



# **WESTPORTS HOLDINGS BERHAD**

(COMPANY No. 262761-A)

## **27<sup>TH</sup> ANNUAL GENERAL MEETING**

### **5<sup>TH</sup> MAY 2020**

- **Dato' Abdul Rahim Bin Abu Bakar**
  - Appointed to the Board on 1 April 2003
  - Independent Non-Executive Director
  - Member of the Audit and Risk Management Committee
  - Member of the Nomination, Remuneration and Corporate Governance Committee
  - Retired from the Board on 25 April 2017



**Dato' Abdul Rahim Bin Abu Bakar**  
**1946-2020**

2019 Operational & Financial Performance || Outlook || Response To MSWG



**WESTPORTS BEYOND OUR DREAMS**

- 4800 STRONG WORKFORCE
- 100 % MALAYSIAN STAFF
- 42 BENEFITS FOR STAFF
- MINIMUM TAKE HOME PAY OF RM 2500
- HEALTH CENTRE (CLINIC, GYM AND PHYSIOTHERAPY)

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**WESTPORTS BEYOND OUR DREAMS**

10<sup>OVER</sup> 2019  
Million TEUs

- NO 1 SEAPORT IN MALAYSIA
- SECOND BUSIEST PORT IN SOUTH EAST ASIA
- TOP 5 CONTAINER VOLUME HANDLED OUTSIDE CHINA
- 12TH BUSIEST PORT GLOBALLY BASED ON CONTAINERS HANDLED
- CONNECTIONS TO MORE THAN 350 PORTS GLOBALLY
- 801 MOVES (NEW WORLD RECORD) WITHIN 1 HOUR
- NATURAL DEEP HARBOUR UP TO 18 METER
- HIGH PRODUCTIVITY OF 35 MOVES PER HOUR CONSISTENTLY
- CAPACITY TO HANDLE 23,000 TEUS VESSEL-SIZE
- EQUIPPED WITH 67 WORLD LARGEST SHIP-TO-SHORE CRANES

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**WESTPORTS BEYOND OUR DREAMS**

## WESTPORTS DIGITALIZATION

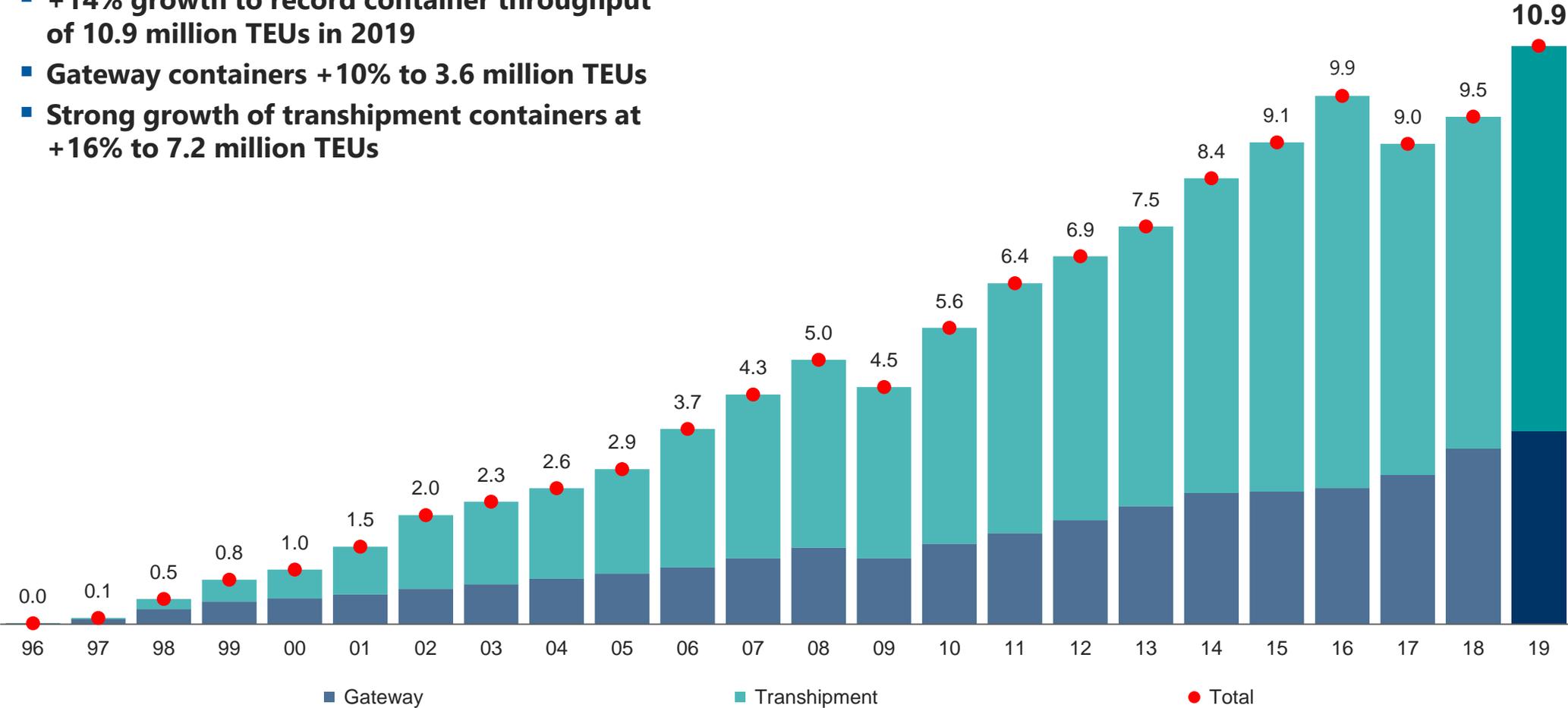
**WESTPORTS TOWARDS DIGITALIZATION**  
Digitalizing the entire port from Gate Operations, Vessel Operations and Yard Operations.

