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Westports Holdings Berhad

(Company No. 199301008024 (262761-A))
(Incorporated in Malaysia)

**Quarterly Financial Report for the
Six Months Ended 30 June 2022**

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

<u>Table of Contents</u>	<u>Pages</u>
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	3
Condensed Consolidated Statement of Changes in Equity	4
Condensed Consolidated Statement of Cash Flows	5-6
Notes to the Condensed Consolidated Financial Statements	7-22

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 June 2022

These figures have not been audited

	3 months ended			6 months ended		
	30.06.2022	30.06.2021	Changes	30.06.2022	30.06.2021	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	510,975	505,073	1%	1,027,336	1,013,236	1%
Cost of sales	(226,107)	(201,112)	12%	(428,655)	(395,587)	8%
Gross profit	284,868	303,961	-6%	598,681	617,649	-3%
Other income	2,346	2,075	13%	4,383	26,895	-84%
Administrative expenses	(5,838)	(7,778)	-25%	(10,993)	(12,555)	-12%
Other expenses	(48,352)	(47,110)	3%	(95,390)	(92,482)	3%
Results from operating activities	233,024	251,148	-7%	496,681	539,507	-8%
Finance income	2,796	2,499	12%	5,484	6,751	-19%
Finance costs	(15,826)	(18,025)	-12%	(32,714)	(37,040)	-12%
Share of results of a joint venture	(45)	-	100%	(757)	-	100%
Profit before tax	219,949	235,622	-7%	468,694	509,218	-8%
Tax expense	(57,656)	(57,655)	0%	(154,548)	(122,928)	26%
Total comprehensive income for the period attributable to owners of the Company	162,293	177,967	-9%	314,146	386,290	-19%
Basic earnings per ordinary share (sen)	4.76	5.22	-9%	9.21	11.33	-19%

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

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

Condensed Consolidated Statement of Financial Position

As At 30 June 2022

	Unaudited	Audited
	As at	As at
	30.06.2022	31.12.2021
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	1,746,435	1,727,165
Concession assets	2,463,371	2,499,028
Right-of-use assets	60,457	66,831
Investment in a joint venture	113,807	114,564
Total non-current assets	4,384,070	4,407,588
Current assets		
Inventories	5,883	5,374
Trade and other receivables	269,284	296,335
Investment	50,000	50,000
Cash and short term investments	642,045	656,003
Total current assets	967,212	1,007,712
Total assets	5,351,282	5,415,300
Equity		
Share capital	1,038,000	1,038,000
Reserves	2,086,553	2,088,855
Total equity	3,124,553	3,126,855
Non-current liabilities		
Borrowings	850,000	975,000
Employee benefits	8,647	8,590
Deferred tax liabilities	399,936	384,039
Service concession obligation	88,462	115,933
Lease liabilities	39,617	46,290
Total non-current liabilities	1,386,662	1,529,852
Current liabilities		
Trade and other payables	200,358	146,581
Provisions	288,667	313,827
Tax payable	98,880	46,912
Borrowings	175,000	175,000
Service concession obligation	53,574	52,203
Lease liabilities	23,588	24,070
Total current liabilities	840,067	758,593
Total liabilities	2,226,729	2,288,445
Total equity and liabilities	5,351,282	5,415,300

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.

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

Condensed Consolidated Statement of Changes in Equity

For The Period Ended 30 June 2022

These figures have not been audited

	Attributable to the owners of the Company			Total RM'000
	Non-distributable	Goodwill	Distributable	
	Share	Written off	Retained	
	Capital	Reserve	Earnings	
	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	1,038,000	(47,732)	1,838,842	2,829,110
Profit for the period	-	-	386,290	386,290
Total comprehensive income for the period	-	-	386,290	386,290
<i>Distributions to owners of the Company</i>				
- Dividends	-	-	(220,627)	(220,627)
Total transactions with owners of the Company	-	-	(220,627)	(220,627)
At 30 June 2021	<u>1,038,000</u>	<u>(47,732)</u>	<u>2,004,505</u>	<u>2,994,773</u>
At 1 January 2022	1,038,000	(47,732)	2,136,587	3,126,855
Profit for the period	-	-	314,146	314,146
Total comprehensive income for the period	-	-	314,146	314,146
<i>Distributions to owners of the Company</i>				
- Dividends	-	-	(316,448)	(316,448)
Total transactions with owners of the Company	-	-	(316,448)	(316,448)
At 30 June 2022	<u>1,038,000</u>	<u>(47,732)</u>	<u>2,134,285</u>	<u>3,124,553</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.

