Serial No.:

*STRICTLY PRIVATE & CONFIDENTIAL*

*This Information Memorandum is not an offer to sell securities and is not soliciting an offer to buy securities described herein in any jurisdiction where the offer or sale is not permitted*

# WESTPORTS MALAYSIA SDN BHD

(Company No. 192725-V)
(Incorporated in Malaysia under the Companies Act 1965)

# INFORMATION MEMORANDUM

**In Relation to the Proposed Issue of, Offer for Subscription or Purchase of, or Invitation to Subscribe for or Purchase of the Islamic Medium Term Notes under and pursuant to an Islamic securities programme under the Islamic Principle of Musharakah of up to RM2.0 Billion in Nominal Value**

**JOINT PRINCIPAL ADVISERS / JOINT LEAD ARRANGERS / JOINT LEAD MANAGERS**

**AmInvestment Bank Berhad**
**(Company No. 23742-V)**

**Maybank Investment Bank Berhad**
**(Company No. 15938-H)**

**This Information Memorandum is dated 25 April 2011**

## IMPORTANT NOTICE

**THE ISLAMIC SECURITIES ("SUKUK") ISSUANCE PROGRAMME BASED ON THE SHARIAH PRINCIPLE OF MUSHARAKAH ("SUKUK MUSHARAKAH PROGRAMME") OF UP TO RM2.0 BILLION IN NOMINAL VALUE HAS BEEN APPROVED BY THE SECURITIES COMMISSION ON 11 APRIL 2011 PURSUANT TO SECTION 212 (2)(a) OF THE CAPITAL MARKETS & SERVICES ACT 2007 (ACT 671). PLEASE NOTE THAT THE SECURITIES COMMISSION'S APPROVAL OF THE SUKUK MUSHARAKAH PROGRAMME SHOULD NOT BE TAKEN TO INDICATE THAT THE SECURITIES COMMISSION RECOMMENDS THE ISSUE OF, OFFER FOR SUBSCRIPTION OR PURCHASE OF PURSUANT TO THE, OR INVITATION TO SUBSCRIBE FOR OR PURCHASE OF THE SUKUK.**

### Responsibility Statements

This Information Memorandum has been approved by the directors of Westports Malaysia Sdn Bhd (Company No. 192725-V) (the "**Issuer**") and they collectively and individually accept full responsibility for the accuracy of the information contained in this Information Memorandum. The Board of the Issuer, after having made all reasonable enquiries and to the best of their knowledge, information and belief, confirms that all information contained in this Information Memorandum is true and correct in all material respects. The Board of the Issuer further confirms that there is no omission of a material fact, necessary to make the information contained in this Information Memorandum, in light of the circumstances under which it is provided, not misleading, and that the opinions and intentions expressed in the information contained in this Information Memorandum are honestly held. Enquiries have been made by the Board of the Issuer to ascertain that all material facts have been disclosed and to verify the accuracy of all such information and statements. In this context, the Board of the Issuer accepts full responsibility for such information contained in this Information Memorandum.

### Important Notice and General Statement of Disclaimer

This Information Memorandum is being furnished on a private and confidential basis solely for the purpose of enabling prospective investors to consider the purchase of the Sukuk under the Sukuk Musharakah Programme.

The Issuer has authorised **AmINVESTMENT BANK BERHAD** (Company No. 23742-V) ("**AmInvestment Bank"**) and **MAYBANK INVESTMENT BANK BERHAD** (Company No. 15938-H) ("**Maybank IB**"), collectively as joint principal advisers / joint lead arrangers / joint lead managers (AmInvestment Bank and Maybank IB are collectively referred to as the "**Joint Principal Advisers/Joint Lead Arrangers/Joint Lead Managers**") to distribute this Information Memorandum, which is now being provided by the Joint Lead Arrangers on a confidential basis to potential investors for the sole purpose of assisting them to decide whether to subscribe or purchase the Sukuk. The Sukuk will not be offered or sold, directly or indirectly nor may any documents or other materials in connection therewith be distributed in Malaysia or otherwise other than to categories of persons specified in Section 4(6) of the Companies Act, 1965 of Malaysia and Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b), and Schedule 9 or Section 257(3) of the Capital Markets and Services Act, 2007 (as may be amended from time to time) ("**CMSA**") if it is considering purchasing the Sukuk at issuance, or Section 4(6) of the Companies Act, 1965 of Malaysia and Schedule 6 or Section 229(1)(b) and Schedule 9 or Section 257(3) of the CMSA if it is considering purchasing the Sukuk thereafter.

Should this Information Memorandum, at the request of the recipient, be sent to the recipient or is received or viewed by the recipient in an electronic format, the recipient is reminded that documents transmitted via this mode of transmission may be altered or changed during the process of electronic transmission and consequently the Joint Principal Advisers or the Joint Lead Arrangers or the Joint Lead Managers or the Issuer or any person who controls them, any director, officer, employee and any of their agent or affiliate do not accept any liability or responsibility whatsoever in respect of the difference between the Information Memorandum distributed to such recipient or viewed by such recipient in the electronic format and the hard copy version available to the recipient.

This Information Memorandum may not be reproduced or used, in whole or in part, for any other purpose, or shown, given, copied to or filed with any person including, without limitation, any government or regulatory authority except with the prior consent of the Issuer or as required under Malaysian laws, regulations or guidelines.

It is a condition to the first issuance that the Sukuk Musharakah Programme is assigned a minimum rating of AA+(IS) by Malaysian Rating Corporation Berhad. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating agency.

None of the information or data contained in this Information Memorandum has been independently verified by AmInvestment Bank and/or Maybank IB as the Joint Lead Arrangers of the Sukuk Musharakah Programme. Accordingly, no representation, warranty or undertaking, express or implied, is given or assumed by the Joint Lead Arrangers as to the authenticity, origin, validity, accuracy or completeness of such information and data or that the information or data remains unchanged in any respect after the relevant date shown in this Information Memorandum. The Joint Lead Arrangers have not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the Sukuk Musharakah Programme and shall not be liable for any consequences of reliance on any of the information or data in this Information Memorandum.

The information in this Information Memorandum supersedes all other information and material previously supplied (if any) to the recipients. By taking possession of this Information Memorandum, the recipients are acknowledging and agreeing and are deemed to have acknowledged and agreed that they will not rely on any previous information supplied. No person is authorised to give any information or data or to make any representation or warranty other than as contained in this Information Memorandum and, if given or made, any such information, data, representation or warranty must not be relied upon as having been authorised by the Issuer, the Joint Lead Arrangers or any other person.

This Information Memorandum has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any Foreign Jurisdiction and it does not constitute an issue, offer or sale of, or an invitation to subscribe or purchase the Sukuk or any other securities of any kind by any party in any Foreign Jurisdiction.

This Information Memorandum is not and is not intended to be a prospectus and has not been registered or lodged under the laws of Malaysia or of any Foreign Jurisdiction as a prospectus. Unless otherwise specified in this Information Memorandum, the information contained in this Information Memorandum is current as at the date hereof.

The distribution or possession of this Information Memorandum in or from certain jurisdictions may be restricted or prohibited by law. Each recipient is required to seek appropriate professional advice regarding, and to observe, any such restriction or prohibition. Neither the Issuer nor any one of the Joint Lead Arrangers accepts any responsibility or liability to any person in relation to the distribution or possession of this Information Memorandum in or from any such Foreign Jurisdiction.

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that:

(a) it will keep confidential all information and data contained in the Information Memorandum and will not use such confidential information or data for any other purpose except to enable the evaluation of the Sukuk Musharakah Programme;

(b) it is lawful for the recipient to receive this Information Memorandum and to, subscribe for or purchase the Sukuk under all jurisdictions to which the recipient is subject;

(c) the recipient has complied with all applicable laws in connection with such subscription or purchase of the Sukuk at all times;

(d) the Issuer, the Joint Lead Arrangers and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription or purchase of the Sukuk, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Sukuk is or shall become unlawful, unenforceable, voidable or void;

(e) it is aware that the Sukuk can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws;

(f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Sukuk, and is able and is prepared to bear the economic and financial risks of investing in or holding the Sukuk;

(g) it is subscribing or accepting the Sukuk for its own account;

(h) it is a person falling within Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 9 or Section 257(3) of the CMSA if it is considering purchasing the Sukuk at issuance or it is a person falling within Schedule 6 or Section 229(1)(b) and Schedule 9 or Section 257(3) of the CMSA if it is considering purchasing the Sukuk thereafter (as the case may be); and

(i) it is a person falling within any one or more of the categories of persons specified in Section 4(6) of the Companies Act, 1965 of Malaysia.

Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject. For the avoidance of doubt, this Information Memorandum shall not constitute an offer or invitation to subscribe or purchase the Sukuk in relation to any recipient who does not fall within item (h) and (i) above.

This Information Memorandum or any document delivered under or in relation to the issue, offer and sale of the Sukuk is not intended to provide the basis of any credit or other evaluation, and is not and should not be construed as, a recommendation by the Issuer and/or the Joint Lead Arrangers to the recipient to subscribe for or purchase the Sukuk. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all-inclusive. Each recipient should perform and is deemed to have made its own independent investigation and analysis of the Issuer, the Sukuk Musharakah Programme and all other relevant matters, and each recipient should consult its own professional advisers. All information and statements herein are subject to the detailed provisions of the respective agreements referred to herein and are qualified in their entirety by reference to such documents.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Sukuk shall in any circumstance imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Sukuk Musharakah Programme is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Sukuk Musharakah Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Arrangers expressly do not undertake to review the financial condition or affairs of the Issuer during the tenor of the Sukuk Musharakah Programme or to advise any investor of the Sukuk of any information coming to their attention. The recipient of this Information Memorandum or any potential investor should review, inter alia, the most recently published information on the Issuer or the Sukuk Musharakah Programme when deciding whether or not to purchase or subscribe for any of the Sukuk.

Certain statements, information, estimates and reports in this Information Memorandum are based on historical data, which may not be reflective of the future, and others are estimated based on or derived from sources mentioned in the Information Memorandum. Such information, estimates, or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimates and/or reports thereon derived from such sources or from other third party sources. Certain statements are forward-looking in nature and are subject to risks and uncertainties, including, among others, discussions on the Issuer's business strategy and expectation concerning its position in the Malaysian economy, future operations, growth prospects and industry prospects. While the Board of the Issuer believe that these forward-looking statements are reasonable, these statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward looking statements. In light of all these, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by the Issuer that the plans and objectives of the Issuer will be achieved.

## Acknowledgement

The Issuer hereby acknowledges that it has authorised the Joint Lead Arrangers to circulate or distribute this Information Memorandum on its behalf in respect of or in connection with the proposed offer or invitation to subscribe for and issue of the Sukuk to prospective investors and that no further evidence of authorisation is required.

## Statements of Disclaimer by the Securities Commission

In accordance with the Capital Markets & Services Act, 2007, a copy of this Information Memorandum will be deposited with the Securities Commission ("**SC**"), which takes no responsibility for its contents.

The issue, offer or invitation in relation to the Sukuk in this Information Memorandum or otherwise is subject to the fulfilment of various conditions precedent including without limitation the approval of the SC.

The SC vide its letter dated 11 April 2011 to the Joint Lead Arrangers has approved the issuance of the Sukuk under the Sukuk Musharakah Programme. Please note that the approval of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Sukuk.

The SC shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Information Memorandum.

## Statements of Disclaimer on Shariah Pronouncement

The pronouncement dated 18 April 2011 issued by the Shariah Adviser confirming that, in his view, the Sukuk Musharakah Programme is in compliance with the Shariah principles, is attached as Appendix 3.

The Joint Lead Arrangers have not independently verified the pronouncement and the Joint Lead Arrangers have not accepted and will not accept any responsibility for the pronouncement and shall not be liable for any consequences of reliance on the pronouncements.

Prospective investors should not rely on the pronouncement referred to above in deciding whether to make an investment in the Sukuk Musharakah Programme and should consult their own Shariah advisers as to whether the proposed transaction described in the pronouncement referred to above is in compliance with Shariah principles.

**EACH ISSUE OF THE SUKUK WILL CARRY DIFFERENT RISKS AND ALL INVESTORS SHOULD EVALUATE EACH ISSUE ON THEIR RESPECTIVE MERITS AND RISKS.**

**INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.**

**IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR FINANCIAL, LEGAL AND OTHER ADVISERS BEFORE PURCHASING OR ACQUIRING OR SUBSCRIBING FOR THE SUKUK.**

**Documents incorporated by reference**

All supplements or amendments to this Information Memorandum which are circulated by the Issuer from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

The Issuer will provide, without charge, to each person to whom a copy of this Information Memorandum has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its offices set out at the end of this Information Memorandum.

**CONFIDENTIALITY**

**To the recipients of this Information Memorandum:**

This Information Memorandum and its contents are strictly confidential and are made strictly on the basis that they will remain confidential. Accordingly, this Information Memorandum and its contents, or any information, which is made available in connection with any further enquiries, must be held in complete confidence.

This Information Memorandum is submitted to prospective investors specifically in reference to the Sukuk Musharakah Programme and may not be reproduced or used, in whole or in part, for any purpose, nor furnished to any person other than those to whom copies have been sent by the Joint Lead Arrangers.

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, the Issuer may, at its discretion, apply for any remedy available to the Issuer whether at law or equity, including without limitation, injunctions. The Issuer is entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered, in this regard. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient of this Information Memorandum, the recipient's professional advisors, directors, employees and any other persons concerned with the Sukuk Musharakah Programme.

The recipients must return this Information Memorandum and all reproductions whether in whole or in part and any other information in connection therewith to the Joint Lead Arrangers promptly upon any of the Joint Lead Arranger's request, unless that recipient provides proof of a written undertaking satisfactory to the Joint Lead Arranger with respect to destroying as soon as reasonably practicable after the said request from the Joint Lead Arranger.

This Information Memorandum is dated 25 April 2011.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

## TABLE OF CONTENTS

**APPENDICES**

## GLOSSARY OF DEFINITIONS & ABBREVIATIONS

Unless the context otherwise requires, the following definitions shall apply throughout this Information Memorandum:

| | | |
|---|---|---|
| "AmInvestment Bank" | : | AmInvestment Bank Berhad (Company No. 23742-V). |
| "BNM" | : | Bank Negara Malaysia. |
| "Board" | : | The Board of Directors of the Issuer. |
| "CMSA" | : | Capital Markets and Services Act 2007 of Malaysia (as amended from time to time). |
| "Companies Act" | : | Companies Act 1965 of Malaysia (as amended from time to time). |
| "Existing Sukuk" | : | The RM800.0 million nominal value Islamic medium term notes issued by the Issuer pursuant to the Existing Sukuk Programme. |
| "Existing Sukuk Programme" | : | The existing RM800.0 million nominal value Islamic medium term notes programme under the Shariah principle of Musharakah. |
| "Facility Agent" | : | Maybank Investment Bank Berhad (Company No. 15938-H). |
| "FSRA" | : | Finance Service Reserve Account to be opened and maintained by the Issuer and more particularly described in Section 2.2 and Section 3 hereto. |
| "GOM" | : | Government of Malaysia. |
| "Investors" | : | Persons falling under Section 4(6) of the Companies Act and Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b), and Schedule 9 or Section 257(3) of CMSA if it is considering purchasing the Sukuk at issuance, or Section 4(6) of the Companies Act and Schedule 6 or Section 229(1)(b) and Schedule 9 or Section 257(3) of the CMSA if it is considering purchasing the Sukuk thereafter, as the case may be. |
| "Issuer" | : | Westports Malaysia Sdn Bhd (192725-V). |
| "Joint Principal Advisers" or "Joint Lead Arrangers" or "Joint Lead Managers" | : | Collectively, AmInvestment Bank and Maybank IB. |
| "KPMG" | : | Messrs KPMG. |

Unless the context otherwise requires, the following definitions shall apply throughout this Information Memorandum:

| | | |
|---|---|---|
| "Licence" | : | The thirty (30) year-licence to develop and operate the Westports Project granted by the GOM to the Issuer. |
| "Rating Agency" or "MARC" | : | Malaysian Rating Corporation Berhad (364803 V). |
| "Maybank IB" | : | Maybank Investment Bank Berhad (Company No. 15938-H). |
| "Maybank Islamic" | : | Maybank Islamic Berhad (Company No. 787435-M). |
| "PKA" | : | Port Klang Authority |
| "Privatisation Agreement" | : | The privatisation agreement dated 25 July 1994 and made between the GOM and the Issuer, which expression includes the supplemental privatisation agreement dated 27 March 1999 and second supplemental privatisation agreement dated 15 January 2010, both made between the GOM and the Issuer. |
| "RENTAS" | : | Real Time Electronic Transfer of Funds and Securities System. |
| "RENTAS Rules" | : | Rules on Real Time Electronic Transfer of Funds and Securities System. |
| "Reporting Accountant" | : | KPMG. |
| "RM" | : | Ringgit Malaysia. |
| "SC" | : | Securities Commission. |
| "Solicitor" | : | Messrs Wong & Partners. |
| "Sukuk" | : | Islamic medium term notes issued or to be issued pursuant to the Sukuk Musharakah Programme. |
| "Sukuk Musharakah Programme" | : | An Islamic securities issuance programme based on the Shariah principles of Musharakah of up to RM2.0 billion in nominal value. |
| "Sukukholders" | : | Investors that subscribe for/or purchase the Sukuk. |
| "Shariah Adviser" | : | Dr Mohd Daud Bakar. |
| "Tender Panel Members" or "TPMs" | : | AmInvestment Bank, Maybank IB and/or a selection of eligible investors approved by BNM and/or other relevant authorities comprising investment banks, commercial banks and/or other financial institutions falling within the Selling Restriction (as more particularly described in Section 2.6 and Section 3 hereto). The composition of the TPM may be varied from time to time in consultation with the Facility Agent. |

Unless the context otherwise requires, the following definitions shall apply throughout this Information Memorandum:

| | | |
|---|---|---|
| "Trustee" | : | AmTrustee Berhad (Company No. 163032-V). |
| "TEU" | : | Twenty-foot Equivalent Units. |
| "Westports" | : | 587-hectre integrated port situated in Port Klang operated by the Issuer pursuant to the Privatisation Agreement. |
| "Westports Project" | : | The business of operating, managing and providing port facilities and services in Port Klang under Section 3(2)(v) of The Port Authorities Act 1963 and Section 9(3)(a) of The Port (Privatisation) Act 1990. |

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

# 1. EXECUTIVE SUMMARY

## 1.1 Introduction

The Issuer has mandated AmInvestment Bank and Maybank IB as the Joint Principal Advisers, Joint Lead Arrangers and the Joint Lead Managers to arrange on its behalf, a fund raising exercise by way of the proposed issuance of Islamic private debt securities pursuant to the Sukuk Musharakah Programme.

## 1.2 Information on the Issuer and its Shareholders

The Issuer was incorporated on 24 January 1990 under the Companies Act under the name of Kelang Multi Terminal Sdn Bhd as a private limited company. The Issuer's registered office is at C4-6-8, Solaris Dutamas, No.1 Jalan Dutamas 1, 50480 Kuala Lumpur. The Issuer, being the private port operator in Port Klang, has its principal activity to develop and manage the port operations pursuant to the Privatisation Agreement. As at the date of this Information Memorandum, the Issuer does not have any subsidiary.

As at 28 February 2011, the authorized share capital of the Issuer is RM500,000,001.00 comprising of 500,000,000 ordinary shares at RM1.00 each and one (1) special share at RM1.00 whilst the total issued and paid-up capital of the Issuer is RM400,000,001.00 comprising 400,000,000 ordinary shares at RM1.00 each and one (1) special share at RM1.00. The Issuer is wholly-owned by Westports Holdings Sdn Bhd.

The one (1) special share is held by the GOM through the Ministry of Finance Incorporated, a body corporate incorporated under the Ministry of Finance (Incorporation) Act, 1957. The special share enables the GOM through the Ministry of Finance Incorporated to ensure certain major decisions affecting the operations of the Issuer are consistent with Government policies. The special shareholder or any person acting on its behalf shall be entitled to receive notice of and to attend and speak at all general meetings or any other meeting of any class of shareholders of the Issuer, but the special shareholder shall carry no right to vote or any other rights at any such meeting. The special shareholder shall be entitled to nominate one director to be on the board of directors of the Issuer.

## 1.3 Brief Description of the Sukuk Musharakah Programme

The Sukuk Musharakah Programme has a programme limit of RM2.0 billion. The tenure of the Sukuk Musharakah Programme shall be up to twenty (20) years from the date of the first issuance under the Sukuk Musharakah Programme provided that the first issue shall be made within twenty four (24) months from the date of the SC's approval. The Issuer may issue the Sukuk with tenure of more than one (1) year and up to fifteen (15) years as the Issuer may select, provided that the Sukuk shall mature on or prior to the expiry of the Sukuk Musharakah Programme. The Sukuk shall be issued at par, premium or discount to the nominal value to be determined prior to each issuance.

## 1.4 Purpose of Issue

The proceeds from the issuance of the Sukuk under the Sukuk Musharakah Programme shall be utilised by the Issuer for the following purposes:

(i) to finance its capital expenditure, assets acquisition and other general working capital requirements; or

(ii) to refinance the outstanding Existing Sukuk issued under the Existing Sukuk Programme; and/or

(iii) to prefund the Minimum FSRA Balance (as defined in item (z)(v) of the Principal Terms and Conditions in **Section 3** of this Information Memorandum),

provided always that any such utilisation shall be in compliance with the Shariah principles.

Proceeds from any subsequent issue of the Sukuk may also be utilised for the purpose of financing the redemption of any Sukuk then maturing.

## 1.5 SC's Approval

The issue of the Sukuk Musharakah Programme by the Issuer has been approved by SC vide its letter dated 11 April 2011.

## 1.6 Credit Rating

The Sukuk Musharakah Programme has been assigned a rating of AA+(IS) from MARC.

## 1.7 Security Arrangement

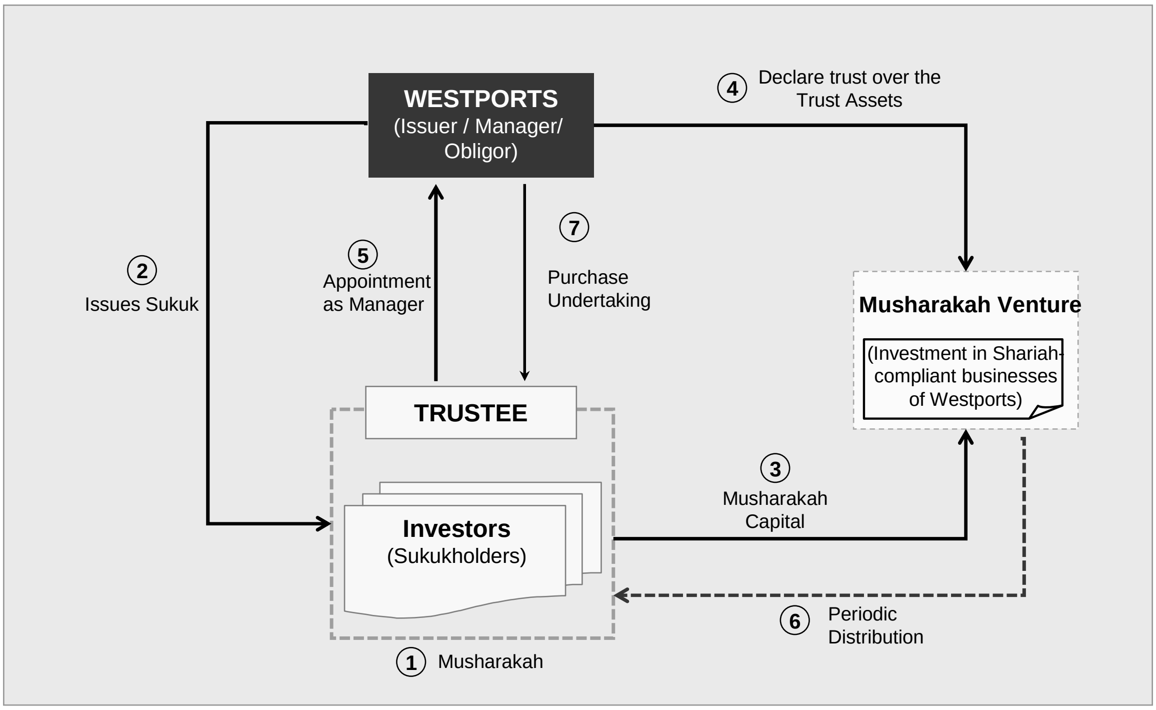
The Sukuk Musharakah Programme shall be implemented on a clean basis. While the Issuer is required to open and maintain the FSRA, which will be solely operated by the Facility Agent, the FSRA is not and will not be charged or assigned to secure the Sukuk under the Sukuk Musharakah Programme.

