Westports Holdings Berhad's 28th Annual General Meeting

Responses to Questions from Shareholders

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1. Minority Shareholders' Watchdog Group (MSWG)

Tan Ai Ning (Company Secretary):

Question: In the Executive Chairman's message, it was mentioned that in 2020, the detailed Environmental Impact Assessment was completed for the port expansion project (comprising eight new terminals, CT10 to CT17, which will double its container handling capacity to 28 mil TEUs from 14 mil TEUs). The Company has also obtained approval from Port Klang Authority on the broad new concession agreement's proposed terms. Westports has now commenced commercial discussion with the Government on the proposed mega port expansion ("Westports 2.0"). (page 6 of AR 2020)

(a) How long will it take to conclude the negotiation with the Government on the concession terms?

(b) When is the expected commencement of physical works (i.e. land reclamation, wharf construction and dredging) for Westports 2.0 expansion and when is the expected completion date of Westports 2.0?

(c) What is the estimated expansion development cost for Westport 2.0? How does the Company intend to fund this?

Datuk Ruben Emir Gnanalingam Bin Abdullah (Group Managing Director):

(a) (i) Westports 2.0 expansion plans was unveiled in August 2017 when the Company received an approval-in-principle from the government to expand its container terminal facilities

(ii) The project has progressed gradually and the transition towards negotiation with the Government on the concession agreement occurred in the 2nd half of 2019. Westports hopes to conclude and finalise the concession terms by the 4th Quarter of 2021.

(b) (i) The construction work would commence as soon as possible after all approvals and concession agreement have been obtained and signed. Subject to the fulfilment of all the necessary conditions, the container expansion project should commence in the 1st Quarter of 2022 – or earlier if possible.

(ii) The completion of Westports 2.0 entails the development from CT10 to CT17. Since the Company's approach is supply-driven, i.e. building facilities slightly in advance to meet the requirements of its clients, how fast and when the development is being completed ultimately depends on future clients' demand.

(iii) The Company broadly envisages that it would take between 25 and 30 years to complete Westports 2.0 fully.

(c) (i) The estimated total development cost of Westports 2.0 is approximately RM12.6 billion, which will take between 25 and 30 years to fully develop.

(ii) Westports will fund the expansion project using internally generated funds and an eventual enlarged Sukuk programme. If need be, Westports may also raise some capital.

2. MSWG

Tan Ai Ning (Company Secretary):

Question: The Group's accumulated impairment loss on trade receivables have increased significantly to RM8.1 million in FY2020 (FY2019: RM1.9 million) (Note 18, page 71 of AR 2020)

(a) What were the reasons for the high impairment loss on trade receivables?

(b) What actions have been taken to recover the said amount?

(c) What is the percentage of the impairment loss of RM8.1 million that is expected to be uncollectable?

(d) How much of the impaired trade receivables have been recovered to-date?

Datuk Ruben Emir Gnanalingam Bin Abdullah (Group Managing Director):

(a) Virtually all the increase in impairment during FY2020 is due to one client who is unable to fulfil its financial obligation and commitments made to Westports. After a series of engagements with that client, Westports decided to designate those receivables as bad debt provision.

(b) Westports has commenced legal action against that particular client. Some other clients within that category are making instalment payments to Westports.

(c) Westports has initiated legal action to recover the amount due to us. We will only know what is deemed as uncollectable after all recourse have been exhausted.

(d) Between 31st December financial year ending 2020 and 31st March 2021, about RM95k have been recovered. More notable is that the ratio of new bad debts provision to receivables has been declining in recent years if we exclude the upward blip in FY2020 due to this one particular client.

3. MSWG

Tan Ai Ning (Company Secretary):

Question: What are the Company's pro-active plans to further improve the health and safety culture of the Group to bring down the number of incidents and accident rates?

Datuk Ruben Emir Gnanalingam Bin Abdullah (Group Managing Director):

(a) Westports expanded the statistical coverage of accidents to cases occurring on vessels in 2019 and 2020 even though the regulatory requirements, according to Department of Occupational Safety and Health (DOSH), covers incident on the Land only.

(b) So, from 2019 onwards, we measure all accidents involving Quay Crane as well. Hence, the increase in average cases in 2019 is due to this more comprehensive measurement.

(c) The Company has analysed and observed that Terminal Trucks contributed more accidents than other equipment.