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

Condensed Consolidated Statement of Cash Flows

For The Period Ended 30 June 2022

These figures have not been audited

	6 months ended	
	30.06.2022	30.06.2021
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	468,694	509,218
Adjustments for :		
Share of results of a joint venture	757	-
Amortisation of concession assets	42,503	41,510
Depreciation of right-of-use assets	13,451	14,990
Depreciation of property, plant and equipment	76,486	71,687
Dredging expenditure	4,012	1,769
Finance costs - accretion of service concession obligation	4,415	5,665
Finance costs - lease liabilities	1,677	1,959
Finance costs - borrowings and others	26,622	29,416
Finance income	(2,927)	(2,753)
Income from money market fund	(2,557)	(3,998)
Provision for retirement benefits	216	212
Gain on disposal of property, plant and equipment	-	(1,717)
Property, plant and equipment written off	-	64
Impairment loss on trade receivables	1	73
Reversal of impairment loss on trade receivables	(235)	(173)
	<hr/>	<hr/>
Operating profit before working capital changes	633,115	667,922
Changes in working capital:		
Trade and other receivables, excluding payment for dredging expenses	23,273	(63,565)
Trade and other payables	55,282	12,610
Inventories	(509)	(545)
Provisions	(25,160)	(8,370)
	<hr/>	<hr/>
Cash generated from operations	686,001	608,052
Income tax paid	(86,684)	(105,095)
Interest paid	(28,125)	(30,629)
Retirement benefits paid	(160)	(298)
	<hr/>	<hr/>
Net cash generated from operating activities	571,032	472,030
	<hr/>	<hr/>
Cash flows from investing activities		
Interest received	2,927	2,753
Income from money market fund	2,557	3,998
Purchase of property, plant and equipment	(95,755)	(89,206)
Additions to concession assets	(6,845)	(29,320)
Proceeds from disposal of property, plant and equipment	-	1,718
	<hr/>	<hr/>
Net cash used in investing activities	(97,116)	(110,057)
	<hr/>	<hr/>

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

Condensed Consolidated Statement of Cash Flows (Continued)

For The Period Ended 30 June 2022

These figures have not been audited

	6 months ended	
	30.06.2022	30.06.2021
	RM'000	RM'000
Cash flows from financing activities		
Fixed deposits pledged for borrowings	(363)	(367)
Redemption of borrowings-SMTN	(125,000)	(100,000)
Dividends paid to shareholders	(316,448)	(220,627)
Repayment of lease liabilities		
- Principal	(14,233)	(14,743)
- Interest	(1,677)	(1,959)
Annual lease paid for use of port infrastructures and facilities	(30,515)	(29,503)
Net cash used in financing activities	(488,236)	(367,199)
Net decrease in cash and cash equivalents	(14,320)	(5,226)
Cash and cash equivalents at 1 January	615,317	739,185
Cash and cash equivalents at 30 June	600,997	733,959

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

Cash and bank balances	321,210	321,225
Money market fund	265,928	313,843
Fixed deposits with licensed banks	54,907	139,196
	642,045	774,264
Less : Pledged deposits	(41,048)	(40,305)
	600,997	733,959

(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	30.06.2022
	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	(15,910)	1,677	63,205
Service concession obligation	168,136	-	(30,515)	4,415	142,036
Total liabilities from financing	1,388,496	7,078	(171,425)	6,092	1,230,241

	Net changes from financing cash flows				
	1.1.2021	Addition	from financing cash flows	Accretion of interest	30.06.2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Sukuk MTN	1,300,000	-	(100,000)	-	1,200,000
Lease liabilities	65,799	17,001	(16,702)	1,959	68,057
Service concession obligation	215,813	-	(29,503)	5,665	191,975
Total liabilities from financing	1,581,612	17,001	(146,205)	7,624	1,460,032

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.

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

Notes to Condensed Consolidated Financial Statements for the Six Months Ended 30 June 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:

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

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

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

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 Forensic Team from Fire and Rescue Department is in the midst of carrying out investigations into the cause of fire. The Group has sufficient insurance coverage for such incident.

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	<u>316,448</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.