- REMOTE P-CHECK**  
In-house enhancement to automated container checking processes
- GPS SYSTEM**  
In-house developed system to identify the positions of terminal equipment
- ERP SYSTEM**  
Enhancing current ERP system for further improvement in Finance & HR processes
- e-TERMINAL PLUS**  
Connecting various port communities, providing greater operational efficiencies & cost saving
- TERMINAL OPERATION SYSTEM (TOS)**  
Invested in a new Terminal Operating System to ensure a more productive and efficient port operations.

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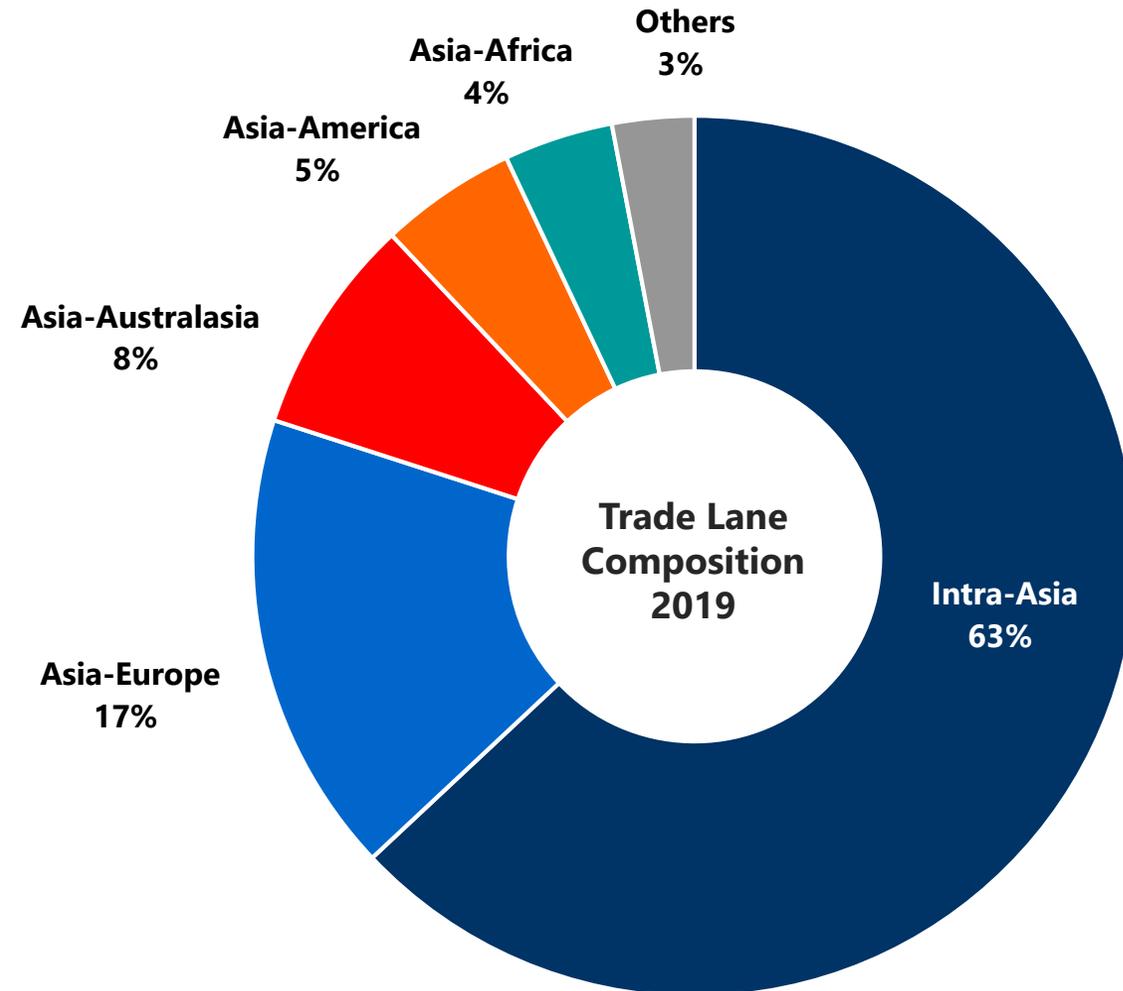
# Record Container Volume – Capturing Regional And Domestic Economic Growth

