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**Westports Holdings Berhad**

(Company No. 199301008024 (262761-A))

(Incorporated in Malaysia)

**Quarterly Financial Report for the  
Third Quarter Ended 30 September 2020**

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

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

**Condensed Consolidated Statement of Profit or Loss and  
Other Comprehensive Income**

For The Period Ended 30 September 2020

*These figures have not been audited*

	3 months ended			9 months ended		
	30.09.2020 RM'000	30.09.2019 RM'000	Changes %	30.09.2020 RM'000	30.09.2019 RM'000	Changes %
Revenue	528,359	460,430	15%	1,433,428	1,330,070	8%
Cost of sales	(194,866)	(175,621)	11%	(565,634)	(501,951)	13%
<b>Gross profit</b>	<b>333,493</b>	<b>284,809</b>	<b>17%</b>	<b>867,794</b>	<b>828,119</b>	<b>5%</b>
Other income	9,507	3,753	153%	15,448	9,904	56%
Administrative expenses	(6,941)	(7,546)	-8%	(45,745)	(20,495)	123%
Other expenses	(47,821)	(51,356)	-7%	(141,763)	(144,040)	-2%
<b>Results from operating activities</b>	<b>288,238</b>	<b>229,660</b>	<b>26%</b>	<b>695,734</b>	<b>673,488</b>	<b>3%</b>
Finance income	3,529	4,710	-25%	13,220	11,181	18%
Finance costs	(21,489)	(23,059)	-7%	(62,070)	(68,874)	-10%
<b>Profit before tax</b>	<b>270,278</b>	<b>211,311</b>	<b>28%</b>	<b>646,884</b>	<b>615,795</b>	<b>5%</b>
Tax expense	(66,429)	(52,075)	28%	(155,889)	(150,338)	4%
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>203,849</b>	<b>159,236</b>	<b>28%</b>	<b>490,995</b>	<b>465,457</b>	<b>5%</b>
<b>Basic earnings per ordinary share (sen)</b>	<b>5.98</b>	<b>4.67</b>	<b>28%</b>	<b>14.40</b>	<b>13.65</b>	<b>5%</b>

The unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

**Westports Holdings Berhad**  
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**Condensed Consolidated Statement of Financial Position**

As At 30 September 2020

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30.09.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>		
Property, plant and equipment	1,638,666	1,656,070
Concession assets	2,415,247	2,357,790
Right-of-use assets	54,123	59,230
Investment	50,000	-
<b>Total non-current assets</b>	4,158,036	4,073,090
<b>Current assets</b>		
Inventories	5,533	5,478
Trade and other receivables	344,523	357,944
Cash and short term investments	610,647	695,695
<b>Total current assets</b>	960,703	1,059,117
<b>Total assets</b>	5,118,739	5,132,207
<b>Equity</b>		
Share capital	1,038,000	1,038,000
Reserves	1,627,619	1,522,295
<b>Total equity</b>	2,665,619	2,560,295
<b>Non-current liabilities</b>		
Borrowings	1,200,000	1,300,000
Employee benefits	8,861	8,660
Deferred tax liabilities	388,953	368,187
Service concession obligation	186,561	215,812
Lease liabilities	27,673	30,588
<b>Total non-current liabilities</b>	1,812,048	1,923,247
<b>Current liabilities</b>		
Borrowings	100,000	100,000
Trade and other payables	151,497	116,756
Provisions	290,675	339,803
Tax payable	27,914	16,128
Service concession obligation	40,576	45,299
Lease liabilities	30,410	30,679
<b>Total current liabilities</b>	641,072	648,665
<b>Total liabilities</b>	2,453,120	2,571,912
<b>Total equity and liabilities</b>	5,118,739	5,132,207

The unaudited condensed consolidated statement of financial position should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

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**Condensed Consolidated Statement of Changes in Equity**