## 1.8 Trustee and Facility Agent

AmTrustee Berhad has been appointed as the Trustee while Maybank IB has been appointed as the Facility Agent for the Sukuk Musharakah Programme.

## 2. TRANSACTION STRUCTURE

### 2.1 Description of the Underlying Islamic Transaction of the Sukuk Musharakah Programme




The Sukuk under the Sukuk Musharakah Programme will be issued based on the Shariah principles of Musharakah. The transaction structure of the Sukuk Musharakah Programme is as follows:

1 Under the principle of Musharakah, the investors ("**Sukukholders**") shall from time to time, form a partnership amongst themselves for the purpose of investing in the Shariah compliant businesses of the Issuer which involve the development and management of port operations (the "**Musharakah Venture**"). Each tranche of the Sukuk which comprises at least two (2) Sukukholders shall constitute a Musharakah Venture. Any profit derived from the Musharakah Venture will be distributed based on the ratio of capital contribution among the Sukukholders and losses will also be shared based on the Sukukholders' ratio of capital contribution.

2 3 In respect of any Musharakah Venture, the Issuer shall issue Sukuk to the Sukukholders, in consideration of their capital contribution ("**Musharakah Capital**"). The Sukuk represents the Sukukholders' proportionate participation in the said Musharakah Venture.

4 The Issuer shall declare a trust ("**Declaration of Trust**") over the trust assets, which shall be the Shariah compliant businesses of the Issuer (including the Shariah compliant FSRA ("**Trust Assets**"), for the benefit of the Trustee (acting for the Sukukholders).

5 The Trustee (acting on behalf of the Sukukholders) shall appoint the Issuer as its agent (the "**Manager**") to manage the Musharakah Venture on behalf of the Sukukholders upon the terms and subject to the conditions contained in the management agreement to be made between the Trustee and the Issuer (in its capacity as the Manager).

6 The Sukuk shall entitle the Sukukholders the right to share the income generated from the relevant Musharakah Venture in proportion to each Sukukholders' respective contribution of the Musharakah Capital ("**Periodic Payment**"), which shall be distributed semi-annually ("**Periodic Payment Date**") to the Sukukholders.

For the avoidance of doubt, whenever a Periodic Payment is paid out on a particular scheduled Periodic Payment Date, such payment shall comprise of distributable income generated from the relevant Musharakah Venture ("**Periodic Distribution(s)**") and Advance Profit Payment (as defined below), if any.

The return expected ("**Expected Return**") by the Sukukholders from the relevant Musharakah Venture shall be the yield from the respective tranches of the Sukuk up to the respective maturity dates of the Sukuk ("**Maturity Dates**") or the date of declaration of an event being an event which dissolves the Musharakah Venture ("**Dissolution Event**"), whichever is applicable, (the Maturity Dates and the date of the declaration of a Dissolution Event shall hereinafter be collectively referred to as "**Dissolution Date**"). The Sukukholders shall also agree upfront that they shall, on the Dissolution Date, receive return, if any, up to the Expected Return. Any excess income from each of the Musharakah Venture over the Expected Return shall be credited by the Manager to the FSRA up to the Minimum Exercise Price Reserve (as defined in item (z)(v) of the Principal Terms and Conditions in Section 3.0 of this Information Memorandum). Once the Minimum Exercise Price Reserve is met, any such excess income may be utilised by the Manager for the purpose of the Musharakah Venture.

The Manager shall ensure an amount equivalent to the Minimum FSRA Balance and the Minimum Exercise Price Reserve are maintained by the Issuer in accordance with the manner set out in item (z)(v) of the Principal Terms and Conditions in **Section 3** of this Information Memorandum. The Manager may at any time prior to the Dissolution Date utilise the amounts standing to the credit of the FSRA, to fund any shortfall in the amount of the Periodic Payment so long as any amounts deducted from the FSRA prior to the Dissolution Date are re-credited into the FSRA by the Issuer, in its capacity as the Obligor up to the Minimum FSRA Balance. Any amount standing to the credit of the FSRA on the Dissolution Date will be due and payable to the Manager as an incentive fee for managing the Musharakah Venture.

If, on any Periodic Payment Date, the income generated from the relevant Musharakah Venture is insufficient and the amounts in the FSRA is utilised to meet the expected Periodic Payment(s) on any Periodic Payment Date in full, such amounts shall be deemed to be advance profit payments by the Issuer during the tenor of the Sukuk ("**Advance Profit Payments**"). For the avoidance of doubt, any Advance Profit Payments made by the Issuer shall be off-set against the Exercise Price (as defined in item (z)(iv) of the Principal Terms and Conditions in **Section 3** of this Information Memorandum).

7 The Issuer (as "**Obligor**") shall also grant to the Trustee (acting on behalf of the Sukukholders) a Purchase Undertaking (as defined in item (z)(iv) of the Principal Terms and Conditions in **Section 3** of this Information Memorandum) whereby the Obligor shall undertake to purchase the Trust Assets from the Trustee at the Exercise Price, subject always to the terms set out under the Purchase Undertaking.

In respect of each tranche, upon exercise of the Purchase Undertaking and the payment of the Exercise Price, the relevant Musharakah Venture and Declaration of Trust will be dissolved.

**Purchase Undertaking**

The Exercise Price shall be determined based on the following formula:

On the respective Maturity Dates of the Sukuk:

Exercise Price = Musharakah Capital plus Expected Return less total Periodic Distributions paid.

On declaration of a Dissolution Event:

Exercise Price = Musharakah Capital plus Expected Return on Dissolution Date less aggregate of Periodic Distribution(s) made and received and to be adjusted to be equivalent to the accreted value plus accrued but unpaid Periodic Payments (if any) up to the date of declaration of a Dissolution Event and such calculation of the Exercise Price shall be in accordance with the Securities Services Procedures.

On any payment of the Exercise Price, the Issuer will be entitled to deduct the aggregate of the Advance Payments in relation to the portion of the Sukuk outstanding from the Exercise Price.

The Issuer (as "**Obligor**") shall also grant to the Trustee (acting on behalf of the Sukukholders) an undertaking to the Trustee (acting on behalf of the Sukukholders) to purchase the Sukuk on the Dissolution Date at the relevant Exercise Price (the "**Purchase Undertaking**").

Upon exercise of the Purchase Undertaking and the payment of the Exercise Price, the Musharakah Venture and Declaration of Trust will be dissolved.

## 2.2 Brief Description of the Sukuk Musharakah Programme

The size of the Sukuk Musharakah Programme is up to RM2.0 billion in nominal value and will be either issued at par, discount or premium to the nominal value.

The tenor of the Sukuk Musharakah Programme is twenty (20) years from the date of first ($1^{st}$) issuance. The tenor of each issuance of the Sukuk shall be more than one (1) year and up to fifteen (15) years, as the Issuer may select, but shall not in any case exceed the Sukuk Musharakah Programme tenor.

The profit payment for each Sukuk shall be payable semi-annually in arrears with the first profit payment commencing six (6) months from the date of issuance of the Sukuk. The profit rate/yield-to-maturity ("**YTM**") shall be determined at the point of each issuance of the respective Sukuk and agreed between the Issuer and the Sukukholders.

The Sukuk may be issued via tender by the Tender Panel Members ("**TPMs**") and/or direct placement on a best efforts basis and/or on a bought deal basis and/or book running on a best efforts basis. The date of first ($1^{st}$) issuance for the Sukuk shall be no later than twenty four (24) months from the date of SC's approval or such other period as approved by the SC from time to time.

The Sukuk have been accorded a rating of AA+(IS) by MARC.

**<u>FSRA</u>**

The Issuer shall be required to open the Shariah compliant FSRA with Maybank Islamic and the FSRA shall be operated solely by the Facility Agent. The Issuer shall maintain the following minimum balance in the FSRA in the following manner:

(a) a minimum balance equivalent to the aggregate of the Periodic Payments due and payable under the Sukuk during the next six (6) months ("**Minimum FSRA Balance**"); and

(b) a minimum balance equivalent to the relevant Exercise Price of the relevant maturing Sukuk ("**Minimum Exercise Price Reserve**"), which amount shall be progressively built up by the Issuer but in any event no later than one (1) month prior to the respective Maturity Dates of the relevant Sukuk.

Notwithstanding the foregoing, the requirement to maintain the Minimum Exercise Price Reserve shall not be applicable in the event the Issuer has informed the Facility Agent and the Trustee, at least thirty (30) days prior to the relevant Maturity Dates, that it intends to utilise the Sukuk Musharakah Programme to issue a new Sukuk for the redemption of such maturing Sukuk.

Funds standing to the credit of the FSRA may be utilised for making any Periodic Payment and when withdrawals from the FSRA result in a shortfall in the Minimum FSRA Balance, the Issuer shall, within thirty (30) days from the date of such withdrawal is made, deposit and/or cause to be deposited into the FSRA such amount of monies necessary to maintain the then prevailing Minimum FSRA Balance. Failure to meet the

Minimum FSRA Balance within thirty (30) days period as stipulated above will result in a Dissolution Event followed by obligations pursuant to the Purchase Undertaking.

Upon the declaration of a Dissolution Event, monies standing to the credit of the FSRA shall be distributed to the Sukukholders as the FSRA forms part of the Trust Assets.

## 2.3 Security Arrangement for the Sukuk Musharakah Programme

There is no security given for the Sukuk Musharakah Programme. While the Issuer is required to open and maintain the FSRA, which will be solely operated by the Facility Agent, the FSRA is not and will not be charged or assigned to secure the Sukuk under the Sukuk Musharakah Programme.

## 2.4 Details of the Utilisation of Proceeds

The proceeds from the issuance of the Sukuk under the Sukuk Musharakah Programme shall be utilised by the Issuer for the following purposes:

(i) to finance its capital expenditure, assets acquisition and other general working capital requirements; or

(ii) to refinance the outstanding Existing Sukuk issued under the Existing Sukuk Programme; and/or

(iii) to prefund the Minimum FSRA Balance (as defined in item (z)(v) of the Principal Terms and Conditions as set out in **Section 3** hereto),

provided always that any such utilisation shall be in compliance with the Shariah principles.

Proceeds from any subsequent issue of the Sukuk may also be utilised for the purpose of financing the redemption of any Sukuk then maturing.

## 2.5 Shariah Adviser's Opinion and Review of the Musharakah structure under the Sukuk Musharakah Programme

Please refer to the Shariah Adviser's opinion and review of the Musharakah structure as set out in **Appendix 3** hereto.

## 2.6 Selling Restriction

The Sukuk may not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified below.

<u>Selling restrictions at issuance:</u>

(i) Section 4(6) of the Companies Act; and

(ii) Schedule 6 or Section 229(1)(b) or Schedule 7 or Section 230(1)(b) and Schedule 9 or Section 257(3) of the CMSA;

<u>Selling restriction after issuance:</u>

(i) Section 4(6) of the Companies Act; and

(ii) Schedule 6 or Section 229(1)(b) and Schedule 9 or Section 257(3) of the CMSA.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

## 3. PRINCIPAL TERMS AND CONDITIONS OF THE SUKUK MUSHARAKAH PROGRAMME

*The following description is a summary of the principal terms and conditions of the Sukuk Musharakah Programme. The information set out in this section and the following information relating to the Sukuk Musharakah Programme is qualified in its entirety by, and must be read in conjunction with, the further detailed information appearing elsewhere in this Information Memorandum and in the Transaction Documents for the Sukuk Musharakah Programme. Words and expressions used and defined in this section shall, in the event of an inconsistency with the Definitions section of this Information Memorandum, only be applicable in this section*.

### (a) Names of parties involved in the proposed transaction

| | | | |
|---|---|---|---|
| **(i)** | **Joint Principal Advisers/ Joint Lead Arrangers/ Joint Lead Managers** | : | AmInvestment Bank and Maybank IB (collectively referred to as the "**Joint Lead Arrangers**"). |
| **(ii)** | **Solicitors** | : | Messrs Wong & Partners. |
| **(iii)** | **Trustee** | : | AmTrustee Berhad. |
| **(iv)** | **Facility Agent** | : | Maybank IB. |
| **(v)** | **Primary Subscriber(s) and Amount Subscribed (where applicable)** | : | If applicable, at least two (2) Primary Subscribers will be determined prior to each issuance of the Sukuk. |
| **(vi)** | **Shariah Adviser** | : | Dr. Mohd Daud Bakar. |
| **(vii)** | **Central Depository** | : | BNM. |
| **(viii)** | **Paying Agent** | : | BNM. |
| **(ix)** | **Reporting Accountant** | : | KPMG. |
| **(x)** | **Others (please specify)** | : | Tender Panel Members ("**TPM**")<br><br>AmInvestment Bank, Maybank IB and/or a selection of eligible investors approved by BNM and/or other relevant authorities comprising investment banks, commercial banks and/or other financial institutions falling within the Selling Restriction (as defined in item (p) below). The composition of the TPM may be varied from time to time in consultation with the Facility Agent.<br><br>Roles undertaken by Westports in respect of the Musharakah transaction:<br><br>(i) Issuer<br>As the Issuer of the Sukuk (as defined in item (c) below). |

(ii) Manager
As the Manager who will manage the Musharakah Venture (as defined in item (c) below) for the benefit of Sukukholders, upon the issuance of the Sukuk.

(ii) Obligor
As the Obligor, who undertakes to purchase the Trust Assets (as defined in item (c) below) from the Trustee at the Exercise Price (as defined in item (z)(iv) below).

**(b) Islamic Principles Used** : Musharakah.

**(c) Facility Description** : An Islamic securities ("**Sukuk**") issuance programme based on the Shariah principles of Musharakah ("**Sukuk Musharakah Programme**") of up to RM2.0 billion in nominal value.

Underlying transaction
Under this transaction, the investors (known as the "**Sukukholders**") shall from time to time, form a partnership amongst themselves for the purpose of investing in the Shariah compliant businesses of Westports which involves the development and management of port operations ("**Musharakah Venture**"). Each tranche of the Sukuk which comprises at least two Sukukholders shall constitute a Musharakah Venture. Any profit derived from the Musharakah Venture will be distributed based on the ratio of capital contribution among the Sukukholders and losses will also be shared based on the Sukukholders' ratio of capital contribution.

In respect of any Musharakah Venture, Westports shall issue Sukuk to the Sukukholders, in consideration of their capital contribution ("**Musharakah Capital**"). The Sukuk represents the Sukukholders' proportionate participation in the said Musharakah Venture.

The Issuer shall declare a trust ("**Declaration of Trust**") over the trust assets, which shall be the Shariah compliant businesses of the Issuer (including the FSRA (as defined in item (z)(v) below)) ("**Trust Assets**"), for the benefit of the Trustee (acting for the Sukukholders). The Trustee (acting on behalf of the Sukukholders) shall appoint the Issuer as its agent (the "**Manager**") to manage the Musharakah Venture on behalf of the Sukukholders upon the terms and subject to the conditions contained in the management agreement to be made between the Trustee and the Issuer (in its capacity as the Manager).

The Sukuk shall entitle the Sukukholders the right to share the income generated from the relevant Musharakah Venture in proportion to each Sukukholders' respective contribution of the Musharakah Capital ("**Periodic Payment**"), which shall be distributed semi-annually ("**Periodic Payment Date**") to the Sukukholders.

For the avoidance of doubt, whenever a Periodic Payment is paid out on a particular scheduled Periodic Payment Date, such payment shall comprise of distributable income generated from the relevant Musharakah Venture ("**Periodic Distribution(s)**") and Advance Profit Payment (as defined below), if any.

The return expected ("**Expected Return**") by the Sukukholders from the relevant Musharakah Venture shall be the yield from the respective tranches of the Sukuk up to the respective maturity dates of the Sukuk ("**Maturity Dates**") or the date of declaration of an event being an event which dissolves the Musharakah Venture ("**Dissolution Event**"), whichever is applicable, (the Maturity Dates and the date of the declaration of a Dissolution Event shall hereinafter be collectively referred to as "**Dissolution Date**"). The Sukukholders shall also agree upfront that they shall, on the Dissolution Date, receive return, if any, up to the Expected Return. Any excess income from each of the Musharakah Venture over the Expected Return shall be credited by the Manager to the FSRA up to the Minimum Exercise Price Reserve (as defined in item (z)(v)). Once the Minimum Exercise Price Reserve are met, any such excess income may be utilised by the Manager for the purpose of the Musharakah Venture.

The Manager shall ensure the Minimum FSRA Balance and the Minimum Exercise Price Reserve (as defined in item (z)(v) below) are maintained by the Issuer in accordance with the manner set out in item (z)(v) below. The Manager may at any time prior to the Dissolution Date utilise the amounts standing to the credit of the FSRA, to fund any shortfall in the amount of the Periodic Payment so long as any amounts deducted from the FSRA prior to the Dissolution Date are re-credited into the FSRA by the Issuer, in its capacity as the Obligor up to the Minimum FSRA Balance. Any amount standing to the credit of the FSRA on the Dissolution Date will be due and payable to the Manager as an incentive fee for managing the Musharakah Venture.

| | | | |
|---|---|---|---|
| | | | If, on any Periodic Payment Date, the income generated from the relevant Musharakah Venture is insufficient and the amounts in the FSRA is utilized to meet the expected Periodic Payment(s) on any Periodic Payment Date in full, such amounts shall be deemed to be advance profit payments by the Issuer during the tenor of the Sukuk ("**Advance Profit Payments**"). For the avoidance of doubt, any Advance Profit Payments made by the Issuer shall be off-set against the Exercise Price (as defined in item (z)(iv)).<br><br>The Issuer (as "**Obligor**") shall also grant to the Trustee (acting on behalf of the Sukukholders) a Purchase Undertaking (as more particularly described in item (z)(iv) below) whereby the Obligor shall undertake to purchase the Trust Assets from the Trustee at the Exercise Price, subject always to the terms set out under the Purchase Undertaking, as described in item (z)(iv) below.<br><br>In respect of each tranche, upon exercise of the Purchase Undertaking and the payment of the Exercise Price, the relevant Musharakah Venture and Declaration of Trust will be dissolved. |
| **(d)** | **Issue Size (RM)** | : | Up to RM2.0 billion in nominal value.<br>The aggregate outstanding nominal value of the Sukuk issued under the Sukuk Musharakah Programme at any point in time shall not exceed RM2.0 billion. |
| **(e)** | **Issue Price (RM)** | : | The Sukuk shall be issued at par, premium or discount to the nominal value and is calculated in accordance with the Securities Services Procedures (as defined in item (n)), as amended or substituted from time to time. |
| **(f)** | **Tenor of the Facility / Issue** | : | <u>Tenor of the Sukuk Musharakah Programme</u><br>Up to twenty (20) years from the date of the first issuance under the Sukuk Musharakah Programme provided that the first issue shall be effected within twenty four (24) months from the date of approval by the Securities Commission ("**SC**").<br><br><u>Tenor of Sukuk</u><br>More than one (1) year and up to fifteen (15) years as the Issuer may select, provided that the Sukuk shall mature on or prior to the expiry of the Sukuk Musharakah Programme |
| **(g)** | **Coupon/ Profit or equivalent rate (%)<br>(please specify)** | : | The expected profit rates of the Sukuk shall be determined prior to each issuance of the Sukuk. |

| | | | |
|---|---|---|---|
| **(h)** | **Coupon/ Profit Payment frequency and basis** | : | <u>Periodic Payment Frequency</u><br>The Periodic Payment shall be made on semi-annual basis with the first Periodic Payment to be made six (6) months from the date of issuance of such Sukuk and the last Periodic Payment on the maturity date of such Sukuk. The Periodic Payments shall be calculated based on the profit rates applicable to the relevant Sukuk.<br><br><u>Periodic Payment Basis</u><br>Actual / Actual |
| **(i)** | **Yield to Maturity (%)** | : | The yield to maturity is the Expected Return to the Sukukholders up to the respective Maturity Dates under each Musharakah Venture which shall be determined prior to issuance of the corresponding Sukuk. |
| **(j)** | **Security / Collateral (if any)** | : | Nil. |
| **(k)** | **Details on utilisation of proceeds** | : | The proceeds from the issuance of the Sukuk under the Sukuk Musharakah Programme shall be utilised by Westports to finance its capital expenditure, assets acquisition, and other general working capital requirements, to refinance the outstanding Sukuk under its existing Sukuk Musharakah Medium Term Notes Programme of up to RM800.0 million ("**Existing Programme**") and/or to prefund the Minimum FSRA Balance (as defined in item (z)(v) below) PROVIDED ALWAYS that any such utilisation mentioned above shall be in compliance with the Shariah principles.<br><br>Proceeds from any subsequent issue of the Sukuk may also be utilised for the purpose of financing the redemption of any Sukuk then maturing. |
| **(l)** | **Sinking fund (if any)** | : | Not applicable. |
| **(m)** | **Rating**<br>• **Credit rating assigned (please specify if this is an indicative rating)**<br>• **Name of rating agency** | : | <br>$AA+_{(IS)}$.<br><br>MARC. |

**(n) Form and Denomination** : Form

The Sukuk shall at all times be represented by global certificates in bearer form to be deposited with BNM and is exchangeable for definitive certificates only in limited circumstances.

The Sukuk shall be issued in accordance with:

(i) the Code of Conduct and Market Practices for the Malaysian Corporate Bond Market issued by the Institut Peniaga Bon Malaysia and approved by BNM ("**IPBM Code**");

(ii) the Rules on Scripless Securities under the Real Time Electronic Transfer of Funds and Securities system issued by BNM ("**RENTAS Rules**"); and

(iii) the Operational Procedures for Securities Services issued by Malaysian Electronic Clearing Corporation Sdn Bhd ("**Securities Services Procedures**"),

or their replacement thereof applicable from time to time (collectively the above shall be referred to as the "**Codes of Conduct**").

The Securities Services Procedures shall prevail to the extent of any inconsistency between the Securities Services Procedures and the IPBM Code.

Denomination

Multiples of RM1.0 million.

**(o) Mode of Issue** : Via tender by the TPM and/or private placement on a best efforts basis (i.e. via direct placement or bought-deal) and/or book building on a best efforts basis.

**(p) Selling Restriction** : The Sukuk may not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified below:

At issuance:

(i) Section 4(6) of the Companies Act, 1965; and

(ii) Schedule 6 or Section 229(1)(b) or Schedule 7 or Section 230(1)(b) and Schedule 9 or Section 257(3) of the Capital Markets and Services Act, 2007 ("**CMSA**");

and

After issuance:

(i) Section 4(6) of the Companies Act, 1965; and
(ii) Schedule 6 or Section 229(1)(b) and Schedule 9 or Section 257(3) of the CMSA

**(q) Listing Status** : The Sukuk may be listed on Bursa Malaysia Securities Berhad under an Exempt Regime pursuant to Chapter 4B of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. The SC will be notified accordingly in the event of such listing.

