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Westports Holdings Berhad

(Company No. 199301008024 (262761-A))

(Incorporated in Malaysia)

**Quarterly Financial Report for the
Fourth Quarter and Financial Year Ended
31 December 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 31 December 2021

These figures have been audited

	3 months ended			12 months ended		
	31.12.2021	31.12.2020	Changes	31.12.2021	31.12.2020	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	503,897	541,540	-7%	2,022,024	1,974,968	2%
Cost of sales	(201,309)	(246,011)	-18%	(791,323)	(811,645)	-3%
Gross profit	302,588	295,529	2%	1,230,701	1,163,323	6%
Other income	35,444	10,446	239%	86,114	25,894	233%
Administrative expenses	(6,923)	(22,908)	-70%	(26,349)	(68,653)	-62%
Other expenses	(50,052)	(48,478)	3%	(188,762)	(190,241)	-1%
Results from operating activities	281,057	234,589	20%	1,101,704	930,323	18%
Finance income	3,167	4,028	-21%	12,691	17,248	-26%
Finance costs	(18,662)	(20,434)	-9%	(74,411)	(82,504)	-10%
Share of results of a joint venture	(403)	-	100%	(436)	-	100%
Profit before tax	265,159	218,183	22%	1,039,548	865,067	20%
Tax expense	(42,283)	(54,692)	-23%	(231,326)	(210,581)	10%
Total comprehensive income for the period attributable to owners of the Company	222,876	163,491	36%	808,222	654,486	23%
Basic earnings per ordinary share (sen)	6.54	4.79	36%	23.70	19.19	24%

The 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 condensed consolidated financial statements.

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Condensed Consolidated Statement of Financial Position

As At 31 December 2021

	Audited As at 31.12.2021	Audited As at 31.12.2020
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	1,727,165	1,618,873
Concession assets	2,499,028	2,468,069
Right-of-use assets	66,831	62,273
Investment in a joint venture	114,564	-
Investment	-	50,000
Total non-current assets	<u>4,407,588</u>	<u>4,199,215</u>
Current assets		
Inventories	5,374	4,752
Trade and other receivables	296,335	278,558
Investment	50,000	-
Cash and short term investments	656,003	779,123
Total current assets	<u>1,007,712</u>	<u>1,062,433</u>
Total assets	<u>5,415,300</u>	<u>5,261,648</u>
Equity		
Share capital	1,038,000	1,038,000
Reserves	2,088,855	1,791,110
Total equity	<u>3,126,855</u>	<u>2,829,110</u>
Non-current liabilities		
Borrowings	975,000	1,150,000
Employee benefits	8,590	8,936
Deferred tax liabilities	384,039	391,031
Service concession obligation	115,933	168,136
Lease liabilities	46,290	41,765
Total non-current liabilities	<u>1,529,852</u>	<u>1,759,868</u>
Current liabilities		
Trade and other payables	146,581	167,021
Provisions	313,827	271,127
Tax payable	46,912	12,811
Borrowings	175,000	150,000
Service concession obligation	52,203	47,677
Lease liabilities	24,070	24,034
Total current liabilities	<u>758,593</u>	<u>672,670</u>
Total liabilities	<u>2,288,445</u>	<u>2,432,538</u>
Total equity and liabilities	<u>5,415,300</u>	<u>5,261,648</u>

The 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 condensed consolidated financial statements.

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Condensed Consolidated Statement of Changes in Equity

For The Period Ended 31 December 2021

These figures have 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	-	-	654,486	654,486
Total comprehensive income for the period	-	-	654,486	654,486
<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 31 December 2020	<u>1,038,000</u>	<u>(47,732)</u>	<u>1,838,842</u>	<u>2,829,110</u>
At 1 January 2021	1,038,000	(47,732)	1,838,842	2,829,110
Profit for the period	-	-	808,222	808,222
Total comprehensive income for the period	-	-	808,222	808,222
<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 31 December 2021	<u>1,038,000</u>	<u>(47,732)</u>	<u>2,136,587</u>	<u>3,126,855</u>

The 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 condensed consolidated financial statements.