For The Period Ended 30 September 2020

*These figures have not been audited*

	Attributable to the owners of the Company			Total RM'000
	Non-distributable Share Capital RM'000	Goodwill Written off Reserve RM'000	Distributable Retained Earnings RM'000	
<b>At 1 January 2019</b>	1,038,000	(47,732)	1,424,818	2,415,086
Profit for the period	-	-	465,457	465,457
<b>Total comprehensive income for the period</b>	-	-	465,457	465,457
<i>Distributions to owners of the Company</i>				
- Dividends	-	-	(445,687)	(445,687)
<b>Total transactions with owners of the Company</b>	-	-	(445,687)	(445,687)
<b>At 30 September 2019</b>	<u>1,038,000</u>	<u>(47,732)</u>	<u>1,444,588</u>	<u>2,434,856</u>
<b>At 1 January 2020</b>	1,038,000	(47,732)	1,570,027	2,560,295
Profit for the period	-	-	490,995	490,995
<b>Total comprehensive income for the period</b>	-	-	490,995	490,995
<i>Distributions to owners of the Company</i>				
- Dividends	-	-	(385,671)	(385,671)
<b>Total transactions with owners of the Company</b>	-	-	(385,671)	(385,671)
<b>At 30 September 2020</b>	<u>1,038,000</u>	<u>(47,732)</u>	<u>1,675,351</u>	<u>2,665,619</u>

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

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**Condensed Consolidated Statement of Cash Flows**

For The Period Ended 30 September 2020

*These figures have not been audited*

	<b>9 months ended</b>	
	<b>30.09.2020</b>	<b>30.09.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	646,884	615,795
Adjustments for :		
Amortisation of concession assets	60,640	61,095
Depreciation of right-of-use assets	30,522	27,198
Depreciation of property, plant and equipment	105,321	102,557
Dredging expenditure	2,653	8,094
Finance costs - accretion of service concession obligation	10,281	11,976
Finance costs - lease liabilities	2,965	3,395
Finance costs - borrowings and others	48,824	53,503
Finance income	(9,748)	(9,166)
Income from money market fund	(3,472)	(2,015)
Provision/(reversal of provision) for retirement benefits	309	(64)
Gain on disposal of property, plant and equipment	(143)	-
Property, plant and equipment written off	6,859	10
Impairment loss on trade receivables	16,898	440
Reversal of impairment loss on trade receivables	(505)	(401)
	918,288	872,417
<b>Operating profit before working capital changes</b>		
Changes in working capital:		
Trade and other receivables	(5,626)	33,164
Payment for dredging expenses	-	(5,750)
Trade and other payables	32,272	(9,121)
Inventories	(55)	(438)
Provisions	(49,129)	111,404
	895,750	1,001,676
<b>Cash generated from operations</b>		
Income tax paid	(123,337)	(133,012)
Interest paid	(46,356)	(46,215)
Retirement benefits paid	(107)	(141)
	725,950	822,308
<b>Net cash generated from operating activities</b>		
<b>Cash flows from investing activities</b>		
Interest received	9,748	9,166
Income from money market fund	3,472	2,015
Purchase of property, plant and equipment	(94,776)	(46,319)
Additions to concession assets	(118,097)	(8,828)
Proceeds from disposal of property, plant and equipment	143	5
	(199,510)	(43,961)
<b>Net cash used in investing activities</b>		

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**Condensed Consolidated Statement of Cash Flows (Continued)**

For The Period Ended 30 September 2020

*These figures have not been audited*

	9 months ended	
	30.09.2020	30.09.2019
	RM'000	RM'000
<b>Cash flows from financing activities</b>		
Fixed deposits pledged for borrowings	(891)	(1,069)
Redemption of borrowings-SMTN	(100,000)	(100,000)
Subscription in Sukuk Prihatin	(50,000)	-
Dividends paid to shareholders	(385,671)	(445,687)
Repayment of lease liabilities	(31,563)	(28,730)
Annual lease paid for use of port infrastructures and facilities	(44,255)	(44,255)
<b>Net cash used in financing activities</b>	(612,380)	(619,741)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(85,940)	158,606
Cash and cash equivalents at 1 January	656,845	406,615
<b>Cash and cash equivalents at 30 September</b>	570,905	565,221