**(r) Minimum Level of Subscription (RM or %)** : The minimum level of subscription for each issuance that is not issued on a private placement on a best efforts basis (which shall be fully subscribed) shall be 5% of the issue size of that issuance.

**(s) Other Regulatory Approvals Required in relation to the Issue, Offer or Invitation and whether or not Obtained (please specify)** : Not applicable.

**(t) Identified Assets** : Not applicable.

Trust Assets
The Trust Assets shall comprise the Shariah compliant businesses of the Issuer together with the FSRA.

**(u) Purchase and Selling Price/ Rental (where applicable)** : Not applicable under the contract of Musharakah.

**(v) Conditions Precedent** : Conditions precedent to be satisfied prior to the issuance of the Sukuk (which may be waived by the JLAs at their discretion), shall include receipt by the JLAs of the following documents or evidence (all in form and substance acceptable to the JLAs):

Conditions Precedent for First Issuance

(i) The Issue Documents (as defined hereinafter) have been signed and where applicable stamped and presented for registration with the relevant registries;

(ii) A certified true copy of the board of directors' resolution of the Issuer authorising, inter alia, the execution of the issue documents and other relevant documents pertaining to the Sukuk (collectively referred to hereafter as the "**Issue Documents**") and the performance and carrying out of the transactions contemplated therein;

(iii) A certified true copy each of the Certificate of Incorporation, Memorandum and Articles of Association and the latest Forms 24 and 49 of the Issuer;

(iv) A list of the Issuer's authorised signatories and their respective specimen signatures;

(v) Certification issued by the Issuer in the form prescribed by the JLAs confirming the accuracy of the representations and warranties contained in the Issue Documents in all respect;

(vi) Confirmation from the Issuer that no Dissolution Events has occurred and is continuing or shall occur if the relevant issuance is made;

(vii) Receipt of due diligence reports on the Issuer;

(viii) Written approval from the SC and any other relevant authorities pursuant to any relevant guidelines issued and to be issued from time to time by the SC or any other authorities having jurisdiction over matters pertaining to the Sukuk Musharakah Programme;

(ix) The endorsement from the Shariah Adviser that the Sukuk Musharakah Programme and the Issue Documents are in compliance with Shariah principles;

(x) A report of the relevant company search and winding up search on the Issuer stating that there are no winding-up orders made against the Issuer;

(xi) Documentary evidence that the FSRA has been opened with Maybank Islamic in accordance with the provisions of the Issue Documents and documentary evidence (in form and substance satisfactory to the Facility Agent) evidencing that the relevant Minimum FSRA Balance (as defined in item (z)(v) below) has been or will be deposited into the FSRA upon first issue of the Sukuk;

(xii) A written legal opinion from the Solicitors, confirming with respect to, amongst others, that:

- The Issue Documents are legal, valid, binding and enforceable and all the conditions precedent have been fulfilled or waived; and
- All approvals/consents (both regulatory or contractual) which are required shall have been duly obtained for the Sukuk and for the execution of the Issue Documents;

(xiii) The Sukuk Musharakah Programme shall have received a minimum rating of AA+ from MARC;

(xiv) Evidence that all transaction fees, costs and expenses due from the Issuer have been or shall be paid in full; and

(xv) Such other conditions precedent as may be advised by the Solicitors and agreed by the Issuer.

<u>Conditions Precedent for Subsequent Issuance</u>

(i) Confirmation from the Issuer that the representation and warranties still remain true and correct in all respect;

(ii) Confirmation from the Issuer that no Dissolution Events has occurred and is continuing or shall occur if the relevant issuance is made;

(iii) Documentary evidence (in form and substance satisfactory to the Facility Agent) evidencing that the relevant Minimum FSRA Balance has been or will be deposited into the FSRA or there is sufficient funds in the FSRA to meet the relevant Minimum FSRA Balance; and

(iv) Such other conditions precedent as may be advised by the Solicitors and agreed by the Issuer.

**(w) Representations and Warranties** : The representations and warranties by the Issuer to the Trustee and the Sukukholders shall include but not be limited to the following:

(i) that it is a company duly incorporated and validly existing under the laws of Malaysia and has the power and authority to own its assets and to conduct the business which it conducts;

(ii) (a) its Memorandum and Articles of Association incorporate provisions which authorize; (b) all necessary corporate action have been taken to authorize; and (c) all authorizations of any government or other authority have been duly obtained and are in full force and effect which are required to authorize the Issuer, to own its assets, carry on its business as it is being conducted, and sign and deliver, and perform the transactions contemplated in the Issue Documents, and for the Issuer to issue the Sukuk and to perform its obligations specified therein and under the Sukuk in accordance with its terms;

(iii) there are no litigation or arbitration which would have a material adverse effect on the Issuer's financial ability to discharge its obligations in connection with the issue of the Sukuk;

(iv) it has the power to enter into, exercise its rights and perform and comply with its obligations under the Trust Deed and for it to issue and perform and comply with its obligations under the Issue Documents; and

(v) such other representations and warranties typical and customary for a facility of this nature as may be advised by the Solicitors which shall include without limitation to those in compliance with the SC's Guidelines on the Minimum Contents Requirements for the Trust Deed.

**(x) Events of Default / Dissolution Events** : Events of Default/ Dissolution Events for a facility of this nature shall include but not limited to the following:

(i) where the Issuer is unable to distribute any amount that is due and payable from it under any of the Issue Documents on the due date; or

(ii) where the Issuer fails to observe or perform any of its obligations under the terms and conditions or provisions under the Issue Documents or any other related documents or under any undertaking arrangement entered into in connection therewith; or

(iii) where any step or action is taken for the winding-up, dissolution or liquidation of the Issuer or a resolution to wind-up the Issuer has been passed and no action is taken in good faith to set aside such petition within thirty (30) days from the date of service of such winding-up petition or the making of any order or the passing of any resolution for the winding-up, dissolution or liquidation of the Issuer; or

(iv) where an encumbrancer takes possession of, or a trustee, liquidator, receiver or similar officer is appointed in respect of, all or any part of the business or assets of the Issuer and such appointment is not withdrawn or discharged within thirty (30) days of such appointment; or

(v) where any of the indebtedness of the Issuer becomes due and payable or capable of being declared due or payable before its stated maturity or if any security created to secure any such indebtedness becomes enforceable; or

(vi) where the Issuer defaults in the payment of any money owing in respect of the Purchase Undertaking (as more particularly described in item (z)(iv) below) when the same shall become due and payable in accordance with the terms and conditions of the Trust Deed and the Purchase Undertaking); or

(vii) where the Issuer convenes a meeting of its creditors or proposes or makes any arrangement or composition with, or any assignment for the benefit of, its creditors under Section 176 of the Companies Act, 1965; or

(viii) where there is a revocation, withholding or modification of a licence, authorization or approval that impairs or prejudices the Issuer's ability to comply with the terms and conditions or the provisions of the Issue Documents or any other related documents; or

(ix) where the Issuer fails to maintain the Minimum FSRA Balance or the Minimum Exercise Price Reserve in accordance with the manner set out in item (z)(v) below; or

(x) such other events which are customary to a facility of this nature as may be advised by the Solicitors which shall include without limitation to those in compliance with the SC's Guidelines on the Minimum Contents Requirements for the Trust Deed.

Upon the occurrence of a Dissolution Event, or if a Dissolution Event has occurred and is continuing, the Trustee may at its discretion and shall upon receipt of the relevant instructions from the Sukukholders as required under the Trust Deed, declare that the a Dissolution Event has occurred. The Trustee shall exercise its rights under the Purchase Undertaking for the benefit of the Sukukholders, whereupon:

(i) the Obligor shall immediately acquire the Trust Assets from the Trustee; and

(ii) the Exercise Price shall become immediately due and payable.

Upon full settlement of the Exercise Price, the Musharakah Venture and the Declaration of Trust will be immediately dissolved and neither the Issuer nor the Sukukholders shall thereafter have further rights over the Musharakah Venture.

**(y) Principal Terms and Conditions for Warrants (where applicable)** : Not applicable.

**(z) Other Principal Terms and Conditions for the Issue**

**(i) Covenants and Undertakings** : <u>Positive Covenants</u>

The Issuer covenants and undertakes, inter alia, with the Trustee and the Sukukholders that until all its liabilities and obligations under the Sukuk have been discharged, it shall, amongst others:

(a) maintain the Financial Covenants as set out in item (z)(ii) below;

(b) use its reasonable diligence to carry on and conduct its business and affairs in a proper and efficient manner and in accordance with sound financial and commercial standards and practices;

(c) make available to the Facility Agent, Trustee and/or an auditor appointed by the Trustee for their respective inspection the whole of the accounting or other records of the Issuer and give them such information as they may reasonably require with respect to all matters relating to the accounting records of the Issuer;

(d) provide to the Facility Agent and Trustee annually at the end of its financial year, a certificate confirming that the Issuer has complied with its obligations under the Issue Documents and the terms and conditions of the Sukuk and that there did not exist or had existed, from the date of the first issuance of the Sukuk or the date of the previous certificate as the case may be, any Dissolution Event and if such is not the case, to specify the same;

(e) obtain, preserve and keep in full force and effect all necessary licences. approvals, authorizations, consents, rights and permits (governmental and otherwise) and promptly obtain any further licenses, approvals, authorizations, consents, rights and permits (governmental and otherwise) which is or may become necessary to enable it to own its assets, to carry on its business or for the Issuer to enter into or perform its obligations under the Issue Documents or to ensure validity, enforceability, admissibility in evidence of the obligations of the Issuer or the priority or rights of the Sukukholders under the Issue Documents and the Issuer shall comply the same;

(f) maintain or cause to be maintained such insurance/takaful in respect of its assets and its business against all risks in accordance with industry practice and it shall not do or omit to do or suffer anything to be done which might render ay such insurance/takaful policies to be void or voidable;

(g) cause all advances made or to be made hereafter by its shareholders and directors to be subordinated to its liabilities under the Sukuk; and

(h) such other covenants which are customary to a facility of this nature and as may be advised by the Solicitors which shall include without limitation to those in compliance with the SC's Guidelines on the Minimum Contents Requirements for the Trust Deed.

<u>Negative Covenants</u>

The Issuer covenants and undertakes, inter alia, with the Trustee and the Sukukholders that until all its liabilities and obligations under the Sukuk has been discharged, the Issuer shall not, without the prior written consent of the Trustee and Sukukholders:

(a) amend its Memorandum and Articles of Association in a manner that is inconsistent with the provision of the Issue Documents, save and except to comply with the rules, regulations or guidelines of the relevant authorities or where such amendments are, in the opinion of the Trustee, not prejudicial to the interests of the Sukukholders;

(b) substantially change the nature of its present business and shall not enter into business prohibited under the Shariah laws;

(c) reduce the nominal value and the total amount of its authorized, issued and paid-up share capital;

(d) dispose of major assets that contribute substantially to its revenue (assets which values are in excess of 5% of the net tangible assets of the Issuer) unless in the ordinary course of business and on arms length basis or the assets to be disposed of are either obsolete or worn out;

(e) make any advances or loans to any persons or provide guarantees to secure advances or loans for the benefit of any shareholders, affiliates or related corporations of the Issuer (other than normal trade credits or temporary loans to staff, customers, contractors or suppliers in the ordinary course of business);

(f) create or permit to subsist any other security interests other than those disclosed to the Facility Agent prior to the execution of the Issue Documents;

(g) declare any dividend on share capital if any of the following conditions occur or would occur (i) any of the Financial Covenants is breached or if following such declaration of dividend, any such financial covenants will be breached; (ii) a Dissolution Event has occurred, or if following such declaration, a Dissolution Event would occur; or (iii) funds in the FSRA do not meet the required Minimum FSRA Balance and the Minimum Exercise Price Reserve (if applicable);

(h) enter into a transaction, whether directly or indirectly with interested persons (including a director, substantial shareholder or persons connected with them) unless:

1. such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not interested persons; and

2. with respect to transactions involving an aggregate payment or value equal to or greater than an amount representing five (5%) per centum of the Issuer's profit after tax as reflected in its then current audited consolidated financial statement, the Issuer obtains certification from an independent adviser that the transaction is carried out on fair and reasonable terms;

PROVIDED THAT the Issuer certifies to the Facility Agent in writing that the transaction complies with paragraph (h)(1) above, that, where applicable, the Issuer has received the certification referred to in paragraph (h)(2) above and that the transaction has been approved by its board of directors and, where applicable, its shareholders at a general meeting;

(i) lend any money to any party other than to its directors, officers or employees as part of their terms of employment and on ordinary commercial terms of employment or to its subsidiaries on ordinary commercial terms; and

(j) such other covenants which are customary to financing of this nature and as may be advised by the Solicitors which shall include without limitation to those in compliance with SC's Guidelines on the Minimum Contents Requirements for the Trust Deed.

**(ii) Financial Covenants** : <u>Finance Service Cover Ratio ("**FSCR**")</u>

During the tenure of the Sukuk Musharakah Programme, the Issuer shall maintain a FSCR of not less than 1.25 at all times. In the event that the FSCR falls below 1.25 times, the Issuer shall remedy the breach within thirty (30) days from the date of receipt of a written notice from the Trustee on the said breach.

FSCR is the ratio of Net Available Cash to the Total Finance Service, where:-

"**Net Available Cash**" is the aggregate of all cash and bank balances at the beginning of the financial period stated below and net cash flow (excluding the Total Finance Service (as defined below)) in any preceding twelve (12) months period.

"**Total Finance Service**" is the aggregate of the following

- all amounts paid in respect of the Sukuk Musharakah Programme;
- all amounts paid in respect of the Existing Programme;
- net repayment of short term banking facilities, both conventional and Islamic; and
- all other principal, profit and related costs paid for external borrowings and redeemable loan stocks;

in the preceding twelve (12) months.

<u>Finance to Equity Ratio</u>

During the tenure of the Sukuk Musharakah Programme, the Issuer shall maintain Finance to Equity Ratio of not more than 2.00 at all times. In the event that the Finance to Equity Ratio is above 2.00 times, the Issuer shall remedy the breach within thirty (30) days from the date of receipt of a written notice from the Trustee on the said breach.

Finance to Equity Ratio is the ratio of Indebtedness to Equity, where

"**Indebtedness**" is the aggregate of the amount outstanding under the Sukuk Musharakah Programme, Existing Programme, all other outstanding external borrowings (both conventional and Islamic, secured and unsecured) and outstanding redeemable loan stocks (secured and unsecured).

"**Equity**" includes shareholders' funds of the Issuer, irredeemable loan stocks and loans/advances from shareholders/directors that are subordinated to the Sukuk Musharakah Programme and Existing Programme, all as shown in the then latest audited financial statements of the Issuer.

**(iii) Transferability** : Transferable, but subject to the Selling Restriction clause described in item (p) above.

**(iv) Purchase Undertaking** : In respect of each tranche of the Sukuk, the Obligor shall grant an undertaking to the Trustee (acting on behalf of the Sukukholders) to purchase the Trust Assets from the Trustee at the "Exercise

Price" upon the occurrence of the earlier of any of the following events:
1. the respective Maturity Dates of the Sukuk; or
2. the declaration of a Dissolution Event.

The Exercise Price shall be determined based on the following formula:

On the respective Maturity Dates of the Sukuk:
Exercise Price = Musharakah Capital plus Expected Return less total Periodic Distributions paid.

On declaration of a Dissolution Event:
Exercise Price = Musharakah Capital plus Expected Return on Dissolution Date less aggregate of Periodic Distribution(s) made and received and to be adjusted to be equivalent to the accreted value plus accrued but unpaid Periodic Payments (if any) up to the date of declaration of a Dissolution Event and such calculation of the Exercise Price shall be in accordance with the Securities Services Procedures.

On any payment of the Exercise Price, the Issuer (as "**Obligor**") will be entitled to deduct the aggregate of the Advance Profit Payments in relation to the portion of the Sukuk outstanding from the Exercise Price.

**(v) Finance Service Reserve Account ("FSRA")** : The Issuer shall be required to open the Shariah compliant FSRA with Maybank Islamic and the FSRA shall be operated solely by the Facility Agent. The Issuer shall maintain the following minimum balance in the FSRA in the following manner:

(a) a minimum balance equivalent to the aggregate of the Periodic Payments due and payable under the Sukuk during the next six (6) months ("**Minimum FSRA Balance**"); and

(b) a minimum balance equivalent to the relevant Exercise Price of the relevant maturing Sukuk ("**Minimum Exercise Price Reserve**"), which amount shall be progressively built up by the Issuer but in any event no later than one (1) month prior to the respective Maturity Dates of the relevant Sukuk.

Notwithstanding the foregoing, the requirement to maintain the Minimum Exercise Price Reserve shall not be applicable in the event the Issuer has

| | | | |
|---|---|---|---|
| | | | informed the Facility Agent and the Trustee, at least thirty (30) days prior to the relevant Maturity Dates, that it intends to utilise the Sukuk Musharakah Programme to issue a new Sukuk for the redemption of such maturing Sukuk.<br><br>Funds standing to the credit of the FSRA may be utilised for making any Periodic Payment and when withdrawals from the FSRA result in a shortfall in the minimum FSRA Balance, the Issuer shall, within thirty (30) days from the date of such withdrawal is made, deposit and/or cause to be deposited into the FSRA such amount of monies necessary to maintain the then prevailing Minimum FSRA Balance. Failure to meet the Minimum FSRA Balance within thirty (30) days period as stipulated above will result in a Dissolution Event followed by obligations pursuant to the Purchase Undertaking.<br><br>Upon the declaration of a Dissolution Event, monies standing to the credit of the FSRA shall be distributed to the Sukukholders as the FSRA forms part of the Trust Assets. |
| **(vi)** | **Compensation for Late & Default Payments ("Ta'widh")** | : | In the event of any overdue payments of any amounts due under the Purchase Undertaking, the Obligor shall pay to the Trustee for the benefit of the Sukukholders compensation ("**Ta'widh**") on such overdue amounts at the rate and manner prescribed by the Shariah Advisory Council of the SC from time to time in accordance with the Shariah principles. |
| **(vii)** | **Open Market Acquisition and Cancellation** | : | The Issuer or any of its related corporations may at any time acquire the Sukuk at any price in the open market or by private treaty. The Sukuk so acquired by the Issuer must be surrendered for cancellation and shall not be reissued. Any Sukuk held by the Issuer or any of its related corporations shall not entitle them to participate in the voting of any Sukukholders' resolution nor form part of the quorum of any meeting. |
| **(viii)** | **Redemption** | : | Unless previously purchased and cancelled, the Sukuk shall be redeemed at their nominal amount on their respective Maturity Dates or upon declaration of a Dissolution Event, whichever is earlier. |
| **(ix)** | **Transaction Expenses** | : | All legal and professional fees, Shariah Adviser fees, the cost of due diligence exercises, stamp duties, taxes and any other out-of-pocket expenses incurred on the Sukuk shall be borne by the Issuer. |

**(x) Adverse Market** : The Joint Lead Arrangers/ investor(s) reserve the right to withdraw or terminate the arrangement/subscription of the Sukuk if there occurs any change in the international and domestic financial conditions, including but not limited to adversities in the domestic capital or syndicated loan markets, the Issuer's business activities and financial position which in the opinion of the Joint Lead Arrangers/ investor(s) will materially and adversely affect the offering and distribution of or dealings in the Sukuk in the secondary market and/or the successful completion of the Sukuk.

**(xi) Information Disclosure** : The Issuer hereby expressly agrees, confirms and consents that the Joint Lead Arrangers/ Facility Agent/ Sukukholders/ Trustee (collectively as the "**Transaction Parties**") are authorised by the Issuer to do the following without further notification or concurrence of the Issuer:-

(i) to disclose to the Central Credit Bureau, SC or such other authority by BNM and any other governmental authority having jurisdiction over the Transaction Parties any information relating to the Sukuk; and

(ii) to disclose information on the Issuer's business (including the Sukuk, its accounts and/or future accounts) to any person(s) within the group of companies of the Transaction Parties and that such person(s) within the same group of companies shall be entitled to make such disclosure to each other, to the Shariah Adviser and to any person which is a legal, accounting, auditing or other third party providing services to the Transaction Parties on a need-to-know basis and subject to their agreement and undertaking to be bound by the confidentiality provision herein.

**(xii) Changes in Circumstances** : If, as a result of any change in applicable law, regulation or regulatory requirement or in the interpretation or application thereof or if compliance by the Transaction Parties with the applicable direction, request or requirement (whether or not having the force of law) will impose on the Transaction Parties any condition, burden or obligation, and upon notice to the Issuer after becoming aware of such occurrence or within such reasonable period as may be permitted by law or the authorities:

| | | | |
|---|---|---|---|
| | | | (i) where the change, interpretation or application makes it unlawful for the Transaction Parties to make available the Sukuk, without breaching such law or regulation, the Transaction Parties shall terminate their obligations in respect of the Sukuk; and<br><br>(ii) where the change, interpretation or application causes the Transaction Parties to incur additional costs or be required to make further payments then the Issuer shall compensate the Transaction Parties for the additional cost incurred or payments made. |
| **(xiii)** | **Taxation** | : | All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law (in which event the Issuer shall be required to make such additional amount so that the payee would receive the full amount which the payee would have received if no such withholding or deductions were made). |
| **(xiv)** | **Governing Law** | : | Laws of Malaysia. |
| **(xv)** | **Currency** | : | Ringgit Malaysia ("**RM**"). |
| **(xvi)** | **Other Terms and Conditions** | : | The Sukuk shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and/or any other authority in Malaysia having jurisdiction over matters pertaining to the Sukuk and the Codes of Conduct. |
| **(xvii)** | **Status** | : | The Sukuk shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer ranking *pari-passu* without discrimination, preference or priority among themselves and will rank at least *pari-passu* with all other present and future unsecured and unsubordinated obligations (both actual and contingent) of the Issuer from time to time outstanding, save and except for (a) liabilities which benefit from liens or are subject to the rights of set-off arising in the normal course of trading and the aggregate amount of which is not material; and (b) obligations and priorities created by law. |

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

## 4. BACKGROUND INFORMATION ON THE ISSUER

### 4.1 Corporate Information and Principal Activities

The Issuer was incorporated on 24 January 1990 under the Companies Act under the name of Kelang Multi Terminal Sdn Bhd as a private limited company. The Issuer's registered office is at C4-6-8, Solaris Dutamas, No.1 Jalan Dutamas 1, 50480 Kuala Lumpur. The Issuer's principal activity is to develop and manage the port operations pursuant to the Privatisation Agreement entered into with the GOM, which has been renewed for another 30 years ending in year 2054. As at the date of this Information Memorandum, the Issuer does not have any subsidiary.

### 4.2 Share Capital

As at 28 February 2011, the authorized share capital of the Issuer is RM500,000,001.00 comprising of 500,000,000 ordinary shares at RM1.00 each and one (1) special share at RM1.00 whilst the total issued and paid-up capital of the Issuer is RM400,000,001.00 comprising 400,000,000 ordinary shares at RM1.00 each and one (1) special share at RM1.00.