- **+14% growth to record container throughput of 10.9 million TEUs in 2019**
- **Gateway containers +10% to 3.6 million TEUs**
- **Strong growth of transshipment containers at +16% to 7.2 million TEUs**



## Container Throughput By Trade Lanes – Broad Regional Exposure

- Intra-Asia volume constituted 63% of total container volume in 2019
- Asia-Europe growth improved and is the second largest trade lane at 17%
- Westports facilitated the movement of containers across other parts of the world as well



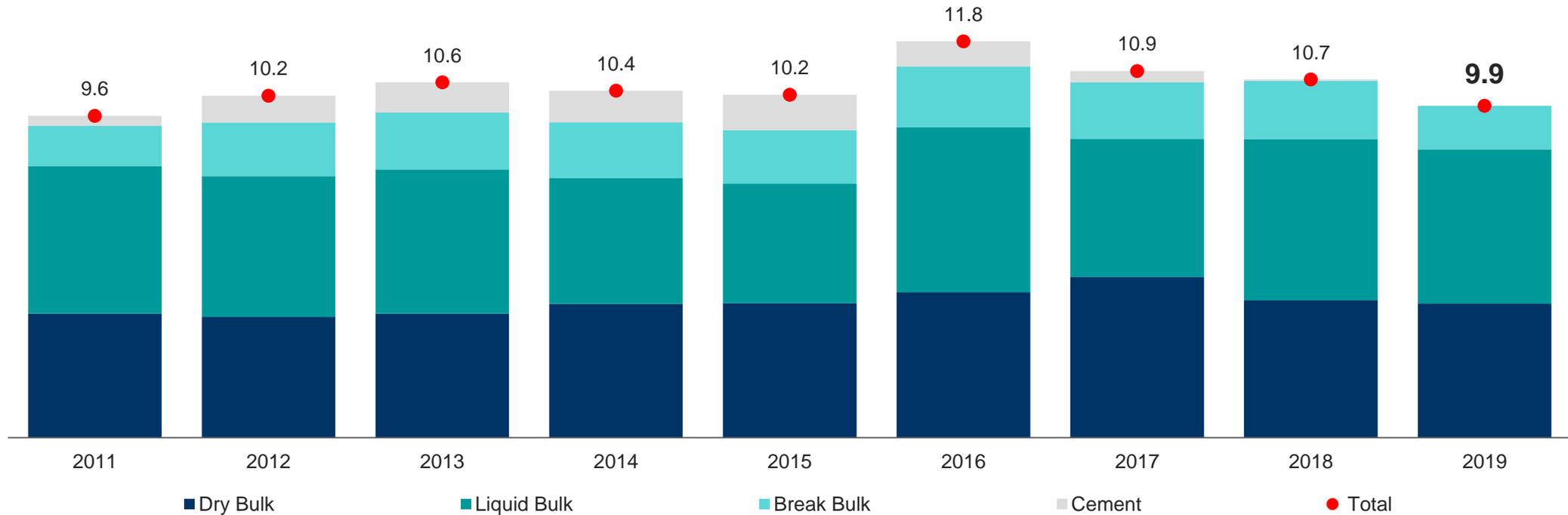
# Record-Breaking Productivity Level By Moving 801 Containers In 1-Hour With 12 Quay Cranes