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Condensed Consolidated Statement of Cash Flows

For The Period Ended 31 December 2021

These figures have been audited

	12 months ended	
	31.12.2021	31.12.2020
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	1,039,548	865,067
Adjustments for :		
Share of results of a joint venture	436	-
Amortisation of concession assets	84,187	81,073
Depreciation of right-of-use assets	28,496	37,837
Depreciation of property, plant and equipment	146,091	141,535
Dredging expenditure	4,443	3,537
Finance costs - accretion of service concession obligation	11,330	13,709
Finance costs - lease liabilities	4,443	4,600
Finance costs - borrowings and others	58,638	64,195
Finance income	(6,643)	(11,391)
Income from money market fund	(6,048)	(5,857)
Provision for retirement benefits	423	412
Gain on disposal of property, plant and equipment	(1,955)	(152)
Concession assets written off	1,268	-
Property, plant and equipment written off	130	27,379
Impairment loss on trade receivables	234	6,764
Reversal of impairment loss on trade receivables	(499)	(537)
	1,364,522	1,228,171
Operating profit before working capital changes		
Changes in working capital:		
Trade and other receivables, excluding payment for dredging expenses	(17,080)	69,622
Payment for dredging expenses	(4,875)	-
Trade and other payables	(18,175)	51,954
Inventories	(622)	726
Provisions	42,700	(68,676)
	1,366,470	1,281,797
Cash generated from operations		
Income tax paid	(204,217)	(191,054)
Interest paid	(60,903)	(65,884)
Retirement benefits paid	(769)	(136)
	1,100,581	1,024,723
Net cash generated from operating activities		
Cash flows from investing activities		
Interest received	6,643	11,391
Income from money market fund	6,048	5,857
Subscription in Sukuk Prihatin	-	(50,000)
Investment of a joint venture	(115,000)	-
Purchase of property, plant and equipment	(254,519)	(131,717)
Additions to concession assets	(116,414)	(191,352)
Proceeds from disposal of property, plant and equipment	1,961	152
	(471,281)	(355,669)
Net cash used in investing activities		

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Condensed Consolidated Statement of Cash Flows (Continued)

For The Period Ended 31 December 2021

These figures have been audited

	12 months ended	
	31.12.2021	31.12.2020
	RM'000	RM'000
Cash flows from financing activities		
Fixed deposits pledged for borrowings	(746)	(1,088)
Redemption of borrowings-SMTN	(150,000)	(100,000)
Dividends paid to shareholders	(510,477)	(385,671)
Repayment of lease liabilities		
- Principal	(28,493)	(36,348)
- Interest	(4,443)	(4,600)
Annual lease paid for use of port infrastructures and facilities	(59,007)	(59,007)
Net cash used in financing activities	<u>(753,166)</u>	<u>(586,714)</u>
Net decrease in cash and cash equivalents	(123,866)	82,340
Cash and cash equivalents at 1 January	739,185	656,845
Cash and cash equivalents at 31 December	<u>615,319</u>	<u>739,185</u>

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

Cash and bank balances	338,124	215,668
Money market fund	263,370	509,845
Fixed deposits with licensed banks	54,509	53,610
	<u>656,003</u>	<u>779,123</u>
Less : Pledged deposits	(40,684)	(39,938)
	<u>615,319</u>	<u>739,185</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				
	1.1.2021	Addition	cash flows	Accretion of interest	31.12.2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Sukuk MTN	1,300,000	-	(150,000)	-	1,150,000
Lease liabilities	65,799	33,054	(32,936)	4,443	70,360
Service concession obligation	215,813	-	(59,007)	11,330	168,136
Total liabilities from financing	<u>1,581,612</u>	<u>33,054</u>	<u>(241,943)</u>	<u>15,773</u>	<u>1,388,496</u>

	Net changes from financing				
	1.1.2020	Addition	cash flows	Accretion of interest	31.12.2020
	RM'000	RM'000	RM'000	RM'000	RM'000
Sukuk MTN	1,400,000	-	(100,000)	-	1,300,000
Lease liabilities	61,267	40,880	(40,948)	4,600	65,799
Service concession obligation	261,111	-	(59,007)	13,709	215,813
Total liabilities from financing	<u>1,722,378</u>	<u>40,880</u>	<u>(199,955)</u>	<u>18,309</u>	<u>1,581,612</u>

The 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 2020 and the accompanying explanatory notes attached to the condensed consolidated financial statements.

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Notes to Condensed Consolidated Financial Statements for the Financial Year Ended 31 December 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*

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 3	<i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 4	<i>Extension of the Temporary Exemption from Applying MFRS 9</i>	1 January 2023

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Amendments to MFRS 16	<i>Covid-19 Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
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 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 MFRSs	<i>Annual Improvement to MFRS Standards 2018-2020</i>	1 January 2022
Amendments to MFRS 10 and MFRS 128	<i>Sale or Contribution of Assets between on 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").

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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 was completed on 12 January 2021. We have taken delivery of the 2 new replacement unit of STS crane in January 2022 which we expect fully commissioned by March 2022. Total cost of cranes dismantling, wharf repair and 2 unit of new STS Crane is RM84,170,000 which to be reimbursed by the insurer in the same manner subject to the policy's term and conditions.