(d) In 2020, HSE has

- (i) Studied and implemented the Shuttle Re-route Plan
- (ii) Undertaken the Dashcam Installation Project
  - A. Encourage safer driving behaviours
  - B. Record and learn how incidents occur
- (iii) One-way traffic to reduce accident risk

(e) For 2021

- (i) Formed the Traffic Flow Improvement Plan and Accident Reduction Committee
- (ii) Improved Shuttle Re-route Plan to reduce bottleneck and congestion at wharf junctions
- (iii) Repainted certain areas to enhance visibility
- (iv) Pedestrian Policy
- (v) Zero Accident Campaign
- (vi) Non-Passenger Vehicle Policy
- (vii) Road Improvement Project
- (viii) Greater compliance, stricter enforcement and punishment
- (ix) Additional road signages to reduce ambiguity
- (x) Installed speed bump and mirrors
- (xi) Assess other areas for improvement involving other terminal operating equipment

4. MSWG

Tan Ai Ning (Company Secretary):

Question: As Westports falls under the category of Large Companies as defined under the Malaysian Code on Corporate Governance (MCCG 2017), Practice 9.3 – Step-Up is applicable to the Company.

(*Practice 9.3 Step-Up* - The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.)

Tan Ai Ning (Company Secretary):

Not adopted. Currently, the Audit and Risk Management Committee (ARMC) oversees the Company's risk management framework and policies. As the Company has only 1 subsidiary and a single source of business, thus, the Company maintain its ARMC instead of establishing a separate Risk Management Committee. (page 35 of Corporate Governance Report FY2020).

5. MSWG

Tan Ai Ning (Company Secretary):

- ***MSWG's comment*: As stated in the Company's ARMC charter (page 4), ARMC's role and responsibilities in risk management include amongst others, review of the adequacy and effectiveness of the risk management process to identify key organisational risks and the systems or processes in place to monitor and manage these risks.**
- **Ideally the risk management oversight should be undertaken by a separate committee to allow dedicated oversight by the committee to ensure matters of risk are accorded due attention. In combining the audit and risk management oversight, there is a risk that consideration of risk management issues may be compromised due to the dual functions of ARMC. The spirit of Step up 9.3 is to consider risk management important enough to warrant a separate and dedicated committee**

Tan Sri Dato' Nik Ibrahim Kamil (Nomination, Remuneration and Corporate Governance Committee Chairman):

- The four (4) members of the Audit and Risk Management Committee ("ARMC") bring with them a wide range of knowledge, expertise and experience from various industries and backgrounds.
- The Board having reviewed the current composition of the Board and taking into consideration of the current size and level of operation, is of the view that combining Risk Management Committee with the Audit Committee is deemed a practical and effective approach and will maintain this practice. The Board will undertake an annual review to determine if any changes is required.

6. Tan Chai Heng (Shareholder)

Tan Ai Ning (Company Secretary):

Question: Hi, good afternoon. In this 2nd virtual AGM, will the Board consider an eVoucher / eWallet to participants as a token of appreciation? TQ

Datuk Ruben Emir Gnanalingam Bin Abdullah (Group Managing Director):

As per our [inaudible], eVouchers are not something we should be looking into and we have not done so for this year, and I don't think we will be doing those going forward either. What we have to realise is at the end of the day, the vouchers are not representative of the overall shareholding, whereas the dividends are clearly more representative of the shareholding in that sense. As a result the shareholders have voted that they would rather focus on the dividends than eVouchers, which is why we will not be doing eVouchers.

7. Tai Phoo Siew @ Thay Phoo Siew (Shareholder)

Tan Ai Ning (Company Secretary):

Question: Hi, good afternoon. In this 2nd virtual AGM, will the Board consider an eVoucher / eWallet to participants as a token of appreciation? TQ

The answers have been provided at Question 6.

8. Koh Chooi Peng (Shareholder)

Tan Ai Ning (Company Secretary):

Question: The application for judicial review against the notice of additional tax assessment amounting to RM120.576 Million has a scheduled court hearing on 11 March 2021.

Please update shareholders on the progress of this case and why the Company is of the view that "...the IRB's interpretation is fundamentally erroneous.." (page 83 of the Annual Report)

Datuk Ruben Emir Gnanalingam Bin Abdullah (Group Managing Director):

The court hearing has been postponed many, many times for unknown reasons. Why we feel it is erroneous is because annual lease payment is revenue in nature, and the quantum has been agreed by all parties including LPK, ourselves and even the Government of Malaysia. The intention of it is wholly and exclusively for the use of the demised property in order to generate income for the port business, and we have definite liability to pay these annual lease payments as agreed in the agreement, and it is incurred for the production of income, and that's why we feel it is erroneous in its filing itself.

9. Koh Chooi Peng (Shareholder)

Tan Ai Ning (Company Secretary):

Question: The Chairman and Group MD's message stated that Westport has now commenced commercial discussion with the Govt on the proposed mega port expansion.

(1) Will the agreed concession agreement affect the current Westport concession agreement and concession period?

(2) What is the target date for Westport to finalise the agreement as the Approval-in-principle was obtained way back in 2017.

Datuk Ruben Emir Gnanalingam Bin Abdullah (Group Managing Director):

(1) The concession agreement is still being discussed with the government. At this juncture, we are discussing the effect on the company, and as soon as we know that we will announce it to the shareholders.

