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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 2021**

# Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

<b>Table of Contents</b>	<b>Pages</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	7-22

**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 2021

*These figures have not been audited*

	3 months ended			6 months ended		
	30.06.2021 RM'000	30.06.2020 RM'000	Changes %	30.06.2021 RM'000	30.06.2020 RM'000	Changes %
Revenue	505,073	431,602	17%	1,013,236	905,069	12%
Cost of sales	(201,112)	(186,595)	8%	(395,587)	(370,768)	7%
<b>Gross profit</b>	<b>303,961</b>	<b>245,007</b>	<b>24%</b>	<b>617,649</b>	<b>534,301</b>	<b>16%</b>
Other income	2,075	3,331	-38%	26,895	5,941	353%
Administrative expenses	(7,778)	(13,713)	-43%	(12,555)	(38,804)	-68%
Other expenses	(47,110)	(44,262)	6%	(92,482)	(93,942)	-2%
<b>Results from operating activities</b>	<b>251,148</b>	<b>190,363</b>	<b>32%</b>	<b>539,507</b>	<b>407,496</b>	<b>32%</b>
Finance income	2,499	4,544	-45%	6,751	9,691	-30%
Finance costs	(18,025)	(20,193)	-11%	(37,040)	(40,581)	-9%
<b>Profit before tax</b>	<b>235,622</b>	<b>174,714</b>	<b>35%</b>	<b>509,218</b>	<b>376,606</b>	<b>35%</b>
Tax expense	(57,655)	(40,374)	43%	(122,928)	(89,460)	37%
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>177,967</b>	<b>134,340</b>	<b>32%</b>	<b>386,290</b>	<b>287,146</b>	<b>35%</b>
<b>Basic earnings per ordinary share (sen)</b>	<b>5.22</b>	<b>3.94</b>	<b>32%</b>	<b>11.33</b>	<b>8.42</b>	<b>35%</b>

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

(199301008024 (262761-A))

(Incorporated in Malaysia)

## Condensed Consolidated Statement of Financial Position

As At 30 June 2021

	Unaudited As at 30.06.2021	Audited As at 31.12.2020
	RM'000	RM'000
<b>Non-current assets</b>		
Property, plant and equipment	1,636,327	1,618,873
Concession assets	2,455,879	2,468,069
Right-of-use assets	64,282	62,273
Investment	50,250	50,000
<b>Total non-current assets</b>	<u>4,206,738</u>	<u>4,199,215</u>
<b>Current assets</b>		
Inventories	5,297	4,752
Trade and other receivables	340,204	278,558
Cash and short term investments	774,264	779,123
<b>Total current assets</b>	<u>1,119,765</u>	<u>1,062,433</u>
<b>Total assets</b>	<u>5,326,503</u>	<u>5,261,648</u>
<b>Equity</b>		
Share capital	1,038,000	1,038,000
Reserves	1,956,773	1,791,110
<b>Total equity</b>	<u>2,994,773</u>	<u>2,829,110</u>
<b>Non-current liabilities</b>		
Borrowings	1,025,000	1,150,000
Employee benefits	8,850	8,936
Deferred tax liabilities	389,352	391,031
Service concession obligation	142,035	168,136
Lease liabilities	46,213	41,765
<b>Total non-current liabilities</b>	<u>1,611,450</u>	<u>1,759,868</u>
<b>Current liabilities</b>		
Trade and other payables	178,415	167,021
Provisions	262,757	271,127
Tax payable	32,324	12,811
Borrowings	175,000	150,000
Service concession obligation	49,940	47,677
Lease liabilities	21,844	24,034
<b>Total current liabilities</b>	<u>720,280</u>	<u>672,670</u>
<b>Total liabilities</b>	<u>2,331,730</u>	<u>2,432,538</u>
<b>Total equity and liabilities</b>	<u>5,326,503</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.