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 RM48,716,000 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 was redemption of borrowings – SMTN of RM150 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:

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	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.

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		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Profit				
Reportable segment profit	281,973	235,164	1,104,462	933,032
<i>Included in the measure of segment profit are :</i>				
Revenue - external customer	494,034	473,021	1,977,750	1,835,822
- construction service	9,863	68,519	44,274	139,146
Share of results of a joint venture	(403)	-	(436)	-
Amortisation of concession assets	(22,223)	(20,433)	(84,187)	(81,073)
Depreciation of right-of-use assets	(6,753)	(7,315)	(28,496)	(37,837)
Depreciation of property, plant and equipment	(37,128)	(36,214)	(146,091)	(141,535)
Property, plant and equipment written off	(47)	(20,520)	(130)	(27,379)
Gain on disposal of property, plant and equipment	238	9	1,955	152
Concession assets written off	(1,268)	-	(1,268)	-
Impairment loss of trade receivables	(146)	10,134	(234)	(6,764)
Reversal of Impairment loss of trade receivables	233	32	499	537
Reconciliation of reportable segment profit and revenue				
Profit				
Reportable segment	281,973	235,164	1,104,462	933,032
Non-reportable segment	(918)	(575)	(2,760)	(2,709)
Share of results of a joint venture	(403)	-	(436)	-
Finance income	3,167	4,028	12,691	17,248
Finance costs	(18,662)	(20,434)	(74,411)	(82,504)
Consolidated profit before tax	<u>265,157</u>	<u>218,183</u>	<u>1,039,546</u>	<u>865,067</u>
Revenue				
Reportable segment	503,897	541,540	2,022,024	1,974,968
Non-reportable segment	-	-	-	-
Consolidated revenue	<u>503,897</u>	<u>541,540</u>	<u>2,022,024</u>	<u>1,974,968</u>

11. Changes in Composition of the Group

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

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12. Contingent Liabilities

		As at 31.12.2021	As at 31.12.2020
	note	RM'000	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 31 December 2021 is as follows:

	As at 31.12.2021	As at 31.12.2020
	RM'000	RM'000
Capital expenditure commitments: Property, plant and equipment and concession assets		
- Authorised and contracted for	<u>660,424</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:

<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:

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	3 months ended		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
PR - Administrative expenses	10	5	11	12
C10 - Flight ticket and accomodation	135	105	135	277
GH - Office rental and utilities	85	100	281	285
WF - Financial support to community	150	-	400	1,000

15. Review of Performance

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

	3 months ended			12 months ended		
	31.12.2021	31.12.2020	Changes	31.12.2021	31.12.2020	Changes
	RM'000	RM'000		RM'000	RM'000	
Revenue as reported	503,897	541,540	-7%	2,022,024	1,974,968	2%
Less : Construction revenue (N1)	(9,863)	(68,519)	-86%	(44,274)	(139,146)	-68%
Operational revenue	494,034	473,021	4%	1,977,750	1,835,822	8%
Cost of sales as reported	201,309	246,011	-18%	791,323	811,645	-3%
Less : Construction cost (N1)	(9,760)	(67,834)	-86%	(43,827)	(137,758)	-68%
Operational cost of sales	191,549	178,177	8%	747,496	673,887	11%
Gross Profit	302,588	295,529	2%	1,230,701	1,163,323	6%
Profit before interest and tax	281,057	234,589	20%	1,101,704	930,323	18%
Profit before tax	265,159	218,183	22%	1,039,548	865,067	20%
Profit after tax	222,876	163,491	36%	808,222	654,486	23%

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.

Quarter Ended 31 December 2021 compared to Quarter Ended 31 December 2020

The Group recorded operational revenue of RM494 million in quarter ended 31 December 2021 (“4Q2021”), growth of 4% against preceding year corresponding period (“4Q2020”).

Profit before tax (“PBT”) for the Group in 4Q2021 increased 22% to RM265 million compared with 4Q2020. The growth in PBT was due to higher container revenue and progressive insurance reimbursement for the vessel incident which damaged two STS crane and wharf in 2019.

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The Group's profit after tax ("PAT") of RM223 million; growth of 36% compared to 4Q2020 and was due to similar reasons mentioned above and lower effective tax rate.

Financial Year Ended 31 December 2021 compared to Financial Year Ended 31 December 2020

The Group recorded operational revenue of RM1.98 billion for twelve months ended 31 December 2021 ("FY21"), increase of 8% compared to corresponding period last year ("FY20").

The Group's PBT climbed 20% to RM1.04 billion compared to FY20, increased by 20% compared to FY20. The growth in PBT was due to higher container revenue and progressive insurance reimbursement for the vessel incident which damaged two STS cranes and wharf in 2019.

