

Westports Holdings Berhad's Extraordinary General Meeting

Responses to Questions from Shareholders

1. Lew Tuck Wai (Shareholder)

Tan Ai Ning (Company Secretary):

Question: The current category of land use and express condition is “building” “residential” respectively. As the intended use of the land will be for port services purposes, the land use would have to be changed to either industrial or commercial. What is the expected cost involved to convert the current land use to the intended use. Is the conversion cost included in the purchase consideration of RM393 million?

Dato' Yusli Bin Mohamed Yusoff (Independent Non-Executive Director):

The RM393 million purchase price does not include the conversion cost. The conversion cost is estimated to be about 20% which is about 75 million ringgit. This was shown in one of my earlier slides.

2. Cheong Sow Yoke (Shareholder)

Tan Ai Ning (Company Secretary):

Question: Can you kindly convert your F&B vouchers into online vouchers such as Boost, Grab, Lazada or an online pin number for other e-wallets?

Tan Sri Dato' Nik Ibrahim Kamil (Independent Non-Executive Director):

The management will look into that because I don't know exactly what needs to be done. Eddie, do you know?

Eddie Lee Mun Tat (Chief Executive Officer):

Thank you very much Mr Chairman. This is Eddie. I think just about an hour ago, we had our AGM. This is a question that had been actually been posed during our AGM as well. Let me answer that question. I think our Group Managing Director of Westports Holdings have answered that question. What we think is that we have actually stopped in terms of issuing the voucher, whether it is e-voucher or physical voucher. Of course, we have actually made this announcement and have put it in our Administrative Guide as well. We take note of your suggestion but so far, basically, we are going to stop issuing the physical voucher and e-vouchers.

3. Loke Kwai Lan (Shareholder)

Tan Ai Ning (Company Secretary):

Question: May I request for small token of appreciation to your loyal shareholder. Can give e-voucher to shareholder that attend your meeting today?

Tan Ai Ning (Company Secretary):

Our Chief Executive Officer has already addressed this question earlier. Also at the AGM. As highlighted by him, we will not be giving a repeated answer to this question.

Please refer to answers provided to Question 1 at the AGM.

4. Lew Tuck Wai (Shareholder)

Tan Ai Ning (Company Secretary):

Question: In the rationale for the acquisition on page 9 of the circular, it was stated the current container terminal facilities was operating at approximately 72% utilization rate. The impact of COVID-19 will result in a much lower utilization rate in the near future. Will the company re-examined the commencement of reclamation timeline, example commencement in the 4th quarter of 2020?

Eddie Lee Mun Tat (Chief Executive Officer):

Thank you very much for the question. Let me just give you a little background of this proposed acquisition. 25 years ago, we have signed the concession agreement with the Government of Malaysia. From a feeder port, within a span of 25 years, we have actually transformed Westports into a mega-hub port. Westports is now actually the largest terminal operator in Malaysia and the second largest in SEA; and Port Klang is actually no 12th busiest container port in the world. The tenure of the current concession (which includes CT1 to CT9) that we have signed with the Government of Malaysia is actually 30 years plus the right-to-operate for another 30 years. So, in short it is for 60 years. The expiry of the current concession agreement is in 2054. We are talking about 34 years from now.

Whatever that is required in the current concession agreement by the government, in terms of building the container port, we have actually completed. Two years ago, we have completed Container Terminal 9, and this is the last container terminal that we can build based on the current concession agreement. So, to move forward, that is what we are planning for the next 25 years. We have to bring the company forward. In August 2017, approximately two years ago, we have obtained the approval-in-principle, from Government of Malaysia, to further expand subject to few conditions as stated in the letter. One of the conditions is to buy this parcel of land, so that is about it.

So the other one I need to take you through to answer your question is that, yes as you mentioned correctly in your question, 72% utilization is stated in the shareholders circular. So, because of COVID-19 and its impact, it is not only because of the lockdown in Malaysia but also around the world, we are affected, but also all the other industries will be affected as well.

Now, the Company is buying this parcel of land for the long-term expansion of Westports. In fact, we mentioned in the shareholders' circular that it will take us about 30 years to build all the facilities in the entire new concession area, the whole terminal will be from Container Terminal 10 to Container Terminal 17.

Now back to what I mentioned just now, the last terminal that we have now is Container Terminal 9. Before we see the new Container Terminal 10 to be fully operational, it will take us approximately 4 years. It is not the case where we are going to have a new terminal next year. Now that is assuming that we get all the conditions precedent done before end of this year including your approval, in terms of interest of proposed acquisition, in terms of getting the approval from the relevant authorities and Minister of Economic Affairs and all the conditions as mentioned in the Sales and Purchase Agreement.

So, let just me take you through a little bit why it takes four years. Assuming we get everything done before end of this year, we need to reclaim the land and we need to dredge – those two major works will take approximately two years. After you reclaimed the land fully, you need to wait for the settlement process so that the soil on the land will be compacted and hard enough before we can construct a new terminal on top of the reclaimed land. So that will take about 2 years. If you start to reclaim the land end of this year, as in your question, it will take us to the end of year 2022.

By end of 2022 or beginning of 2023, we can start building a new container terminal. The constructions work will take another 2 years to construct a new terminal – and that time frame included the installation of the port equipment, quay cranes, testing, commissioning – all these will take about two years. So, the new terminal, assuming we get everything done this year we will only see a new terminal in 2025.

So, that is the reason why, to move the Company forward and to grow, basically we need to purchase this Marina Land now. The current utilization is about 72%. Taking into consideration the adverse impact of COVID-19, the utilization for the year could be about 65% to 70%.

Over the next four years, we will not have any new terminals but utilization would gradually increase. We do not want to miss the opportunity for growth when the COVID-19 impact is over, when the market recovers. The recovery could be V-shape or U-shape, but we basically have to start the construction the soonest possible. The first step is therefore by purchasing this land. In the last two years, we have actually done a lot of technical studies, as required by the government and we are now doing the detailed environmental impact assessment study.

Two years ago, we have purchased a plot of parcel land from PKNS as what Dato Yusli has presented. The Marina Land is the last parcel of land that we need to purchase so that we can move ahead with our proposed expansion plan. So, I hope I have answered your question.

5. Tuan Jazlan Bin Tuan Mood (Shareholder)

Tan Ai Ning (Company Secretary):

Question: Going forward, is there any reduction to dividends based on heavy capital expenditure anticipated for this expansion?

Eddie Lee Mun Tat (Chief Executive Officer):

Let me answer that question. I think it is too early to commit on this. The dividend policy for the last 6 years of Westports Holding Berhad has always been a payout ratio of 75% on our Profit After Tax amount. I think the Board of Directors of Westports Holdings would like to maintain this policy but we have to take into consideration or take into account factors such as funding requirements and future cash flow requirements for the expansion plans as well. On that basis, we have to be very carefully and prudent in our cash management and cashflow requirements. This question will be discussed in the meeting of the Board of Directors.

6. Yue Kham Wah (Shareholder)

Question: Any change in time frame or forecast for expansion plans in view of current economic scenario?

Question: My earlier question is being answered. Kindly withdraw

7. Cheong Sow Yoke (Shareholder)

Question: Mr Chairman we do not know why our emails to your company about this EGM and AGM was not answered. The staff must be very busy to do so and we request the Chairman to do so on their behalf.

Westports attempted to contact the shareholder with email twice and did not obtain a response. Subsequently, the Company tried contacting the shareholder twice by dialling the shareholder's mobile phone number and did not obtain an appropriate response.

8. Lew Tuck Wai (Shareholder)

Question: Thank you for the detail explanation.