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Westports Holdings Berhad

(Company No. 199301008024 (262761-A))

(Incorporated in Malaysia)

**Quarterly Financial Report for the
First Quarter Ended 31 March 2021**

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

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

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

For The Period Ended 31 March 2021

These figures have not been audited

	3 months ended			3 months ended		
	31.03.2021	31.03.2020	Changes	31.03.2021	31.03.2020	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	508,163	473,467	7%	508,163	473,467	7%
Cost of sales	(194,475)	(184,173)	6%	(194,475)	(184,173)	6%
Gross profit	313,688	289,294	8%	313,688	289,294	8%
Other income	24,820	2,610	851%	24,820	2,610	851%
Administrative expenses	(4,777)	(25,091)	-81%	(4,777)	(25,091)	-81%
Other expenses	(45,372)	(49,680)	-9%	(45,372)	(49,680)	-9%
Results from operating activities	288,359	217,133	33%	288,359	217,133	33%
Finance income	4,252	5,147	-17%	4,252	5,147	-17%
Finance costs	(19,015)	(20,388)	-7%	(19,015)	(20,388)	-7%
Profit before tax	273,596	201,892	36%	273,596	201,892	36%
Tax expense	(65,273)	(49,086)	33%	(65,273)	(49,086)	33%
Total comprehensive income for the period attributable to owners of the Company	208,323	152,806	36%	208,323	152,806	36%
Basic earnings per ordinary share (sen)	6.11	4.48	36%	6.11	4.48	36%

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 2020 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 31 March 2021

	Unaudited As at 31.03.2021	Audited As at 31.12.2020
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	1,655,345	1,618,873
Concession assets	2,463,167	2,468,069
Right-of-use assets	70,211	62,273
Investment	50,000	50,000
Total non-current assets	<u>4,238,723</u>	<u>4,199,215</u>
Current assets		
Inventories	5,216	4,752
Trade and other receivables	385,454	278,558
Cash and short term investments	642,711	779,123
Total current assets	<u>1,033,381</u>	<u>1,062,433</u>
Total assets	<u>5,272,104</u>	<u>5,261,648</u>
Equity		
Share capital	1,038,000	1,038,000
Reserves	1,778,806	1,791,110
Total equity	<u>2,816,806</u>	<u>2,829,110</u>
Non-current liabilities		
Borrowings	1,150,000	1,150,000
Employee benefits	8,932	8,936
Deferred tax liabilities	379,894	391,031
Service concession obligation	155,086	168,136
Lease liabilities	51,255	41,765
Total non-current liabilities	<u>1,745,167</u>	<u>1,759,868</u>
Current liabilities		
Trade and other payables	198,323	167,021
Provisions	306,655	271,127
Tax payable	33,644	12,811
Borrowings	100,000	150,000
Service concession obligation	48,808	47,677
Lease liabilities	22,701	24,034
Total current liabilities	<u>710,131</u>	<u>672,670</u>
Total liabilities	<u>2,455,298</u>	<u>2,432,538</u>
Total equity and liabilities	<u>5,272,104</u>	<u>5,261,648</u>

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 2020 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 31 March 2021

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	
At 1 January 2020	1,038,000	(47,732)	1,570,027	2,560,295
Profit for the period	-	-	152,806	152,806
Total comprehensive income for the period	-	-	152,806	152,806
<i>Distributions to owners of the Company</i>				
- Dividends	-	-	(213,466)	(213,466)
Total transactions with owners of the Company	-	-	(213,466)	(213,466)
At 31 March 2020	<u>1,038,000</u>	<u>(47,732)</u>	<u>1,509,367</u>	<u>2,499,635</u>
At 1 January 2021	1,038,000	(47,732)	1,838,842	2,829,110
Profit for the period	-	-	208,323	208,323
Total comprehensive income for the period	-	-	208,323	208,323
<i>Distributions to owners of the Company</i>				
- Dividends	-	-	(220,627)	(220,627)
Total transactions with owners of the Company	-	-	(220,627)	(220,627)
At 31 March 2021	<u>1,038,000</u>	<u>(47,732)</u>	<u>1,826,538</u>	<u>2,816,806</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 2020 and the accompanying explanatory notes attached to the unaudited condensed interim consolidated interim financial statements.