The Group's PAT at RM808 million, recorded an improvement by 23% 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
	31.12.2021	30.09.2021	
	RM'000	RM'000	
Operational revenue	494,034	498,234	-1%
Gross profit	302,588	310,464	-3%
Profit before interest and tax	281,057	281,140	0%
Profit before tax	265,159	265,171	0%
Profit after tax	222,876	199,056	12%

The Group's operational revenue in 4Q2021 slipped by 1% compared to the preceding quarter ended 30 September 2021 ("3Q2021"), as container throughput was adversely affected by the massive flash flood in Klang Valley.

The Group recorded PBT of RM265 million in 4Q2021, which was flat or almost the same compared with 3Q2021. The recognition of progressive insurance claims for STS crane offset the marginal decline in container revenue in 4Q2021.

The Group's PAT of RM223 million, improved by 12% due to the reason above and lower effective taxation rate.

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17. Prospects for 2022

The Company is projecting a low single-digit positive container throughput for 2022. The forecast nevertheless entails a cautionary note that the pandemic is still evolving, and regulatory responses abroad could indirectly affect the Company's throughput recovery trajectory.

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 31.12.2021 RM'000	Financial period-to-date 31.12.2021 RM'000
Current tax	47,129	238,318
Deferred tax	<u>(4,846)</u>	<u>(6,992)</u>
	<u>42,283</u>	<u>231,326</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

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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 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.

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

21. Borrowings and Debts Securities

The Group's borrowings position as at 31 December 2021 is as follows: -

	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
Non-current		
Unsecured Sukuk Musharakah Medium Term Note ("SMTN")	975,000	1,150,000
Current		
Unsecured Sukuk Musharakah Medium Term Note ("SMTN")	175,000	150,000
Total Borrowings	<u>1,150,000</u>	<u>1,300,000</u>

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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.

On 28 December 2021, RAM has reaffirmed the AAA/Stable rating of WMSB for its Sukuk Musharakah Programme.

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 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

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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 11 January 2022 and rescheduled the case management on 8 March 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 but has yet to provide new date.
- ii) On 24 November 2021, for the case management, Oracle was directed by the Court of Appeal to furnish the information pertaining to Westports Discovery application by 10 January 2022. Similarly, Westports was directed by the Court of Appeal to furnish the information pertaining to Oracle Interrogatories application by 10 January 2022. Oracle and Westports have sent the information to each other and currently reviewing the information.

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

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:

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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 and further to 10 March 2022. Interim stay has been granted until 10 March 2022.

Concurrently, case mention for Special Commissioners of Income Tax (“SCIT”) has been rescheduled to 17 February 2022.

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, 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 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 and interim stay has been granted until 8 February 2022.

23. Dividends

The Board of Directors has approved a second interim dividend of 9.28 sen per share in respect of the financial year ended 31 December 2021 amounting to

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RM316.448 million to be paid on 24 February 2022. The entitlement date for the dividend payment is on 15 February 2022.

A depositor shall qualify for entitlement to the dividend only in respect of:

- (i) shares transferred to the depositor's securities account before 4.00 pm on 15 February 2022 in respect of transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

For the preceding year corresponding period, a second interim dividend of 6.47 sen per share was paid on 1 March 2021 amounting to RM220.627 million.

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 Port Klang Cruise Terminal Sdn Bhd ("PKCT") (formerly known as Boustead Cruise Centre Sdn Bhd) 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 PKCT.

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

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the weighted average number of ordinary shares in issue during the financial period.

	3 months ended		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	222,876	163,491	808,222	654,486
Weighted average number of ordinary shares in issues (million)	3,410	3,410	3,410	3,410
Basic earnings per ordinary share (sen)	6.54	4.79	23.70	19.19

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		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Finance costs	18,662	20,434	74,411	82,504
Finance income	(3,167)	(4,028)	(12,691)	(17,248)
Share of results of a joint venture	403	-	436	-
Amortisation of concession assets	22,223	20,433	84,187	81,073
Depreciation of right-of-use assets	6,753	7,315	28,496	37,837
Depreciation of property, plant and equipment	37,128	36,214	146,091	141,535
Property, plant and equipment written off	47	20,520	130	27,379
Gain on disposal of property, plant and equipment	(238)	(9)	(1,955)	(152)
Concession assets written off	1,268	-	1,268	-
Dredging expenditure	2,006	884	4,443	3,537
Net realised foreign exchange loss	329	16	519	230
Provision for retirement benefits	105	103	423	412
Impairment loss on trade receivables	146	(10,134)	234	6,764
Reversal of impairment loss on trade receivables	(233)	(32)	(499)	(537)

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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.

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 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
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.

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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.