(2) As mentioned earlier, we hope to finalise the agreement towards the second half of this year

10. Koh Chooi Peng (Shareholder)

Tan Ai Ning (Company Secretary):

Question: There is a RM24.965 Million increase in Wages, salaries and bonus in FY2020 compared to FY 2019 (page 68 of the AR).

What are the reason(s) for the big jump in this expense item despite the lower activities level in 2020 due to Covid-19

Datuk Ruben Emir Gnanalingam Bin Abdullah (Group Managing Director):

The first reason for this increase is because following the tariff hike in 2019, we decided to increase the wages for all our people, and that was one of the reasons why we asked for the tariff hike as well. We always try to maintain a gap between minimum wage and what our people earn, and therefore we felt it would be appropriate to share some of that tariff increase with all our colleagues, and therefore we gave an increment to everyone throughout the whole company, focusing on those who are starting out and making sure they have more on average as well, trying to reduce the gaps. The second reason is that we added a lot of people last year as well, and our volumes may have been stagnant but we were doing other activities such as storage, reefer monitoring and things like that, so it wasn’t as if there were no activities. We froze hiring initially because they thought there would be fewer activities, but towards the second half of the year we started increasing our activities again, and

November was our highest volume last year. It's just that the second quarter was very low and we needed to hire more people again.

11. Koh Chooi Peng (Shareholder)

Tan Ai Ning (Company Secretary):

Question: Based on Group MD's answer on Westport 2.0 expansion, the project is expected to take 25-30 years. As the project is expect to commence only by 1st Quarter 2022, what are the actions taken by management to ensure it is able to cope with shipping traffic assuming there is a surge in activities post-pandemic?

Datuk Ruben Emir Gnanalingam Bin Abdullah (Group Managing Director):

As you know we built out to CT9 a couple of years ago, but we haven't fitted out the cranes there, and we had two cranes that were damaged there as well. The cranes will be coming back online later this year once those cranes are replaced. That will add a bit more capacity for us too. We are expanding the yard and adding more RTGs to handle more yard space. The congestion this year was not caused by the berth, it was more as a result of congestion in the yard space due to pandemic-related changes in the supply chain management, and therefore the yard was where we felt we needed additional equipment and additional investment. Having said that, it depends on how much it surges by. I think for what we planned for the surges in 2022 and 2023, and hopefully 2024 can be managed with the interim capacity we will be building up in between. However, if it grows very fast that is the simple answer. But if it doesn't grow very very fast, we will have enough capacity to handle it.That's why we've been trying to push to close this as early as we can, but of course that part is not entirely in our hands and will depend on other parties to make sure other things move as well.

12. Foo Chi Khing (Shareholder)

Tan Ai Ning (Company Secretary):

Question: What is the current status on the notice of additional assessment from IRB (Note 35c of Annual Report 2020)

Datuk Ruben Emir Gnanalingam Bin Abdullah (Group Managing Director):

As mentioned just now, the court hearing is postponed to June, so that is the latest on that one. As soon as we attend court, we will be able to give a better update. Hopefully it doesn't get postponed again.

13. Koh Chooi Peng (Shareholder)

Tan Ai Ning (Company Secretary):

The Service Concession Obligation are classified as both Current and Non-current liabilities (page 50 & 74 of AR). The yearly payment of RM59.007 million will complete the Service Concession Obligation in another 4 years.
Will there be further or new service concession obligation payable based on the current concession agreement?

Datuk Ruben Emir Gnanalingam Bin Abdullah (Group Managing Director):

This Service Concession Obligation is the lease payment that we mentioned earlier, and it is part of the negotiation at the moment with the government on the overall concession including Westports 2, so it depends on how those negotiations go. We will know more once that concludes and we can update what will happen after 2024.

14. Koh Chooi Peng (Shareholder)

Tan Ai Ning (Company Secretary):

Group MD mentioned about a tariff increase. Has it been approved by the Govt and implemented. If yes, what is the quantum of the increase?

Datuk Ruben Emir Gnanalingam Bin Abdullah (Group Managing Director):

The tariff increase I mentioned earlier was the one we got in March of 2019, and I believe that increment was 15%. It was the one that we applied for and got in 2015 and it was split into two parts. The first part we got in 2015 or 2016 and the second part we got in 2019.The overall increase was 30%, which was split into two parts, 15% and 15%. The effective increase in 2019 compared to the year before was 13% because the first 15% had already happened so the second part was only 13%, but the overall increase was 30% compared to 2015.

There is no further question received from Shareholders, after 30 seconds, the Chairman made the following statement.

Tan Sri Datuk Gnanalingam (Executive Chairman):

We shall now close the Q&A session. Questions that have not been taken up at the meeting will receive an email response from the company as soon as possible. We will upload on our website all the questions received and answers by using full name and proxy shareholders.