Westports Holdings Berhad
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Condensed Consolidated Statement of Cash Flows
For The Period Ended 31 March 2021

These figures have not been audited

	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	273,596	201,892
Adjustments for :		
Amortisation of concession assets	20,785	20,311
Depreciation of right-of-use assets	9,061	10,409
Depreciation of property, plant and equipment	35,919	34,472
Dredging expenditure	884	884
Finance costs - accretion of service concession obligation	2,833	3,427
Finance costs - lease liabilities	1,083	892
Finance costs - borrowings and others	15,099	16,069
Finance income	(1,631)	(4,397)
Income from money market fund	(2,621)	(750)
Provision for retirement benefits	107	103
Gain on disposal of property, plant and equipment	(793)	(67)
Impairment loss on trade receivables	75	16,811
Reversal of impairment loss on trade receivables	(95)	(457)
	<hr/>	<hr/>
Operating profit before working capital changes	354,302	299,599
Changes in working capital:		
Trade and other receivables, excluding payment for dredging expenses	(73,260)	(16,681)
Trade and other payables	27,279	3,815
Inventories	(464)	87
Provisions	35,528	69,995
	<hr/>	<hr/>
Cash generated from operations	343,385	356,815
Income tax paid	(55,577)	(46,863)
Interest paid	(11,073)	(12,974)
Retirement benefits paid	(111)	(35)
	<hr/>	<hr/>
Net cash generated from operating activities	276,624	296,943
	<hr/>	<hr/>
Cash flows from investing activities		
Interest received	1,631	4,397
Income from money market fund	2,621	750
Acquisition of investment	(34,500)	-
Purchase of property, plant and equipment	(72,454)	(17,558)
Additions to concession assets	(15,883)	(60,118)
Proceeds from disposal of property, plant and equipment	856	67
	<hr/>	<hr/>
Net cash used in investing activities	(117,729)	(72,462)

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Condensed Consolidated Statement of Cash Flows (Continued)

For The Period Ended 31 March 2021

These figures have not been audited

	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Cash flows from financing activities		
Fixed deposits pledged for borrowings	(183)	(342)
Redemption of borrowings-SMTN	(50,000)	-
Dividends paid to shareholders	(220,627)	(213,466)
Repayment of lease liabilities		
- Principal	(8,844)	(10,223)
- Interest	(1,083)	(892)
Annual lease paid for use of port infrastructures and facilities	(14,752)	(14,752)
Net cash used in financing activities	<u>(295,489)</u>	<u>(239,675)</u>
Net decrease in cash and cash equivalents	(136,594)	(15,194)
Cash and cash equivalents at 1 January	739,185	656,845
Cash and cash equivalents at 31 March	<u>602,591</u>	<u>641,651</u>

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

Cash and bank balances	276,300	322,071
Money market fund	312,466	104,747
Fixed deposits with licensed banks	53,945	254,025
	<u>642,711</u>	<u>680,843</u>
Less : Pledged deposits	(40,120)	(39,192)
	<u>602,591</u>	<u>641,651</u>

(b) Reconciliation of liabilities arising from financing activities

	Net changes from financing cash flows				
	1.1.2021	Addition	from financing cash flows	Accretion of interest	31.03.2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Sukuk MTN	1,300,000	-	(50,000)	-	1,250,000
Lease liabilities	65,799	17,001	(9,927)	1,083	73,956
Service concession obligation	215,813	-	(14,752)	2,833	203,894
Total liabilities from financing	<u>1,581,612</u>	<u>17,001</u>	<u>(74,679)</u>	<u>3,916</u>	<u>1,527,850</u>

	Net changes from financing cash flows				
	1.1.2020	Addition	from financing cash flows	Accretion of interest	31.03.2020
	RM'000	RM'000	RM'000	RM'000	RM'000
Sukuk MTN	1,400,000	-	-	-	1,400,000
Lease liabilities	61,267	10,431	(11,115)	892	61,475
Service concession obligation	261,111	-	(14,752)	3,427	249,786
Total liabilities from financing	<u>1,722,378</u>	<u>10,431</u>	<u>(25,867)</u>	<u>4,319</u>	<u>1,711,261</u>

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

**Notes to Condensed Consolidated Financial Statements
for the First Quarter Ended 31 March 2021**

1. Basis of Preparation

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

The condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the financial year ended 31 December 2020.

2. Significant Accounting Policies

The accounting policies adopted in these condensed consolidated financial statements are consistent with the annual audited consolidated financial statements for the financial year ended 31 December 2020 except for the adoption of the following Amendments to MFRSs during the current financial period:

- *Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 Interest Rate Benchmark Reform – Phrase 2*
- *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 financial statements.