CMA CGM Jean Mermoz



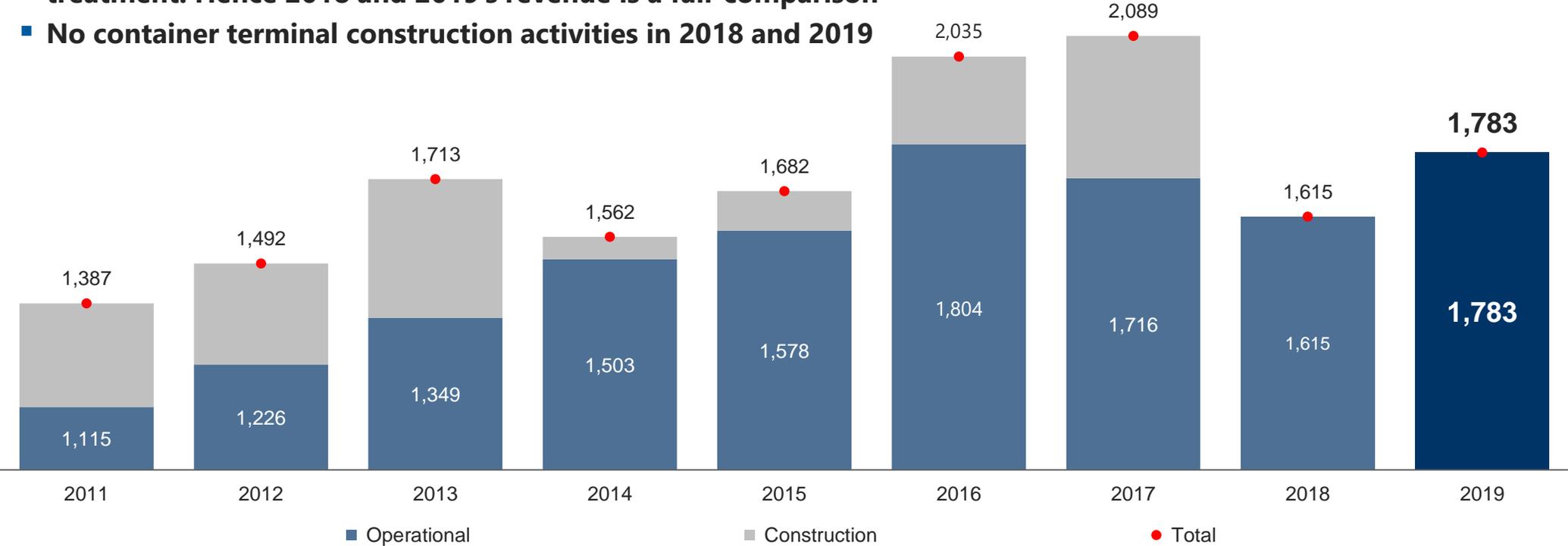
# Conventional Throughput Facilitated Domestic Economic Activities

- Conventional terminal handled 9.9 million metric tonnes of cargo
- Conventional comprises of Break Bulk, Dry Bulk, Liquid Bulk and Cement
- Lesser construction related cargo in Break Bulk and Bunker in Liquid Bulk



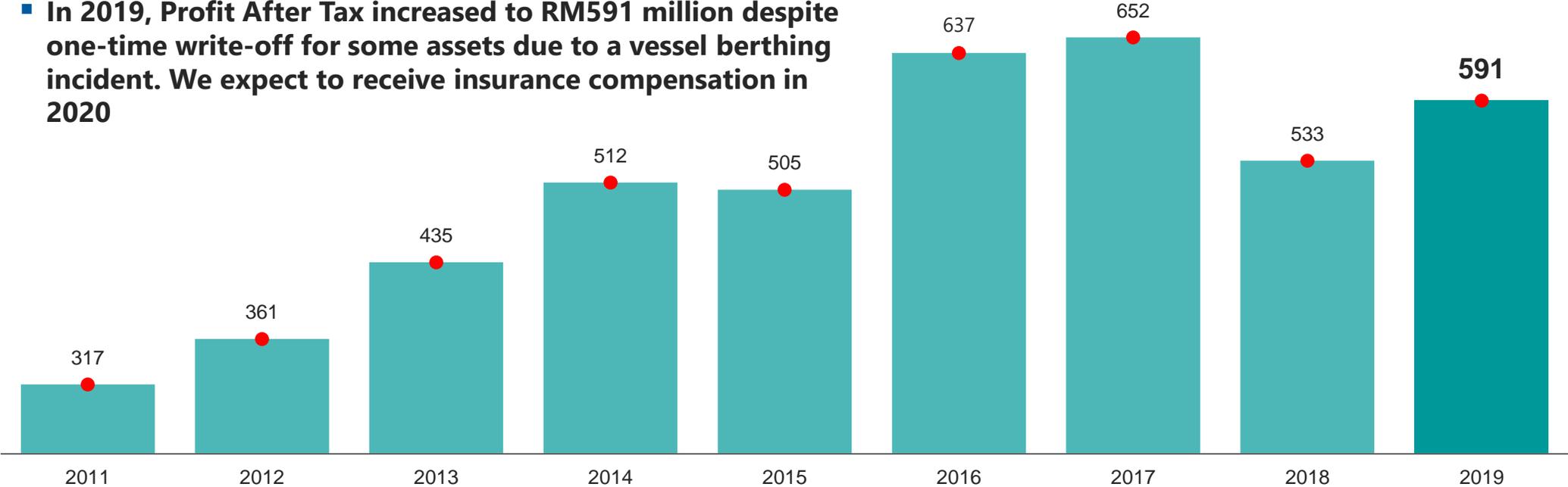
# Higher Operational Revenue In Tandem With Container Throughput

