

NCB HOLDINGS BHD

(Company No. 475221-K)

Incorporated in Malaysia



Date : 29 MAY 2014

**Subject : QUARTERLY FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

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NCB HOLDINGS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2014

	Current Quarter		3 Months Cumulative YTD	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Revenue	205,608	230,906	205,608	230,906
Expenditure	(197,035)	(189,915)	(197,035)	(189,915)
Other Income	2,391	7,384	2,391	7,384
Profit from Operations	10,964	48,375	10,964	48,375
Finance Costs	(2,067)	(1,727)	(2,067)	(1,727)
Share of Profit of an Associate	128	227	128	227
Profit Before Taxation	9,025	46,875	9,025	46,875
Income Tax Expense	(4,265)	(11,938)	(4,265)	(11,938)
Profit Net of Tax, Representing Total Comprehensive Income	4,760	34,937	4,760	34,937
Attributable to: Owners of the Company	4,760	34,937	4,760	34,937
Basic Earnings per Share (Sen)	1.0	7.4	1.0	7.4
Diluted Earnings per Share (Sen)	1.0	7.4	1.0	7.4

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	As at 31 March 2014 RM'000	As at 31 December 2013 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	1,067,638	1,082,353
Prepaid Land Lease Payments	5,315	5,390
Investment Properties	1,358	1,383
Intangible Assets	516,149	480,571
Investments in Associates	8,279	8,151
Other Investments	76	76
Long Term Receivables	965	1,089
Deferred Tax Assets	23,049	19,923
	<u>1,622,829</u>	<u>1,598,936</u>
Current Assets		
Inventories	6,870	5,602
Trade and Other Receivables	183,547	199,394
Tax Recoverable	17,097	17,796
Cash and Bank Balances	127,947	156,315
	<u>335,461</u>	<u>379,107</u>
TOTAL ASSETS	<u>1,958,290</u>	<u>1,978,043</u>
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and Other Payables	278,236	306,821
Current Tax Payable	5,562	9,328
Borrowings	165,473	163,605
	<u>449,271</u>	<u>479,754</u>
Non-Current Liabilities		
Deferred Tax Liabilities	51,986	46,013
Borrowings	44,956	44,959
	<u>96,942</u>	<u>90,972</u>
TOTAL LIABILITIES	<u>546,213</u>	<u>570,726</u>
Equity Attributable to Equity Holders of the Company		
Share Capital	470,253	470,253
Reserves	941,824	937,064
Total Equity	<u>1,412,077</u>	<u>1,407,317</u>
TOTAL LIABILITIES AND EQUITY	<u>1,958,290</u>	<u>1,978,043</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2014

Note	Attributable to Equity Holders of the Company					
	Non-Distributable				Distributable	
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Merger Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
<u>For The 3 Months Period Ended 31 March 2014</u>						
As at 1 January 2014	470,253	305	35,259	66,004	835,496	1,407,317
Profit net of tax, representing total comprehensive income	-	-	-	-	4,760	4,760
As at 31 March 2014	470,253	305	35,259	66,004	840,256	1,412,077
<u>For The 3 Months Period Ended 31 March 2013</u>						
As at 1 January 2013	470,253	305	35,259	66,004	812,029	1,383,850
Profit net of tax, representing total comprehensive income	-	-	-	-	34,937	34,937
As at 31 March 2013	470,253	305	35,259	66,004	846,966	1,418,787

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

	3 Months Ended	
	31 March 2014 RM'000	31 March 2013 RM'000
OPERATING ACTIVITIES		
Profit before taxation	9,025	46,875
Adjustments for:		
Share of profit of an associate	(128)	(227)
Depreciation and amortisation	23,605	21,137
(Reversal)/allowance for impairment on receivables	(96)	1,085
Unwinding of discount from provision for concession liability	-	1,110
Interest income	(1,400)	(1,490)
Interest expenses	2,067	617
Loss/(Gain) on disposal of property, plant and equipment	109	(3,788)
Operating cash flows before changes in working capital	33,182	65,319
Trade and other receivables	16,420	7,368
Inventories	(1,268)	(3,424)
Trade and other payables	(28,727)	(7,900)
Provision for concession liability	-	(9,596)
Cash flows from operating activities	19,607	51,767
Income taxes (paid)/refund, net	(4,485)	2,309
Cash flows from operating activities	15,122	54,076
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,939)	(14,737)
Purchase of intangible assets	(35,745)	(67,718)
Proceeds from sale of property, plant and equipment	41	4,504
Interest received	1,047	1,433
Net cash flows used in investing activities	(41,596)	(76,518)
FINANCING ACTIVITIES		
(Repayment)/Drawdown of revolving credit, net	(3,538)	5,000
Repayment of obligations under finance lease, net	(1,585)	(3,089)
Net cash flows (used in)/from financing activities	(5,123)	1,911
CASH AND CASH EQUIVALENTS		
Net decrease in cash and cash equivalents	(31,597)	(20,531)
Cash and cash equivalents at the beginning of period	156,315	296,696
Cash and cash equivalents at the end of period	124,718	276,165
Cash and cash equivalents comprise:		
Cash on hand and at banks	20,902	53,190
Deposits with licensed banks	107,045	222,975
	127,947	276,165
Bank overdraft	(3,229)	-
	124,718	276,165