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

Amendments to MFRSs				Effective for annual periods beginning on or after
Amendments to MFRS 101	<i>Disclosure Policies</i>	<i>of</i>	<i>Accounting</i>	1 January 2023
Amendments to MFRS 108	<i>Definition Estimates</i>	<i>of</i>	<i>Accounting</i>	1 January 2023

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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 16	<i>Covid-19 Related Rent Concessions beyond 30 June 2021</i>	1 April 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

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

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

There was no qualification on financial statements prepared for the financial year ended 31 December 2020.

4. Seasonality or Cyclicity of Interim Operations

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

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

a) Status of replacement STS Cranes and wharf repair works

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

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 was completed on 12 January 2021. The repair works for the damaged wharf commenced on 18 January 2021 and the works are expected to complete by August 2021. The two new replacement STS Cranes are expected to be commissioned by January 2022. The total costs of the above are estimated to be RM84,179,000. These expenditures would be incurred 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 and 2020 are expected to be gradually recovered from

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the fourth quarter of 2020 to the financial year 2022 when WMSB receives reimbursement from the Insurer. To-date we have received RM7,100,000 from the Insurer.

b) Proposed Acquisition of 50% stake in Boustead Cruise Centre Sdn Bhd

The details of the Proposed Acquisition are reported in Note 24.

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

6. Changes in Estimates

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

7. Debt and Equity Securities

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

8. Dividend Paid

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

	RM'000
Second interim dividend of 6.47 sen per ordinary share in respect of financial year ended 31 December 2020 on 1 March 2021	<u>220,627</u>

9. Events Subsequent to the End of the Financial Period

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

10. Segmental Information

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

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

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

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

Segment assets

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

Segment liabilities

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

	Port development and management of port operations			
	3 months ended		3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
Profit				
Reportable segment profit	289,023	217,802	289,023	217,802
<i>Included in the measure of segment profit are :</i>				
Revenue - external customer	495,796	456,955	495,796	456,955
- construction service	12,367	16,512	12,367	16,512
Amortisation of concession assets	(20,785)	(20,311)	(20,785)	(20,311)
Depreciation of right-of-use assets	(9,061)	(10,409)	(9,061)	(10,409)
Depreciation of property, plant and equipment	(35,919)	(34,472)	(35,919)	(34,472)
Gain on disposal of property, plant and equipment	793	67	793	67
Impairment loss of trade receivables	(75)	(16,811)	(75)	(16,811)
Reversal of Impairment loss of trade receivables	95	457	95	457
Reconciliation of reportable segment profit and revenue				
Profit				
Reportable segment	289,023	217,802	289,023	217,802
Non-reportable segment	(664)	(669)	(664)	(669)
Finance income	4,252	5,147	4,252	5,147
Finance costs	(19,015)	(20,388)	(19,015)	(20,388)
Consolidated profit before tax	<u>273,596</u>	<u>201,892</u>	<u>273,596</u>	<u>201,892</u>
Revenue				
Reportable segment	508,163	473,467	508,163	473,467
Non-reportable segment	-	-	-	-
Consolidated revenue	<u>508,163</u>	<u>473,467</u>	<u>508,163</u>	<u>473,467</u>

11. Changes in Composition of the Group

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

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12. Contingent Liabilities

	note	As at 31.03.2021 RM'000	As at 31.03.2020 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, WMSB 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 financial statements for the financial year ended 31 December 2020.

- 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).

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13. Capital Commitments

The amount of commitments for capital expenditure not provided for in the condensed consolidated interim financial statements as at 31 March 2021 is as follows:

	As at 31.03.2021 RM'000	As at 31.12.2020 RM'000
Capital expenditure commitments:		
Property, plant and equipment and concession assets		
- Authorised and contracted for	<u>676,220</u>	<u>590,515</u>

14. Related Party Transactions

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

<u>Name of Company</u>	<u>Relationship</u>
Pembinaan Redzai Sdn Bhd ("PR")	Corporate shareholder
Cloud Ten Executive Travel & Tours Sdn Bhd ("C10")	Company in which a Director has significant financial interest
Gryss Holdings Sdn Bhd ("GH")	Company in which Directors have significant financial interest
Westports Foundation ("WF")	Company in which Directors have significant financial interest
PKT Logistics (M) Sdn Bhd ("PKT")	Company in which a Director has significant financial interest

The transactions incurred for the financial period are as follows:

	3 months ended		3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
PR - Administrative expenses	1	1	1	1
C10 - Flight ticket and accomodation	-	261	-	261
GH - Office rental and utilities	66	49	66	49
WF - Financial support to community	-	1,000	-	1,000
PKT - Port and storage income	(730)	(1,099)	(730)	(1,099)

