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**Westports Holdings Berhad**

(Company No. 199301008024 (262761-A))

(Incorporated in Malaysia)

**Quarterly Financial Report for the  
Six Months Ended 30 June 2020**

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

<b><u>Table of Contents</u></b>	<b><u>Pages</u></b>
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	3
Condensed Consolidated Statement of Changes in Equity	4
Condensed Consolidated Statement of Cash Flows	5-6
Notes to the Condensed Consolidated Financial Statements	7-19

# 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 June 2020

*These figures have not been audited*

	3 months ended			6 months ended		
	30.06.2020 RM'000	30.06.2019 RM'000	Changes %	30.06.2020 RM'000	30.06.2019 RM'000	Changes %
Revenue	431,602	454,453	-5%	905,069	869,640	4%
Cost of sales	<u>(186,595)</u>	<u>(167,143)</u>	12%	<u>(370,768)</u>	<u>(326,330)</u>	14%
<b>Gross profit</b>	245,007	287,310	-15%	534,301	543,310	-2%
Other income	3,331	3,518	-5%	5,941	6,151	-3%
Administrative expenses	(13,713)	(6,732)	104%	(38,804)	(12,949)	200%
Other expenses	<u>(44,262)</u>	<u>(45,820)</u>	-3%	<u>(93,942)</u>	<u>(92,684)</u>	1%
<b>Results from operating activities</b>	190,363	238,276	-20%	407,496	443,828	-8%
Finance income	4,544	3,597	26%	9,691	6,471	50%
Finance costs	<u>(20,193)</u>	<u>(23,065)</u>	-12%	<u>(40,581)</u>	<u>(45,815)</u>	-11%
<b>Profit before tax</b>	174,714	218,808	-20%	376,606	404,484	-7%
Tax expense	(40,374)	(52,491)	-23%	(89,460)	(98,263)	-9%
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<u>134,340</u>	<u>166,317</u>	-19%	<u>287,146</u>	<u>306,221</u>	-6%
<b>Basic earnings per ordinary share (sen)</b>	3.94	4.88	-19%	8.42	8.98	-6%

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

(199301008024 (262761-A))

(Incorporated in Malaysia)

## Condensed Consolidated Statement of Financial Position

As At 30 June 2020

	Unaudited As at 30.06.2020	Audited As at 31.12.2019
	RM'000	RM'000
<b>Non-current assets</b>		
Property, plant and equipment	1,625,706	1,656,070
Concession assets	2,406,423	2,357,790
Right-of-use assets	48,843	59,230
<b>Total non-current assets</b>	<u>4,080,972</u>	<u>4,073,090</u>
<b>Current assets</b>		
Inventories	5,598	5,478
Trade and other receivables	326,798	357,944
Cash and short term investments	751,902	695,695
<b>Total current assets</b>	<u>1,084,298</u>	<u>1,059,117</u>
<b>Total assets</b>	<u>5,165,270</u>	<u>5,132,207</u>
<b>Equity</b>		
Share capital	1,038,000	1,038,000
Reserves	1,595,975	1,522,295
<b>Total equity</b>	<u>2,633,975</u>	<u>2,560,295</u>
<b>Non-current liabilities</b>		
Borrowings	1,200,000	1,300,000
Employee benefits	8,790	8,660
Deferred tax liabilities	383,908	368,187
Service concession obligation	191,975	215,812
Lease liabilities	26,155	30,588
<b>Total non-current liabilities</b>	<u>1,810,828</u>	<u>1,923,247</u>
<b>Current liabilities</b>		
Borrowings	200,000	100,000
Trade and other payables	158,036	116,756
Provisions	289,577	339,803
Tax payable	473	16,128
Service concession obligation	46,487	45,299
Lease liabilities	25,894	30,679
<b>Total current liabilities</b>	<u>720,467</u>	<u>648,665</u>
<b>Total liabilities</b>	<u>2,531,295</u>	<u>2,571,912</u>
<b>Total equity and liabilities</b>	<u>5,165,270</u>	<u>5,132,207</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 2019 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

# Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

## Condensed Consolidated Statement of Changes in Equity

For The Period Ended 30 June 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	-	-	306,221	306,221
<b>Total comprehensive income for the period</b>	-	-	306,221	306,221
<i>Distributions to owners of the Company</i>				
- Dividends	-	-	(215,853)	(215,853)
<b>Total transactions with owners of the Company</b>	-	-	(215,853)	(215,853)
<b>At 30 June 2019</b>	<u>1,038,000</u>	<u>(47,732)</u>	<u>1,515,186</u>	<u>2,505,454</u>
<b>At 1 January 2020</b>	1,038,000	(47,732)	1,570,027	2,560,295
Profit for the period	-	-	287,146	287,146
<b>Total comprehensive income for the period</b>	-	-	287,146	287,146
<i>Distributions to owners of the Company</i>				
- Dividends	-	-	(213,466)	(213,466)
<b>Total transactions with owners of the Company</b>	-	-	(213,466)	(213,466)
<b>At 30 June 2020</b>	<u>1,038,000</u>	<u>(47,732)</u>	<u>1,643,707</u>	<u>2,633,975</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.

# Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

## Condensed Consolidated Statement of Cash Flows

For The Period Ended 30 June 2020

*These figures have not been audited*

	6 months ended	
	30.06.2020	30.06.2019
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	376,606	404,484
Adjustments for :		
Amortisation of concession assets	40,490	40,809
Depreciation of right-of-use assets	20,818	18,976
Depreciation of property, plant and equipment	69,404	68,185
Dredging expenditure	1,769	2,712
Finance costs - accretion of service concession obligation	6,854	7,984
Finance costs - lease liabilities	1,784	1,921
Finance costs - borrowings and others	31,943	35,910
Finance income	(7,450)	(5,298)
Income from money market fund	(2,241)	(1,173)
Provision for retirement benefits	206	278
Gain on disposal of property, plant and equipment	(137)	-
Property, plant and equipment written off	6,859	-
Impairment loss on trade receivables	16,811	178
Reversal of impairment loss on trade receivables	(505)	(172)
<b>Operating profit before working capital changes</b>	<b>563,211</b>	<b>574,794</b>
Changes in working capital:		
Trade and other receivables	13,071	(12,413)
Payment for dredging expenses	-	(5,750)
Trade and other payables	41,465	(32,152)
Inventories	(120)	135
Provisions	(50,226)	42,172
<b>Cash generated from operations</b>	<b>567,401</b>	<b>566,786</b>
Income tax paid	(89,394)	(85,988)
Interest paid	(32,128)	(36,205)
Retirement benefits paid	(76)	(74)
<b>Net cash generated from operating activities</b>	<b>445,803</b>	<b>444,519</b>
<b>Cash flows from investing activities</b>		
Interest received	7,450	5,298
Income from money market fund	2,241	1,173
Purchase of property, plant and equipment	(45,899)	(25,181)
Additions to concession assets	(89,123)	(7,512)
Proceeds from disposal of property, plant and equipment	137	-
<b>Net cash used in investing activities</b>	<b>(125,194)</b>	<b>(26,222)</b>

# Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

## Condensed Consolidated Statement of Cash Flows (Continued)

For The Period Ended 30 June 2020

*These figures have not been audited*

	6 months ended	
	30.06.2020	30.06.2019
	RM'000	RM'000
<b>Cash flows from financing activities</b>		
Fixed deposits pledged for borrowings	(1,155)	(710)
Dividends paid to shareholders	(213,466)	(215,853)
Repayment of lease liabilities	(21,433)	(20,500)
Annual lease paid for use of port infrastructures and facilities	(29,503)	(29,503)
<b>Net cash used in financing activities</b>	<b>(265,557)</b>	<b>(266,566)</b>
<b>Net increase in cash and cash equivalents</b>	<b>55,052</b>	<b>151,731</b>
Cash and cash equivalents at 1 January	656,845	406,615
<b>Cash and cash equivalents at 30 June</b>	<b>711,897</b>	<b>558,346</b>

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

Cash and bank balances	239,979	341,484
Money market fund	256,229	102,335
Fixed deposits with licensed banks	255,694	152,674
	751,902	596,493
Less : Pledged deposits	(40,005)	(38,147)
	711,897	558,346

