs Department	35,355	-
Bank guarantees (unsecured)	12,124	12,009

The subsidiary, Westports Malaysia Sdn Bhd ("WMSB'), was subjected to Port Clearance Audit by the Royal Malaysian Customs Department ("Customs") on 23 November 2016.

The Customs had issued several Bills of Demand which were dated between 17 July 2017 and 29 September 2017 totalling to RM59,508,000. The Bills of Demand included, inter alia, assessments for the years 2008 to 2011, import duty remittance for purchases of equipment and Goods and Services Tax for purchases made after April 2015.

WMSB has been engaging with the Customs and the Ministry of Finance and has also sought additional inputs to provide guidance but received an unfavourable decision from the authorities on 19 December 2017. An appeal is being processed to facilitate the convergence towards an amicable settlement in relation to the Bills of Demand.

The above contingent liability has not been provided and is contingent upon WMSB having an unfavourable outcome.

13. Capital Commitments

The amount of commitments for capital expenditure not provided for in the condensed consolidated financial statements as at 30 September 2018 are as follows:

	As at 30.09.2018 RM'000	As at 31.12.2017 RM'000
Capital expenditure commitments:		
Property, plant and equipment and concession assets		
- Authorised and contracted for	93,134	59,994
- Authorised but not contracted for	-	5,554

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:

Name of Company	Relationship
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 a Director has significant financial interest
PKT Logistics (M) Sdn Bhd ("PKT")	Company in which a Director has significant financial interest

The transactions incurred for the financial period are as follows:

	3 months ended		9 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
PR - Administrative expenses	2	1	9	7
C10 - Flight ticket and accomodation	248	362	1,211	976
GH - Office rental	91	100	281	310
PKT - Revenue and rental income	(1,610)	(739)	(3,885)	(1,687)

15. Review of Performance

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

	3 months ended			9 months ended		
	30.09.2018	30.09.2017	Changes	30.09.2018	30.09.2017	Changes
	RM'000	RM'000		RM'000	RM'000	
Revenue as reported	417,552	492,277	-15%	1,196,679	1,514,649	-21%
Less : Construction revenue (N1)	-	(71,088)	-100%	-	(233,902)	-100%
Operational revenue	**417,552**	**421,189**	**-1%**	**1,196,679**	**1,280,747**	**-7%**
Cost of sales as reported	171,568	262,830	-35%	498,045	821,159	-39%
Less : Construction cost (N1)	-	(71,088)	-100%	-	(233,902)	-100%
Operational cost of sales	**171,568**	**191,742**	**-11%**	**498,045**	**587,257**	**-15%**
Gross Profit	245,984	229,447	7%	698,634	693,490	1%
Profit before interest and tax	203,247	194,853	4%	569,766	580,847	-2%
Profit before tax	182,161	177,941	2%	507,369	531,447	-5%
Profit after tax	142,322	150,821	-6%	387,932	440,530	-12%

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 are recognised as concession assets in the statement of financial position and amortised over the remaining concession period.

Quarter Ended 30 September 2018 compared to Quarter Ended 30 September 2017

The Group recorded revenue of RM417.6 million in quarter ended 30 September 2018 ("3Q18"), down by 15% compared to corresponding period last year ("3Q17"). It was mainly attributed to adoption of MFRS 15 from 1 January 2018.

The Group recorded profit before tax ("PBT") of RM182.2 million in 3Q18 representing 2% increase compared to 3Q17. The growth in PBT were due to higher gross profit.

The Group profit after tax ("PAT") of RM142.3 million was below by 6% compared to 3Q17 mainly in 3Q17 effective tax rate was lower due to claim of investment tax allowance ("ITA").

Nine Months Ended 30 September 2018 compared to Nine Months Ended 30 September 2017

The Group recorded revenue of RM1.197 billion for nine months ended 30 September 2018 ("9M18"), down by 21% compared to corresponding period last year ("9M17"). It was mainly attributed to adoption of MFRS 15 from 1 January 2018.

The Group achieved PBT of RM507.4 million in 9M18, down by 5% compared to 9M17. Excluding non-recurring item for reversal of impairment of property plant and equipment in 9M17, the PBT was down by 5% in 9M18. It is mainly due to higher depreciation and finance cost for 9M18 compared to 9M17.

The Group PAT at RM387.9 million was lower by 12% mainly due to lower effective tax rate in 9M17 due to ITA claim.