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15. Review of Performance

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

	3 months ended			3 months ended		
	31.03.2021	31.03.2020	Changes	31.03.2021	31.03.2020	Changes
	RM'000	RM'000		RM'000	RM'000	
Revenue as reported	508,163	473,467	7%	508,163	473,467	7%
Less : Construction revenue (N1)	(12,367)	(16,512)	-25%	(12,367)	(16,512)	-25%
Operational revenue	495,796	456,955	8%	495,796	456,955	8%
Cost of sales as reported	194,475	184,173	6%	194,475	184,173	6%
Less : Construction cost (N1)	(12,245)	(16,349)	-25%	(12,245)	(16,349)	-25%
Operational cost of sales	182,230	167,824	9%	182,230	167,824	9%
Gross Profit	313,688	289,294	8%	313,688	289,294	8%
Profit before interest and tax	288,359	217,133	33%	288,359	217,133	33%
Profit before tax	273,596	201,892	36%	273,596	201,892	36%
Profit after tax	208,323	152,806	36%	208,323	152,806	36%

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

Quarter Ended 31 March 2021 compared to Quarter Ended 31 March 2020

The Group recorded operational revenue of RM496 million in quarter ended 31 March 2021 (“1Q2021”), growth of 8% against preceding year corresponding quarter (“1Q2020”). It was mainly attributed to the growth in container revenue.

The Group recorded profit before tax (“PBT”) of RM274 million in 1Q2021 representing 36% increase compared to 1Q2020. The growth in PBT was due to higher container revenue and progressive insurance reimbursement for the vessel incident involving two quay cranes in 2019.

The Group’s profit after tax (“PAT”) of RM208 million increased by 36% compared to 1Q2020 and was due to similar reasons mentioned above.

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

The summary of the operational results are as follows:

	3 months ended		Changes
	31.03.2021	31.12.2020	
	RM'000	RM'000	
Operational revenue	495,796	473,021	5%
Gross profit	313,688	295,529	6%
Profit before interest and tax	288,359	234,589	23%
Profit before tax	273,596	218,183	25%
Profit after tax	208,323	163,491	27%

The Group's operational revenue in 1Q2021 improved by 5% compared to the preceding quarter ended 31 December 2020 ("4Q2020"). Better performance was mainly contributed by the growth in container revenue.

The Group recorded PBT of RM274 million in 1Q2021, grew by 25% compared to 4Q2020. The growth in PBT was due to increase in container revenue and one-off asset write-off in 4Q2020.

The Group's PAT of RM208 million, recorded an increase by 27% was due to similar reasons mentioned above.

17. Current Year's Prospects

The Company expects a single-digit container throughput growth for 2021. The vaccination programme roll-out worldwide should pave the way for recovery in economic activities and consumer confidence. Fiscal stimulus is bolstering economic activities in many countries. Nevertheless, the trajectory towards normalcy could still have some deviations due to different vaccination programme implementation speed, sporadic resurgences or lingering effects of the pandemic.

18. Profit Forecast or Profit Guarantee

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

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19. Tax Expense

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

	Current quarter 31.03.2021 RM'000	Financial period-to-date 31.03.2021 RM'000
Current tax	76,410	76,410
Deferred tax	<u>(11,137)</u>	<u>(11,137)</u>
	<u><u>65,273</u></u>	<u><u>65,273</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 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.

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The Company had obtained the Conditional Approval for the Detailed Environmental Assessment Impact (“DEIA”) from the Department of Environment on 29th January 2021. With regards to the Social Impact Assessment (“SIA”), approval has been issued by Department of Town and Country Planning Putrajaya also known as PLANMalaysia on 1st April 2021.

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

21. Borrowings and Debts Securities

The Group’s borrowings position as at 31 March 2021 is as follows: -

	As at 31.03.2021 RM'000	As at 31.12.2020 RM'000
Non-current		
Unsecured Sukuk Musharakah Medium Term Note ("SMTN")	1,150,000	1,150,000
Current		
Unsecured Sukuk Musharakah Medium Term Note ("SMTN")	100,000	150,000
Total Borrowings	<u>1,250,000</u>	<u>1,300,000</u>

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

On 8 February 2021, the Company announced that RAM Rating Services Berhad (“RAM”) has assigned a long-term AAA/stable rating to WMSB for its Sukuk Musharakah Programme.

On 11 March 2021, the Extraordinary Resolutions as set out in the Notice of Extraordinary General Meeting of Sukukholders for the Proposed Change of Rating Agency to RAM were duly passed unanimously by the Sukukholders.