**(b) Reconciliation of liabilities arising from financing activities**

The table below details the reconciliation of the movement of borrowings in the statement of cash flows is as follows:

	Net changes from financing				30.06.2020
	1.1.2020	Addition	cash flows	Accretion of interest	
	RM'000	RM'000	RM'000	RM'000	RM'000
Sukuk MTN	1,400,000	-	-	-	1,400,000
Lease liabilities	61,267	10,431	(21,433)	1,784	52,049
Service concession obligation	261,111	-	(29,503)	6,854	238,462
<b>Total liabilities from financing</b>	<b>1,722,378</b>	<b>10,431</b>	<b>(50,936)</b>	<b>8,638</b>	<b>1,690,511</b>

	Net changes from financing				30.06.2019
	1.1.2019	Addition	cash flows	Accretion of interest	
	RM'000	RM'000	RM'000	RM'000	RM'000
Sukuk MTN	1,500,000	-	-	-	1,500,000
Lease liabilities	96,166	-	(20,500)	1,921	77,587
Service concession obligation	304,150	-	(29,503)	7,984	282,631
<b>Total liabilities from financing</b>	<b>1,900,316</b>	<b>-</b>	<b>(50,003)</b>	<b>9,905</b>	<b>1,860,218</b>

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.

# Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

## Notes to Condensed Consolidated Financial Statements for the Six Months Period Ended 30 June 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*
- *Amendments 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:



## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

<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 2022
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 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**

There were no 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.

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

### 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	<u>213,466</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.

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.

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

	<b>Port development and management of port operations</b>			
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit</b>				
Reportable segment profit	191,220	238,981	409,022	445,155
<i>Included in the measure of segment profit are :</i>				
Revenue - external customer	405,180	454,453	862,135	869,640
- construction service	26,422	-	42,934	-
Amortisation of concession assets	(20,179)	(20,388)	(40,490)	(40,809)
Depreciation of right-of-use assets	(10,409)	(9,620)	(20,818)	(18,976)
Depreciation of property, plant and equipment	(34,932)	(34,655)	(69,404)	(68,185)
Property, plant and equipment written off	(6,859)	-	(6,859)	-
Gain on disposal of property, plant and equipment	70	-	137	-
Impairment loss of trade receivables	-	84	(16,811)	(178)
Reversal of Impairment loss of trade receivables	48	(188)	505	172

**Reconciliation of reportable segment profit and revenue**

<b>Profit</b>				
Reportable segment	191,220	238,981	409,022	445,155
Non-reportable segment	(857)	(705)	(1,526)	(1,327)
Finance income	4,544	3,597	9,691	6,471
Finance costs	(20,193)	(23,065)	(40,581)	(45,815)
Consolidated profit before tax	<u>174,714</u>	<u>218,808</u>	<u>376,606</u>	<u>404,484</u>
<b>Revenue</b>				
Reportable segment	431,602	454,453	905,069	869,640
Non-reportable segment	-	-	-	-
Consolidated revenue	<u>431,602</u>	<u>454,453</u>	<u>905,069</u>	<u>869,640</u>

## 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

	<b>As at 30.06.2020 RM'000</b>	<b>As at 30.06.2019 RM'000</b>
Claims related to Bills of Demand issued by the Royal Malaysian Customs Department	<u>35,355</u>	<u>35,355</u>

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

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 2016, import duty remittance for purchases of equipment and Goods and Services Tax for purchases made after April 2015.

WMSB has been engaging with the Customs and the Ministry of Finance and has also sought additional inputs to provide guidance but received an unfavourable decision from the authorities on 19 December 2017. An appeal is being processed to facilitate the convergence towards an amicable settlement in relation to the Bills of Demand.

The above contingent liability has not been provided and is contingent upon WMSB having an unfavourable outcome.