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		
	30.09.2018	**30.06.2018**	**Changes**
	RM'000	**RM'000**	
Operational revenue	417,552	394,035	6%
Gross profit	245,984	226,955	8%
Profit before interest and tax	203,247	183,756	11%
Profit before tax	182,161	161,604	13%
Profit after tax	142,322	121,812	17%

The Group operational revenue in 3Q18 increase by 6% compared to the preceding quarter (“2Q18”) mainly due to growth in total container volume by 9%.

The Group recorded PBT of RM182.2 million in 3Q18 representing 13% increase compared to 2Q18. It is mainly due to higher gross profit and lower finance cost for saving of commitment fee as cancelation of Revolving Credit Facility from Bank of China and income earned from Investment Funds for 3Q18 compared to 2Q18.

The Group PAT of RM142.3 million, growth 17% and was due to similar reasons mentioned above.

17. Future Year’s Prospects

Westports Container throughput is expected to register modest growth rate of low single-digit percentage in 2018.

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 are as follows:-

	Current quarter 30.09.2018 RM'000	Financial period-to-date 30.09.2018 RM'000
Current tax	33,718	52,641
Deferred tax	6,121	66,796
	39,839	119,437

20. Status of Proposed Expansion

On 25 August 2017 the Company announced to Bursa, that its wholly-owned subsidiary, Westports Malaysia Sdn Bhd ("WMSB"), has received an Approval-in-Principle ("AIP") from the Government of Malaysia ("GOM"), to expand its container terminal facilities from CT10 to CT19 (“Proposed Expansion”). The terms and conditions of the Proposed Expansion are subjected to further deliberations between the GOM and WMSB. In the meantime, the Company has appointed professional consultants to undertake the various studies required.

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. The Company is now evaluating the proposed acquisition of a second piece of adjacent land that would be required to facilitate the Proposed Expansion in the future.

The Company wish to update that ongoing preliminary preparations are being carried out at this juncture towards the Proposed Expansion.

21. Borrowings and Debts Securities

The Group's borrowing position as at 30 September 2018 is as follows:-

	As at 30.09.2018 RM'000	As at 31.12.2017 RM'000
Non-current		
Unsecured Sukuk Musharakah Medium Term Note ("SMTN")	1,400,000	1,500,000
Current		
Unsecured Sukuk Musharakah Medium Term Note ("SMTN")	100,000	-
Total Borrowings	1,500,000	1,500,000

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

22. Changes in Material Litigation

There was no material litigation action as at 3 November 2018, the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report.

23. Dividends

Save as disclosed in Note 8, the Directors did not recommend any dividend for the period ended 30 September 2018.

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	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	142,322	150,821	387,932	440,530
Weighted average number of ordinary shares in issues (million)	3,410	3,410	3,410	3,410
Basic earnings per ordinary share (sen)	4.17	4.42	11.38	12.92

Diluted earnings per share

The diluted earnings per share of the Group are 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	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Finance cost	23,412	20,291	70,552	57,961
Finance income	(2,326)	(3,379)	(8,155)	(8,561)
Amortisation of concession assets	20,467	17,725	61,093	51,690
Depreciation of property, plant and equipment	33,720	28,451	97,708	82,676
Property, plant and equipment written off	-	-	-	978
Gain on disposal of property, plant and equipment	(340)	-	(716)	(821)
Dredging expenditure	781	-	1,562	785
Net realised foreign exchange (gain)/loss	(2,723)	13	(3,774)	20
Provision for retirement benefits	139	131	417	394
Impairment loss on trade receivables	269	874	592	874
Reversal of impairment loss on trade receivables	(242)	(8,317)	(781)	(8,317)

There were no other gains/losses on disposal or impairment of properties and/or derivatives included in the results for the current quarter and preceding year corresponding quarter.

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 are 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				
	Level 1	Level 2	Level 3	Fair Value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 September 2018					
Financial Liabilites					
Trade and other payables	-	-	11,510	11,510	11,510
Borrowings	-	-	1,419,989	1,419,989	1,500,000
Sevice concession obligation	-	-	256,856	256,856	312,448
At 31 December 2017					
Financial Liabilites					
Trade and other payables	-	-	44,476	44,476	44,476
Borrowings	-	-	1,484,910	1,484,910	1,500,000
Sevice concession obligation	-	-	276,868	276,868	337,341

The fair value of the borrowings and service concession obligation are 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.