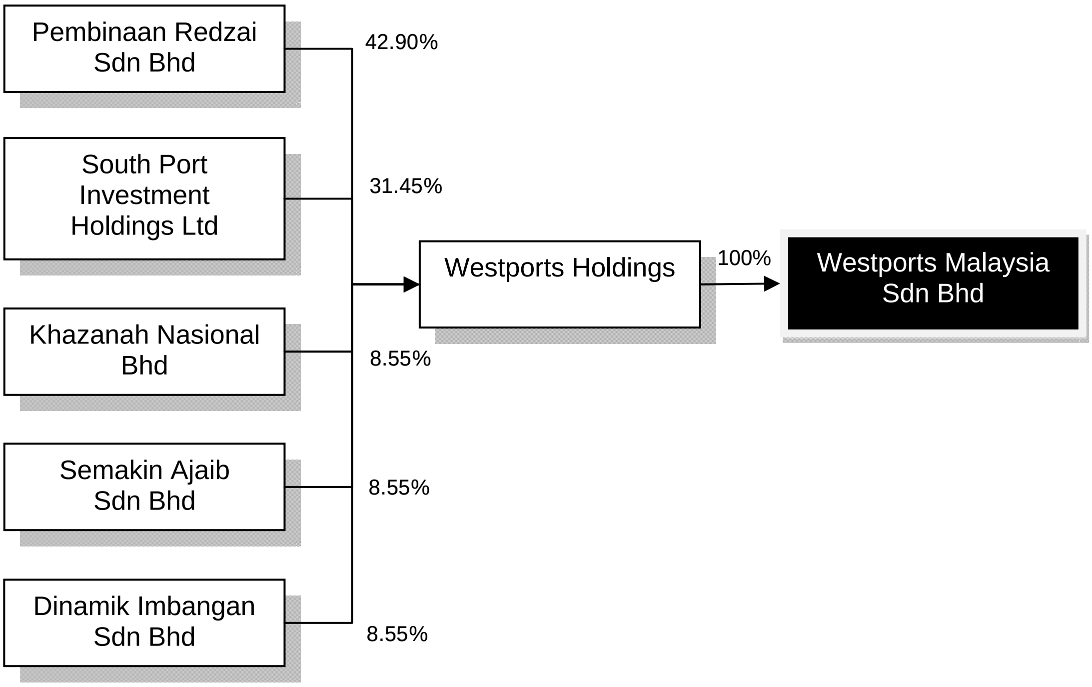
The one (1) special share is held by the GOM through the Ministry of Finance Incorporated, a body corporate incorporated under the Ministry of Finance (Incorporation) Act, 1957. The special share enables the GOM through the Ministry of Finance Incorporated to ensure certain major decisions affecting the operations of the Issuer are consistent with Government policies. The special shareholder or any person acting on its behalf shall be entitled to receive notice of and to attend and speak at all general meetings or any other meeting of any class of shareholders of the Issuer, but the special shareholder shall carry no right to vote or any other rights at any such meeting. The special shareholder shall be entitled to nominate one director to be on the board of directors of the Issuer.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

### 4.3 Corporate Structure and Profile of Shareholders

As at 28 February 2011, the Issuer is 100% owned by Westports Holdings Sdn Bhd (Company No. 262761 A) ("**Westports Holdings**") (except for one (1) special share held by the Ministry of Finance Incorporated) which in turn is majority owned by Pembinaan Redzai Sdn Bhd ("**PRSB**") and South Port Investment Holdings Ltd ("**SPIH**").

As at 28 February 2011, the corporate structure of Westports Holdings is as follows:




Pembinaan Redzai Sdn Bhd ("**PRSB**") owns 42.9% of Westports Holdings. The total issued and paid up capital of PRSB is RM5,000,000 comprising 5,000,000 ordinary shares at RM1.00 each. PRSB is a Malaysian privately owned company specializing in packaging, commissioning and operating infrastructure projects, such as the KL Sentral Terminal Project.

Hutchison Port Holdings Ltd ("**HPH**") owns 31.45% of Westports Holdings via SPIH. HPH is a subsidiary of the multinational conglomerate Hutchison Whampoa Limited and is the world's leading port investor, developer and operator with interests in a total of 308 berths in 51 ports, spanning 25 countries throughout Asia, the Middle East, Africa, Europe and the Americas.

Khazanah Nasional Bhd ("**KNB**") owns 8.55% of Westports Holdings. KNB is an investment holding arm of the GOM empowered to promote economic growth and make strategic investments on behalf of the Government.

Semakin Ajaib Sdn Bhd ("**SASB**") owns 8.55% of Westports Holdings. SASB is an investment holding company.

Dinamik Imbangan Sdn Bhd ("**DISB**") owns 8.55% of Westports Holdings. DISB is an investment holding company.

## 4.4 Profile of Board of Directors

The Board of Directors of the Issuer and their respective profiles as at 28 February 2011 are as follows:

**Tan Sri Datuk Gnanalingam A/L Gunanath Lingam**
Executive Chairman

**Tan Sri Datuk Gnanalingam A/L Gunanath Lingam**, aged 66, is the Executive Chairman and Director of the Issuer. His education background includes the Royal Military College, University of Malaya and Harvard Business School (Boston). He started his career in Malaysian Tobacco Company Berhad where he held the position of Marketing Director. Thereafter, he started his own company G-Team Consultants Sdn Bhd which secured the marketing agency rights for Radio Televisyen Malaysia ("**RTM**"). He is also the Director and shareholder of Pembinaan Redzai Sdn Bhd (a major shareholder of Westports Holdings) and a board member of the Klang Port of Authority.

**Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Nik Ahmad Kamil**
Director

**Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Nik Ahmad Kamil**, aged 68, is a Director of the Issuer. He is also a director of Palm Resort Berhad, Senai, Johor Octagon Berhad, and Camerlin Group Berhad. He was previously the Chairman of Southern Investment Bank Berhad until January 2005. He held various positions in the private sector including Managing Director of New Straits Times Press (M) Bhd; Head of Market Development for Malaysia and Brunei, Shell Malaysia Sdn Bhd, and Assistant Company Secretary of Associated Mines Sdn Bhd.

**Ahmayuddin Bin Ahmad**
Director

**Ahmayuddin Bin Ahmad,** aged 54, is a Director of the Issuer. He is also a Director of Pembinaan Redzai Sdn Bhd (a major corporate shareholder of Westports Holdings). His working experiences include several years in a multi-national company where he held positions in sales and marketing. He holds directorship in several other private companies including KL Sentral Sdn Bhd.

**Chan Chu Wei**
Director

**Chan Chu Wei,** aged 57, is a Director of the Issuer. She is an experienced and professionally qualified businesswoman. Her working experiences include being the Assistant Director of the Tourist Development Corporation; Personnel and Brands Manager with Malaysian Tobacco Company Berhad and General Manager of G-Team Consultants Sdn Bhd.

## John Edward Wenham Meredith
Director

**John Edward Wenham Meredith,** aged 72, is a Director of the Issuer. He is a Master Mariner and has spent 18 years at sea and was based in Port of London before joining Hutchison Whampoa Ltd as the Chief Executive of its container operations unit. He is currently the Group Managing Director of Hutchison Port Holdings Ltd which holds and manages the Hutchison Whampoa Group's port and related interests worldwide. He is also the Chairman and Chief Executive of Hong Kong International Terminals and holds senior positions in companies under the Hutchison umbrella.

## James Steed Tsien
Director

**James Steed Tsien,** aged 60, is a Director of the Issuer. He is also the Chief Financial Officer and the Executive Director of Hutchison Port Holdings Ltd and Managing Director of Hutchison Ports China Ltd., which holds and manages the group's investments in China. He has wide experience in banking and finance having held the position of Vice President and Director of Investment Management Services, Citibank, New York.

## Chai Yune Loong
Director

**Chai Yune Loong**, aged 47, is a Director of the Issuer. He is also the Managing Director of Hutchison Laemchabang Terminal Ltd which is a member of the Hutchison Port Holdings Group, of which he is Division Head, SEA.

## Ruben Emir Gnanalingam Bin Abdullah
Director

**Ruben Emir Gnanalingam Bin Abdullah** aged 35, is a Director of the Issuer. The eldest son of the Executive Chairman, he is a graduate of the London School of Economics. He is also a Director of Westports Holdings.

## Dato' Abdul Rahim Bin Abu Bakar
Director

**Dato' Abdul Rahim Bin Abu Bakar** aged 65, is a Director of the Issuer.

He is the nominee director for Khazanah Nasional Berhad. He held various positions in the private sector including Vice President of Petronas Petrochemical Business, Managing Director/Chief Executive Officer of Petronas Gas Berhad and Managing Director of MMC Engineering Group Berhad.

**Eshah Binti Meor Suleiman**
Director

**Eshah Binti Meor Suleiman** aged 56, is a Director of the Issuer. She is a nominee director for Ministry of Finance Inc. (representing the special shareholder of the Issuer) and currently holds office as Under Secretary of Investment, Ministry of Finance Inc. and Privatisation Division, Ministry of Finance.

## 4.5 Profiles of Senior Management

The Senior Management of the Issuer and their respective profiles as at 28 February 2011 are as follows:

**Tan Sri Datuk Gnanalingam A/L Gunanath Lingam**, aged 66, is the Executive Chairman and Director of the Issuer. His education background includes the Royal Military College, University of Malaya and Harvard Business School (Boston). He started his career in Malaysian Tobacco Company Berhad where he held the position of Marketing Director. Thereafter he started his own company G-Team Consultants Sdn Bhd which secured the marketing agency rights for Radio Televisyen Malaysia ("**RTM**"). He is also the Director and shareholder of Pembinaan Redzai Sdn Bhd (a major shareholder of Westports Holdings) and a board member of the PKA.

**Ruben Emir Gnanalingam Bin Abdullah**, aged 35, is the Chief Executive Officer of the Issuer. The eldest son of the Executive Chairman, he is a graduate of the London School of Economics. He is also a Director of Westports Holdings.

**Muhammad Abdullah Hatta Bin Bulat**, aged 41, is the Chief Financial Officer of the Issuer. He holds a Bachelor Degree of Accountancy (Hons) from University of Malaya. He started his career as an Audit Assistant in Ernst & Young Malaysia and later joined Golden Pharos Berhad as the Group Accountant. Later he pursued his career in Group Corporate Finance Department of DRB-HICOM Berhad before joining the Issuer in 2007.

**Ahmad Damanhury**, aged 43, is the Head of Section, Port Projects. He joined the Issuer in 1995 as a civil engineer in the Engineering Department. He has 14 years' experience in civil work and possesses a degree in Civil Engineering from Syracuse University, New York.

**Lee Hooi Huang**, aged 43, is the Head of Information Technology. She is a Computer Science graduate with more than 15 years of experience in Information & Technology (IT). She was previously with G-Team Consultants as a systems analyst before joining the Issuer. She has been at the Issuer for 10 years and head the IT Department overseeing the COSMOS system.

**Ramesh Sandrasinghi**, aged 41, is the Head of Technical Services. He graduated with a mechanical engineering degree from University Technology Malaysia in 1992 before attaining his MBA in general management from the University of Strathclyde in 1999. He joined the Issuer in 2004 and currently heads the Special Projects Team. He was previously attached to Affin Bank Berhad, Technocom Systems and Interstate Packages.

**Eddie Lee Mun Tat**, aged 39, is the Head of Marketing. He holds a degree in accounting from Edith Cowan University, Australia. He joined the Issuer in 2003 and currently helms the Marketing Department. His previous employment tenures were with All Best Furniture and Jutajaya Holdings Berhad.

**Manisegaran a/l Vadivel**, aged 49, is Head of Fire & Security (Port Police). He holds a masters degree from Victoria University of Technology, Australia. He is experienced in various facets including HR & Training and Safety and Security on his previous attachments with Ministry of Defence, where he held the rank of Major, and Solsis (M) Sdn Bhd.

**Joanne See Yoke Eng**, aged 33, is the Human Resources Manager. A graduate of Universiti Utara Malaysia, she joined the Issuer in 2001. Her previous working experience includes tenures with Diperdana Corporation Bhd, Unimarine Forwarding Sdn Bhd and Famous Freight Sdn Bhd.

**Nanthakumar Murokana**, aged 38, is Head of Container Operations. He holds a degree in business administration from University of Western Michigan, USA. He worked for Wal Mart as assistant manager prior to his return to Malaysia. He joined the Issuer in 1999 and worked on projects related to operations before assuming the present position.

### 4.6 Financial Highlights

The Issuer's financial highlights for the previous three (3) financial years are summarised below:

| Financial Year Ended 31 December | 2008 (Audited) RM'000 | 2009 (Audited) RM'000 | 2010 (Unaudited)* RM'000 |
|---|---|---|---|
| Revenue | 984,283 | 833,247 | 974,954 |
| Profit Before Tax | 372,340 | 297,084 | 385,198 |
| Profit After Tax | 321,204 | 265,030 | 299,190 |
| Paid-up Capital | 400,000 | 400,000 | 400,000 |
| Short Term Borrowings | 17,278 | 16,320 | 100,000 |
| Long Term Borrowings | 474,400 | 458,080 | 345,000 |
| Shareholders' Funds | 925,778 | 1,130,808 | 1,297,488 |
| Cash and Cash Equivalents | 151,470 | 185,043 | 373,748 |

**Based on management accounts for the financial year ended 31 December 2010*

Please refer to **Appendix 2** for more details on the Issuer's audited financial statements for the financial year ended 31 December 2009 and the management accounts for the financial year ended 31 December 2010.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

# 5. BUSINESS OVERVIEW

## 5.1 Business Overview of the Issuer

Westports is an integrated port strategically situated on 587 hectares fronting the Straits of Melaka, with terminal handling facilities for containers, dry bulk, liquid bulk and conventional cargo, at Malaysia's premier port of Port Klang. It has a high productivity level of an average 35 moves per hour and infrastructure which provides for 11 linear berths of natural deep water that extends to 3,400 metres and a terminal capacity of 7 million TEUs per annum. With state-of-the-art operating equipment which includes the Super Post-Panamax tandem-lift quay cranes that can extend to more than 60 metres, the Issuer handles a mix of container and conventional cargos. The Issuer has achieved tremendous growth in terms of TEUs handling, progressing from 3.7 million TEUs in 2006 to 5.55 million TEUs in 2010.

The capacity utilisation rate has increased to 80% in 2010 from 64% in 2009 and at this rate, Westports is facing congestion at its container terminals as the Issuer targets for all vessels to berth on arrival to minimise waiting time. Given that the Issuer expects to handle 6.0 million TEUs in 2011 and to accommodate higher containerised traffic, the Issuer is required to expand the capacity of its container terminals. The Issuer has a commitment to the GOM to build a 600 metres berth with 60 hectares of container yard ("**CT6**") which will increase the port's capacity to 8.0 million TEUs. The land reclamation works for CT6 has started and the full construction is expected to be completed in 2012. The CT6 expansion plan is further discussed in Section 5.7 of this Information Memorandum.

## 5.2 Major Customers

The Issuer has more than 20 regular customers with whom it has a good business relationship. The top 10 customers contributed more than 70% of the Issuer's total container revenue in 2010 and are summarized below:

| Top 10 Customers | Country of Origin | Container Revenue (%) |
|---|---|---|
| CMA CGM Group | France | 29.8 |
| China Shipping Limited | China | 9.9 |
| Gold Star Line Limited | Hong Kong | 6.7 |
| CSAV Norasia | Chile | 5.8 |
| United Arab Shipping Company | U.A.E | 4.7 |
| Yang Ming Line | Taiwan | 4.1 |
| Evergreen Marine Corp | Taiwan | 3.1 |
| OOCL | Hong Kong | 3.4 |
| Maersk | Denmark | 2.3 |
| Mediterranean Shipping Company | Switzerland | 2.3 |

The Issuer's aim is to tie up with its customers on longer term contracts by offering higher service efficiency such as faster turnaround time and computer based payment systems.

## 5.3 Port Operations

Westports is designed to accommodate sixth generation vessels of 8,000 TEUs and above with total handling capacity of 7.2 million TEUs per annum. The facilities available at the Issuer include:

- Container Terminal
- Dry Bulk Terminal
- Liquid Bulk Terminal
- Break Bulk Terminal
- Roll On Roll Off ("**RORO**") Terminal

### 5.3.1 Container Terminal

The container terminal, which commenced operations in May 1996, is equipped with, among others, 34 Super Post-Panamax quay cranes with 22-container wide outreach, two mobile harbour cranes, and 101 rubber tyre gantry cranes ("**RTGs**") as at 31 December 2010. The Issuer allocates about 60 acres (24.2 hectares) of container yard space to each 600-metre terminal for maximum flexibility in operations and logistics. The terminal has 24-hour Customs clearance facility with an electronic data interchange ("**EDI**") system. The Fastport standards established include a record 35 moves per hour ("**MPH**") per crane, 70-100 MPH on main line vessels and 50 MPH on feeder vessels.

The summary of container operations is as follows:

| Type | Remarks |
|---|---|
| Berth length | : 11 berths |
| | : 3,400 metres |
| | |
| | |
| Terminal capacity | : 280 acres |
| | : 7.2 million TEU capacity per annum |
| | : CT1 – 40 acres |
| | : CT2 – 60 acres |
| | : CT3 – 60 acres |
| | : CT4 – 60 acres |
| | : CT5 – 60 acres |
| | : CT6 – under construction |
| | |
| | |
| Equipments | : 34 Super Post Panamax Quay Cranes (21 twin lift) |
| | : 11 reach stackers |
| | : 14 empty stackers |
| | : 101 RTGs |
| | : 258 prime movers |
| | : 276 trailers |

| | |
|---|---|
| | : 1,236 reefer points |
| | : 25,825 total ground slots |
| | |
| Additional features | : 15 metre berth depth |
| | : Ability to accommodate 6th generation container vessels |
| | : Fastport standards |
| | - 35 MPH per crane |
| | - 100 MPH on main line vessel |
| | - 50 MPH on feeder vessels |

### 5.3.2 Dry Bulk Terminal

The dry bulk terminal, which handles goods such as grains, fertilizer and cement, comprises Dry Bulk Terminal 1, which is located at the Issuer's main terminal and Dry Bulk Terminal 2 which is located near the cement jetty of Westports. The main terminal is equipped with 2 gantry grab unloaders which can discharge up to 300 to 600 tonnes per hour per crane simultaneously. A 10,000-metre conveyor belt system connected directly to the clients' warehouses ensures a discharge rate of up to 2,000 tonnes per hour. The main terminal basically caters for edibles such as maize, soya bean and sugar.

The dry bulk terminal is equipped with two units of grab discharger (T-Rex), which are capable of discharging up to 150 to 200 tonnes per hour per crane and basically cater for non-edibles such as coal, gypsum and fertilizers.

### 5.3.3 Liquid Bulk Terminal

The liquid bulk terminal on 139 hectares is for handling petroleum and petrochemical products, and has the capacity to handle 90 different types of cargo. The four main jetties and four terminals have a total berth length of 1,365 metres.

The liquid bulk terminal also houses the country's first full-fledged bunkering facility with state-of-the-art loading arms, pipe racks and tanks which will ensure a discharge rate of up to 3,000 tonnes of oil per hour. The Issuer is the sole provider of bunkering services in Port Klang. Previously, most shippers went to the Port of Singapore Authority for bunkering services.

### 5.3.4 Break Bulk Cargo Terminal

The initial shipments of break bulk cargo through Westports commenced in November 1994. Such non-containerised general cargo includes iron, steel scrap, machinery, linerboard and wood pulp. The terminal now comprises of 5 berths with a 1,000-metre berth length.

### 5.3.5 RORO Terminal

The RORO terminal caters for import and export of vehicles such as cars, lorries and excavators which are not containerised. In 2008, the Issuer had dedicated one berth for RORO operations which led to a substantial increase in conventional volume. Currently, the Issuer has a total of 5 main open yards to cater for RORO operations which totals up to approximately 35 acres.

The number of vehicles handled at the Issuer's RORO terminal in 2009 and 2010 were 112.9 million and 154.6 million respectively.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

Aerial photos of the existing container and conventional terminals of the Issuer are shown below:

**Container Terminals, RORO and Break Bulk Terminal**

## Dry Bulk and Liquid Bulk Terminals

## 5.4 Information Technology Systems

The Issuer's information technology ("**IT**") systems complement its terminal facilities and infrastructure to facilitate a smooth flow of traffic and transactions. They adhere to Fastport standards. The terminal operating system, COSMOS, controls every aspect of port operation, from documentation and EDI to planning of gate, yard, vessel and resources, and subsequently real time assignments of equipment and manpower. To supplement COSMOS, Westports uses the e-terminal electronic portal which provides an interface with the entire port community. Westports also utilises the New Generation Conventional Cargo System (NGCCS) to cover the full automation of all non-containerised cargo activities, from wharf operation to billing. Its comprehensive EDI system also enables fast exchange of information between the Port Klang Authority and customers to facilitate paperless documentation for shipping agents, freight forwarders, hauliers and shippers.

Besides the e-terminal, the Issuer has implemented an e-bidding, e-procurement and e-billing in its business transactions. The excellent IT systems in the Issuer has been proven when it won the Gold Award as the most efficient e-terminal port chosen among 50 ports worldwide by the International Association of Ports & Harbors ("**IAPH**") in May 2007.

## 5.5 Feeder Services

Feeder services complement the transhipment services provided by the port as the feeder ships can pick up and send boxes to and from other ports. This is a value-added service for shipping lines calling at the Issuer. The port currently has 35 feeder operators which cover destinations such as India, Singapore, Thailand, Indonesia, Sri Lanka, Bangladesh, Vietnam and other ports in Malaysia. The frequency of the feeder services varies from once to twice a week, depending on the destinations.

## 5.6 Productivity

Currently, the Issuer has 63 main line services and 64 feeder services, with links to 350 ports around the world. It has set a target of 6.0 million TEUs in 2011. With the goal of becoming a transhipment mega hub, the Issuer aims to achieve competitiveness through operational efficiency by applying the Fastport concept whereby the Westports is committed to achieving "zero" waiting time for pilots and tugs, berths, gangs and equipment, customs clearance, hauliers and port exit. The Issuer has achieved several Fastport standards. It is recognised as a world-class port, averaging 35 MPH per crane. Its productivity exceeds the region's crane workers and has outdone the average industry standard of 25 MPH. The Issuer's operations team holds the world record of 734 MPH with a ten-crane deployment.

### 5.6.1 Turnaround Time

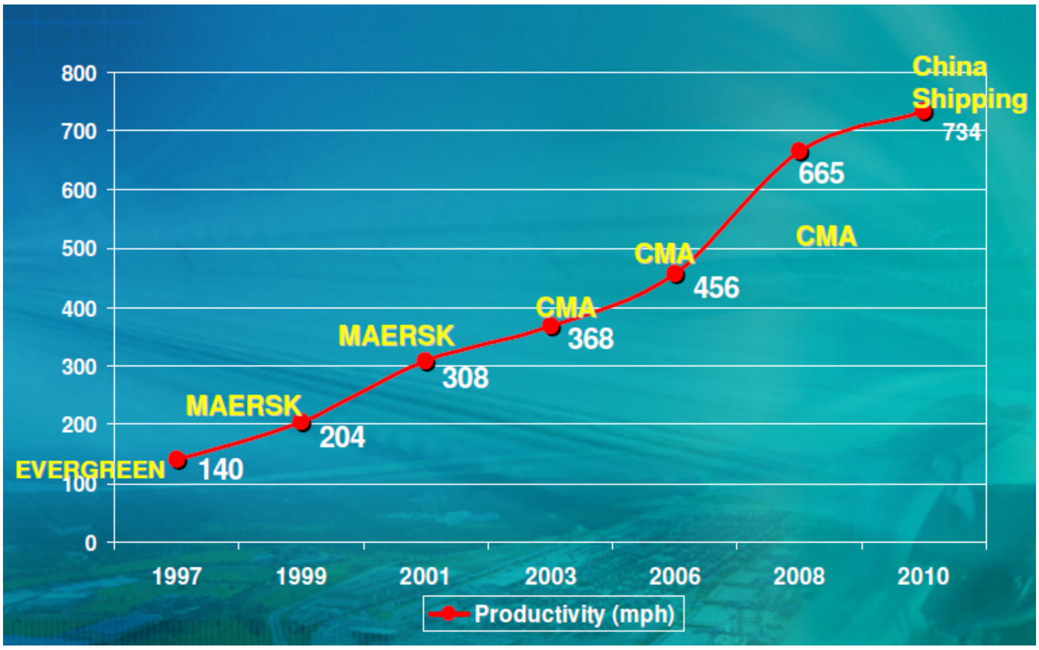
The Issuer's container gate system enables hauliers to enter and exit within 20 minutes. The Issuer has maintained a monthly average of 18 minutes since 2007.