- Operational revenue of RM1.783 billion
- Container contributed 86% to operational revenue with higher volume growth and more revenue from Value Added Services
- Revenue declined in 2018 from 2017 with MFRS15, accounting treatment. Hence 2018 and 2019's revenue is a fair comparison
- No container terminal construction activities in 2018 and 2019



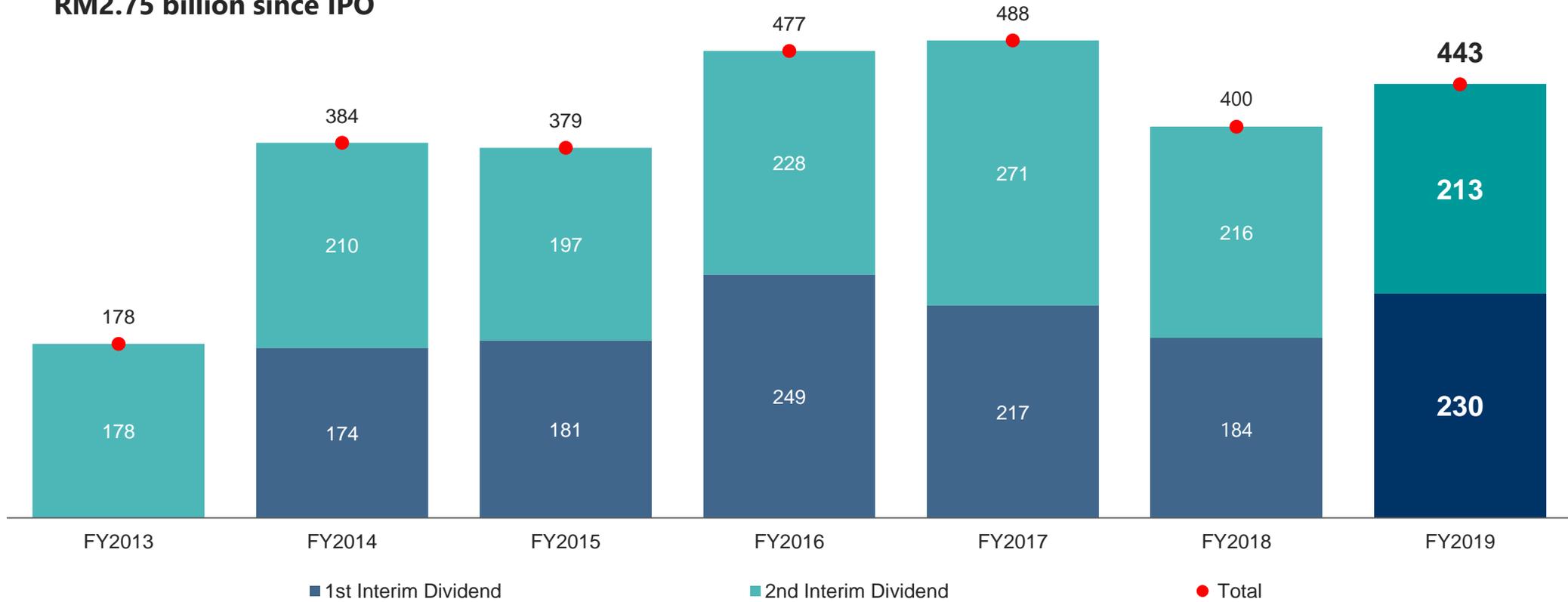
# Profit After Tax Increased To RM591 Million

