

# **NCB HOLDINGS BHD**

(Company No. 475221-K)

Incorporated in Malaysia

## **SELECTED EXPLANATORY NOTES ON QUARTERLY FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008**

### **PART A. EXPLANATORY NOTES PURSUANT TO FRS 134**

#### **A1. Basis of Preparation**

The Interim Financial Statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

#### **A2. Auditors' Report on Preceding Annual Financial Statements**

The audit report of the previous annual financial statement for the year ended 31 December 2007 was not subject to any qualification.

#### **A3. Segmental Information**

The Group's primary basis of segment reporting is on business segments. There are three segments namely the Port Operation, Haulage/Logistics Operation and Investment Holding.

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The analysis of results by business activity for the period ended 31 December 2008 is as follows :-.

	3 months ended		12 months ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>				
Revenue from continuing operations:				
Port Operation	155,670	174,462	672,815	654,030
Haulage/Logistics Operation	78,664	59,192	283,258	245,005
Investment Holding	1,127	540,776	3,970	658,594
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Total revenue including inter-segment sales	235,461	774,430	960,043	1,557,629
Elimination of inter-segment sales	(3,168)	(544,847)	(13,858)	(672,112)
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Total revenue	232,293	229,583	946,185	885,517
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Other Income:				
Port Operation	1,622	2,340	11,080	16,625
Haulage/Logistics Operation	1,272	10,274	3,421	17,330
Investment Holding	3,776	1,847	16,105	4,053
	<hr/>	<hr/>	<hr/>	<hr/>
	6,670	14,461	30,606	38,008
	<hr/>	<hr/>	<hr/>	<hr/>
Total Income				
Port Operation	156,961	176,097	683,564	669,950
Haulage/Logistics Operation	78,226	66,100	277,122	249,522
Investment Holding	3,776	1,847	16,105	4,053
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	238,963	244,044	976,791	923,525
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	3 months ended		12 months ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
<b>Segment Results</b>				
Results from continuing operations:				
Port Operation	20,847	155,390	141,311	286,055
Haulage/Logistics Operation	386	10,134	2,810	12,900
Investment Holding	1,006	539,049	3,871	654,667
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	22,239	704,573	147,992	953,622
Elimination	(1,127)	(651,952)	(3,970)	(769,771)
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	21,112	52,621	144,022	183,851
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Finance income:				
Port Operation	860	3,311	2,869	12,294
Haulage/Logistics Operation	176	704	837	3,212
Investment Holding	3,774	1,847	16,103	4,053
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	4,810	5,862	19,809	19,559
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Net Results:				
Port Operation	21,707	50,141	144,180	188,335
Haulage/Logistics Operation	562	6,745	3,647	11,380
Investment Holding	3,653	1,597	16,004	3,695
	<hr/>	<hr/>	<hr/>	<hr/>
	25,922	58,483	163,831	203,410
Associates Results	(1)	361	324	713
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Profit Before Taxation	25,921	58,844	164,155	204,123
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## A4. Unusual Items due to their Nature, Size or frequency

The profit after tax figure for the current quarter and year to date showed an improved figure due to the inclusion of the tax relief from investment allowance on Approved Service Project (ASP). Fuller details are provided in Note B6 of this report.

There were no other material or unusual items affecting assets, liabilities, equity, net income, or cashflow during the financial period ended 31 December 2008.

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### **A5. Changes in Estimates**

The Group has adopted the FRS 116: Property, Plant and Equipment with effect from financial year 31 December 2006. The residual value of certain plant and equipment were revised in the year 2007. The revisions were accounted for as a change in accounting estimates and as a result, the depreciation charge of the Group for the current financial year have been increased by RM1.4 million.

There were no other changes in estimates that have had a material effect in the current quarter results.

### **A6. Comments about Seasonal or Cyclical Factors**

The Group's business are generally affected by the various festive seasons.

### **A7. Dividends Paid**

Total dividends paid during the quarter ended 31 December 2008 amounted to RM24,359,089. This is in respect of interim dividend for the financial year ended 31 December 2008 declared at 7.0 sen per ordinary share less 26% income tax. The dividend was paid on 14 October 2008.