### 5.6.2 Crane Productivity

The Issuer has set a target of 35 MPH per crane for each ship. The following are the Issuer's greatest achievements:

| Vessels | MPH | Crane Deployment |
|---|---|---|
| CSCL Pusan | 734 | 10 cranes |
| CMA CGM Orfeo | 665 | 9 cranes |
| CMA CGM Rossinni | 421 | 7 cranes |
| CMA CGM Puccini | 452 | 8 cranes |
| CMA CGM Bizet | 456 | 8 cranes |

An overview of the Issuer's past achievements on vessel productivity is as follows:




### 5.6.3 Tonnes per Hour

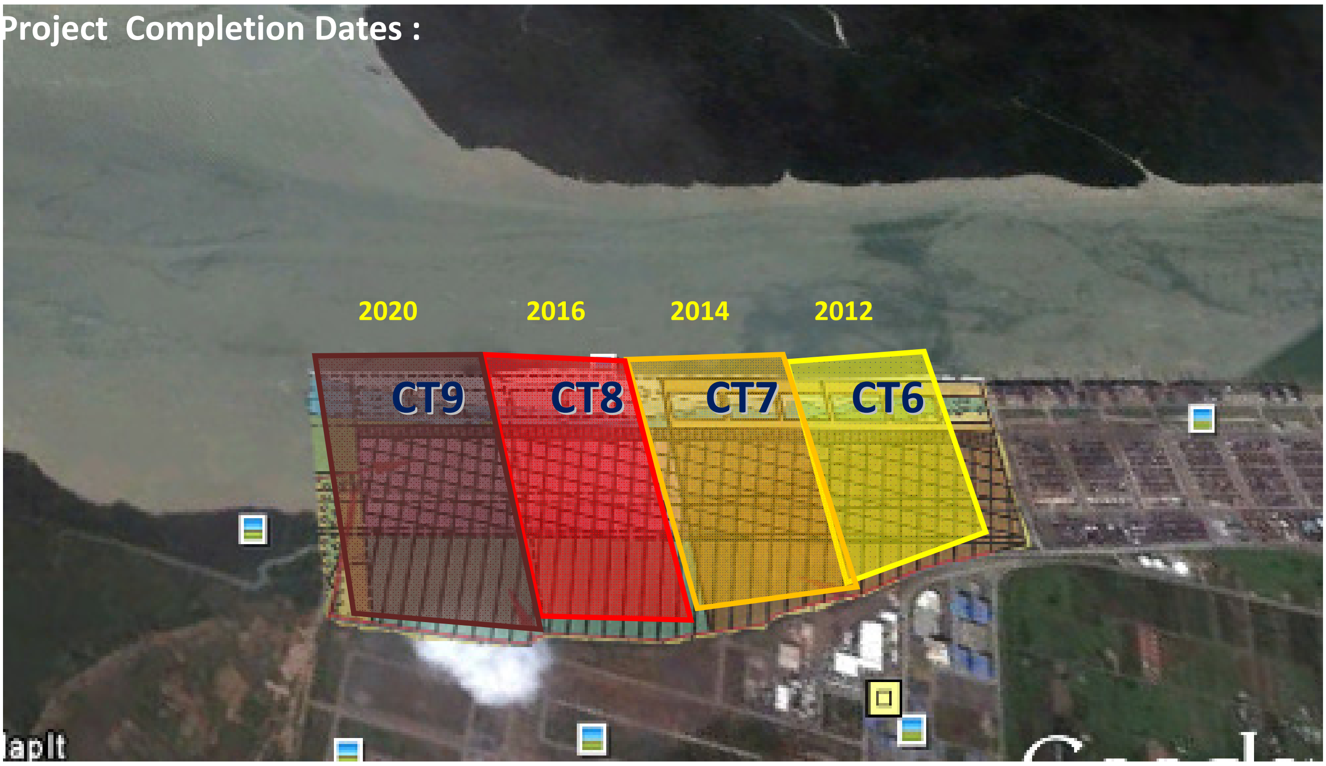
The Issuer, on average, has achieved the following Fastport standards for its conventional cargo business:

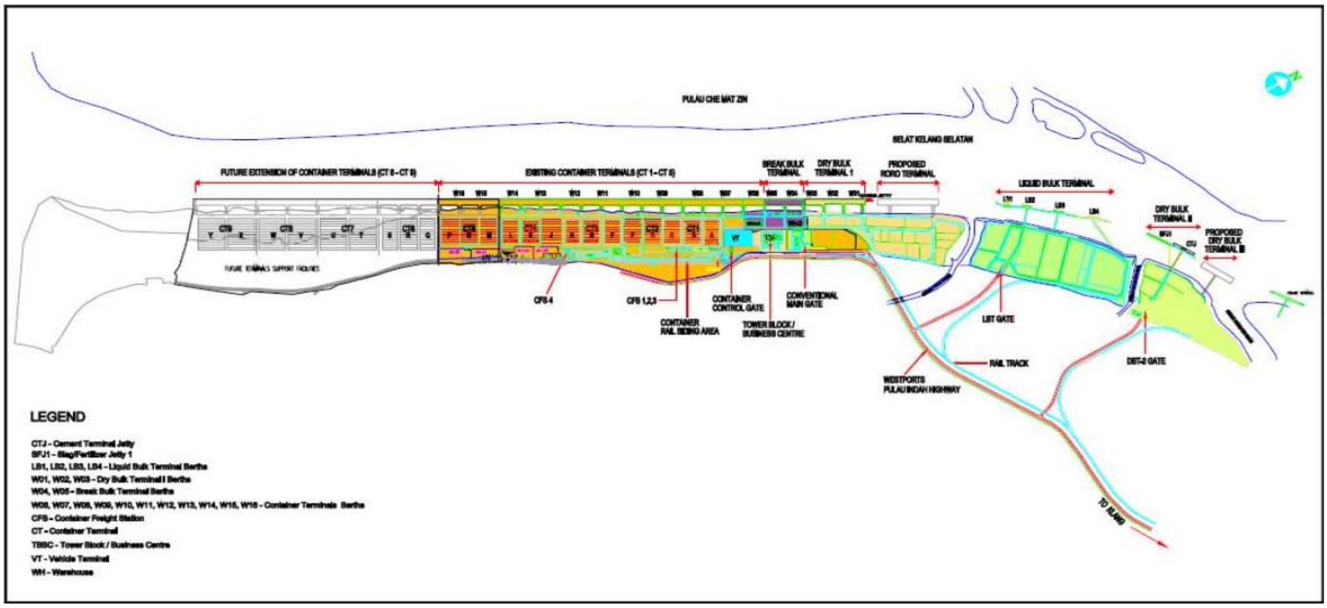
Break bulk : 350 metric tonnes per gang per hour
Dry bulk : 650 metric tonnes per hour
Liquid bulk : Between 500 and 1,000 metric tonnes per hour.
RORO : 120 units per hour.

## 5.7 Capacity Expansion Plan of the Issuer

The Issuer is currently expanding its capacity with the construction of a new container terminal, CT6. The first phase is expected to be completed in August 2011. Land reclamation works have started for CT6. The construction of CT6 is expected to cost at least RM550 million. The first phase, which will include a new 300-metre berthing facility, is projected to increase the port's capacity to 7.5 million TEU. The full construction of CT6 is to be completed by 2012, which will see a berth length of 600 metres with 60 hectares of container yard, increasing the port's capacity to 8.0 million TEU.

In addition, there will be additional 8 cranes, 5 RTGs, 96 prime movers and 43 trailers by the end of August 2011.



An aerial photo of the location of the Issuer's capacity expansion plan is shown below:

## 5.8 Westports' Competitive Position

Container cargo contributes approximately 80% of the Issuer's total revenue. In view of Malaysia's manufacturing-based economy, the Issuer's future investment will focus on improving growth in the containerised segment. In this respect, the port's overall container market share in Port Klang stood at 64 per cent while local volume made up 45 per cent share at the end of 2010. The Issuer grew its local volume from 1.2 million TEUs in 2009 to 1.5 million TEUs in 2010. A summary of the Issuer's historical throughput performance is as follows:

*Number of Vessel Calls at Westports*

| Type | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|
| Container | 6,652 | 5,753 | 6,152 | 6,026 | 5,607 | 4,645 |
| Conventional | 1,342 | 1,200 | 1,172 | 1,075 | 1,308 | 1,260 |
| **Total** | **7,994** | **6,953** | **7,324** | **7,101** | **6,915** | **5,905** |

*Container and Conventional Cargo Throughput at Westports*

| | 2010 | | 2009 | | 2008 | |
|---|---|---|---|---|---|---|
| Type | Change (%) | Unit | Change (%) | Unit | Change (%) | Unit |
| Container (TEU) | 25.0 | 5,566,603 | (10.0) | 4,453,152 | 15.2 | 4,966,969 |
| Conventional (MT) | 18.5 | 8,866,249 | 6.0 | 7,482,032 | (11.9) | 7,048,603 |

With 64% container market share in Port Klang, the following container league table provides an indication of the Issuer's market position vis-à-vis other major container ports in the world:

*Container terminal league table based on container throughput (million TEU)*

| Port Name | 2007 | Position | 2008 | Position | 2009 | Position | % change 2009/2008 |
|---|---|---|---|---|---|---|---|
| Singapore | 27.9 | 1 | 30.0 | 1 | 25.8 | 1 | (14.0) |
| Shanghai | 26.2 | 3 | 28.0 | 2 | 25.0 | 2 | (10.7) |
| Hong Kong | 23.9 | 2 | 24.5 | 3 | 20.9 | 3 | (14.7) |
| Port Klang | 7.1 | 16 | 8.0 | 15 | 7.3 | 14 | (8.8) |
| Tanjung Pelepas | 5.5 | 19 | 5.6 | 18 | 6.0 | 17 | 7.1 |

*(Source: MARC's Credit Analysis Report on Westports dated 31 January 2011)*

5 major shipping lines have also made the Issuer their transhipment hub and they are:

i) CMA CGM Group;
ii) China Shipping Limited;
iii) Gold Star Line Limited;
iv) CSAV Norasia; and
v) United Arab Shipping Company.

## 5.9 Infrastructure Support

The Westports has good inter-modal connectivity via links to the North-South Expressway, Puchong-Damansara Expressway, North-South Expressway Central Link, Shah Alam Expressway and South Klang Valley Expressway. Westports is linked by rail to Port Klang's South Port and to inland depots such as Nilai, Seremban and Segamat, Johor. In addition, a 4.4-km link from Northport to the Westports has reduced travel time between the two ports. Westports is also linked to Malayan Railway's rail network, with direct connections to Bangkok in the North and Singapore in the South.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

# 6. INVESTMENT CONSIDERATIONS

Each issue of the Sukuk will carry different risks and all prospective Investors of the Sukuk Musharakah Programme should consider carefully all information set out in this Information Memorandum and, in particular, the following risks involved. The Sukuk is subject to certain risks that could adversely affect the business of the Issuer. The following section does not purport to be complete or exhaustive. Prospective Investors should undertake their own investigations and analysis on the Issuer, its business and risks associated with the Sukuk Musharakah Programme.

The information contained in this Information Memorandum includes forward-looking statements, which implies risks and uncertainties. The Issuer's actual results could differ materially from those anticipated in these forward-looking statements and/or otherwise projected as a result of certain factors, including but not limited to those set forth in this section.

## 6.1 Considerations relating to the Issuer

### 6.1.1 Business Risks Inherent to the Port & Container Shipping Industry

As with other ports, the Issuer is also subject to risks inherent in the port industry and shipping industry which would include, inter alia, inflation, taxation, interest and exchange rates, labour constraints, changes in government policies and statutory regulations, local and global political and economic conditions. The Issuer, with an experienced management team, is ever mindful of the risks and is always seeking ways to avoid or limit the implication of such risks on the Issuer's operations.

### 6.1.2 Competition Risk

Westports faces threats from other ports in the West Coast of Peninsular Malaysia and Singapore and part of the competition includes the ability to meet the changing nature of global supply chain management and logistics network structure. If the Issuer fails to take measures to meet these expectations, this could have a material adverse effect on the Issuer's business.

The Issuer, however, has competitive advantages over its close rivals in Port Klang which advantages include a natural 15-metre deep draft that can accommodate the super post-panamax vessels and the fact that its container terminals can be expanded by an additional 2,400 metres (CT6 to CT9). In terms of global competitiveness, Westports has the edge due to its high productivity through which it has achieved several Fastport standards. The Issuer also has high quality IT support services (such as e-terminal, e-bidding, e-procurement and e-billing) to ensure that its operations run efficiently and at a lower cost. This is evident when Westports was selected as the winner of the Gold Award as the most efficient e-terminal port, chosen among 50 ports worldwide by the IAPH in May 2007.

With the growth of local volume dependent upon the country's economic growth, the Issuer has positioned itself to achieve double-digit growth by attracting transhipment volume as well on top of the local volume. The Issuer's strategies have been successful to-date, with CMA CGM Line and China Shipping, the 3rd and 6th largest shipping lines in the world, using Westports as their major transhipment hub in South-East Asia. This will ensure direct calls by the shipping lines for the major shipping routes, thus maintaining the attractiveness of Malaysian exports and connectivity to major ports of the world.

### 6.1.3 Foreign Exchange Risk

Although the Issuer's revenue is mainly denominated in RM presently, it may also be exposed to foreign exchange risk if it were to purchase certain equipment for the port developments, maintenance or operation which are priced in foreign currencies. However, in the event that the Issuer is exposed to such risks, it may adopt various hedging techniques to mitigate the effects of such risks. In addition, payment of the Sukuk is denominated in RM, hence further reducing the exposure to foreign exchange risk.

### 6.1.4 Dependence on Key Personnel

The Issuer relies on a few of its directors and members of its senior management team for its business direction and effective implementation of business strategies. The loss of these key personnel could adversely affect Westports' ability to operate its business which in turn, will affect its financial performance and prospects.

Nevertheless, the Issuer has formulated a succession plan to mitigate any adverse impact from any loss of any key directors and members of its senior management team, if required. In addition, efforts have also been made by the Issuer's senior management team to groom the younger members of the company to ensure a smooth transition into the management team. Various incentives have also been put in place to attract and retain experienced personnel. With this, the risks associated with over-reliance on key directors and members of its senior management team are greatly reduced.

### 6.1.5 Construction Risk

Parts of the proceeds raised from the Sukuk Musharakah Programme will be used to finance the construction activities of the Issuer. Construction activities at ports are of a specialised nature and the conditions for construction may be affected by weather, sea conditions, availability of specialised equipment, track record and expertise of the contractors and costs of materials, labour and equipment. If the Issuer is unable to complete its proposed construction activities, this may materially affect the business of the Issuer.

In addition, the management of the Issuer is of the view that it has set up sufficient control systems in place to closely monitor the progress of the construction works and the Issuer also works closely with the project personnel to avoid and/or mitigate any delay in completion of the construction works.

### 6.1.6 Cost Variation Overruns

Due to the special nature of construction in ports, there could be risk of cost variation to the proposed construction activities and this may materially affect the business of the Issuer.

### 6.1.7 Concession

Although under the GOM's privatisation programme implemented in 1994, the Issuer was issued a 30-year licence ("**Licence**") and granted a 30-year lease to develop and operate the Westports Project, Port Klang for 30 years commencing from July 1994 and the concession has been further extended for another 30 years ending in August 2054, there can be no assurance that PKA will not suspend and revoke the Licence and lease should the Issuer fail to comply with the terms and conditions set out in the Privatisation Agreement and Licence.

Notwithstanding the above, the Issuer will endeavour to comply with all the terms and conditions of the Privatisation Agreement and Licence imposed by PKA, so that it may continue with the port operations taking into consideration the substantial capital it has already invested in the Westports Project.

## 6.2 Considerations in relation to the Sukuk

### 6.2.1 The Issuer's ability to meet payment obligations under the Sukuk

Whilst the Sukuk Musharakah Programme provides for certain safeguards to ensure that the profits to the Sukuk will be available on certain dates, if the Issuer fails to make the profit payments as well as meeting its obligations under the Purchase Undertaking, the Sukuk may be affected resulting in a loss for the Sukukholders.

In terms of profit payments, payment risk is mitigated as an amount equivalent to one profit payment will be pre-funded into the FSRA upon issuance of each Sukuk which shall only be utilized should there be a shortfall of profit payment that is due and payable. Any amount withdrawn from the FSRA shall be replenished by the Issuer within thirty (30) days of such withdrawal.

In terms of the Issuer's obligation under the Purchase Undertaking, payment risk is fairly mitigated as the Issuer has given an undertaking that upon the Maturity Date of the Sukuk or in a Dissolution Event, the Issuer will purchase the Trust Assets under the Musharakah Venture from the Sukukholders at the Exercise Price.

The Sukuk shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer. The Sukuk will not be the obligations or responsibilities of any other person other than the Issuer and shall not be the obligations or responsibilities of, or guaranteed by any of the Joint Lead Arrangers, the Facility Agent, the Trustee or any subsidiary or affiliate thereof, and any other person involved or interested in the Sukuk. None of such persons will accept any liability to the Sukukholders in respect of any failure by the Issuer to pay any amount due under the Sukuk.

### 6.2.2 Rating of the Sukuk Musharakah Programme

It is a condition for the issuance of the Sukuk that the Sukuk Musharakah Programme be rated. The Sukuk Musharakah Programme is subject to annual rating reviews by MARC. The rating addresses the likelihood of full and timely payment of profit and principal to the Sukukholders. A rating is not a recommendation to purchase, hold or sell the Sukuk as such a rating does not comment on the market price or suitability for a particular investor. There is no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by an assigned rating agency in the future, if, in its judgment, circumstances in the future so warrant.

Further, such a rating is not a guarantee of payment or that there will be no default by the Issuer under the Sukuk. In the event that the rating initially assigned to the Sukuk is subsequently downgraded or withdrawn for any reason, there is no specific obligation on the part of the Issuer, Joint Lead Arrangers, the Trustee or any other person or entity to provide any form of credit enhancement with respect to the Sukuk.

### 6.2.3 Liquidity of The Sukuk

The Sukuk comprise a new issue of securities for which there is currently no established secondary market. There can, therefore, be no assurance that a secondary market will develop or, if a secondary market does develop, as to the liquidity of that market for the Sukuk or that it will continue for the entire tenor of the Sukuk Musharakah Programme. Furthermore, there can be no assurance as to the ability of investors to sell their securities or the prices at which investors would be able to sell their Sukuk.

### 6.2.4 Market value of the Sukuk may be subject to fluctuation

Trading prices of the Sukuk may be influenced by numerous factors, including the operating results and/or financial condition of the Issuer, political, economic and any other factors that can affect the capital markets. Any adverse economic developments could have an effect on the market value of the Sukuk.

Sukukholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Sukuk. An unexpected increase in inflation could reduce the actual return.

The Sukuk are fixed income securities and may therefore see their price fluctuate due to movements in interest rates. Generally, a rise in interest rates may cause a fall in securities prices. The Sukuk may be similarly affected resulting in a capital loss for Sukukholders. Conversely, when interest rates fall, prices of securities and the prices at which the Sukuk trade may rise. As a result thereof, Sukukholders may enjoy a capital gain.

## 6.3 General Considerations

### 6.3.1 Uncertainty of cash flow forecast and projections

The cash flow forecast and projections of the Issuer that are included in this Information Memorandum are based on the underlying assumptions made by the Issuer that are subject to uncertainties and contingencies. Due to the subjective judgements and inherent uncertainties of the forecast and projections and because events and circumstances surrounding the business operations of the Issuer frequently change, there can be no assurance that the cashflow forecast and projections contained herein will be realised and actual results may be materially different from those shown.

### 6.3.2 Political, Economic and Regulatory Considerations

The structure of the Sukuk Musharakah Programme and the issue of the Sukuk are based on Malaysian law, tax and administrative practices as at the date of this Information Memorandum. Adverse developments in the political, economic and regulatory conditions in Malaysia and any adverse change in government policies could materially affect the financial and operational condition or the overall profitability of the Issuer. No assurance can be given that Malaysia's law, administrative practices, economic, political and governmental policies will not change after the date hereof or that such changes will not adversely impact the structure of the transaction and the treatment of the Sukuk. Political and economic uncertainties, which may affect the Issuer, include the risk of war, expropriation, nationalisation, renegotiation, or nullification of existing contracts (including the Privatisation Agreement and the Licence), changes in rates of interest and methods of taxation.

### 6.3.3 Disclosure Regarding Forward Looking Statements

Certain statements, information, estimates and reports in this Information Memorandum are based on historical data, which may not be reflective of future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies. All forward-looking statements are based on estimates and assumptions made by the Board of the Issuer, and although the Board of the Issuer believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by the Issuer or its advisers or arrangers, and there can be no assurance that the plans and objectives of the Issuer will be achieved. A deterioration in the financial condition of the Issuer could adversely affect the market value of the Sukuk and the ability of the Issuer to make payments under the Sukuk when due, if at all.

# 7. INDUSTRY OVERVIEW

This section provides a general economy overview and a specific industry overview, which may directly and indirectly affect the business performance of the Issuer. The following paragraphs are extracted from the relevant sections of the various sources as disclosed herein. Neither the Issuer, any one of the Joint Lead Arrangers nor any other party has verified or will be held responsible for any information contained herein.

## 7.1 Overview of the Economic and Financial Developments in Malaysia in the Fourth Quarter of 2010

**The Malaysian economy registered a growth of 4.8% in the fourth quarter of 2010**

Higher private and public sector spending contributed to the expansion in domestic demand. The slower growth in the global economy, however, had led to weaker growth in external demand. On the supply side, all economic sectors, with the exception of the primary sectors, continued to expand further during the quarter. For the year as a whole, the Malaysian economy registered a growth of 7.2% (2009:-1.7%).

Domestic demand strengthened by 5.7% in the fourth quarter (3Q 10: 5%), due mostly to the strong expansion in private consumption and capital spending. Private consumption increased by 6.5% (3Q 10: 7.1%) supported by favourable labour market conditions, positive consumer confidence and higher income levels. Public consumption, on the other hand, declined by 0.3% (3Q 10: -10.2%), arising from lower expenditure on supplies and services. Gross fixed capital formation increased by 9.2% (3Q 10: 9.8%) driven by both public and private capital spending. Private sector capital spending was led by the expansion in the production of domestic-oriented industries amid high levels of capacity utilisation. Public sector capital investment rose as a result of higher development expenditure mainly in the education and transportation sectors.

On the supply side, all economic sectors, with the exception of the primary sectors, continued to expand further in the fourth quarter. Growth in the services sector was higher at 6.2% (3Q 10: 5.4%) with expansion in all sub-sectors, supported mainly by domestic economic activity. The construction sector also registered higher growth of 5.6% (3Q 10: 2.8%), reflecting expansion in the non-residential and civil engineering sub-sectors. The manufacturing sector expanded at a more moderate pace of 6.2% (3Q 10: 7.5%) mostly on account of the weaker external demand. The agriculture sector, however, registered a contraction of 4.3% (3Q 10: 2.7%) attributed to the decrease in palm oil output. The mining sector contracted further (-1.3%; 3Q 10: -1%) due to continued decline in production of crude oil.