- In 2016 and 2017, the construction of container terminals and Investment Tax Allowance incentive contributed to the lower effective corporate statutory tax rate
- From 2018 onwards, the normal corporate statutory tax rate of 24% resumed
- In 2019, Profit After Tax increased to RM591 million despite one-time write-off for some assets due to a vessel berthing incident. We expect to receive insurance compensation in 2020



# Semi-Annual Dividend Distribution To Shareholders Since IPO Totalling RM2.75 Billion

- Payout ratio of 75% on Profit After Tax since IPO
- Total dividend distributed to shareholders of RM2.75 billion since IPO







**Outlook for 2020**

- Covid-19 very likely to cause global economic contraction
- Challenging conditions and less predictability



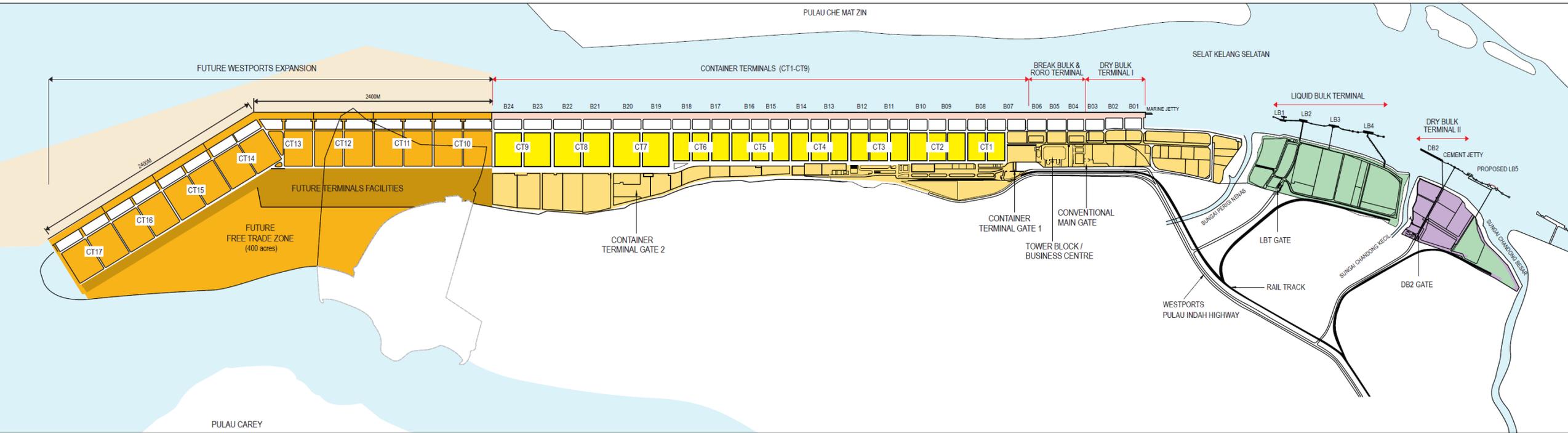
**Outlook for 2020**

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**Long-term growth**

- Completed all studies for terminal expansion in 2019
- Started on detailed EIA
- Commence commercial negotiations

# Westports – Expanded Container Terminal And Conventional Facilities



*Thank You*

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- **How has the Covid-19 pandemic and the Malaysian Government's enforcement of Movement Control Order ("MCO") impacted the Company in terms of operations, container volume growth, the number of container vessels calling at Westports, etc?**

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**The MCO does not affect the operations of Westports as the port operations are deemed as an essential service under the Government's federal gazette. The MCO has no impact on vessel calls either.**

**However, the COVID 19 Pandemic does indirectly and adversely affect the overall container throughput as consumption and production of especially non-essential products and services are being curtailed. With lower demand and supply both locally and internationally, vessel calls been affected by the pandemic.**

- **Given that the end of the Covid-19 pandemic has yet to be seen, how is the Company preparing itself to face the new business landscape?**

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**From a Cost perspective, major cost components basically would vary with volume. Except for depreciation cost, all other cost items would eventually correlate with container throughput. Therefore, if the effects of the pandemic are severe and do extend for more than six to nine months, these major cost items are expected to show a reduction accordingly too.**

**Operationally, we have put in many measures to ensure the safety and well being for all Westports employees. Screening equipment, sanitisers, PPE and social distance practices have been put in place to reduce the risk of an outbreak. Since the MCO has started, some of our colleagues have also been allowed to work from home on a rotational basis.**