### **A8. Carrying Amount of Revalued Assets**

The valuation of property, plant and equipment have been brought forward without any amendments from the financial statements for the year ended 31 December 2007.

### **A9. Debt and Equity Securities**

There have been no issues and repayment of equity security, repurchases, share cancellation or new issuance for the current quarter ended 31 December 2008.

### **A10. Changes in Composition of the Group**

There were no changes in the composition of the Group during the interim financial period ended 31 December 2008.

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### **A11. Subsequent Events**

There were no material events subsequent to the end of the current quarter that have not been reflected in this Interim Financial Statement.

### **A12. Changes in Contingent Liabilities**

Contingent liabilities by way of corporate guarantees to financial institutions for banking facilities granted to subsidiary have increased from RM5.83 million as at 31 December 2007 to RM7.25 million as at 31 December 2008.

Contingent liabilities in respect of claims for damages to goods and other claims remains unchanged at RM4.3 million since the last balance sheet date, 31 December 2007.

There were no other changes in the contingent liabilities and contingent assets since the last annual balance sheet dated 31 December 2007.

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## **PART B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

### **B1. Performance Review**

The Group's revenue for the current quarter amounted to RM232.2 million, which is 1.1% higher than the corresponding comparative quarter's figure of RM229.5 million. The port operating subsidiary contributed RM155.3 million while the haulage subsidiary contributed RM76.9 million. The year-to-date revenue of the Group amounted to RM946.1 million, an increase of 6.8% compared to the corresponding period of RM885.5 million.

Northport achieved a throughput for the current quarter of 715,943 TEUs registering a decrease of 8.2% as compared to the corresponding period last year of 780,085 TEUs. The year-to-date throughput achieved is 3,005,920 TEUs representing an increase of 7.1% compared against the corresponding period last year of 2,805,997 TEUs. As for the haulage/logistics subsidiary the throughput for the quarter is 75,519 TEUs which is a decrease of 15.5% as compared to the figure for the corresponding period last year of 89,412 TEUs. The year-to-date throughput achieved is 344,468 TEUs representing a decrease of 9.8% compared to the figure for the corresponding period last year of 381,912 TEUs.

For the fourth quarter under review, the decrease in the teus was recorded in all categories, import, exports and transshipment. Export teus registered the highest decline for the port business.

As for the haulage subsidiary Kontena Nasional, the decline in throughput of its haulage business continued in the last quarter mainly due to strong competition and the effects of the economic slowdown.

There have been no other material factors affecting the earnings and/or revenue of the Group for the current quarter.

### **B2. Comment on Material Change in Profit Before Taxation**

The profit before tax for the current quarter amounted to RM25.9 million, which is lower than the immediate preceding quarter's figure of RM48.1 million, mainly due to lower throughput handled by Northport in the current quarter.

Apart from that mentioned above, there were no unusual items affecting profits for the current quarter.

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### **B3. Commentary on Prospects**

- a) The Group has seen the start of the impact from the global economic slowdown in the last quarter of 2008. The Board views that the impact will continue into the next financial year ending 31 December 2009, but the extent of the impact will depend highly on the reaction of the Malaysian economy to the unfolding uncertainties in the region and the world.

The port operating subsidiary has the capacity and the fundamentals to sustain its performance over the next financial year in tandem with the performance of the country's economy.

The haulage division of the haulage/logistics company, Kontena Nasional, is in stiff competition in a very competitive market. Performance of its logistics division has shown improvement and is expected to be a strong driving force in the company's efforts of sustaining its business.

Both the subsidiaries are continuously scrutinizing their cost of operation to ensure efficient running of the business.

NCB Group is conscious and aware that the operating environment are affected to the extent of the changes in the trade and economies of the region and the world.

- b) The Group has continuously throughout the year taken all necessary steps to achieve the internal management targets for the financial year 2008. The targets announced for the year 2008 have been achieved.

Further explanation is provided in paragraph B4.