**Westports Holdings Berhad**

(199301008024 (262761-A))

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Changes in Equity**

For The Period Ended 30 June 2021

*These figures have not been audited*

	Attributable to the owners of the Company			Total RM'000
	Non-distributable	Distributable		
	Share Capital RM'000	Goodwill		
		Written off Reserve RM'000	Retained Earnings RM'000	
<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>
<b>At 1 January 2021</b>	1,038,000	(47,732)	1,838,842	2,829,110
Profit for the period	-	-	386,290	386,290
<b>Total comprehensive income for the period</b>	-	-	386,290	386,290
<i>Distributions to owners of the Company</i>				
- Dividends	-	-	(220,627)	(220,627)
<b>Total transactions with owners of the Company</b>	-	-	(220,627)	(220,627)
<b>At 30 June 2021</b>	<u>1,038,000</u>	<u>(47,732)</u>	<u>2,004,505</u>	<u>2,994,773</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

(199301008024 (262761-A))

(Incorporated in Malaysia)

## Condensed Consolidated Statement of Cash Flows

For The Period Ended 30 June 2021

*These figures have not been audited*

	6 months ended	
	30.06.2021	30.06.2020
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	509,218	376,606
Adjustments for :		
Amortisation of concession assets	41,510	40,490
Depreciation of right-of-use assets	14,990	20,818
Depreciation of property, plant and equipment	71,687	69,404
Dredging expenditure	1,769	1,769
Finance costs - accretion of service concession obligation	5,665	6,854
Finance costs - lease liabilities	1,959	1,784
Finance costs - borrowings and others	29,416	31,943
Finance income	(2,753)	(7,450)
Income from money market fund	(3,998)	(2,241)
Provision for retirement benefits	212	206
Gain on disposal of property, plant and equipment	(1,717)	(137)
Property, plant and equipment written off	64	6,859
Impairment loss on trade receivables	73	16,811
Reversal of impairment loss on trade receivables	(173)	(505)
<b>Operating profit before working capital changes</b>	<b>667,922</b>	<b>563,211</b>
Changes in working capital:		
Trade and other receivables, excluding payment for dredging expenses	(63,565)	13,071
Trade and other payables	12,610	41,465
Inventories	(545)	(120)
Provisions	(8,370)	(50,226)
<b>Cash generated from operations</b>	<b>608,052</b>	<b>567,401</b>
Income tax paid	(105,095)	(89,394)
Interest paid	(30,629)	(32,128)
Retirement benefits paid	(298)	(76)
<b>Net cash generated from operating activities</b>	<b>472,030</b>	<b>445,803</b>
<b>Cash flows from investing activities</b>		
Interest received	2,753	7,450
Income from money market fund	3,998	2,241
Purchase of property, plant and equipment	(89,206)	(45,899)
Additions to concession assets	(29,320)	(89,123)
Proceeds from disposal of property, plant and equipment	1,718	137
<b>Net cash used in investing activities</b>	<b>(110,057)</b>	<b>(125,194)</b>

**Westports Holdings Berhad**  
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(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows (Continued)**

For The Period Ended 30 June 2021

*These figures have not been audited*

	6 months ended	
	30.06.2021	30.06.2020
	RM'000	RM'000
<b>Cash flows from financing activities</b>		
Fixed deposits pledged for borrowings	(367)	(1,155)
Redemption of borrowings-SMTN	(100,000)	-
Dividends paid to shareholders	(220,627)	(213,466)
Repayment of lease liabilities		
- Principal	(14,743)	(19,649)
- Interest	(1,959)	(1,784)
Annual lease paid for use of port infrastructures and facilities	(29,503)	(29,503)
<b>Net cash used in financing activities</b>	<u>(367,199)</u>	<u>(265,557)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(5,226)	55,052
Cash and cash equivalents at 1 January	739,185	656,845
<b>Cash and cash equivalents at 30 June</b>	<u>733,959</u>	<u>711,897</u>

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

Cash and bank balances	321,225	239,979
Money market fund	313,843	256,229
Fixed deposits with licensed banks	139,196	255,694
	<u>774,264</u>	<u>751,902</u>
Less : Pledged deposits	(40,305)	(40,005)
	<u>733,959</u>	<u>711,897</u>

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

The table below details the reconciliation of the movement of liabilities in the statements of cash flows:

	Net changes from financing				30.06.2021 RM'000
	1.1.2021 RM'000	Addition RM'000	cash flows RM'000	Accretion of interest RM'000	
Sukuk MTN	1,300,000	-	(100,000)	-	1,200,000
Lease liabilities	65,799	17,001	(16,702)	1,959	68,057
Service concession obligation	215,813	-	(29,503)	5,665	191,975
Total liabilities from financing	<u>1,581,612</u>	<u>17,001</u>	<u>(146,205)</u>	<u>7,624</u>	<u>1,460,032</u>

	Net changes from financing				30.06.2020 RM'000
	1.1.2020 RM'000	Addition RM'000	cash flows RM'000	Accretion of interest 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
Total liabilities from financing	<u>1,722,378</u>	<u>10,431</u>	<u>(50,936)</u>	<u>8,638</u>	<u>1,690,511</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.**

# Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

## Notes to Condensed Consolidated Financial Statements for the Six Months Ended 30 June 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 of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108	<i>Definition of Accounting Estimates</i>	1 January 2023



## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

Amendments to MFRS 101	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRSs	<i>Annual Improvements to MFRS Standards 2018 - 2020</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 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 an 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 September 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

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

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 will be recovered from the fourth quarter of 2020 to the financial year 2022 when WMSB receives reimbursement from the Insurer. To-date we have received RM28,576,000 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.

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

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 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.

	<b>Port development and management of port operations</b>			
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit</b>				
Reportable segment profit	251,736	191,220	540,759	409,022
<i>Included in the measure of segment profit are :</i>				
Revenue - external customer	489,686	405,180	985,482	862,135
- construction service	15,387	26,422	27,754	42,934
Amortisation of concession assets	(20,725)	(20,179)	(41,510)	(40,490)
Depreciation of right-of-use assets	(5,929)	(10,409)	(14,990)	(20,818)
Depreciation of property, plant and equipment	(35,768)	(34,932)	(71,687)	(69,404)
Property, plant and equipment written off	(64)	(6,859)	(64)	(6,859)
Gain on disposal of property, plant and equipment	924	70	1,717	137
Impairment loss of trade receivables	2	-	(73)	(16,811)
Reversal of Impairment loss of trade receivables	78	48	173	505
<b>Reconciliation of reportable segment profit and revenue</b>				
<b>Profit</b>				
Reportable segment	251,736	191,220	540,759	409,022
Non-reportable segment	(588)	(857)	(1,252)	(1,526)
Finance income	2,499	4,544	6,751	9,691
Finance costs	(18,025)	(20,193)	(37,040)	(40,581)
Consolidated profit before tax	<u>235,622</u>	<u>174,714</u>	<u>509,218</u>	<u>376,606</u>
<b>Revenue</b>				
Reportable segment	505,073	431,602	1,013,236	905,069
Non-reportable segment	-	-	-	-
Consolidated revenue	<u>505,073</u>	<u>431,602</u>	<u>1,013,236</u>	<u>905,069</u>

## 11. Changes in Composition of the Group

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

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

### 12. Contingent Liabilities

	note	As at 30.06.2021 RM'000	As at 30.06.2020 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).

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

### 13. Capital Commitments

The amount of commitments for capital expenditure not provided for in the condensed consolidated interim financial statements as at 30 June 2021 is as follows:

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Capital expenditure commitments:		
Property, plant and equipment and concession assets		
- Authorised and contracted for	<u>684,317</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
Gryst Holdings Sdn Bhd ("GH")	Company in which Directors have significant financial interest
Westports Foundation ("WF")	Company in which Directors have significant financial interest

The transactions incurred for the financial period are as follows:

	3 months ended		6 months ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
PR - Administrative expenses	-	-	1	1
C10 - Flight ticket and accomodation	-	15	-	276
GH - Office rental and utilities	66	102	132	152
WF - Financial support to community	-	-	-	1,000