**We have also been able to use the opportunity to focus on automation and innovation projects which we normally would not be able to spend as much time focusing on.**

- **The Company is acquiring additional Terminal Operating Equipment that would be deployed primarily at Container Terminal 9. The additional equipment and the eventual completion of Container Yard Zone Z would enhance the container terminal's overall efficiency and storage capacity (page 6 of Annual Report 2019 ("AR2019")).**
  
- a. **What is the said estimated capital expenditure to be incurred in financial year ending 2020?**

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- b. **What is the expected increase in storage capacity compared to the existing storage capacity?**

**Our current ground slots of 46,922 would increase to 50,798 while reefer points would increase from 2,932 to 4,132 upon the completion of CT9 Container Yard Zone Z.**



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**Container Yard Zone Z should be completed by the 4th Quarter of 2020.**

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- a. **What was the total damage amount suffered by the Company in relation to the above?**

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- b. **The said berthing container vessel made contact with two Ship-to-Shore cranes and container berth 23 (page 20 of AR2019). What is the current status of container berth 23?**

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- b. **The said berthing container vessel made contact with two Ship-to-Shore cranes and container berth 23 (page 20 of AR2019). What is the current status of container berth 23?**

**The area which the two Ship-to-Shore cranes are located has been cordoned off for safety purposes. Other areas at berth 23 are operational.**



**c. Westports has written off one of the cranes and some of the other affected assets (page 20 of AR2019). What was the total amount written-off in relation to this incident?**

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**Westports expects to record recoveries in FY2020 and FY2021.**



**e. What is the current insurance claims status? When does the Company expect to receive its first tranche of insurance claim and how long will it take for a full insurance recovery?**

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**Westports is currently negotiating and finalizing the next course of action in the claim recovery process with the insurance companies and crane manufacturer.**

**The Company expects to record some insurance recoveries from the 3rd Quarter of 2020 onwards. The final recovery amount is expected to be recorded by the end of 2021.**

- **Westports has a total workforce of 5,042 employees (2018: 4,603 employees) (page 18 of AR2019). What are the Company's plans in terms of achieving higher level of automation in its port, (whilst reducing employee's headcount), to attain higher operational efficiency?**

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**Westports will assess the viability of investing in equipment automation, especially at the new terminal at CT10 and beyond.**

**Westports has always focused on innovation throughout the years. We have also been automating since we started the company 25 years ago. This is not something new to us.**

**The logic behind innovation is that you must innovate to suit the objectives of the company and not change the objectives for the sake of innovation. Technology is not the end outcome. It is merely a tool to allow you to get the outcome you want.**



**Headcount reduction was never our target from an innovation perspective. We never retrench people. We find new ways for them to contribute and mostly that has actually meant higher skilled jobs.**

**We have natural attrition in some roles. This has allowed us to keep our workforce strength manageable despite growing with also the ability to not retrench and instead reskill.**

**With all the innovation projects we are undertaking now, we have major plans to reskill or upskill a lot of the current roles over the next few years.**

**Our expansion beyond CT9 will be planned with a lot of automation from the very beginning. That does not mean we will not be hiring a lot more people either as we will need more engineers, technician and data analysts too going forward as we try to remain as competitive as we have always been.**

- **What are the Company's plans in relation to investment in digital technologies to improve the port's performance? How much has been spent on IT initiatives in FY2019 and what would be the estimated expenditure for financial year ending 2020?**

- **What are the Company's plans in relation to investment in digital technologies to improve the port's performance? How much has been spent on IT initiatives in FY2019 and what would be the estimated expenditure for financial year ending 2020?**

**Our plans for digital technologies mirror our desire for innovation. We are digitising where it makes sense for us and where it suits our objectives, not for the sake of doing it.**

**In FY2019, capital expenditure on IT initiatives amounted to RM12 million while the projected amount for FY2020 is around RM21 million. I believe this figure will continue to grow over the next few years as we embark on these cost effective new innovation ideas.**

- **In relation to a related party transaction, Wesports sponsored RM2 million (2018: RM2 million) to KL Dragons Sdn Bhd (a company founded and co-owned by Datuk Ruben Emir Gnanalingam bin Abdullah) on sponsorships for basketball team (Note 35, page 79 of AR2019).**
- a. What is the rationale for the said sponsorship?**

- **In relation to a related party transaction, Westports sponsored RM2 million (2018: RM2 million) to KL Dragons Sdn Bhd (a company founded and co-owned by Datuk Ruben Emir Gnanalingam bin Abdullah) on sponsorships for basketball team (Note 35, page 79 of AR2019).**