The headline inflation rate, as measured by the change in the Consumer Price Index (CPI), increased by 2% on an annual basis in the fourth quarter (3Q 10: 1.9%). The increase in inflation was attributable mainly to higher price of food and non-alcoholic beverages which rose by 2.9% and transport (4Q 10: 2.5%, 3Q 10: 2.1%) reflecting the further removal of fuel subsidies by the GOM which resulted in an upward adjustment of 5 sen/litre for RON95 petrol and diesel prices.

In the external sector, the trade surplus widened to RM25.5 billion in the fourth quarter (3Q 10: RM22.3 billion). Both gross exports and imports increased at a more moderate pace of 3.7% and 10.1% respectively (3Q 10: 10.4% and 16.5% respectively), in line with the moderation of the global economy. The slower growth in exports was due mainly to the lower exports of manufactured products, reflecting the softening global demand for electronics. The moderation in gross imports reflected mainly lower intermediate imports while imports of capital and consumption goods were sustained amidst strengthening domestic demand.

**Recovery to remain uneven across different regions**

Going forward, the global economic recovery is expected to remain uneven across the different regions. While short-term prospects for the advanced economies have improved recently, uncertainties remain over weak fiscal positions, high unemployment and constrained lending conditions. In contrast, the growth outlook for Asia remains favourable, supported by robust domestic demand. The regional economies are, however, confronted with the challenges of rising inflationary pressures, particularly from high commodity and fuel prices, and the large and volatile capital flows.

The pace of growth of the Malaysian economy will be affected by the environment of moderating external demand. Growth will, nevertheless, be supported by continued firm expansion in domestic demand. Private consumption spending will continue to benefit from the favourable labour market conditions, firm commodity prices and access to financing. The roll-out of construction and infrastructure activities and the implementation of the economic transformation programme by the Government are likely to provide significant support to the growth momentum in private investment.

*(Source: Bank Negara Malaysia Quarterly Report for Fourth Quarter 2010)*

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

## 7.2 Overview and Outlook of the Port & Container Shipping Industry

Currently there are 7 major federal ports in Malaysia, namely Port Klang, Port of Tanjung Pelepas, Penang Port, Johor Port, Bintulu Port, Kuantan Port and Kota Kinabalu port. One of the policies driven by the GOM was port and infrastructure privatisations, which has driven towards adding more capacity, productivity, efficiency and competition (lower tariffs). All the major ports in the country have been privatized.

Of the main federal ports in Malaysia, the most important are Port Klang, Port Tanjung Pelepas and Penang Port as these ports are situated in the major trade lane i.e. Malacca straits and have the potential for becoming international transhipment hubs.

<u>Malaysia: Container Throughput by Ports in '000 TEUs</u>

| Port | Jan – Oct 2010* | 2009** | 2008** |
|---|---|---|---|
| Port Klang | 7,426 | 7,310 | 7,974 |
| Port Tanjung Pelepas | 5,384 | 6,000 | 5,600 |
| Penang Port | 925 | 958 | 930 |
| Johor Port | 734 | 845 | 934 |
| Others | 837 | 730 | 592 |
| **Total** | **15,306** | **15,843** | **16,030** |

*Source: *ASEAN Ports Association Malaysia, Website*
***Containerisation International Yearbook 2011*

### 7.2.1 Economic Prospects and Performance – Sectoral Performance

**Services Sector**

The transport and storage sub-sector rebounded strongly by 8.7% (January – June 2009: -5.2%), attributed to improving economic conditions, resulting in higher travel and trade-related activities. The brisk performance was also supported by increasing freight rates and capacity expansion, due to rising demand for sea, air and land transport. In consonance with improved domestic and global trade, the sub-sector is envisaged to register impressive growth of 7.0% in 2010 (2009: -2.8%).

In the first seven months of 2010, container handling at major ports, namely Port Klang, Tanjung Pelepas (PTP), Penang, Kuantan, Johor, Bintulu and Kuching, surged 19.6% to 10.3 million twenty-foot equivalent units (TEUs) (January – July 2009: -7.6%; 8.6 million TEUs). Growth was driven by robust international trade, particularly in the Asian region as well as continuous improvements in port efficiency and productivity. In 2010, total container throughput is estimated to grow 11.7% to 17.5 million TEUs (2009: -2.2%; 15.7 million TEUs), on account of expanding global trade and domestic economic activities.

As the top two container ports in the country, Port Klang and PTP continued to be listed among the world's top 20 container ports. According to Containerisation International (CI), Port Klang and PTP improved their ranking to 14$^{th}$ and 17$^{th}$ position (2008: 15$^{th}$; 18$^{th}$), respectively in terms of total TEUs handled in 2009. During the first seven months of 2010, Port Klang handled 5.1 million TEUs, accounting for 49.7% of total throughput (January – July 2009: 4.0 million TEUs; 46.3%), while PTP handled 3.7 million TEUs and contributed 36.1% to total container throughput (January – July 2009: 3.3 million TEUs; 38.7%).

Similarly, the number of ship calls at major ports increased 5.8% to 27,573 (January – July 2009: -2.7%; 26,050 ships), with Port Klang accounting for 37.1% of total ship calls (January – July 2009: 34.8%). The better performance was attributed to various initiatives undertaken to attract more main line operators to domestic ports. These included enhancing connectivity through strategic partnerships with shipping lines as well as provision of modern port equipment and efficient services to ensure faster vessel turnaround time. In addition, improved international trade led to major shipping lines, including Maersk Line to redeploy their vessels to cater for the rising volume of containers. To further enhance capacity and competitiveness of domestic ports, the Government is committed to upgrading port infrastructure, including dredging port channels to cater for larger vessels under the Tenth Malaysia Plan (10MP).

*(Source: Ministry of Finance Malaysia Economic Report 2010/2011, Chapter 3)*

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

## 8. OTHER MATERIAL INFORMATION

### 8.1 Material Contracts

Save as disclosed below, the Board has confirmed that there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Issuer within the past two (2) years preceding the date falling on 15 December 2010:

(i) The Letter of Award dated 30 September 2010 between the Issuer and Putra Perdana Construction Sdn Bhd in respect of the construction and completion of yard (zone Q) and related works at the CT No. 6 at the Westports.

(ii) The Letter of Award dated 29 September 2010 between the Issuer and Inai Kiara Sdn Bhd in respect of the construction and completion of land reclamation works at the CT No. 6, the CT No. 7, the CT No. 8 and the CT No. 9 at the Westports.

(iii) The Letter of Award dated 20 September 2010 between the Issuer and Putra Perdana Construction Sdn Bhd in respect of the construction and completion of the first 300 meters of the CT No. 6 Wharf (B17) and the access bridge located at the Westports.

(iv) The Settlement Agreement dated 20 July 2010 between PKA, the Issuer, Exxonmobil Malaysia Sdn Bhd ("**EMMSB**") and Shell Malaysia Trading Sdn Bhd in respect of the settlement arrangement in relation to the disputes and differences which have arisen between EMMSB, PKA and the Issuer on EMMSB's interest on a lease of a portion of a piece of land which belong to PKA for a term 21 years.

(v) The Second Supplemental dated 15 January 2010 to the Privatisation Agreement between GOM, PKA and the Issuer in respect of the extension of the concession for the operations of the Westports for a further 30 years' period.

### 8.2 Material Litigation

As at 28 February 2011, the Issuer is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the Issuer's financial position or business. The Issuer is not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially affect its financial position or business.

### 8.3 Potential Conflict of Interest Situations

The following advisors, in their respective capacities, have confirmed that there is, to their best knowledge, no conflict of interest arising from the roles assumed in relation to the Sukuk Musharakah Programme:

**Maybank IB**

Maybank IB, Etiqa Takaful Berhad ("**Etiqa Takaful**") and Etiqa Insurance Berhad ("**Etiqa Insurance**") are wholly owned subsidiaries of Malayan Banking Berhad ("**Maybank**"). There may be a potential conflict of interest in Maybank IB acting as one of the Joint Principal Advisers/Joint Lead Arrangers/Joint Lead Managers for the Sukuk Musharakah Programme, and Etiqa Takaful, Etiqa Insurance and Maybank ("**Maybank Group**"), in the ordinary course of their business, are the sukukholders of the Existing Sukuk Programme. Part of the proceeds raised from the Sukuk Musharakah Programme may be utilised by the Issuer to refinance the Existing Sukuk Programme. As at 28 February 2011, Maybank Group holds approximately 17.9% of the total outstanding amount of medium term notes issued by the Issuer under the Existing Sukuk Programme.

However, the potential conflict of interest is mitigated by the fact that Maybank IB is an active arranger and manager in the debt market of Malaysia and therefore Maybank IB will at all time discharge their duties to potential investors responsibly. Further, the potential conflict of interest situations has been mitigated by the appointment of the following external advisers/parties for the Sukuk Musharakah Programme:

(a) AmInvestment Bank as the Joint Principal Advisers/Joint Lead Arrangers/Joint Lead Managers;

(b) Messrs Wong & Partners, a firm of solicitors, has been appointed as the legal counsel to conduct the legal due diligence exercise and to prepare the legal documentations;

(c) Messrs KPMG has been appointed as the reporting accountant to conduct the financial due diligence; and

(d) AmTrustee Berhad has been appointed as the trustee.

The Board of Directors of the Issuer is fully informed and aware of the potential conflict of interest situation above and is agreeable to proceed with the present arrangement. A certified true copy of the Board of Directors' Resolutions of the Issuer has been disclosed to the SC.

**AmInvestment Bank and AmTrustee Berhad**

AmInvestment Bank has been appointed as the Joint Principal Advisers/Joint Lead Arrangers/Joint Lead Managers while AmTrustee Berhad (Company No. 163032-V) ("**AmTrustee**") has been appointed as the trustee for the Sukuk Musharakah

Programme. AmInvestment Bank holds twenty percent (20%) in AmTrustee's issued and paid up share capital.

Potential conflicts of interest (if any) arising from the relationship between AmInvestment Bank and AmTrustee will be mitigated by binding agreements to be entered into by them governing their respective roles and setting out their respective rights, duties and responsibilities. Such agreements will also contain terms and conditions to protect the interests of potential investors of the Sukuk, and where applicable, will comply with all relevant regulatory requirements.

In addition, AmInvestment Bank is a licensed investment bank regulated by BNM and the SC and governed under, inter alia, the Banking and Financial Institutions Act, 1989 and the CMSA.

Both AmInvestment Bank and AmTrustee are governed by their respective internal controls (which include Chinese Walls erected between the two entities) and requisite checks and balances procedures. Their employees are competent and skilled to carry out the functions required of the roles they have undertaken and/or will undertake in relation to the Sukuk Musharakah Programme.

In addition, AmTrustee will provide its services on arm's length basis and upon the standard market terms and conditions. In addition, AmTrustee has, pursuant to the Guidelines in Allowing a Person to be Appointed or Act as a Trustee under Section 260(2) of the CMSA (the "**Guidelines**"), issued a declaration that it has fully complied with the Guidelines and will continue to comply with its requirements while acting as the trustee for the Sukuk Musharakah Programme. A copy of this declaration (in form and substance as prescribed by the Guidelines) dated 15 March 2011 has been submitted to the SC.

**Messrs Wong & Partners**

After making enquiries as were reasonable in the circumstances, Messrs Wong & Partners is not aware of any circumstances that would give rise to conflict of interest situations in relation to the Sukuk Musharakah Programme.

**Messrs KPMG**

After making enquiries as were reasonable in the circumstances, Messrs KPMG is not aware of any circumstances that would give rise to conflict of interest situations in relation to the Sukuk Musharakah Programme.

# APPENDIX 1

Cash Flow Forecast and Projections for the Financial Years Ending 31 December 2011 to 31 December 2030

**Westports Malaysia Sdn Bhd**

Cash flow forecast and projections for the financial years ending 31 December 2011 to 31 December 2030

| | Forecast | Projections | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
| | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 |
| **Cash Flows From Operating Activities** | | | | | | | | | | |
| Receipts from customers | 970,935 | 1,045,838 | 1,135,507 | 1,222,601 | 1,313,493 | 1,434,799 | 1,533,608 | 1,688,602 | 1,809,786 | 1,941,059 |
| Payment for operating costs | (557,292) | (505,492) | (536,479) | (573,959) | (611,077) | (649,510) | (685,264) | (724,914) | (788,907) | (844,638) |
| Income tax paid | (39,876) | (20,371) | (23,433) | (32,404) | (24,326) | (32,097) | (109,251) | (181,990) | (97,183) | (116,598) |
| Net cash from operating activities | 373,767 | 519,975 | 575,595 | 616,238 | 678,090 | 753,192 | 739,093 | 781,698 | 923,696 | 979,823 |
| **Cash Flows (For) / From Investing Activities** | | | | | | | | | | |
| Capital expenditure | (548,238) | (565,972) | (387,082) | (515,326) | (565,288) | (398,612) | (21,725) | (22,811) | (550,281) | (543,763) |
| Proceed from sales of assets | 3,200 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Payment of dredging expenditure | (5,333) | 0 | (6,297) | (7,020) | 0 | (7,305) | (7,600) | 0 | (7,987) | (8,310) |
| Repayment of Contractor Financing | (31,995) | (13,030) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest received | 14,005 | 4,566 | 4,413 | 4,394 | 4,350 | 4,533 | 5,061 | 5,332 | 4,647 | 3,812 |
| Net cash for investing activities | (568,361) | (574,436) | (388,966) | (517,952) | (560,938) | (401,384) | (24,264) | (17,479) | (553,621) | (548,261) |
| **Cash Flows (For) / From Financing Activities** | | | | | | | | | | |
| Proceeds from New Sukuk Issue | 510,000 | 530,000 | 260,000 | 250,000 | 250,000 | 200,000 | 0 | 0 | 0 | 0 |
| Proceeds from Government Grant | 225,000 | 93,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayment of New Sukuk Issue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (200,000) | (200,000) | (260,000) |
| Repayment of Existing Sukuk | (100,000) | (100,000) | (245,000) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase) / Decrease in FSRA/PSRA* | (13,645) | (15,418) | 3,454 | (8,088) | (8,713) | (7,413) | 0 | 5,263 | 5,663 | 7,763 |
| Finance costs paid | (33,300) | (56,827) | (71,932) | (82,863) | (99,663) | (115,788) | (123,200) | (117,938) | (107,013) | (93,588) |
| Dividend paid | (166,954) | (194,324) | (206,707) | (266,016) | (280,069) | (340,625) | (337,957) | (321,855) | (397,804) | (485,893) |
| Net cash from/(for) financing activities | 421,101 | 256,431 | (260,185) | (106,967) | (138,445) | (263,826) | (461,157) | (634,530) | (699,154) | (831,718) |
| Net Increase/(Decrease) in Cash at Bank | 226,507 | 201,970 | (73,556) | (8,681) | (21,293) | 87,982 | 253,672 | 129,689 | (329,079) | (400,156) |
| Cash at Bank at the Beginning of the Financial Year | 83,072 | 309,579 | 511,549 | 437,993 | 429,312 | 408,019 | 496,001 | 749,673 | 879,362 | 550,283 |
| Cash at Bank at the End of the Financial Year | 309,579 | 511,549 | 437,993 | 429,312 | 408,019 | 496,001 | 749,673 | 879,362 | 550.283 | 150,127 |
| Fixed Deposit at the End of the Financial Year | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 |

* Finance Service Reserve Account / Profit Service Reserve Account

**Westports Malaysia Sdn Bhd**

Cash flow forecast and projections for the financial years ending 31 December 2011 to 31 December 2030 (Continued)

| | Projections | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **FY 2021** | **FY 2022** | **FY 2023** | **FY 2024** | **FY 2025** | **FY 2026** | **FY 2027** | **FY 2028** | **FY 2029** | **FY 2030** |
| | **RM '000** | **RM '000** | **RM '000** | **RM '000** | **RM '000** | **RM '000** | **RM '000** | **RM '000** | **RM '000** | **RM '000** |
| **Cash Flows From Operating Activities** | | | | | | | | | | |
| Receipts from customers | 2,144,084 | 2,298,585 | 2,454,259 | 2,587,951 | 2,616,390 | 2,633,833 | 2,740,517 | 2,779,272 | 2,789,449 | 2,894,229 |
| Payment for operating costs | (896,229) | (949,786) | (1,003,194) | (1,048,171) | (1,083,009) | (1,117,205) | (1,156,028) | (1,197,249) | (1,235,074) | (1,278,760) |
| Income tax paid | (258,308) | (285,703) | (326,620) | (361,849) | (358,597) | (355,485) | (377,386) | (372,078) | (364,374) | (387,982) |
| Net cash from operating activities | 989,547 | 1,063,096 | 1,124,445 | 1,177,931 | 1,174,784 | 1,161,143 | 1,207,103 | 1,209,945 | 1,190,001 | 1,227,487 |
| **Cash Flows (For) / From Investing Activities** | | | | | | | | | | |
| Capital expenditure | (26,407) | (27,727) | (29,113) | (30,569) | (32,097) | (33,702) | (35,387) | (37,157) | (39,015) | (40,965) |
| Proceed from sales of assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Payment of dredging expenditure | 0 | (8,617) | (8,847) | 0 | (9,144) | (9,389) | 0 | (9,704) | (9,964) | 0 |
| Repayment of Contractor Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest received | 3,961 | 4,205 | 4,566 | 4,911 | 5,296 | 6,077 | 6,976 | 7,757 | 8,517 | 9,406 |
| Net cash (for) / from investing activities | (22,446) | (32,139) | (33,394) | (25,658) | (35,945) | (37,014) | (28,411) | (39,104) | (40,462) | (31,559) |
| **Cash Flows (For) / From Financing Activities** | | | | | | | | | | |
| Proceeds from New Sukuk Issue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from Government Grant | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayment of New Sukuk Issue | (300,000) | (300,000) | (260,000) | (280,000) | (200,000) | 0 | 0 | 0 | 0 | 0 |
| Repayment of Existing Sukuk | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase) / Decrease in FSRA/PSRA* | 9,413 | 9,588 | 8,470 | 8,940 | 5,940 | 0 | 0 | 0 | 0 | 0 |
| Finance cost paid | (76,413) | (57,413) | (39,355) | (21,945) | (7,065) | (1,125) | (1,125) | (1,125) | (1,125) | (1,125) |
| Dividend paid | (529,091) | (566,214) | (626,324) | (693,858) | (752,437) | (748,756) | (745,568) | (795,042) | (784,372) | (767,345) |
| Net cash (for) / from financing activities | (896,091) | (914,039) | (917,209) | (986,863) | (953,562) | (749,881) | (746,693) | (796,167) | (785,497) | (768,470) |
| Net Increase in Cash at Bank | 71,010 | 116,918 | 173,842 | 165,410 | 185,277 | 374,248 | 431,999 | 374,674 | 364,042 | 427,458 |
| Cash at Bank at the Beginning of the Financial Year | 150,127 | 221,137 | 338,055 | 511,897 | 677,307 | 862,584 | 1,236,832 | 1,668,831 | 2,043,505 | 2,407,547 |
| Cash at Bank at the End of the Financial Year | 221,137 | 338,055 | 511,897 | 677,307 | 862,584 | 1,236,832 | 1,668,831 | 2,043,505 | 2,407,547 | 2,835,005 |
| Fixed Deposit at the End of the Financial Year | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 |

* Finance Service Reserve Account / Profit Service Reserve Account

# APPENDIX 2

Audited Financial Statements of Westports Malaysia Sdn Bhd for the financial year ended 31 December 2009, and the Management Accounts for the financial year ended 31 December 2010

# Westports Malaysia Sdn. Bhd.

(Company No. 192725-V)
(Incorporated in Malaysia)

# Financial statements for the year ended 31 December 2009

# Westports Malaysia Sdn. Bhd.

(Company No. 192725-V)
(Incorporated in Malaysia)

# Directors' report for the year ended 31 December 2009

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2009.

## Principal activities

The Company is principally involved in the development and management of port operations. There has been no significant change in the nature of this activity during the financial year.

## Results

| | RM |
|---|---|
| Net profit for the year | 265,030,402 |

## Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review.

## Dividends

Since the end of the previous financial year, the Company paid a special dividend of 42 sen per share less tax at 25% totalling RM63,000,000 in respect of the year ended 31 December 2008 in two instalments on 30 June 2009 (50%) and 28 August 2009 (50%).

In addition, a final dividend of 40 sen per share less tax at 25% totalling RM60,000,000 in respect of the year ended 31 December 2008 was declared and paid on 25 November 2009.

The final dividend recommended by the Directors on 26 November 2009 in respect of the year ended 31 December 2009 is 35.53 sen per share less tax at 25% totalling RM106,590,000.

## Directors of the Company

Directors who served since the date of the last report are:

Tan Sri Dato' Nik Ibrahim Kamil bin Tan Sri Nik Ahmad Kamil
John Edward Wenham Meredith
James Steed Tsien
Chan Chu Wei
Chai Yune Loong
Dato' Abdul Rahim bin Abu Bakar
Ruben Emir Gnanalingam bin Abdullah
Ahmayuddin bin Ahmad
Tan Sri Gnanalingam A/L Gunanath Lingam
Eshah binti Meor Suleiman (appointed on 16.07.2009)
Fauziah binti Yaacob (resigned on 19.03.2009)
Anis Rizana binti Mohd Zainudin @ Mohd Zainuddin (appointed on 19.03.2009; resigned on 27.04.2009)

## Directors' interests

As the Company is a wholly owned subsidiary of another corporation, the interests in the shares of the Company and its related corporations of Tan Sri Gnanalingam A/L Gunanath Lingam and Ahmayuddin bin Ahmad who are also Directors of the holding corporation, are shown in the Director's Report of the holding corporation.

None of the other Directors holding office at 31 December 2009 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than management fees payable to a corporate shareholder in which certain Directors have substantial financial interest as disclosed in the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in and debentures of the Company or any other body corporate.

## Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company and there were no debentures issued during the financial year.

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

## Other statutory information

Before the balance sheet and income statement of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts; and

ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Company inadequate to any substantial extent; or

ii) that would render the value attributed to the current assets in the Company financial statements misleading; or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

..........................................................................................

**Ruben Emir Gnanalingam bin Abdullah**

..........................................................................................

**Ahmayuddin bin Ahmad**

Kuala Lumpur,

Date: 11 March 2010

# Westports Malaysia Sdn. Bhd.

(Company No. 192725-V)
(Incorporated in Malaysia)

## Balance sheet at as 31 December 2009

| | Note | 2009 RM | 2008 RM |
|---|---|---|---|
| **Property, plant and equipment** | 2 | 1,634,108,770 | 1,598,084,421 |
| **Current assets** | | | |
| Inventories | | 7,909,594 | 7,896,618 |
| Trade and other receivables | 3 | 207,235,430 | 187,673,630 |
| Cash and cash equivalents | 4 | 185,043,176 | 151,470,149 |
| Tax recoverable | | 244,539 | - |
| | | 400,432,739 | 347,040,397 |
| **Current liabilities** | | | |
| Trade and other payables | 5 | 269,611,426 | 383,156,512 |
| Borrowings | 6 | 16,320,419 | 17,277,671 |
| Provision for retirement benefits | 7 | 3,484,512 | 3,541,728 |
| Taxation | | - | 570,009 |
| | | 289,416,357 | 404,545,920 |
| **Net current assets/(liabilities)** | | 111,016,382 | (57,505,523) |
| | | 1,745,125,152 | 1,540,578,898 |
| **Financed by:** | | | |
| **Capital and reserves** | | | |
| Share capital | 8 | 400,000,001 | 400,000,001 |
| Retained profits | 9 | 730,808,165 | 525,777,763 |
| **Shareholders' funds** | | 1,130,808,166 | 925,777,764 |
| **Long term and deferred liabilities** | | | |
| Borrowings | 6 | 458,080,000 | 474,400,419 |
| Deferred tax liabilities | 10 | 156,236,986 | 140,400,715 |
| | | 1,745,125,152 | 1,540,578,898 |

The notes on pages 10 to 27 are an integral part of these financial statements.