### 15. Review of Performance

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

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

	3 months ended			6 months ended		
	30.06.2021	30.06.2020	Changes	30.06.2021	30.06.2020	Changes
	RM'000	RM'000		RM'000	RM'000	
Revenue as reported	505,073	431,602	17%	1,013,236	905,069	12%
Less : Construction revenue (N1)	(15,387)	(26,422)	-42%	(27,754)	(42,934)	-35%
<b>Operational revenue</b>	<b>489,686</b>	<b>405,180</b>	<b>21%</b>	<b>985,482</b>	<b>862,135</b>	<b>14%</b>
Cost of sales as reported	201,112	186,595	8%	395,587	370,768	7%
Less : Construction cost (N1)	(15,234)	(26,160)	-42%	(27,478)	(42,508)	-35%
<b>Operational cost of sales</b>	<b>185,878</b>	<b>160,435</b>	<b>16%</b>	<b>368,109</b>	<b>328,260</b>	<b>12%</b>
Gross Profit	303,961	245,007	24%	617,649	534,301	16%
Profit before interest and tax	251,148	190,363	32%	539,507	407,496	32%
Profit before tax	235,622	174,714	35%	509,218	376,606	35%
Profit after tax	177,967	134,340	32%	386,290	287,146	35%

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 30 June 2021 compared to Quarter Ended 30 June 2020

The Group recorded operational revenue of RM490 million in quarter ended 30 June 2021 (“2Q2021”), growth of 21% against preceding year corresponding quarter (“2Q2020”). It was mainly attributed to the growth in container revenue.

The Group recorded profit before tax (“PBT”) of RM236 million in 2Q2021 representing 35% increase compared to 2Q2020. The growth in PBT was due to higher container revenue.

The Group’s profit after tax (“PAT”) of RM178 million increased by 32% compared to 2Q2020 and was due to similar reasons mentioned above.

### Six Months Ended 30 June 2021 compared to Six Months Ended 30 June 2020

The Group recorded operational revenue of RM985 million for first half of year ended 30 June 2021 (“1H21”), recorded an improvement by 14% compared to corresponding period last year (“1H20”). It was mainly attributed to the growth in container revenue.

The Group achieved PBT of RM509 million in 1H21, increased by 35% compared to 1H20. 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 PAT at RM386 million, recorded an improvement by 35% and was due to similar reasons mentioned above.

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

### 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
	30.06.2021	31.03.2021	
	RM'000	RM'000	
Operational revenue	489,686	495,796	-1%
Gross profit	303,961	313,688	-3%
Profit before interest and tax	251,148	288,359	-13%
Profit before tax	235,622	273,596	-14%
Profit after tax	177,967	208,323	-15%

The Group's operational revenue in 2Q2021 marginally down by 1% compared to the preceding quarter ended 31 March 2021 ("1Q2021"), mainly affected by the reduction in conventional throughput.

The Group recorded PBT of RM236 million in 2Q2021, down by 14% compared to 1Q2021. The decline in PBT was due to decrease in operational revenue and progressive insurance reimbursement for the vessel incident involving two quay cranes in 2019 was captured in 1Q21.

The Group's PAT of RM178 million, declined by 15% 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.

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

### 19. Tax Expense

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

	<b>Current quarter 30.06.2021 RM'000</b>	<b>Financial period-to-date 30.06.2021 RM'000</b>
Current tax	48,197	124,607
Deferred tax	<u>9,458</u>	<u>(1,679)</u>
	<u>57,655</u>	<u>122,928</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.



## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

The Company had obtained the Conditional Approval for the Detailed Environmental Assessment Impact (“DEIA”) from the Department of Environment on 29 January 2021. With regards to the Social Impact Assessment (“SIA”), approval has been issued by PLAN Malaysia Putrajaya on 1 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 30 June 2021 is as follows: -

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Non-current		
Unsecured Sukuk Musharakah Medium Term Note ("SMTN")	1,025,000	1,150,000
Current		
Unsecured Sukuk Musharakah Medium Term Note ("SMTN")	175,000	150,000
Total Borrowings	<u>1,200,000</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.

## **Westports Holdings Berhad**

(199301008024 (262761-A))

(Incorporated in Malaysia)

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.
- ii) On 15 June 2021, the Court directed Oracle to reply to Westports discovery application by 3 August 2021.