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

10. Segmental Information

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

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

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

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

Segment assets

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

Segment liabilities

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

	Port development and management of port operations			
	3 months ended		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Profit				
Reportable segment profit	233,574	251,736	498,264	540,759
<i>Included in the measure of segment profit are :</i>				
Revenue - external customer	510,975	489,686	1,027,336	985,482
- construction service	-	15,387	-	27,754
Share of results of a joint venture	(45)	-	(757)	-
Amortisation of concession assets	(21,250)	(20,725)	(42,503)	(41,510)
Depreciation of right-of-use assets	(6,741)	(5,929)	(13,451)	(14,990)
Depreciation of property, plant and equipment	(39,310)	(35,768)	(76,486)	(71,687)
Property, plant and equipment written off	-	(64)	-	(64)
Gain on disposal of property, plant and equipment	-	924	-	1,717
Impairment loss of trade receivables	(1)	2	(1)	(73)
Reversal of Impairment loss of trade receivables	133	78	235	173
Reconciliation of reportable segment profit and revenue				
Profit				
Reportable segment	233,574	251,736	498,264	540,759
Non-reportable segment	(550)	(588)	(1,583)	(1,252)
Share of results of a joint venture	(45)	-	(757)	-
Finance income	2,796	2,499	5,484	6,751
Finance costs	(15,826)	(18,025)	(32,714)	(37,040)
Consolidated profit before tax	<u>219,949</u>	<u>235,622</u>	<u>468,694</u>	<u>509,218</u>
Revenue				
Reportable segment	510,975	505,073	1,027,336	1,013,236
Non-reportable segment	-	-	-	-
Consolidated revenue	<u>510,975</u>	<u>505,073</u>	<u>1,027,336</u>	<u>1,013,236</u>

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

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 30.06.2022 RM'000	As at 30.06.2021 RM'000
Claims related to Oracle Case	(a)	<u>24,227</u>	<u>24,227</u>
Claims related to Additional Assessment by Inland Revenue Board	(b)	<u>143,235</u>	<u>120,576</u>

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

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

13. Capital Commitments

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

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Capital expenditure commitments: Property, plant and equipment and concession assets		
- Authorised and contracted for	<u>646,721</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:

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

<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		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
PR - Administrative expenses	-	-	1	1
C10 - Flight ticket and accomodation	139	-	240	-
GH - Office rental and utilities	5	66	54	132
WF - Financial support to community	50	-	230	-

15. Review of Performance

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

	3 months ended			6 months ended		
	30.06.2022	30.06.2021	Changes	30.06.2022	30.06.2021	Changes
	RM'000	RM'000		RM'000	RM'000	
Revenue as reported	510,975	505,073	1%	1,027,336	1,013,236	1%
Less : Construction revenue (N1)	-	(15,387)	-100%	-	(27,754)	-100%
Operational revenue	510,975	489,686	4%	1,027,336	985,482	4%
Cost of sales as reported	226,107	201,112	12%	428,655	395,587	8%
Less : Construction cost (N1)	-	(15,234)	-100%	-	(27,478)	-100%
Operational cost of sales	226,107	185,878	22%	428,655	368,109	16%
Gross Profit	284,868	303,961	-6%	598,681	617,649	-3%
Profit before interest and tax	233,024	251,148	-7%	496,681	539,507	-8%
Profit before tax	219,949	235,622	-7%	468,694	509,218	-8%
Profit after tax	162,293	177,967	-9%	314,146	386,290	-19%

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.

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

Quarter Ended 30 June 2022 compared to Quarter Ended 30 June 2021

The Group recorded operational revenue of RM511 million in quarter ended 30 June 2022 (“2Q2022”), growth of 4% against the preceding year (“2Q2021”). It was mainly attributed to the growth in container revenue.

Profit before tax (“PBT”) for the Group in 2Q2022 showed a decline of 7% to RM220 million compared with 2Q2021. The reduction in PBT was mainly due to the higher fuel cost.

Profit after tax (“PAT”) for the Group reduced 9% compared to 2Q2021 due to lower PBT and the one-off Prosperity Tax in 2022.

Six Months Ended 30 June 2022 compared to Six Months Ended 30 June 2021

The Group recorded operational revenue of RM1.03 billion for the first half of the year ended 30 June 2022 (“1H22”), an improvement by 4% compared to the same period last year (“1H21”). It was mainly attributed to the growth in container revenue.

The Group reported a PBT of RM469 million in 1H22, decline by 8% compared to 1H21. The reduction was mainly due to higher fuel cost, and lower sundry income as there was a RM20 million insurance reimbursements of QC51/52 in 1Q21.

PAT for the Group reported RM314 million in 1H22, 19% lower compared to in 1H21. 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
	30.06.2022	31.03.2022	
	RM'000	RM'000	
Operational revenue	510,975	516,361	-1%
Gross profit	284,868	313,813	-9%
Profit before interest and tax	233,024	263,657	-12%
Profit before tax	219,949	248,745	-12%
Profit after tax	162,293	151,853	7%

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

The Group's operational revenue in 2Q2022 down slightly by 1% compared to the preceding quarter ended 31 March 2022 ("1Q2022") mainly due to reduction in container revenue.

The Group recorded PBT of RM220 million in 2Q2022, decreased by 12% mainly due to higher fuel price.

Despite lower PBT, the Group registered a 7% increase in PAT to RM162 million due to adjustment made in the overprovision of tax.

17. Current Year's Prospects

The ongoing disruption in supply chain, soaring inflation, zero covid policy in China and conflict in Europe are not conducive to global economic growth. It is increasingly more challenging to maintain an identical container throughput in the current year.