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

Cash and bank balances	150,215	447,681
Money market fund	407,459	103,177
Fixed deposits with licensed banks	52,973	52,869
	610,647	603,727
Less : Pledged deposits	(39,742)	(38,506)
	570,905	565,221

	Net changes from financing cash flows				30.09.2020 RM'000
	1.1.2020 RM'000	Addition RM'000	from financing cash flows RM'000	Accretion of interest RM'000	
Sukuk MTN	1,400,000		(100,000)	-	1,300,000
Lease liabilities	61,267	25,414	(31,563)	2,965	58,083
Service concession obligation	261,111	-	(44,255)	10,281	227,137
<b>Total liabilities from financing</b>	1,722,378	25,414	(175,818)	13,246	1,585,220

	Net changes from financing cash flows				30.09.2019 RM'000
	1.1.2019 RM'000	Addition RM'000	from financing cash flows RM'000	Accretion of interest RM'000	
Sukuk MTN	1,500,000	-	(100,000)	-	1,400,000
Lease liabilities	102,921	-	(28,730)	3,395	77,586
Service concession obligation	304,150	-	(44,255)	11,976	271,871
<b>Total liabilities from financing</b>	1,907,071	-	(172,985)	15,371	1,749,457

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

**Notes to Condensed Consolidated Financial Statements  
for the Third Quarter Ended 30 September 2020**

**1. Basis of Preparation**

The condensed consolidated financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the requirements of the Companies Act 2016 in Malaysia. This condensed consolidated interim financial statements also complies with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”).

The condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the financial year ended 31 December 2019.

**2. Significant Accounting Policies**

The accounting policies adopted in these condensed consolidated interim financial statements are consistent with the annual audited consolidated financial statements for the financial year ended 31 December 2019 except for the adoption of the following Amendments to MFRSs during the current financial period:

- *Amendments to References to the Conceptual Framework in MFRS Standards*
- *Amendments to MFRS 3 Definition of a Business*
- *Amendments to MFRS 101 and MFRS 108 Definition of Material*
- *Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform*
- *Amendment to MFRS 16 COVID-19 Related Rent Concessions*

The adoption of these Amendments to MFRSs did not result in significant changes in the accounting policies of the Group and has no significant effect on these condensed consolidated interim financial statements.

As at the date of authorisation of these condensed consolidated interim financial statements, the following amendments to MFRSs which were in issue but not yet effective and have not been early adopted by the Group:



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<b>Amendments to MFRSs</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 101	<i>Classification of Liabilities as Current or Non-current</i> 1 January 2023
Amendments to MFRS 3	<i>Reference to the Conceptual Framework</i> 1 January 2022
Amendments to MFRS 116	<i>Property, Plant and Equipment- Proceeds before Intended Use</i> 1 January 2022
Amendments to MFRS 137	<i>Onerous Contracts-Cost of Fulfilling a Contract</i> 1 January 2022
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i> 1 January 2021
Amendments to MFRS 10 and MFRS 128	<i>Sale or Contribution of Assets between on Investor and Its Associate or Joint Venture</i> Yet to be confirmed
Annual Improvements to MFRS Standards 2018–2020	1 January 2022

The adoption of these amendments to MFRSs are not expected to have any material financial impact on the financial statements of the Group in the period of initial application.

### **3. Qualification of Audit Report for the Preceding Annual Financial Statements**

There was no qualification on financial statements prepared for the financial year ended 31 December 2019.

### **4. Seasonality or Cyclicity of Interim Operations**

There has been no material seasonal or cyclical factor affecting the results of the quarter under review.

### **5. Unusual Items due to their Nature, Size or Incidence**

The Group reported in the fourth quarter of 2019 the vessel incident involving two Ship-to-Shore Cranes (“STS Cranes”) of its wholly-owned subsidiary, Westports Malaysia Sdn Bhd (“WMSB”).