## **Westports Holdings Berhad**

(199301008024 (262761-A))

(Incorporated in Malaysia)

The High Court earlier fixed the full trial of the main suit on 13 to 16 December 2021 and now rescheduled the full trial to next year from 25, 26, 29 and 30 August 2022.

### **b) Notice of Additional Tax Assessment Received from Inland Revenue Board of Malaysia**

#### **i) Year of Assessment 2013 to 2018**

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 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 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 postponed the hearing date to 2 June 2021, and further postponed to 21 September 2021 due to the Movement Control Order. Interim stay has been granted until 21 September 2021.

Concurrently, case mention has been fixed for Special Commissioners of Income Tax (“SCIT”) on 9 June 2021. It has been rescheduled to 11 August 2021 due to Movement Control Order.

#### **ii) Year of Assessment 2019**

Further, WMSB has been served with the notice of additional assessment for additional tax liability, inclusive of penalty for the year of assessment

## **Westports Holdings Berhad**

(199301008024 (262761-A))

(Incorporated in Malaysia)

2019, by the IRB dated 26 July 2021 (“the Notice”), received via email on 29 July 2021.

The IRB has raised an additional tax assessment of RM22,658,626 in relation to the total annual lease payment made by WMSB to the Port Klang Authority amounting to RM59,006,840 for the year of assessment 2019. The IRB has now assessed that the annual lease payment made by WMSB to the PKA as not allowable for deduction in WMSB’s tax computation.

It is the same case of additional tax assessment received for the year of assessment from 2013 to 2018 as reported on note 22 (b) (i) above.

WMSB will appeal and contest against the Notice of additional assessment.

### **23. Dividends**

The Board of Directors has approved a first interim dividend of 8.50 sen per share in respect of the financial year ending 31 December 2021 amounting to RM289.85 million to be paid on 26 August 2021. The entitlement date for the dividend payment is on 17 August 2021.

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 17 August 2021 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 5.05 sen per share was paid on 21 August 2020 amounting to RM172.205 million.

### **24. Status of corporate proposal**

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

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

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. The Company and KPM have submitted documents for the approval of EPU 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.

	3 months ended		6 months ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	177,967	134,340	386,290	287,146
Weighted average number of ordinary shares in issues (million)	3,410	3,410	3,410	3,410
Basic earnings per ordinary share (sen)	5.22	3.94	11.33	8.42

#### 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.

## Westports Holdings Berhad

(199301008024 (262761-A))

(Incorporated in Malaysia)

### 26. 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	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Finance costs	18,025	20,193	37,040	40,581
Finance income	(2,499)	(4,544)	(6,751)	(9,691)
Amortisation of concession assets	20,725	20,179	41,510	40,490
Depreciation of right-of-use assets	5,929	10,409	14,990	20,818
Depreciation of property, plant and equipment	35,768	34,932	71,687	69,404
Property, plant and equipment written off	64	6,859	64	6,859
Gain on disposal of property, plant and equipment	(924)	(70)	(1,717)	(137)
Dredging expenditure	885	885	1,769	1,769
Net realised foreign exchange loss	159	94	153	323
Provision for retirement benefits	105	103	212	206
Impairment loss on trade receivables	(2)	-	73	16,811
Reversal of impairment loss on trade receivables	(78)	(48)	(173)	(505)

### 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.

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

	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 2021</b>					
<b>Financial Asset</b>					
Investment	-	-	50,215	50,215	50,250
<b>Financial Liabilities</b>					
Borrowings	-	-	1,368,216	1,368,216	1,200,000
Lease liabilities	-	-	68,057	68,057	68,057
Service concession obligation	-	-	191,975	191,975	191,975
<b>At 31 December 2020</b>					
<b>Financial Asset</b>					
Investment	-	-	50,153	50,153	50,000
<b>Financial Liabilities</b>					
Borrowings	-	-	1,535,939	1,535,939	1,300,000
Lease liabilities	-	-	65,799	65,799	65,799
Service concession obligation	-	-	215,813	215,813	215,813

The fair value of the investment, borrowings, lease liabilities 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.