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

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QUARTERLY FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

PART A. NOTES TO THE QUARTERLY FINANCIAL REPORT

A1. BASIS OF PREPARATION

The Interim Financial Statements are unaudited and have been prepared in accordance with the requirements of MFRS 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 2013. 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 2013.

As at 31 March 2014, the Group is still in a net current liability situation. The Group is currently in the process of obtaining long-term borrowings to repay the Group's short-term borrowings.

Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013 except for the adoption of the following new/revised Malaysian Financial Reporting Standards ("MFRS"):

Effective for annual periods beginning on or after 1 January 2014.

- Amendments to MFRS 132: Offsetting financial assets and financial liabilities
- Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
- Amendments to MFRS 10: Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12: Disclosure of Interest in Other Entities: Investment Entities
- Amendments to MFRS 127: Separate Financial Statements : Investment Entities
- IC Interpretation 21: Levies

Effective for annual periods beginning on or after 1 July 2014.

- Amendments to MFRS 119: Defined Benefit Plans: Employees Contributions
- Annual Improvements to MFRSs 2010-2012 Cycle
- Annual Improvements to MFRSs 2011-2013 Cycle

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Effective when announced by MASB.

- MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2010)
- MFRS 9: Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139

The directors expect that the adoption of the standards and interpretations above will have no material impact on financial statements in the period of initial application.

A2. SIGNIFICANT EVENTS AND TRANSACTIONS

The quarter under review is reflective of the various finance and operational improvement initiatives that have been put in place by Kontena Nasional Berhad. Subsequent to the high operating cost recorded in previous year, the Board and Management have put in measures to rationalize the cost of operation to ensure better financial performance.

There was no significant event and transaction that would have had a material impact on the financial position and performance of the Group as at 31 March 2014.

A3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The businesses of the Group were not materially affected by the various festive seasons or cyclical fluctuations during the period.

A4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There was no material unusual item affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 31 March 2014.

A5. CHANGES IN ESTIMATES

There was no change in estimate that had a material effect in the current quarter results and preceding quarter.

A6. ISSUES, REPURCHASES AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There has been no issue, repurchase, and repayment of debt and equity securities for the current quarter ended 31 March 2014.

A7. DIVIDENDS PAID

No dividend was paid during the current quarter ended 31 March 2014.

A8. SEGMENTAL INFORMATION

The segment information is presented on the basis of the Group's primary business segments. This segment reporting format is also the basis for the Group's management and internal reporting structure to the chief operating decision maker. There are two segments namely the Port Operations and Logistics Operations.

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A8. SEGMENTAL INFORMATION (continued)

The analysis of results for the 3 months period ended 31 March 2014 is as follows:-

	3 months ended 31.03.2014			
	Port Operations RM'000	Logistics Operations RM'000	Others and Eliminations RM'000	Consolidated RM'000
Revenue				
External	138,353	67,255	-	205,608
Inter – Segment	997	2,874	(3,871)	-
Total revenue	139,350	70,129	(3,871)	205,608
Segment Results				
Profit/(loss) before taxation	18,150	(9,554)	429	9,025
Included in segment results are:				
Interest income	647	378	375	1,400
Finance costs	-	2,067	-	2,067
Depreciation and amortisation	18,642	4,950	13	23,605
Share of profit of an associate	-	128	-	128
Segment Assets	1,440,370	458,880	59,040	1,958,290
Segment Liabilities	321,035	223,438	1,740	546,213

The analysis of results for the 3 months period ended 31 March 2013 is as follows:-