The Insurer has approved the replacement of the two damaged STS Cranes with two new STS Cranes. The dismantling work for the two damaged STS Cranes has commenced in November 2020. The repair work for the damaged wharf is expected to commence in February 2021 after the two damaged STS Cranes have been dismantled. The two new replacement STS Cranes is expected to be commissioned by January 2022. The total costs of the above are estimated to be RM82,677,000. These expenditures would be incurred

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progressively and would correspondingly be reimbursed by the Insurer in the same manner subject to the policy's terms and conditions. Hence, the amount of the assets written-off for the above incident in the fourth quarter of 2019 is expected to be gradually recovered from the fourth quarter of 2020 to the financial year 2022 when WMSB receives reimbursement from the Insurer.

Save as disclosed above, there were no other unusual items affecting the assets, liabilities, equity, net income or cash flows because of their nature, size or incidence for the financial period to date.

**6. Changes in Estimates**

There were no changes in estimates that have had a material effect for the current quarter and financial period to date.

**7. Debt and Equity Securities**

There were no issuance, repurchase and repayment of debt and equity securities by the Group for the financial period to date.

**8. Dividend Paid**

During the financial period, the Company has paid the following dividend:

	<b>RM'000</b>
Second interim dividend of 6.26 sen per ordinary share in respect of financial year ended 31 December 2019 on 3 March 2020	213,466
First interim dividend of 5.05 sen per ordinary share in respect of financial year ending 31 December 2020 on 23 August 2020	<u>172,205</u>
	<u>385,671</u>

**9. Events Subsequent to the End of the Financial Period**

There were no other material events subsequent to quarter under review that have not been reflected in the quarterly financial statements.

**10. Segmental Information**

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

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

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

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

**Segment assets**

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

**Segment liabilities**

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

	<b>Port development and management of port operations</b>			
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit</b>				
Reportable segment profit	288,847	230,180	697,869	675,335
<i>Included in the measure of segment profit are :</i>				
Revenue - external customer	500,666	460,430	1,362,801	1,330,070
- construction service	27,693	-	70,627	-
Amortisation of concession assets	(20,150)	(20,286)	(60,640)	(61,095)
Depreciation of right-of-use assets	(9,704)	(8,222)	(30,522)	(27,198)
Depreciation of property, plant and equipment	(35,917)	(34,372)	(105,321)	(102,557)
Property, plant and equipment written off	-	(10)	(6,859)	(10)
Gain on disposal of property, plant and equipment	6	-	143	-
Impairment loss of trade receivables	(87)	(262)	(16,898)	(440)
Reversal of Impairment loss of trade receivables	-	229	505	401
<b>Reconciliation of reportable segment profit and revenue</b>				
<b>Profit</b>				
Reportable segment	288,847	230,180	697,869	675,335
Non-reportable segment	(609)	(520)	(2,135)	(1,847)
Finance income	3,529	4,710	13,220	11,181
Finance costs	(21,489)	(23,059)	(62,070)	(68,874)
Consolidated profit before tax	<u>270,278</u>	<u>211,311</u>	<u>646,884</u>	<u>615,795</u>
<b>Revenue</b>				
Reportable segment	528,359	460,430	1,433,428	1,330,070
Non-reportable segment	-	-	-	-
Consolidated revenue	<u>528,359</u>	<u>460,430</u>	<u>1,433,428</u>	<u>1,330,070</u>

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**11. Changes in Composition of the Group**

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

**12. Contingent Liabilities**

		As at 30.09.2020 RM'000	As at 30.09.2019 RM'000
Claims related to Bills of Demand issued by the Royal Malaysian Customs Department	(a)	<u>-</u>	<u>35,355</u>
Claims related to Oracle Case	(b)	<u>24,227</u>	<u>-</u>
Claims related to Additional Assessment by Inland Revenue Board	(c)	<u>120,576</u>	<u>-</u>

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

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

WMSB and the Customs had reached an out-of-court settlement on the matter. WMSB has settled the payment of import duties for non-time barred cases amounting to RM13,613,644 and also Goods and Services Tax amounting to RM10,539,265. The Customs withdrew the bills of demand on time-barred cases amounting to RM35,355,359. Accordingly, Customs withdrew the judicial review application against the Customs, and the High Court recorded the out-of-court settlement on 24 September 2020.