**a. What is the rationale for the said sponsorship?**

**Westports investment into the KL Dragons is both partly sponsorship and partly CSR. Our customers enjoy bringing their families to these events. This is not just in Malaysia as the league the KL Dragons plays in is regional and covers destinations such as Hong Kong, Taipei, Ho Chi Minh, Singapore, Jakarta and also Bangkok. These are all cities where we have customers and or partners who can enjoy the games too.**

**We also chose the sport of basketball because it is the most popular sport in Klang. As an extension of this CSR contribution, Westports is also a long-time official sponsor of the Malaysia Basketball Association (MABA).**



**The KL Dragons meanwhile complement and emphasize on developing the game of basketball as a sport with the focus on nurturing young talents towards a professional career, building a new generation of local basketball players and spreading the game at the grassroots level.**

**There are too many companies supporting football in a big way. We just prefer to be different.**

**We have always declared this related party transaction from the start of it and have always been transparent about it. It has never been a secret. Westports does not sponsor my other two sports teams, Queens Park Rangers F.C. and Los Angeles Football Club, as sponsorship and CSR for those entities do not make sense for Westports.**



**b. As reported under the MD's message under the outlook, the Covid-19 outbreak is expected to adversely affect economic growth and weigh down the already slowing global economic growth (page 7 of AR2019). Does Westports plan to continue with the sponsorship? If yes, what is the expected amount of sponsorship to be given to KL Dragons Sdn Bhd for the financial year ending 2020?**

**b. As reported under the MD's message under the outlook, the Covid-19 outbreak is expected to adversely affect economic growth and weigh down the already slowing global economic growth (page 7 of AR2019). Does Westports plan to continue with the sponsorship? If yes, what is the expected amount of sponsorship to be given to KL Dragons Sdn Bhd for the financial year ending 2020?**

**The Company regularly evaluates the relevance and suitability of all its commercial sponsorship and CSR activities. This includes the sponsorship of the KL Dragons. The sponsorship would continue if it still meets the our Commercial and CSR objectives.**

**However, if it does not make sense any longer from a Commercial and CSR perspective, we will no longer continue the engagement. It is too early to project an expected amount as it is difficult to tell if Sports will restart at all this year. We will need to evaluate it carefully taking into account all commercial and societal factors.**

- **Practice 5.1 - For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.**

**The Company's response: Applied**

**The Board having considered this issue, at the moment the Nomination, Remuneration and Corporate Governance Committee("NRCGC") does not recommend an external facilitator as the Board considers the assessment as disclosed in the Corporate Governance Report ("CG Report") to be effective for the Company than prescribing an external facilitator in carrying out the annual assessment of the Board and Board Committees effectiveness as well as the contribution and performance of each director (pages 19&20 of CG Report).**

**MSWG's comment:**

**We take note of the explanations and measures taken by the Company. Nevertheless, there was no timeframe provided to achieve the application of the Practice.**

**Please take note that this is a breach of the Main Market Listing Requirements ("MMLR") as under paragraph 3.2C (b) of Practice Note 9 of the MMLR, a Large Company, i.e. Westports must disclose the timeframe required to achieve the application of the Practice.**

- **The Company has a formal process for assessment of the effectiveness of the Board, the Committees and contribution by individual Directors to the Board and the Committees (“Board Assessments”).**
- **In assessing Board’s performance, the NRCGC takes into consideration feedback from individual Directors. NRCGC also evaluate the performance of the Committees, including the ARMC.**
- **The NRCGC also assists the Board in assessing the independence of the Independent Directors, which is part of the Board Assessment.**
- **The Board Assessments are to improve the Board’s effectiveness and draw attention to key areas that need to be addressed for the Board and individual Directors.**
- **The Board Assessment form (as prepared by the company secretaries) consist of the following:**



- I. Board and Board Committees evaluation;**
  - II. Assessment of character, experience, integrity, competence and time commitment;**
  - III. Assessment on mix of skill and experience; and**
  - IV. Evaluation of level of independence of an Independent Director.**
- 
- The results and recommendations from the evaluation are presented to the Board. The Board is satisfied that the skills and experience of the current Directors satisfy the skills' matrix requirements and that the Chairman possesses the leadership to safeguard stakeholders' interest and ensures the Company's profitable performance.**
  
  - The Company believes it has achieved the intended outcome of Practice 5.1 in the Corporate Governance Report. Notwithstanding that, the Company took note on the recommendation and will engage independent experts for Board Assessments within 3 years.**

*Thank You*

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