22. Changes in Material Litigation

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

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

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On 30 November 2018, WMSB had subscribed into the Oracle ERP Software System by executing two agreements with Oracle. The first

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

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

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

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

Below is the latest update since our last announcement to Bursa.

BOA

On 11 January 2021, BOA filed an appeal to the Court of Appeal against the High Court's decisions in dismissing BOA's striking out and summary judgment applications. The Court of Appeal has fixed the hearing on 21 October 2021.

Oracle

- i) On 19 January 2021, Oracle filed an appeal to the Court of Appeal against the High Court's decision in dismissing Oracle's summary judgement application. The Court of Appeal has fixed the hearing on 4 October 2021.

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- ii) On 25 February 2021, the Court dismissed Oracle's expunge application. Oracle had filed its Reamended Defence and Counterclaim on 2 April 2021 and Westports had filed its reply on 19 April 2021.

The High Court has fixed the full trial of the main suit on 13th to 16th December 2021.

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

The hearing was fixed on 28 October 2020 but adjourned to 18 January 2021. The Court has postponed the hearing due to the Conditional Movement Control Order. The new hearing date has been fixed on 2 June 2021 and interim stay has been granted until 2 June 2021.

23. Dividends

Save as disclosed in Note 8, the Directors did not recommend any dividend for the period ended 31 March 2021.

24. Status of corporate proposal

The Company announced on 19 March 2021, that the Company and Klang Port Management Sdn Bhd (“KPM”), a wholly owned subsidiary of Northport (Malaysia) Bhd, entered into a conditional share sale and purchase agreement (“SSPA”) with Boustead Holdings Berhad to acquire with KPM, 369,712,894 ordinary shares, representing 100% of the total issued and paid-up share capital in Boustead Cruise Centre Sdn Bhd (“BCC”) for a total purchase consideration of RM230 million payable by the Company and KPM in a 50:50 ratio (“Proposed Acquisition”). The Company’s portion of shares amounted to RM115 million and on the same day i.e. 19th March 2021 paid a deposit of RM34.5 million for its share in accordance with the SSPA.

The Proposed Acquisition is an opportunity for the Company to expand into the cruise terminal business and explore other complementary activities by increasing the utilisation of the vacant lands owned by BCC.

The SSPA is conditional upon the fulfilment of the condition precedents which include the approval from the Economic Planning Unit, Prime Minister’s Department (“EPU”) pursuant to the EPU Guidelines on the Acquisition of Property being obtained for the Proposed Acquisition (“EPU Approval”). The Company and KPM have submitted documents for EPU approval on 13 April 2021.

The Proposed Acquisition is expected to complete within six months from the date of SSPA.

25. Earnings per Share

Basic earnings per share

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

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	3 months ended		3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	208,323	152,806	208,323	152,806
Weighted average number of ordinary shares in issues (million)	3,410	3,410	3,410	3,410
Basic earnings per ordinary share (sen)	6.11	4.48	6.11	4.48

Diluted earnings per share

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

26. Profit Before Tax

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

	3 months ended		3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
Finance costs	19,015	20,388	19,015	20,388
Finance income	(4,252)	(5,147)	(4,252)	(5,147)
Amortisation of concession assets	20,785	20,311	20,785	20,311
Depreciation of right-of-use assets	9,061	10,409	9,061	10,409
Depreciation of property, plant and equipment	35,919	34,472	35,919	34,472
Gain on disposal of property, plant and equipment	(793)	(67)	(793)	(67)
Dredging expenditure	884	884	884	884
Net realised foreign exchange (gain)/loss	(6)	229	(6)	229
Provision for retirement benefits	107	103	107	103
Impairment loss on trade receivables	75	16,811	75	16,811
Reversal of impairment loss on trade receivables	(95)	(457)	(95)	(457)

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27. Fair Value Information

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

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

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

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

	Fair value of financial instrument not carried at fair value			Fair Value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
	At 31 March 2021				
Financial Liabilities					
Investment	-	-	50,153	50,153	50,000
Borrowings	-	-	1,377,474	1,377,474	1,250,000
Service concession obligation	-	-	203,894	203,894	203,894
At 31 December 2020					
Financial Liabilities					
Investment	-	-	50,153	50,153	50,000
Borrowings	-	-	1,535,939	1,535,939	1,300,000
Service concession obligation	-	-	215,813	215,813	215,813

The fair value of the investment, 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.

28. Authorisation for Issue

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