### **B4. Board of Directors Statement on Internal Targets**

The Board is pleased to inform that all the internal targets announced by the Company on its total revenue growth of 5.3%, the net profit after tax growth of 1.8%, the throughput growth of 5.0%, the return on shareholders' equity of 8.8% and the earnings per share target of 32.5 sen were achieved for the year under review.

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### B5. Profit Forecast or Profit Guarantee

The disclosure requirements for the variance of actual profit after tax and minority interest, forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

### B6. Income Tax Expense

	<b>Current Quarter RM'000</b>	<b>Year ended 31 December 2008 RM'000</b>
Current income tax:		
Current year's tax expense	5,795	42,680
Under provision of tax in prior years	<u>(1,769)</u>	<u>(1,769)</u>
	4,026	40,911
Deferred taxation:		
Utilisation of current year's investment allowances	(14,691)	(14,691)
Deferred tax assets recognised on unutilised investment allowance arising from current year	(12,871)	(12,871)
Relating to origination and reversal of temporary differences	3,991	3,991
Relating to changes in tax rates	(1,391)	(1,391)
Over provision in prior years	<u>(7,662)</u>	<u>(7,662)</u>
	<u>(32,624)</u>	<u>(32,624)</u>
	<u>(28,598)</u>	<u>8,287</u>

For the year 2008, Northport (Malaysia) Bhd has received tax relief in the form of Investment Allowance for Approved Service Project (ASP) relating to capital investment for the expansion and improvement of port facilities. The tax credit arising above is due to the utilization of this Investment Allowance.

### B7. Sale of Unquoted Investments and Properties

There were no sale of unquoted investments and/or properties for the current quarter ended 31 December 2008.



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### B8. Sale of Quoted Investments

There were no purchase or disposal of quoted securities during the quarter ended 31 December 2008.

### B9. Corporate Proposals

There were no corporate proposals which were announced but not completed as at 16 February 2009.

### B10. Borrowings

	As at 31.12.2008 RM'000	As at 31.12.2007 RM'000
<b>Short term borrowings</b>		
Bank overdraft - unsecured	554	226
Unsecured and interest free	200	600
<b>Long term borrowings</b>		
Unsecured and interest free	-	200
	<u>754</u>	<u>1,026</u>

### B11. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at 16 February 2009.

### B12. Changes in Material Litigation

As at 16 February 2009, there were no changes in material litigation since the last annual balance sheet date of 31 December 2007.

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## B13. Dividend Payable

Dividend:

- a)
- i) A final and a special dividend in respect of the financial year 31 December 2008 has been recommended;
  - ii) The amount of final dividend is 10.0 sen and the special dividend is 8.0 sen per ordinary share less 25% income tax;
  - iii) The previous corresponding period was a final dividend of 12.0 sen and a special dividend of 8.0 sen per ordinary share less 26% income tax;
  - iv) The date payable is on 8 May 2009; and
  - v) In respect of deposited securities, entitlement to dividend will be determined on the basis of the record of depositors as at 24 April 2009; and
- b) The total dividend for the current financial year is an interim dividend of 7.0 sen less 26% income tax and a proposed final dividend of 10.0 sen less 25% income tax and a proposed special dividend of 8.0 sen less 25% income tax, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

## B14. Earnings Per Share

In respect of earnings per share:-

- a) Basic/Diluted earnings per share

	3 months ended		12 months ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	'000	'000	'000	'000
Profit after Tax (RM)				
Attributable to:				
Equity Holders of The Parent	<u>54,491</u>	<u>41,389</u>	<u>155,615</u>	<u>151,279</u>
Weighted average no. of ordinary shares in issue	<u>470,253</u>	<u>470,253</u>	<u>470,253</u>	<u>470,253</u>
Basic/Diluted earnings per share (Sen)	<u>11.6</u>	<u>8.8</u>	<u>33.1</u>	<u>32.2</u>

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### **B15. Audit Report**

The audit report of the previous annual financial statements for the year ended 31 December 2007 was not subject to any qualification.

### **B16. Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors on 23 February 2009.