The Group made a provision amounting to RM24,152,909 in its consolidated Audited Financial Statements for the financial year ended 31 December 2017 for the claims related to bills of demand issued by the Customs, which is the same amount to the sum of out-of-court settlement that WMSB and Custom agreed.

Therefore, the contingent liability of RM35,355,359 has been expunged from the Group’s condensed consolidated interim financial statements for the financial quarter ended 30 September 2020.

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- b) The details of litigation with Oracle case are reported in Note 22 (a).
- c) The details of litigation on Additional Assessment by Inland Revenue Board are reported in Note 22 (b).

In the opinion of the Board of Directors, after deliberations and taking into due consideration the legal advice rendered by the Group's solicitors and the respective subject matter professionals, the probability of an unfavourable outcomes is remote. Therefore, no provision has been made for items 12(b) and 12(c).

### 13. Capital Commitments

The amount of commitments for capital expenditure not provided for in the condensed consolidated interim financial statements as at 30 September 2020 is as follows:

	<b>As at 30.09.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
Capital expenditure commitments:		
Property, plant and equipment and concession assets		
- Authorised and contracted for	<u>663,603</u>	<u>397,202</u>

### 14. Related Party Transactions

Related party transactions have been entered into in the normal course of business and under negotiated terms. Details of the relationships and transactions between the Group and its significant related parties are as follows:

<u>Name of Company</u>	<u>Relationship</u>
Pembinaan Redzai Sdn Bhd ("PR")	Corporate shareholder
Gryss Holdings Sdn Bhd ("GH")	Company in which Directors have significant financial interest
Westports Foundation ("WF")	Company in which Directors have significant financial interest
PKT Logistics (M) Sdn Bhd ("PKT")	Company in which a Director has significant financial interest

The transactions incurred for the financial period are as follows:

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	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
PR - Administrative expenses	5	1	7	7
GH - Office rental	34	92	185	276
WF - Financial support to community	-	-	1,000	-
PKT - Port and storage income	(529)	(1,038)	(4,048)	(2,666)

## 15. Review of Performance

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

	3 months ended			9 months ended		
	30.09.2020	30.09.2019	Changes	30.09.2020	30.09.2019	Changes
	RM'000	RM'000		RM'000	RM'000	
Revenue as reported	528,359	460,430	15%	1,433,428	1,330,070	8%
Less : Construction revenue (N1)	(27,693)	-	100%	(70,627)	-	100%
<b>Operational revenue</b>	<b>500,666</b>	<b>460,430</b>	<b>9%</b>	<b>1,362,801</b>	<b>1,330,070</b>	<b>2%</b>
Cost of sales as reported	194,866	175,621	11%	565,634	501,951	13%
Less : Construction cost (N1)	(27,416)	-	100%	(69,924)	-	100%
<b>Operational cost of sales</b>	<b>167,450</b>	<b>175,621</b>	<b>-5%</b>	<b>495,710</b>	<b>501,951</b>	<b>-1%</b>
Gross Profit	333,493	284,809	17%	867,794	828,119	5%
Profit before interest and tax	288,238	229,660	26%	695,734	673,488	3%
Profit before tax	270,278	211,311	28%	646,884	615,795	5%
Profit after tax	203,849	159,236	28%	490,995	465,457	5%

N1 - The construction revenue and cost are recorded in accordance with IC Interpretation 12 – Service Concession Arrangements and relate to the construction of port development infrastructures under the privatisation agreements. The port development infrastructure is recognised as concession assets in the statement of financial position and amortised over the remaining concession period.

### Quarter Ended 30 September 2020 compared to Quarter Ended 30 September 2019

The Group recorded operational revenue of RM501 million in quarter ended 30 September 2020 (“3Q2020”), growth by 9% against preceding year corresponding quarter (“3Q2019”). It was mainly attributed to the growth in container throughput.

The Group recorded profit before tax (“PBT”) of RM270 million in 3Q2020 representing 28% increase compared to 3Q2019. The growth in PBT was due to higher container revenue and lower operational cost.

The Group’s profit after tax (“PAT”) of RM204 million increased by 28% compared to 3Q2019 and was due to similar reasons mentioned above.