# Westports Malaysia Sdn. Bhd.

(Company No. 192725-V)
(Incorporated in Malaysia)

## Income statement for the year ended 31 December 2009

| | Note | 2009 RM | 2008 RM |
|---|---|---|---|
| **Revenue** | 11 | 833,247,278 | 984,282,981 |
| Cost of sales | | (349,615,840) | (401,285,706) |
| **Gross profit** | | 483,631,438 | 582,997,275 |
| Other operating income | | 11,010,435 | 9,669,490 |
| Administrative expenses | | (53,551,435) | (78,854,817) |
| Other operating expenses | | (124,424,545) | (119,935,621) |
| **Operating profit** | 11 | 316,665,893 | 393,876,327 |
| Interest income | | 3,030,419 | 6,236,999 |
| Finance costs | 13 | (22,612,619) | (27,773,200) |
| **Profit before taxation** | | 297,083,693 | 372,340,126 |
| Tax expense | 14 | (32,053,291) | (51,135,897) |
| **Net profit for the year** | | 265,030,402 | 321,204,229 |

The notes on pages 10 to 27 are an integral part of these financial statements.

# Westports Malaysia Sdn. Bhd.

(Company No. 192725-V)
(Incorporated in Malaysia)

## Statement of changes in equity for the year ended 31 December 2009

| | Note | Share capital RM | Special share RM | *Distributable* Retained profits RM | Total RM |
|---|---|---|---|---|---|
| **At 1 January 2008** | | 200,000,000 | 1 | 599,113,534 | 799,113,535 |
| Dividends to shareholder | 15 | - | - | (194,540,000) | (194,540,000) |
| Issuance of shares | | 200,000,000 | - | (200,000,000) | - |
| Net profit for the year | | - | - | 321,204,229 | 321,204,229 |
| **At 31 December 2008/ 1 January 2009** | | 400,000,000 | 1 | 525,777,763 | 925,777,764 |
| Dividends to shareholder | 15 | - | - | (60,000,000) | (60,000,000) |
| Net profit for the year | | - | - | 265,030,402 | 265,030,402 |
| **At 31 December 2009** | | 400,000,000 | 1 | 730,808,165 | 1,130,808,166 |

The notes on pages 10 to 27 are an integral part of these financial statements.

# Westports Malaysia Sdn. Bhd.

(Company No. 192725-V)
(Incorporated in Malaysia)

## Cash flow statement for the year ended 31 December 2009

| | Note | 2009 RM | 2008 RM |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | 297,083,693 | 372,340,126 |
| Adjustments for: | | | |
| Amortisation of dredging expenditure | | 14,851,395 | 11,369,442 |
| Depreciation | | 80,792,349 | 108,231,225 |
| Gain on disposal of property, plant and equipment | | (1,306,031) | (2,800,770) |
| Interest expense | | 22,612,619 | 27,773,200 |
| Interest income | | (3,030,419) | (6,236,999) |
| Property, plant and equipment written off | | - | 22,388,290 |
| Operating profit before working capital changes | | 411,003,606 | 533,064,514 |
| Changes in working capital: | | | |
| Inventories | | (12,976) | 1,017,710 |
| Trade and other receivables | | (28,311,898) | (28,348,165) |
| Trade and other payables | | (50,676,064) | 130,931,966 |
| Cash generated from operations | | 332,002,668 | 636,666,025 |
| Income tax paid | | (17,031,568) | (41,902,924) |
| Retirement benefits paid | | (57,216) | (391,988) |
| **Net cash generated from operating activities** | | 314,913,884 | 594,371,113 |
| **Cash flows from investing activities** | | | |
| Interest received | | 3,030,419 | 6,236,999 |
| Payment of dredging expenditure | | (6,101,297) | (27,830,126) |
| Proceeds from disposal of property, plant and equipment | | 3,590,201 | 16,114,110 |
| Purchase of property, plant and equipment | | (119,100,868) | (462,738,182) |
| **Net cash used in investing activities** | | (118,581,545) | (468,217,199) |

Company No. 192725-V

# Cash flow statement for the year ended 31 December 2009
(continued)

| | Note | 2009<br>RM | 2008<br>RM |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Dividends paid to shareholders | | (123,000,000) | (131,540,000) |
| Fixed deposits released from/(pledged for) borrowings | | 68,672,464 | (61,267,985) |
| Interest paid | | (22,612,619) | (24,486,757) |
| Proceeds from/(repayment to) ultimate holding company | | 130,978 | (356,006) |
| Repayment of finance lease principal | | (17,277,671) | (21,802,150) |
| Proceeds from term loan | | - | 445,000,000 |
| Repayment of floating rate notes | | - | (160,000,000) |
| Repayment of term loan | | - | (150,000,000) |
| **Net cash used in financing activities** | | (94,086,848) | (104,452,898) |
| **Net increase in cash and cash equivalents** | | 102,245,491 | 21,701,016 |
| **Cash and cash equivalents at beginning of year** | | 72,452,869 | 50,751,853 |
| **Cash and cash equivalents at end of year** | (i) | 174,698,360 | 72,452,869 |

*i) Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

| | 2009<br>RM | 2008<br>RM |
|---|---|---|
| Cash and bank balances | 174,698,360 | 62,801,798 |
| Deposits with licensed banks (excluding deposits pledged) | - | 9,651,071 |
| | 174,698,360 | 72,452,869 |

The notes on pages 10 to 27 are an integral part of these financial statements.

# Westports Malaysia Sdn. Bhd.

(Company No. 192725-V)
(Incorporated in Malaysia)

# Notes to the financial statements - 31 December 2009

Westports Malaysia Sdn. Bhd. is a private company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

**Principal place of business**
Westport, Pulau Indah
42009 Port Klang
Selangor Darul Ehsan

**Registered office**
Suite C-21-03, 3 Two Square
No. 2, Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan

The Company is principally involved in the development and management of port operations.

The holding and ultimate holding company is Westports Holdings Sdn. Bhd., a company incorporated in Malaysia.

The financial statements were approved by the Board of Directors on 11 March 2010.

## 1. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Company, unless otherwise stated.

### (a) Basis of accounting

The financial statements of the Company are prepared on the historical cost basis and in accordance with Private Entity Reporting Standards, accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

# 1. Significant accounting policies (continued)

## (b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the income statement.

***Subsequent costs***

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

***Depreciation***

Land reclamation and terminal are depreciated over the remaining period of the initial lease ending 2024 and an additional optional period of 30 years, for which it is reasonably certain that the Company will exercise its option to renew the lease under the relevant privatisation agreement. Depreciation on assets under construction commences only when the assets are ready for their intended use. The straight-line method is used to write off the cost of the other assets over the terms of their estimated useful lives.

Estimates in respect of useful lives were revised in 2009 and is as summarised below. The effects are disclosed in Note 2.

Prior basis:-

| | |
|---|---|
| Cranes | 5 to 20 years |
| Building, warehouse and landscaping | 2 to 57 years |
| Motor vehicles | 5 years |
| Office equipment, furniture and fittings | 3 to 10 years |
| Plant, machinery, fire and safety equipment | 5 to 20 years |
| Marine craft | 5 to 15 years |
| Paved areas | 3 to 20 years |

# 1. Significant accounting policies (continued)

## (b) Property, plant and equipment (continued)

*Depreciation (continued)*

Revised basis:-

| | |
|---|---|
| Cranes | 5 to 30 years |
| Building, warehouse and landscaping | 5 years and remaining concession period |
| Motor vehicles | 5 years |
| Office equipment, furniture and fittings | 3 to 10 years |
| Plant, machinery, fire and safety equipment | 5 to 15 years |
| Marine craft | 5 to 10 years |
| Paved areas | Remaining concession period |

## (c) Finance leases

Leases in which the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Company's incremental borrowing rate is used.

## (d) Hire purchase

Property, plant and equipment acquired under hire purchase arrangements are capitalised at their purchase cost and depreciated on the same basis as owned assets. The total amount payable under hire purchase agreements is included as hire purchase liabilities.

## (e) Trade and other receivables

Trade receivables are stated at invoiced amounts less allowance for doubtful debts. Other receivables are stated at cost less allowance for doubtful debts and in respect of the various wharf and channel dredging expenditure, these are amortised over the respective intended usage period ranging from 18 to 36 months or until the next dredging cycle, whichever is earlier.

# 1. Significant accounting policies (continued)

## (f) Employee benefits

### *(i) Short term employee benefit*

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

### *(ii) Defined contribution plan*

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

### *(iii) Defined benefit plan*

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets together with adjustments for actuarial gains/losses and past service cost. The Company determines the present value of the defined benefit obligation and fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields at balance sheet date of government securities which have currency and terms to maturity approximating the terms of the related liability.

The Company has a defined benefit plan, the benefit of which is payable upon retirement, calculated by reference to length of service and the employees' estimated retirement basic salary. The liability in respect of the defined benefit plan recognised as at 31 December 2009 is the present value of the defined benefit obligation at the balance sheet date. As at 31 December 2009, the defined benefit plan is unfunded. The last actuarial valuation was performed in 2008.

# 1. Significant accounting policies (continued)

## (g) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

## (h) Liabilities

Borrowings and trade and other payables are stated at cost.

## (i) Inventories

Inventories comprise spare parts and are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

## (j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## (k) Impairment of assets

The carrying amounts of assets except for deferred tax assets, inventories and financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

# 1. Significant accounting policies (continued)

## (l) Share capital

Ordinary shares with discretionary dividends and the special share are classified as equity. Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date.

A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date. Upon the dividend becoming payable, it will be accounted for as a liability.

The special share enables the Government of Malaysia through the Minister of Finance (Incorporated) to ensure that certain major decisions affecting the operations of the Company are consistent with Government policies. The special shareholder or any person acting on behalf of the special shareholder shall be entitled to receive notice of and to attend and speak at all general meetings or any other meeting of any class of shareholders of the Company, but the special shareholder shall carry no right to vote nor any other rights at any such meeting. The special shareholder shall be entitled to nominate one Director to be on the Board of Directors of the Company.

## (m) Income tax

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# 1. Significant accounting policies (continued)

## (n) Foreign currency

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows:

| | 2009 | 2008 |
|---|---|---|
| 1 US Dollar | RM3.38 | RM3.63 |
| 1 Singapore Dollar | RM2.45 | RM2.38 |

## (o) Revenue

### *(i) Services rendered*

Revenue from services rendered is recognised in the income statement upon the performance of services in respect of port operations, net of discounts.

### *(ii) Interest income*

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

### *(iii) Rental income*

Rental income is recognised in the income statement as it accrues, in accordance with the substance of the relevant agreements.

## (p) Expenses

### *(i) Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

### *(ii) Financing costs*

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of finance lease payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

Company No. 192725-V

## 2. Property, plant and equipment

| *Cost* | Land reclamation and terminal RM | Cranes RM | Building, warehouse and landscaping RM | Motor vehicles RM | Office equipment, furniture and fittings RM | Plant, machinery, fire and safety equipment RM | Marine craft RM | Paved areas RM | Assets under construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2009 | 601,236,656 | 1,063,593,520 | 87,366,393 | 10,916,480 | 38,655,697 | 187,013,648 | 459,100 | 255,490,660 | 19,357,421 | 2,264,089,575 |
| Additions | - | - | 2,365,640 | - | - | - | - | - | 116,735,228 | 119,100,868 |
| Disposals | - | (1,369,557) | - | (1,823,915) | (1,997,894) | (21,499,966) | (255,600) | - | - | (26,946,932) |
| Reclassification | (91,111,644) | 29,122,642 | - | - | (1,095,107) | (28,027,535) | - | 91,111,644 | - | - |
| Transfers | 6,914,090 | 54,502,408 | 8,859,871 | 2,661,849 | 6,591,947 | 41,646,083 | 333,110 | 553,709 | (122,063,067) | - |
| At 31 December 2009 | 517,039,102 | 1,145,849,013 | 98,591,904 | 11,754,414 | 42,154,643 | 179,132,230 | 536,610 | 347,156,013 | 14,029,582 | 2,356,243,511 |
| ***Accumulated depreciation*** | | | | | | | | | | |
| At 1 January 2009 | 63,036,881 | 387,137,820 | 25,817,130 | 7,155,986 | 27,909,200 | 102,870,340 | 354,322 | 51,723,475 | - | 666,005,154 |
| Charge for the year | 10,419,218 | 40,007,184 | 2,285,365 | 1,504,781 | 4,221,675 | 16,171,118 | 24,930 | 6,158,078 | - | 80,792,349 |
| Disposals | - | (354,786) | - | (1,668,746) | (1,892,717) | (20,490,913) | (255,600) | - | - | (24,662,762) |
| Reclassification | (18,318,946) | 17,062,034 | - | - | (944,201) | (16,117,833) | - | 18,318,946 | - | - |
| At 31 December 2009 | 55,137,153 | 443,852,252 | 28,102,495 | 6,992,021 | 29,293,957 | 82,432,712 | 123,652 | 76,200,499 | - | 722,134,741 |
| ***Net book value*** | | | | | | | | | | |
| At 31 December 2009 | 461,901,949 | 701,996,761 | 70,489,409 | 4,762,393 | 12,860,686 | 96,699,518 | 412,958 | 270,955,514 | 14,029,582 | 1,634,108,770 |
| At 31 December 2008 | 538,199,775 | 676,455,700 | 61,549,263 | 3,760,494 | 10,746,497 | 84,143,308 | 104,778 | 203,767,185 | 19,357,421 | 1,598,084,421 |
| Depreciation charge for the year ended 31 December 2008 | 9,452,453 | 58,825,104 | 4,437,150 | 1,511,678 | 5,122,180 | 18,357,563 | 40,700 | 10,484,397 | - | 108,231,225 |

## 2. Property, plant and equipment (continued)

Included in property, plant and equipment of the Company are certain cranes, plant and machinery acquired under finance lease and hire purchase agreements with net book values as follows:

| | 2009 RM | 2008 RM |
|---|---|---|
| Cranes | 76,054,586 | 79,033,039 |
| Plant and machinery | 977,723 | 1,105,252 |

The effect of the change in estimated useful lives on depreciation expense, recognised in cost of sales, in current and future periods is as follows:

| | 2009 RM'000 | 2010 RM'000 | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | Later RM'000 |
|---|---|---|---|---|---|---|
| (Decrease) / Increase in depreciation expense | (48,608) | (46,791) | (42,631) | (36,252) | (30,723) | 205,006 |

## 3. Trade and other receivables

| | 2009 RM | 2008 RM |
|---|---|---|
| Trade receivables | 187,775,344 | 158,814,044 |
| Other receivables, deposits and prepayments | 19,460,086 | 28,859,586 |
| | 207,235,430 | 187,673,630 |

## 4. Cash and cash equivalents

| | 2009 RM | 2008 RM |
|---|---|---|
| Cash and bank balances | 174,698,360 | 62,801,798 |
| Deposits with licensed banks | 10,344,816 | 88,668,351 |
| | 185,043,176 | 151,470,149 |

Included in the Company's deposits with licensed banks is RM10,344,816 (2008 - RM79,017,280) subject to specific utilisation provisions or pledged as security for the medium term notes facilities.

Deposits of the Company have an average maturity of an overnight tenure (2008 – 5 days).

## 4. Cash and cash equivalents (continued)

The weighted average interest rate of deposits that were effective at year end were as follows:

| | 2009<br>% | 2008<br>% |
|---|---|---|
| Deposits with banks | - | 3.32 |
| Pledged deposits | 3.09 | 3.34 |

## 5. Trade and other payables

| | 2009<br>RM | 2008<br>RM |
|---|---|---|
| Trade payables | 19,721,237 | 33,160,749 |
| Accrued expenses – trade related | 123,684,930 | 96,468,065 |
| – non-trade related | 21,086,055 | 43,515,232 |
| Other payables | 12,934,632 | 19,238,362 |
| Amounts due to ultimate holding company | 2,540,754 | 65,409,776 |
| Amounts due to related company | 12,624,079 | 10,357,286 |
| Amounts due to property, plant and equipment creditors | 77,019,739 | 115,007,042 |
| | 269,611,426 | 383,156,512 |

The amount due to ultimate holding company is unsecured, has no fixed terms of repayment and is interest free.

Included in amounts due to ultimate holding company is a dividend payable to the ultimate holding company amounting to RM Nil (2008: RM 63,000,000).

## 6. Borrowings

| | Note | 2009<br>RM | 2008<br>RM |
|---|---|---|---|
| ***Current*** | | | |
| Finance lease and hire purchase liabilities | | 16,320,419 | 17,277,671 |
| | | 16,320,419 | 17,277,671 |
| ***Non-current*** | | | |
| Medium term notes | (i) | 445,000,000 | 445,000,000 |
| Finance lease and hire purchase liabilities | | 13,080,000 | 29,400,419 |
| | | 458,080,000 | 474,400,419 |

## 6. Borrowings (continued)

***Terms and debt repayment schedule***

The medium term notes facility is subject to certain positive and negative undertakings and the main financial covenants in respect of the facility is that the Company from the first anniversary date of the first issue date and until the expiry of the facility shall maintain that:-

i) Finance service cover ratio of the Company shall not be less than 1.25 times; and
ii) Finance to equity ratio of the Company shall not exceed 2.00 times.

*Medium term notes*

On 7 March 2009, the Company issued RM445 million Sukuk Musyarakah Medium term notes ("MTN"). The total tranche available for issue is up to RM800 million. The purpose of issuance is for working capital and capital expansion.

The repayment terms, tenor, nominal amounts and the corresponding distribution rates for each tranche of the MTN are as follows:

| Repayment due from date of issue | Nominal amounts (RM'million) | Distribution rate (%p.a) |
|---|---|---|
| 7 March 2011 | 100 | 4.17% |
| 7 March 2012 | 100 | 4.35% |
| 7 March 2013 | 245 | 4.54% |
| | 445 | |

The Company is required to maintain a minimal rating of AA+ by the Malaysian Rating Corporation Berhad ("MARC") during the tenor of the MTN. The Company attained a rating of AA+ from MARC in the prior year and this has been maintained pursuant to the updated rating rationale on 22 April 2009.

The borrowings of the Company are repayable as follows:-

| | Total RM'000 | Current RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 |
|---|---|---|---|---|
| **2009** | | | | |
| Medium term notes | 445,000 | - | 200,000 | 245,000 |
| Finance lease and hire purchase liabilities | 29,400 | 16,320 | 13,080 | - |
| | 474,400 | 16,320 | 213,080 | 245,000 |
| **2008** | | | | |
| Medium term notes | 445,000 | - | 100,000 | 345,000 |
| Finance lease and hire purchase liabilities | 46,678 | 17,278 | 22,680 | 6,720 |
| | 491,678 | 17,278 | 122,680 | 351,720 |

## 6. Borrowings (continued)

***Finance lease and hire purchase liabilities***

Finance lease and hire purchase liabilities of the Company are payable as follows:

| | 2009 Payments RM | 2009 Interests RM | 2009 Principal RM | 2008 Payments RM | 2008 Interest RM | 2008 Principal RM |
|---|---|---|---|---|---|---|
| Less than one year | 17,508,447 | 1,188,028 | 16,320,419 | 19,395,947 | 2,118,276 | 17,277,671 |
| Between one and five years | 13,830,000 | 750,000 | 13,080,000 | 31,338,447 | 1,938,028 | 29,400,419 |
| | 31,338,447 | 1,938,028 | 29,400,419 | 50,734,394 | 4,056,304 | 46,678,090 |

***Effective interest rate***

| | 2009 % | 2008 % |
|---|---|---|
| Medium term notes | 5.00 | 5.00 |
| Finance lease and hire purchase liabilities | 4.17 - 4.54 | 4.17 – 4.54 |

## 7. Provision for retirement benefits

The defined benefit obligations recognised in the balance sheet are as follows:

| | 2009 RM | 2008 RM |
|---|---|---|
| Present value of unfunded obligations | 3,484,512 | 3,541,728 |

**Liability for defined benefit obligations**

The Company operates an unfunded defined benefit plan for its eligible employees. The obligations under the retirement benefit scheme are determined based on actuarial valuation by a qualified independent actuary.

The principal assumptions used in the actuarial valuation are:

a) discount rate of 7% per annum; and
b) expected annual salary increment rate of 5% per annum.

## 7. Provision for retirement benefits (continued)

**Movements in net liability recognised in the balance sheet**

| | 2009 RM | 2008 RM |
|---|---|---|
| Net liability at 1 January | 3,541,728 | 3,933,716 |
| Retirement benefits paid | (57,216) | (391,988) |
| Net liability at 31 December | 3,484,512 | 3,541,728 |

The defined benefit plan was frozen on 31 August 2004. Employees under the defined benefit plan continue to be eligible for the retirement benefits but computations of their length of service years with the Company is only until 31 August 2004.

## 8. Share capital

| | 2009 RM | 2008 RM |
|---|---|---|
| Authorised: | | |
| Ordinary shares of RM1.00 each | 500,000,000 | 500,000,000 |
| Special share of RM1.00 each | 1 | 1 |
| | 500,000,001 | 500,000,001 |
| Issued and fully paid: | | |
| Ordinary shares of RM1 each | | |
| At 1 January | 400,000,000 | 200,000,000 |
| Issuance of shares | - | 200,000,000 |
| At 31 December | 400,000,000 | 400,000,000 |
| Special share | 1 | 1 |
| | 400,000,001 | 400,000,001 |

(i) The special share enables the Government of Malaysia through the Minister of Finance (Incorporated) to ensure that certain major decisions affecting the operations of the Company are consistent with Government policies. The special shareholder or any person acting on behalf of the special shareholder shall be entitled to receive notice of and to attend and speak at all general meetings or any other meeting of any class of shareholders of the Company, but the special shareholder shall carry no right to vote nor any other rights at any such meeting.

The special shareholder shall be entitled to nominate one Director to be on the Board of Directors of the Company.

## 8. Share capital (continued)

(ii) Certain matters, in particular the alteration of the Articles of Association of the Company relating to the rights of the special shareholder, creation and issue of additional shares which carry different voting rights, the dissolution of the Company, substantial disposal of assets, amalgamations, merger and takeover and any proposals affecting the interests of the Government of Malaysia or the national interest require prior consent of the special shareholder.

(iii) The special shareholder does not have any right to participate in the capital or profits of the Company.

(iv) The special shareholder has the right to require the Company to redeem the special share at par at any time.

## 9. Retained profits

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank approximately RM573,470,000 of its retained profits at 31 December 2009 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

## 10. Deferred tax liabilities

Movement in deferred tax assets and liabilities (prior to offsetting of balances) of the Company during the year are as follows:

| | At 1.1.2008 RM | Charged/ (credited) to income statement RM | At 31.12.2008 RM | Charged/ (credited) to income statement RM | At 31.12.2009 RM |
|---|---|---|---|---|---|
| ***Deferred tax liabilities*** | | | | | |
| Accelerated capital allowances | 116,701,317 | 28,052,189 | 144,753,506 | 18,095,823 | 162,849,329 |
| Deferred expenditure | 1,325,224 | 3,976,781 | 5,302,005 | (2,147,299) | 3,154,706 |
| Total | 118,026,541 | 32,028,970 | 150,055,511 | 15,948,524 | 166,004,035 |
| ***Deferred tax assets*** | | | | | |
| Other items | 8,061,681 | 1,593,115 | 9,654,796 | 112,253 | 9,767,049 |

## 10. Deferred tax liabilities (continued)

Deferred tax liabilities and assets above are offset as there is a legally enforceable right to set off current tax assets against current tax liabilities and that the deferred taxes relate to the same taxation authority.