### 13. Capital Commitments

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

	<b>As at 30.06.2020 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>567,829</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:

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

<u>Name of Company</u>	<u>Relationship</u>
Pembinaan Redzai Sdn Bhd ("PR")	Corporate shareholder
Gryss Holdings Sdn Bhd ("GH")	Company in which a Director has significant financial interest
Westports Foundation ("WF")	Company in which a Director has 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		6 months ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
PR - Administrative expenses	-	5	1	6
GH - Office rental	102	94	152	184
WF - Financial support to community	-	-	1,000	-
PKT - Port and storage income	(2,420)	(575)	(3,519)	(1,628)

### 15. Review of Performance

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

	3 months ended			6 months ended		
	30.06.2020	30.06.2019	Changes	30.06.2020	30.06.2019	Changes
	RM'000	RM'000		RM'000	RM'000	
Revenue as reported	431,602	454,453	-5%	905,069	869,640	4%
Less : Construction revenue (N1)	(26,422)	-	100%	(42,934)	-	100%
<b>Operational revenue</b>	<b>405,180</b>	<b>454,453</b>	<b>-11%</b>	<b>862,135</b>	<b>869,640</b>	<b>-1%</b>
Cost of sales as reported	186,595	167,143	12%	370,768	326,330	14%
Less : Construction cost (N1)	(26,159)	-	100%	(42,508)	-	100%
<b>Operational cost of sales</b>	<b>160,436</b>	<b>167,143</b>	<b>-4%</b>	<b>328,260</b>	<b>326,330</b>	<b>1%</b>
Gross Profit	245,007	287,310	-15%	534,301	543,310	-2%
Profit before interest and tax	190,363	238,276	-20%	407,496	443,828	-8%
Profit before tax	174,714	218,808	-20%	376,606	404,484	-7%
Profit after tax	134,340	166,317	-19%	287,146	306,221	-6%

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 are recognised as concession assets in the statement of financial position and amortised over the remaining concession period.

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

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

The Group recorded operational revenue of RM405 million in quarter ended 30 June 2020 ("2Q2020"), declined by 11% compared to corresponding period last year ("2Q2019"). It was mainly the reduction in container and conventional throughput due to Covid-19.

The Group recorded profit before tax ("PBT") of RM175 million in 2Q2020 representing 20% decline compared to 2Q2019. The decline in PBT was due to decrease in operational revenues.

The Group's profit after tax ("PAT") of RM134 million was declined by 19% compared to 2Q2019 and was due to similar reasons mentioned above.

### Six Months Ended 30 June 2020 compared to Six Months Ended 30 June 2019

The Group recorded operational revenue of RM862 million for first half of year ended 30 June 2020 ("1H20"), marginally down by 1% compared to corresponding period last year ("1H19"). It was mainly attributed by the reduction in container and conventional throughput and offset with container tariff hike with effect from 1 March 2019.

The Group achieved PBT of RM377 million in 1H20, declined by 7% compared to 1H19. The decline in PBT was due to impairment loss of trade receivables and one-off asset write off.

The Group's PAT at RM287 million, declined by 6% and 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:

	3 months ended		Changes
	30.06.2020	31.03.2020	
	RM'000	RM'000	
Operational revenue	405,180	456,955	-11%
Gross profit	245,007	289,294	-15%
Profit before interest and tax	190,363	217,133	-12%
Profit before tax	174,714	201,892	-13%
Profit after tax	134,340	152,806	-12%

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

The Group operational revenue in 2Q2020 was declined by 11% compared to the preceding quarter ended 31 March 2020 (“1Q2020”), mainly affected by the reduction in container and conventional throughput.

The Group recorded PBT of RM175 million in 2Q2020, down by 13% compared to 1Q2020. The decline in PBT was due to decrease in operational revenues.

The Group’s PAT of RM134 million, decline by 12% and was due to similar reasons mentioned above.

### 17. Current Year’s Prospects

Westports container throughput is expected to decline in 2020 due to ongoing adverse effects locally and abroad from the Covid-19 outbreak and the subsequent social and economic adjustments to alleviate the risks of another recurrence.

### 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 are as follows:-

	<b>Current quarter 30.06.2020 RM'000</b>	<b>Financial period-to-date 30.06.2020 RM'000</b>
Current tax	7,072	73,740
Deferred tax	<u>33,302</u>	<u>15,720</u>
	<u>40,374</u>	<u>89,460</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. In the meantime, the Company has appointed professional consultants to undertake the various studies required.