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Nine Months Ended 30 September 2020 compared to Nine Months Ended 30 September 2019

The Group recorded operational revenue of RM1.36 billion for nine months ended 30 September 2020 (“9M20”), growth by 2% compared to preceding corresponding period (“9M19”). It was mainly attributed by the growth in value added services revenue and increase in local volume mix.

The Group achieved PBT of RM647 million in 9M20, increased by 5% compared to 9M19. The growth in PBT was mainly due to higher container revenue.

The Group’s PAT of RM491 million, increased by 5% was due to similar reasons mentioned above.

**16. Changes in the Quarterly Results compared to the Results of the Preceding Quarter**

The summary of the operational results are as follows:

	<b>3 months ended</b>		
	<b>30.09.2020</b>	<b>30.06.2020</b>	<b>Changes</b>
	<b>RM'000</b>	<b>RM'000</b>	
Operational revenue	528,359	405,180	30%
Gross profit	333,493	245,007	36%
Profit before interest and tax	288,238	190,363	51%
Profit before tax	270,278	174,714	55%
Profit after tax	203,849	134,340	52%

The Group’s operational revenue in 3Q2020 growth by 30% compared to the preceding quarter ended 30 June 2020 (“2Q2020”), was mainly attributed by the growth of container throughput and higher local volume mix.

The Group recorded PBT of RM270 million in 3Q2020, growth by 55% compared to 2Q2020. The growth in PBT was due to increase in operational revenues.

The Group’s PAT of RM204 million, increased by 52% was due to similar reasons mentioned above.

**17. Current Year’s Prospects**

The container throughput in the second half of 2020 should rebound when compared to the first half of the year. Westports container throughput is now expected to be lower in 2020 by a single-digit rate of decline only due to adverse effects from the COVID-19 pandemic.

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**18. Profit Forecast or Profit Guarantee**

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

**19. Tax Expense**

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

	<b>Current quarter 30.09.2020 RM'000</b>	<b>Financial period-to-date 30.09.2020 RM'000</b>
Current tax	61,384	135,124
Deferred tax	<u>5,045</u>	<u>20,765</u>
	<u><u>66,429</u></u>	<u><u>155,889</u></u>

**20. Status of Proposed Expansion**

On 25 August 2017 the Company announced to Bursa, that its wholly owned subsidiary, WMSB has received an Approval-in-Principle (“AIP”) from the Government of Malaysia (“GOM”), to expand its container terminal facilities beyond CT9 (“Proposed Expansion”). The terms and conditions of the Proposed Expansion are subjected to further deliberations between the GOM and WMSB.

On 30 April 2018, the Company announced the acquisition of a piece of leasehold land under the sea with the size of 154.2 hectares (381 acres) from Perbadanan Kemajuan Negeri Selangor (“PKNS”) after going through a successful bidding process.

As part of the ongoing preparations for the Proposed Expansion, Port Klang Authority (“PKA”) has informed the Company that the regulator has concluded its detailed evaluations with satisfactory findings on the various studies undertaken and recommendations proposed by the Company. The Company has appointed an external consultant, and the latter is conducting a Detailed Environmental Impact Assessment study for the Proposed Expansion, which would see the future development from Container Terminal 10 to Container Terminal 17.

On 7 February 2020, the Company announced that WMSB has entered into a conditional sale and purchase agreement with Pembinaan Redzai Sdn Bhd (“PRSB”) to acquire a parcel of leasehold land held under Pajakan Negeri (PN) 7374, Lot No. 72778, Mukim and District of Klang, State of Selangor Darul Ehsan measuring about 146.4 hectares (361.762 acres), for a total cash consideration of RM393,958,900 (“Proposed Acquisition”). The parcel of leasehold land is located adjacent to the Company’s existing container terminal



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facilities. The Company plans to develop additional container terminal facilities on both the aforementioned land and to create one of the longest linear ports in the region.