The amounts, determined after appropriate offsetting, are as follows:

| | 2009<br>RM | 2008<br>RM |
|---|---|---|
| Deferred tax liabilities | 166,004,035 | 150,055,511 |
| Deferred tax assets | (9,767,049) | (9,654,796) |
| | 156,236,986 | 140,400,715 |

## 11. Operating profit

| | 2009<br>RM | 2008<br>RM |
|---|---|---|
| **Revenue** | | |
| Port operations | 806,938,003 | 956,798,070 |
| Rental income – land and buildings | 26,309,275 | 27,484,911 |
| | 833,247,278 | 984,282,981 |

Operating profit is arrived at after crediting:

| | 2009<br>RM | 2008<br>RM |
|---|---|---|
| Gain on disposal of property, plant and equipment | 1,306,031 | 2,800,770 |

and charging:

| | 2009<br>RM | 2008<br>RM |
|---|---|---|
| Amortisation of dredging expenditure | 14,851,395 | 11,369,442 |
| Auditors' remuneration | | |
| - current year | 150,000 | 150,000 |
| - under provision in prior year | - | 25,511 |
| Cost of inventories used | 13,261,969 | 11,989,480 |
| Depreciation | 80,792,349 | 108,231,225 |
| Directors' fees | | |
| - current year | 600,000 | 540,000 |
| Lease rental payments | 45,653,080 | 45,653,080 |
| Management fee | 39,583,531 | 46,908,658 |
| Property, plant and equipment written off | - | 22,388,290 |
| Rental of equipment | 21,174,499 | 21,260,456 |
| Rental of premises | 84,586 | 160,780 |

## 12. Employee information

| | 2009 RM | 2008 RM |
|---|---|---|
| Staff costs | | |
| Wages, salaries and bonus | 99,606,635 | 98,856,274 |
| Defined contribution retirement plan | 12,466,367 | 11,345,508 |
| Other employee benefits | 1,237,083 | 1,176,124 |

The number of employees of the Company at the end of the year was 3,236 (2008 - 3,487).

## 13. Finance costs

| | 2009 RM | 2008 RM |
|---|---|---|
| Interest expense | | |
| Medium term notes | 19,616,386 | 23,625,794 |
| Hire purchase and finance lease | 2,118,276 | 3,211,961 |
| Bank overdraft and commitment fees | 877,957 | 935,445 |
| | 22,612,619 | 27,773,200 |

## 14. Tax expense

| | 2009 RM | 2008 RM |
|---|---|---|
| Current tax expense | | |
| Current | 16,217,021 | 19,907,483 |
| Underprovision in prior year | - | 792,559 |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | 23,997,708 | 35,559,998 |
| Overprovision in prior year | (8,161,438) | (5,124,143) |
| | 32,053,291 | 51,135,897 |

**Reconciliation of effective tax expense**

| | 2009 RM | 2008 RM |
|---|---|---|
| Profit before taxation | 297,083,693 | 372,340,126 |
| Tax at Malaysian tax rate of 25% (2008 – 26%) | 74,270,923 | 96,808,433 |
| Non-deductible expenses | 2,015,775 | 1,329,114 |
| Tax incentive | (36,071,969) | (42,670,066) |
| Under/(over) provision prior year | | |
| - current tax expense | - | 792,559 |
| - deferred tax expense | (8,161,438) | (5,124,143) |
| Tax expense | 32,053,291 | 51,135,897 |

## 15. Dividends

Dividend recognised in the current year by the Company is:

| 2009 | Sen per share | Total amount RM | Date of payment |
|---|---|---|---|
| Final 2008 ordinary | 40.0 | 60,000,000 | 25 November 2009 |
| **2008** | | | |
| Interim 2007 ordinary (tax exempt) | 39.5 | 79,000,000 | 30 April 2008 |
| Interim 2008 ordinary | 35.5 | 52,540,000 | 7 November 2008 |
| Special 2008 ordinary | | 63,000,000 | 30 June 2009 and 28 August 2009 |

## 16. Operating leases

Total future minimum lease payments under non-cancellable operating leases are as follows:

| | 2009 RM | 2008 RM |
|---|---|---|
| Less than one year | 47,318,000 | 45,653,080 |
| Between one and five years | 192,768,640 | 191,020,320 |
| More than five years | 565,041,640 | 614,107,960 |
| | 805,128,280 | 850,781,360 |

The non-cancellable operating lease commitments of the Company relate to the lease of land and port facilities provided by the Government of Malaysia in Westport. The total lease rental for the land and port facilities amounted to RM1.1 billion and is payable over a period of thirty (30) years commencing in 2003.

## 17. Commitments

| | 2009 RM | 2008 RM |
|---|---|---|
| Capital commitments: | | |
| Property, plant and equipment | | |
| Authorised and contracted for | 26,257,348 | 63,201,960 |
| Authorised but not contracted for | 37,306,557 | 15,031,478 |

## 18. Related parties

Controlling related party relationships are as follows:

i) The ultimate holding company, Westports Holdings Sdn Bhd;

ii) The subsidiary companies of the ultimate holding company, Vehicle Transit Centre (Malaysia) Sdn. Bhd.; and

iii) The corporate shareholder of the ultimate holding company, Pembinaan Redzai Sdn. Bhd.

Significant transactions and balances with related parties of the Company during the year are as follows:

| | 2009<br>RM | 2008<br>RM |
|---|---|---|
| Management fees payable to a corporate shareholder of the holding company | 39,583,531 | 46,908,658 |
| Rental income received from a related company | - | (41,820) |
| Storage, handling and stevedoring costs to a related company | - | 2,371,291 |
| Transfer of property, plant and equipment from a related company | 2,365,642 | - |

The transactions above have been entered into in the normal course of business and have been established under negotiated terms.

# Westports Malaysia Sdn. Bhd.
(Company No. 192725-V)
(Incorporated in Malaysia)

## Statement by Directors pursuant to Section 169 (15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 5 to 27 are drawn up in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company at 31 December 2009 and of its financial performance and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

..................................................................................

**Ruben Emir Gnanalingam bin Abdullah**

..................................................................................

**Ahmayuddin bin Ahmad**

Kuala Lumpur,

Date: 11 March 2010

# Westports Malaysia Sdn. Bhd.

(Company No. 192725-V)
(Incorporated in Malaysia)

## Statutory declaration pursuant to Section 169 (16) of the Companies Act, 1965

I, **Rubanesan A/L K Ghandinesen,** the officer primarily responsible for the financial management of Westports Malaysia Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 5 to 27 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 11 March 2010.

..................................................
**Rubanesan A/L K Ghandinesen**

Before me:

PESURUHJAYA SUMPAH
W 438
P. THURIRAJOO
AMM, PJK.
MALAYSIA

NO. 656, TINGKAT 2,
BATU 4, JALAN IPOH,
51200 KUALA LUMPUR.

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

# Independent auditors' report to the members of Westports Malaysia Sdn. Bhd.

(Company No. 192725-V)
(Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of Westports Malaysia Sdn. Bhd., which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 27.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company No. 192725-V

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG**
Firm Number: AF 0758
Chartered Accountants

**Ng Kim Tuck**
Approval Number: 1150/03/12(J/PH)
Chartered Accountant

Petaling Jaya, Selangor

Date: 11 March 2010

# Westports Malaysia Sdn. Bhd.

(Company No. 192725-V)
(Incorporated in Malaysia)

# Balance sheet at as 31 December 2010

| | 2010 RM | 2009 RM |
|---|---|---|
| **Property, plant and equipment** | 1,609,897,951 | 1,634,108,770 |
| **Current assets** | | |
| Inventories | 8,448,194 | 7,909,594 |
| Trade and other receivables | 209,703,206 | 207,235,430 |
| Cash and cash equivalents | 373,747,697 | 185,043,176 |
| Tax recoverable | - | 244,539 |
| | 591,899,097 | 400,432,739 |
| **Current liabilities** | | |
| Trade and other payables | 255,994,561 | 269,611,426 |
| Borrowings | 100,000,000 | 16,320,419 |
| Taxation | 21,498,694 | - |
| | 377,493,255 | 285,931,845 |
| **Net current assets** | 214,405,842 | 114,500,894 |
| | 1,824,303,793 | 1,748,609,664 |
| **Financed by:** | | |
| **Capital and reserves** | | |
| Share capital | 400,000,001 | 400,000,001 |
| Retained profits | 897,487,827 | 730,808,165 |
| **Shareholders' funds** | 1,297,487,828 | 1,130,808,166 |
| **Long term and deferred liabilities** | | |
| Borrowings | 345,000,000 | 458,080,000 |
| Provision for retirement benefits | 3,198,933 | 3,484,512 |
| Deferred tax liabilities | 178,617,032 | 156,236,986 |
| | 1,824,303,793 | 1,748,609,664 |

# Westports Malaysia Sdn. Bhd.

(Company No. 192725-V)
(Incorporated in Malaysia)

# Income statement for the year ended 31 December 2010

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| **Revenue** | 974,954,066 | 833,247,278 |
| Cost of sales | (411,162,487) | (349,615,840) |
| **Gross profit** | 563,791,579 | 483,631,438 |
| Other operating income | 14,397,140 | 11,010,435 |
| Administrative expenses | (67,465,745) | (53,551,435) |
| Other operating expenses | (111,001,880) | (124,424,545) |
| **Operating profit** | 399,721,094 | 316,665,893 |
| Interest income | 7,195,789 | 3,030,419 |
| Finance costs | (21,718,669) | (22,612,619) |
| **Profit before taxation** | 385,198,214 | 297,083,693 |
| Tax expense | (86,008,552) | (32,053,291) |
| **Net profit for the year** | 299,189,662 | 265,030,402 |

# APPENDIX 3

Shariah Pronouncement dated 18 April 2011 from the Shariah Adviser

# SHARIAH ENDORSEMENT

بِسْمِ اللهِ الرَّحْمٰنِ الرَّحِيْمِ

*All praise is due to Allah, the Cherisher of the world, and peace and blessing be upon the Prophet of Allah, on his family and all his companions*

## WESTPORTS MALAYSIA SDN BHD

## PROPOSED ISSUANCE OF ISLAMIC SECURITIES ("SUKUK") PROGRAMME BASED ON THE SHARIAH PRINCIPLES OF MUSHARAKAH ("SUKUK MUSHARAKAH PROGRAMME") OF UP TO RM2.0 BILLION IN NOMINAL VALUE

I, Dr Mohd Daud Bakar, as the independent Shariah Adviser for AmInvestment Bank Berhad for the abovesaid proposed issuance(s) of Islamic securities (also referred to as "Sukuk") under the Sukuk Musharakah Programme by Westports Malaysia Sdn Bhd ("Westports" or the "Issuer"), have reviewed the proposed structure and mechanism to be entered into in respect thereto to ensure Shariah compliance.

Except where defined herein, defined terms used in this Shariah Endorsement have the same meanings given in the **Principal Terms and Conditions ("PTC")** in connection with the proposed Sukuk Musharakah Programme.

## Description of Transaction Structure

The proposed Islamic securities programme shall apply the Shariah principles of **Musharakah** and which will have the following key principal features:

### 1. Key Features

1.1 The principles of Musharakah is an approved Shariah concept and principles to be applied for the purpose of structuring, documenting and trading of Islamic Securities, as specified under the Securities Commission's ("SC") Guidelines on the Offering of Islamic Securities dated 26 July 2004, as amended from time to time.

1.2 Under the Sukuk Musharakah Programme, there shall be at least two investors or Sukukholders forming a partnership amongst themselves from time to time to invest in the Shariah compliant businesses of Westports, which involves the development and management of port operations ("**Musharakah Venture**")

1.3 In respect of any Musharakah Venture, Westports shall issue Sukuk to the Sukukholders in consideration of their capital contribution ("**Musharakah Capital**"), which represents the Sukukholders' proportionate participation in the said Musharakah Venture.

Suite 35.01, Level 35
Menara AmBank
8 Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Tel: +603 2164 1651
H/p: +6017 872 6667
Fax: +603 2164 1644
Email: mdaud@amanie.com.my
mdaud@etisalat.blackberry.com

1.4 There shall be a declaration of trust to be made by Issuer over the trust assets, which shall be the Shariah compliant businesses of the Issuer (including the Finance Service Reserve Account ("**FSRA**") ("**Trust Assets**") for the benefit of the Trustee (acting on behalf of the Sukukholders). The Trustee (acting on behalf of the Sukukholders) shall appoint the Issuer as its agent (the "**Manager**") to manage the Musharakah Venture on behalf of the Sukukholders, upon the terms and subject to conditions therein contained.

1.5. The Sukuk shall entitle the Sukukholders the right to share the income generated from the relevant Musharakah Venture in proportion to each Sukukholders' respective contribution of the Musharakah Capital ("**Periodic Payment**"), which shall be distributed semi-annually ("**Periodic Payment Date**") to the Sukukholders.

For the avoidance of doubt, whenever a Periodic Payment is paid out on a particular scheduled Periodic Payment Date, such payment shall comprise of distributable income generated from the relevant Musharakah Venture ("**Periodic Distribution(s)**") and "**Advance Profit Payment(s)**" (as defined below), if any.

1.6. The return expected ("**Expected Return**") by the Sukukholders from the relevant Musharakah Venture shall be the yield from the respective tranches of the Sukuk up to the respective maturity dates of the said Sukuk ("**Maturity Dates**") or the date of declaration of an event being an event which dissolves the Musyarakah Venture ("**Dissolution Event**"), whichever is applicable, (the Maturity Dates and the date of the declaration of a Dissolution Event shall hereinafter be collectively referred to as "**Dissolution Date**").

1.7. The Sukukholders shall also agree upfront that they shall, on the Dissolution Date, receive return, if any, up to the Expected Return. Any excess income from each of the Musharakah Venture over the Expected Return shall be credited by the Manager to the FSRA up to the Minimum Exercise Price Reserve (as defined in the PTC). Once the Minimum Exercise Price Reserve is met, any such excess income may be utilised by the Manager for the purpose of the Musharakah Venture.

1.8. The Manager shall ensure the Minimum FSRA Balance and the Minimum Exercise Price Reserve are maintained by the Issuer in accordance with the terms set out in the FSRA clause in the PTC. The Manager may at any time prior to the Dissolution Date utilise the amounts standing to the credit of the FSRA, to fund any shortfall in the amount of the Periodic Payment so long as any amounts deducted from the FSRA prior to the Dissolution Date are re-credited into the FSRA by the Issuer, in its capacity as the Obligor, up to the Minimum FSRA Balance. Any amount standing to the credit of the FSRA on the Dissolution Date will be due and payable to the Manager as incentive fee for managing the Musharakah Venture.

1.9 If, on any Periodic Payment Date, the income generated from the relevant Musharakah Venture is insufficient and amounts in the FSRA are utilized to meet the expected Periodic Payment(s) on any Periodic Payment Date in full, such amounts shall be deemed as advance profit payments by the Issuer during the tenor of the Sukuk ("**Advance Profit Payment(s)**"). For the avoidance of doubt, any Advance Profit Payment(s) made by the Issuer shall be off-set against the Exercise Price (as defined).

1.10. Pursuant to a Purchase Undertaking, Westports as the "Obligor" shall undertake to the Trustee (acting on behalf of the Sukukholders) to purchase the Trust

Assets from the Trustee at the agreed exercise price ("**Exercise Price**") upon the Dissolution Date.

1.11. In respect of each tranche, upon exercise of the Purchase Undertaking and the payment of the Exercise Price, the relevant Musharakah Venture and Declaration of Trust will be dissolved accordingly.

## 2. Shariah Considerations

2.1 **Utilisation of Proceeds for Shariah Compliant Purposes.**
The proceeds arising from the issuance of the Sukuk under the Sukuk Musharakah Programme shall be utilised by Westports to finance its capital expenditure, assets acquisition, and other general working capital requirements, and/or to refinance the outstanding Sukuk under its existing Sukuk Musharakah Medium Term Notes Programme of up to RM800.0 million ("Existing Programme") on their respective maturity dates, and/or to prefund the Minimum FSRA Balance, subject that any such utilisations mentioned above shall be in compliance with the Shariah principles.

Proceeds from any subsequent issue of the Sukuk may also be utilized for the purpose of financing the redemption of any Sukuk then maturing

2.2 **Trust Assets**. The Trust Assets will be identified and endorsed upfront prior to first issuance. In this case, Issuer shall declare a trust over the Trust Assets for the benefit of the Sukukholders. The Trust Assets herein shall comprise the Shariah-compliant businesses of the Issuer together with the FSRA.

2.3 **Profit and Loss Sharing**. Under the principles of Musharakah, profit and loss from the Musharakah Venture will be distributed and shared amongst the Sukukholders, and in this case the basis of sharing is based on the ratio of capital contribution of the respective Sukukholders.

Under the Musharakah, income generated from the respective Musharakah Venture may be distributed semi-annually as Periodic Payment. The Sukukholders have agreed upfront that they shall receive profits, if any, up to the Expected Return. Any amounts in excess from each Musharakah Venture over the Expected Return shall be waived and shall be credited by the Manager to the FSRA up to the Minimum Exercise Price Reserve. Once the Minimum Exercise Price Reserve is met, any such excess income may be utilized by the Manager for the purpose of the Musharakah Venture.

2.4 **FSRA**. The FSRA shall be a Shariah compliant account to be maintained in the following manner:

(a) a minimum balance equivalent to the aggregate of the Periodic Payments due and payable under the Sukuk during the next six (6) months ("**Minimum FSRA Balance**") which shall be prefunded by the proceeds arising from the Sukuk.; and

(b) a minimum balance equivalent to the relevant Exercise Price of the relevant maturing Sukuk ("**Minimum Exercise Price Reserve**"), which amount shall be progressively built up by the Issuer but in any event no later than one(1) month prior to the respective Maturity Dates of the relevant Sukuk

Notwithstanding the foregoing, the requirement to maintain the Minimum Exercise Price Reserve shall not be applicable in the event the Issuer has informed the

Facility Agent and the Trustee, at least thirty (30) days prior to the relevant Maturity Dates, that it intends to utilise the Sukuk Musharakah Programme to issue a new Sukuk for the redemption of such maturing Sukuk,

Funds standing to the credit of the FSRA may be utilised for making any Periodic Payment and when withdrawals from the FSRA results in a shortfall in the minimum FSRA Balance, the Issuer shall, within thirty (30) days from the date of such withdrawal is made , deposit and/or cause to be deposited into the FSRA such amount of monies necessary to maintain the then prevailing Minimum FSRA Balance Failure to meet the Minimum FSRA Balance within thirty (30) days period as stipulated above will result in a Dissolution Event followed by obligations pursuant to the Purchase Undertaking.

Upon the declaration of a Dissolution Event, monies standing to the credit of the FSRA shall be distributed to the Sukukholders as the FSRA forms part of the Trust Assets.

Additionally, any amounts left in the FSRA after distribution to the Sukukholders upon Dissolution Date shall be due and payable to the Manager as incentive fee for managing the Musharakah Venture.

The allowable mechanism for the operations of the FSRA is premised on the following:-

a) Prefunding of the FSRA from the Sukuk proceeds is allowed on the basis that monies being utilized from the FSRA shall be regarded as Advance Profit Payments under the Musharakah Venture which is rationalized against the overall income during the tenure of the Musyarakah Venture, and

b) This Advance Profit Payment(s) will be off-set against the Exercise Price payable to the Sukukholders at Dissolution Date of the respective Musharakah Venture pursuant to the Purchase Undertaking. The off-set arrangement in respect of the Advance Profit Payment(s) does not tantamount to capital or profit guarantee under the Musharakah principles. Purchase Undertaking is a separate undertaking which is independent from Advance Profit Payment(s) though the amount of the latter will be reimbursed in the Purchase Undertaking price. The pricing mechanism will not have an impact on Shariah compliance of the arrangement provided it is certain and transparent.

2.5 **Purchase Undertaking.** The Obligor shall give an undertaking to the Trustee (acting for the Sukukholders) to purchase the Trust Assets from the Trustee at the Exercise Price upon maturity or the occurrence of a Dissolution Event.

From Shariah point of view, the permissibility of the **Purchase Undertaking** mechanism as mentioned above would be based on the following:

a) Westports, as the Obligor, undertakes to purchase the Trust Assets owned by the Sukukholders pursuant to the Purchase Undertaking. This undertaking is based on the Obligor's promise to purchase the Trust Assets comprising all rights and entitlements under the Musharakah Venture at a price to be agreed based on mutual consent and according to an agreed formula.

b) The purpose of this Purchase Undertaking is for the Obligor to purchase the underlying assets, which forms and represents the Musharakah Venture upon maturity or in the case of default/dissolution. An undertaking by the Obligor to purchase the assets of the Musharakah Venture which is managed by the Issuer is permissible and this cannot be deemed as capital guarantee as the undertaking can only be exercised if the Trust Assets are still available for the purchase purposes. Unlike capital guarantee, which requires the Obligor to refund the full capital irrespective of the availability of the assets of the venture, the purchase undertaking by the Obligor will and can only be exercised if the assets of the venture are available to make the purchase contract valid. Thus, this Purchase Undertaking cannot not be exercised if the assets of the venture, due to some reason, cease to exist.

## 3. Other Shariah Considerations

**Ta'widh.** In the event of overdue payments of any amounts due under the Purchase Undertaking, the Obligor shall respectively pay to the Trustee for the benefit of the Sukukholders compensation ("Ta'widh") on such overdue amounts at the rate and manner prescribed by the Shariah Advisory Council of the SC or such other relevant regulatory authority from time to time in accordance with the Shariah principles.

## 4. Legal Documents

I have reviewed the Shariah aspects of the following legal documents ("Transaction Documents") together with the relevant schedules therein, in respect of the Sukuk Musharakah Programme :

1) Programme Agreement
2) Trust Deed;
3) Musharakah Agreement;
4) Asset Declaration of Trust;
5) Management Agreement
6) Purchase Undertaking; and
7) Depository and Paying Agency Agreement.

## 5. Approval

The Shariah Endorsement provided herein is after my perusal of the structure, the Principal Terms and Conditions and the Transaction Documents in relation to this Sukuk Musharakah Programme. Accordingly, having reviewed the structure and mechanism as documented above, and the Shariah considerations contained herein, I hereby confirm that the proposed Sukuk Musharakah Programme is in compliance with the Shariah principles as well as the relevant guidelines formulated by the Securities Commission to regulate the issuance of Islamic securities and is an allowable Islamic securities under Shariah.

Yours faithfully,

...............................

Dr. Mohd Daud Bakar

Date : 18 APR 2011

## THE ISSUER

**WESTPORTS MALAYSIA SDN BHD**
(Company No. 192725-V)
C4-6-8, Solaris Dutamas
No.1 Jalan Dutamas 1
50480 Kuala Lumpur

## JOINT PRINCIPAL ADVISERS/JOINT LEAD ARRANGERS/ JOINT LEAD MANAGERS

**AmInvestment Bank Berhad**
(Company No. 23742-V)
Level 22, Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur

**Maybank Investment Bank Berhad**
(Company No. 15938-H)
33rd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

## FACILITY AGENT

**Maybank Investment Bank Berhad**
(Company No. 15938-H)
32nd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

## TRUSTEE

**AmTrustee Berhad**
(Company No. 163032-V)
Level 22, Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur

## RATING AGENCY

**Malaysian Rating Corporation Berhad**
(Company No. 364803-V)
5th Floor, Bangunan Malaysian Re
No. 17, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

## REPORTING ACCOUNTANT

**Messrs KPMG**
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor

## DEPOSITORY AND PAYING AGENT

**Bank Negara Malaysia**
Jalan Dato' Onn
50480 Kuala Lumpur

## SOLICITORS TO THE JOINT PRINCIPAL ADVISERS/JOINT LEAD ARRANGERS/ JOINT LEAD MANAGERS

**Messrs Wong & Partners**
Level 21, Suite 21.01
The Gardens South Tower
Mid Valley City Lingkaran Syed Putra
59200 Kuala Lumpur