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

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 Westports Malaysia Sdn Bhd, a wholly-owned subsidiary, 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 also on the acquired land from PKNS 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 has commenced.

### 21. Borrowings and Debts Securities

The Group's borrowing position as at 30 June 2020 is as follows: -

	<b>As at 30.06.2020 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")	200,000	100,000
Total Borrowings	<u>1,400,000</u>	<u>1,400,000</u>



## **Westports Holdings Berhad**

(199301008024 (262761-A))

(Incorporated in Malaysia)

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**

On 12 June 2020, Westports Holdings Berhad announced that its wholly-owned subsidiary, Westports Malaysia Sdn Bhd (“Westports”), 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, Westports 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. Westports had also 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 a payroll system. Oracle subsequently assigned the first agreement to BOA, and Westports is required to pay the license fee payments directly to BOA.

The Oracle ERP Software Systems project commenced in February 2019. During the User Acceptance Testing (“UAT”) phase, Westports observed either data discrepancy or an inability of the system to execute the purported requirements. Highlighted technical requests remained outstanding, and Westports could not proceed to go-live with the system. Westports eventually terminated the two agreements on 30 December 2019.

Prior to the terminations, Westports had paid RM6,750,697. After the terminations, Westports still received a letter of demand from BOA for RM592,838. Oracle made a counter-claim of RM4,059,077 for the services rendered. Westports is disputing against the counter-claim on the basis that the two agreements have been terminated, and that the system could not proceed to go-live despite the purported completed milestones. Westports 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.

Westports’ total 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 balance exposure is RM24,226,988 and the counter-claim of RM4,059,077 is part of this amount.

The Kuala Lumpur High Court on 8th July 2020 has directed parties on the following:-

- a) BOA to file their Defence and Counterclaim by 29.07.2020 and Westports to file Reply to Defence and Defence to Counterclaim BOA by 19.08.2020;

## **Westports Holdings Berhad**

(199301008024 (262761-A))

(Incorporated in Malaysia)

- b) Oracle to file an amendment application to amend their Defence and Counterclaim by 12.08.2020; and
- c) Westports to reply Oracle's summary judgement further affidavit in reply (if necessary).

The next case management is fixed on 7 September 2020.

### **23. Dividends**

The Board of Directors has approved a first interim dividend of 5.05 sen per share in respect of the financial year ending 31 December 2020 amounting to RM172.205 million to be paid on 21 August 2020. The entitlement date for the dividend payment is on 11 August 2020.

A depositor shall qualify for entitlement to the dividend only in respect of:

- (i) shares transferred to the depositor's securities account before 4.30 pm on 11 August 2020 in respect of transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

For the preceding year corresponding period, a first interim dividend of 6.74 sen per share was paid on 23 August 2019 amounting to RM229.834 million.

### **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.

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

	3 months ended		6 months ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	134,340	166,317	287,146	306,221
Weighted average number of ordinary shares in issues (million)	3,410	3,410	3,410	3,410
Basic earnings per ordinary share (sen)	3.94	4.88	8.42	8.98

### Diluted earnings per share

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

## 25. Profit Before Tax

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

	3 months ended		6 months ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Finance costs	20,193	23,065	40,581	45,815
Finance income	(4,544)	(3,597)	(9,691)	(6,471)
Amortisation of concession assets	20,179	20,388	40,490	40,809
Depreciation of right-of-use assets	10,409	9,620	20,818	18,976
Depreciation of property, plant and equipment	34,932	34,655	69,404	68,185
Property, plant and equipment written off	6,859	-	6,859	-
Gain on disposal of property, plant and equipment	(70)	-	(137)	-
Dredging expenditure	885	1,931	1,769	2,712
Net realised foreign exchange loss	94	32	323	229
Provision for retirement benefits	103	139	206	278
Impairment loss on trade receivables	-	(84)	16,811	178
Reversal of impairment loss on trade receivables	(48)	188	(505)	(172)

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

### 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.

	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 June 2020</b>					
<b>Financial Liabilities</b>					
Borrowings	-	-	1,329,014	1,329,014	1,400,000
Service concession obligation	-	-	238,462	238,462	238,462
<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.