On 5 May 2020, shareholders (excluding PRSB and other directors/parties deemed with vested interests) approved the Proposed Acquisition of the said leasehold land in a virtual Extraordinary General Meeting. Commercial negotiations with the authorities for the Proposed Expansion is currently on going.

On 11 September 2020, Economic Planning Unit (“EPU”) under Prime Minister’s Department has confirmed in writing that they have no objection to the Proposed Acquisition.

## 21. Borrowings and Debts Securities

The Group’s borrowings position as at 30 September 2020 is as follows: -

	<b>As at 30.09.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
Non-current		
Unsecured Sukuk Musharakah Medium Term Note ("SMTN")	1,200,000	1,300,000
Current		
Unsecured Sukuk Musharakah Medium Term Note ("SMTN")	100,000	100,000
Total Borrowings	1,300,000	1,400,000

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

## 22. Changes in Material Litigation

### a) Westports Malaysia Sdn Bhd against Oracle Corporation Malaysia Sdn Bhd and Bank of America Malaysia Berhad

On 12 June 2020, Westports Holdings Berhad announced that WMSB, has commenced legal proceedings against Oracle Corporation Malaysia Sdn Bhd (“Oracle”) and Bank of America Malaysia Berhad (“BOA”) at the Kuala Lumpur High Court on the termination of two agreements.

On 30 November 2018, WMSB had subscribed into the Oracle ERP Software System by executing two agreements with Oracle. The first agreement, Oracle Cloud Services Agreement, entailed an Oracle license

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fee of RM15,692,378. WMSB has entered into another agreement with Oracle and a contract with Oracle's outsource partner, the total value amounting to RM15,285,307 for the implementation of the Oracle ERP Software System and Payroll System. Oracle subsequently assigned the first agreement to BOA, and WMSB is required to pay the license fee directly to BOA.

The Oracle ERP Software Systems project commenced in February 2019. During the User Acceptance Testing ("UAT") phase, WMSB discovered there were data discrepancy and inability of the system to execute the purported requirements. Highlighted technical requests remained unresolved and WMSB could not proceed with the Go-Live. WMSB terminated the two agreements on 30 December 2019. WMSB had paid RM6,750,697 prior to the termination.

Subsequent to the termination, WMSB still received a letter of demand from BOA for RM592,838. Oracle made a counter-claim of RM4,059,077 for the services rendered. WMSB is disputing against the counter-claim on the basis that the two agreements have been terminated, and that the system could not proceed with the Go-Live. WMSB is seeking the Court to declare that the termination of the two agreements are valid and negated the obligation to pay to BOA and Oracle.

The estimated potential liability for this litigation case is RM30,977,685 of which RM6,750,697 has already been paid to the Oracle and BOA as at 31 December 2019. The remaining balance exposure is RM24,226,988 and the counter-claim of RM4,059,077 is part of this amount.

Below are the updates subsequent to the quarterly announcement made on 24 July 2020:-

### BOA

- i) On 3 August 2020, BOA submitted their Defence and Counterclaim.
- ii) On 24 August 2020, WMSB submitted a Reply to BOA's Defence and Defence to Counterclaim.
- iii) On 23 September 2020, BOA has filed an application to strike-out as second defendant and filed an application for summary judgement on their counterclaim. On 8 October 2020, WMSB submitted affidavit to the Court opposing both of the above. BOA has filed their reply in defence on 15 October 2020.
- iv) Both BOA and WMSB have filed their written submissions on 28 October 2020. The hearing for the summary judgement is fixed on 23 December 2020.

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Oracle

- i) On 1 September 2020, Oracle has submitted to the Court their Amended Defence and Counterclaim which WMSB has on 5 October 2020 submitted its reply to the Court. In responses, Oracle has submitted affidavit to Court to expunge or strike out WMSB's Amended Reply on 23 October 2020. Subsequently, Westports submitted affidavit to amend the Statement of Claim on 6 November 2020. Court directed both parties to reply accordingly on specified dates and the case management for this matter is fixed on 14 December 2020.
- ii) With regards to the application of summary judgement by Oracle, both Oracle and WMSB has filed their written submission to Court on 26 October 2020. The hearing for the summary judgement is fixed on 23 December 2020.