18. Profit Forecast or Profit Guarantee

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

19. Tax Expense

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

	Current quarter 30.06.2022 RM'000	Financial period-to-date 30.06.2022 RM'000
Current tax	48,623	138,651
Deferred tax	<u>9,033</u>	<u>15,897</u>
	<u><u>57,656</u></u>	<u><u>154,548</u></u>

The Group has overprovided its deferred tax liabilities by RM17 million in financial period ended 31 March 2022, which resulted in the reported effective tax rate of 39% for the quarter. As such, the overprovision for the deferred tax amount has been reversed in the financial results for the financial period ended 30 June 2022 resulting an effective tax rate of 33% year to date.

The adjustment related to the application of the prosperity tax rate of 33%. For the financial period ended 31 March 2022, the Group have applied a 24% income tax rate instead of an income tax rate of 33% for certain temporary differences resulted in an overprovision of deferred tax liabilities by RM17 million.

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

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.

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.

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

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 to 8 August 2022 in which the Company will seek for further extension 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 June 2022 is as follows: -

	As at 30.06.2022 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.

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

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

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 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 27 June 2022, the Court of Appeal delivered a decision in favour of BOA and accepted their summary judgement and striking order application.

We have filed leave to appeal to the Federal Court and stay of execution to the Court of Appeal on 19 July 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 fixed hearing on 18 November 2022.
- ii) The High Court has provided direction on 14 June 2022 for the following cases:-
 - a) WMSB filed an application to the Court to strike out Oracle’s Amended Defense and Counterclaim dated 2nd

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

April 2021 if Oracle fails to provide complete documents as requested in the WMSB Discovery Application to the Court.

Oracle failed to submit the documents on 13 June 2022, on Court's extended deadline on 18 July 2022, Oracle filed some documents to the Court. On 25 July 2022, the Court entered judgement against Westports and dismissed the application.

- b) Oracle filed an application to the Court to revoke or vary WMSB Discovery Order. On 25 July 2022, the Court entered judgement against Oracle and dismissed the application.
- c) Oracle filed an application to the Court to order WMSB to provide further replies to the Oracle Interrogatories to the Court. We have submitted the documents within the deadline stipulated and the Court entered judgement against Oracle and dismissed their application.

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:

- 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.

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

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 and further to 17 August 2022. Interim stay has been granted until 17 August 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

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

The IRB has raised an additional tax assessment of RM22,658,626 in relation to the total annual lease payment made by WMSB to the Port Klang Authority amounting to RM59,006,840 for the year of assessment 2019. The 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 and decision will be on 7 September 2022. Interim stay has been granted until 7 September 2022.

The case mention for Special Commissioners of Income Tax (“SCIT”) was fixed on 7 May 2022 and the Court has requested the parties to file the cause papers on 3rd October 2022.

23. Dividends

The Board of Directors has approved a first interim dividend of 6.91 sen per share in respect of the financial year ending 31 December 2022 amounting to RM235,631,000 to be paid on 23 August 2022. The entitlement date for the dividend payment is on 12 August 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 17 August 2022 in respect of transfers; and

Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

(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 first interim dividend of 8.50 sen per share was paid on 26 August 2021 amounting to RM289,850,000.

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		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	162,293	177,967	314,146	386,290
Weighted average number of ordinary shares in issues (million)	3,410	3,410	3,410	3,410
Basic earnings per ordinary share (sen)	4.76	5.22	9.21	11.33

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.

25. Profit Before Tax

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

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

	3 months ended		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Finance costs	15,826	18,025	32,714	37,040
Finance income	(2,796)	(2,499)	(5,484)	(6,751)
Share of results of a joint venture	45	-	757	-
Amortisation of concession assets	21,250	20,725	42,503	41,510
Depreciation of right-of-use assets	6,741	5,929	13,451	14,990
Depreciation of property, plant and equipment	39,310	35,768	76,486	71,687
Property, plant and equipment written off	-	64	-	64
Gain on disposal of property, plant and equipment	-	(924)	-	(1,717)
Dredging expenditure	2,006	885	4,012	1,769
Net realised foreign exchange loss/(gain)	63	159	(82)	153
Provision for retirement benefits	108	105	216	212
Impairment loss on trade receivables	1	(2)	1	73
Reversal of impairment loss on trade receivables	(133)	(78)	(235)	(173)

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.

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

	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 June 2022					
Financial Asset					
Investment	-	-	48,450	48,450	50,000
Financial Liabilities					
Borrowings	-	-	1,149,889	1,149,889	1,025,000
Lease liabilities	-	-	63,205	63,205	63,205
Service concession obligation	-	-	142,036	142,036	142,036
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.