The Court will provide direction on WMSB main lawsuit once all the above matter are resolved.

**b) Notice of Additional Tax Assessment Received from Inland Revenue Board of Malaysia**

WMSB has been served with the notice of additional assessment for additional tax liabilities, inclusive of penalties for the years of assessment from 2013 to 2018, by the Inland Revenue Board of Malaysia ("IRB") ("the Notices") on 2 October 2020.

The IRB has raised an additional tax assessment of RM120,576,256 in relation to the following:

- i) Total annual lease payment made by WMSB to the Port Klang Authority ("PKA") amounting to RM299,901,840 for the years of assessment from 2013 to 2018; and
- ii) Deferred revenue of RM7,965,536 for the year of assessment 2018.

The IRB has now assessed that the annual lease payment made by WMSB to PKA as not allowable for deduction in WMSB's tax computation.

WMSB has obtained confirmation from its tax advisors and legal advice from the tax solicitors to contend incontrovertibly that the IRB's interpretation is fundamentally erroneous. WMSB's accounting policy and the treatment of the annual lease payments have been audited annually by among the largest professional accounting firms since 2013 with no qualification.

WMSB has written to Minister of Finance (MOF) to raise our concern in relation to the Notice. Subsequently, WMSB has on 14 October 2020 submitted a notice of application of judicial review against MOF.

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The hearing has been fixed on 28 October 2020 but adjourned to 18 January 2021. In the meantime, the High Court had allowed our application for the interim stay pending the hearing on 18 January 2021.

**23. Dividends**

Save as disclosed in Note 8, the Directors did not recommend any dividend for the period ended 30 September 2020.

**24. Earnings per Share**

Basic earnings per share

The basic earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders of the Company for the financial period by the weighted average number of ordinary shares in issue during the financial period.

	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to ordinary shareholders of the Company	203,849	159,236	490,995	465,457
Weighted average number of ordinary shares in issues (million)	3,410	3,410	3,410	3,410
Basic earnings per ordinary share (sen)	5.98	4.67	14.40	13.65

Diluted earnings per share

The diluted earnings per share of the Group is similar to the basic earnings per share as the Group does not have any dilutive instruments.

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**25. Profit Before Tax**

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

	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Finance costs	21,489	23,059	62,070	68,874
Finance income	(3,529)	(4,710)	(13,220)	(11,181)
Amortisation of concession assets	20,150	20,286	60,640	61,095
Depreciation of right-of-use assets	9,704	8,222	30,522	27,198
Depreciation of property, plant and equipment	35,917	34,372	105,321	102,557
Property, plant and equipment written off	-	10	6,859	10
Gain on disposal of property, plant and equipment	(6)	-	(143)	-
Dredging expenditure	884	5,382	2,653	8,094
Net realised foreign exchange loss	(109)	26	214	255
Provision/(reversal of provision) for retirement benefits	103	(342)	309	(64)
Impairment loss on trade receivables	87	262	16,898	440
Reversal of impairment loss on trade receivables	-	(229)	(505)	(401)

**26. Fair Value Information**

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate their fair values due to the relatively short term nature of these financial instruments.

Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical financial assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the financial asset or liabilities, either directly or indirectly
- Level 3 – Inputs for the financial asset or liabilities that are not based on observable market data

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with fair values and carrying amounts shown in the statement of financial position.

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	Fair value of financial instrument not carried at fair value			Fair Value RM'000	Carrying amount RM'000
	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000		
<b>At 30 September 2020</b>					
<b>Financial Liabilities</b>					
Borrowings	-	-	1,253,929	1,253,929	1,300,000
Service concession obligation	-	-	227,137	227,137	227,137
<b>At 31 December 2019</b>					
<b>Financial Liabilities</b>					
Borrowings	-	-	1,347,676	1,347,676	1,400,000
Service concession obligation	-	-	261,111	261,111	261,111

The fair value of the borrowings and service concession obligation is calculated based on the present value of net cash flows, discounted at the indicative market profit rate at the end of the reporting period.

**27. Authorisation for Issue**

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