	3 months ended 31.03.2013			
	Port Operations RM'000	Logistics Operations RM'000	Others and Eliminations RM'000	Consolidated RM'000
Revenue				
External	153,501	77,405	-	230,906
Inter – Segment	997	2,701	(3,698)	-
Total revenue	154,498	80,106	(3,698)	230,906
Segment Results				
Profit/(loss) before taxation	48,960	(2,126)	41	46,875
Included in segment results are:				
Interest income	1,249	85	156	1,490
Finance costs	1,110	617	-	1,727
Depreciation and amortisation	17,002	4,110	25	21,137
Share of profit of an associate	-	227	-	227
Segment Assets	1,238,191	508,326	65,665	1,812,182
Segment Liabilities	195,904	138,932	1,961	336,797

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A9. SUBSEQUENT EVENTS AFTER THE INTERIM PERIOD

There was no material event subsequent to the end of the interim reporting period that has not been reflected in this Interim Financial Statements.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

There was no change in the composition of the Group during the interim financial period ended 31 March 2014.

A11. RELATED PARTY TRANSACTIONS

The NCB Group is a Government linked company. Its major shareholders are Permodalan Nasional Bhd and the funds under its controls and MISC Berhad. Significant transactions with Government related entities in addition to other related parties transactions are as follows:

	Current Quarter 31.03.2014 RM'000	Cumulative to date 31.03.2014 RM'000
<u>Permodalan Nasional Berhad Group of Companies</u>		
- provision of container haulage, warehouse, depot and freight forwarding services	(3,151)	(3,151)
- provision of port services	(664)	(664)
- repairs and purchase of spare parts and supplies	58	58
- interest on hire purchase	598	598
<u>PETRONAS Group of Companies</u>		
- provision of container haulage, warehouse, depot and freight forwarding services	(1,740)	(1,740)
- provision of port services to MISC Berhad	(93)	(93)
- provision of port services and transportation services to Petronas Dagangan Bhd	(10,049)	(10,049)
- purchase of fuel from Petronas Dagangan Bhd	14,310	14,310
<u>Government Agencies</u>		
- Revenue from Government related agencies	(3,206)	(3,206)
- Payment of lease rental for land to Lembaga Pelabuhan Klang	11,540	11,540

All terms and conditions for the above transactions are based on normal commercial terms.

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PART B. INFORMATION REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. PERFORMANCE REVIEW

Port Operations

Analysis of First Quarter/Year-to-Date Performance

For the first quarter of 2014, the port operations registered revenue of RM138.4 million, a decrease of 9.9% against the first quarter's figure of the previous year. The drop in revenue was a result of lower container throughput handled by Northport. Total containers handled were 609,335 teus compared against 675,755 teus for the same quarter previous year.

The operating expenditure for the first quarter registered an increase of 15.4% mainly due to increase in depreciation and port lease rental.

The profit before taxation for the current quarter for Northport registered a decrease of 62.8% from RM48.9 million to RM18.2 million, as compared to last quarter of previous year due to the reasons mentioned above.

Logistics Operations

Analysis of First Quarter/Year-to-Date Performance

For the first quarter of 2014, the logistics operations registered revenue of RM67.3 million which was a decrease of 13.1% over the same quarter previous year. The main reason for the decline in revenue was due to the lower than targeted scale of business activities in certain business streams as well as the decision by management to cease streams of businesses that are unprofitable.

In line with the explanation in Note A2 of the report, rationalization of cost and revenue has been put in place and will continue to be reviewed to ensure that operating cost are controlled and earning improved to turn the company into a profitable entity.

There was no other material factor affecting the earnings and/or revenue of the Group for the current quarter and financial year-to-date.

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B2. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The profit before taxation of the current quarter was RM9.0 million, an increase against profit before taxation of RM2.6 million registered in the preceding quarter. The increase in the current quarter profit before tax was due to the lower amount of loss registered at Kontena Nasional Berhad. The previous quarter costs also included adjustments and year-end accruals and provisions that had contributed to the low profit of RM2.6 million.

B3. COMMENTARY ON PROSPECTS

a) Port Operations

The construction of the new wharf, Container Terminal 4, has been completed and has commenced operations in December 2013. This new facility is expected to generate additional volume and revenue going forward. Nevertheless, the competition in the port business, especially the container segment, is very intense. Northport will continue to provide adequate terminal facility, quality and competitive services to ensure customers retention and growth.

The revenue growth in the coming years is expected from both conventional and container business.

Logistics Operations

Kontena Nasional Berhad will continue to rationalize its revenue stream and deployment of assets. Revenue from profitable streams are expected to increase while the revenue for non-profitable streams will cease according to the rationalisation plan. Management will continue to enhance its standard operating procedures to increase efficiency, strengthen its financial management and reporting functions.

Kontena Nasional Berhad will continue in its efforts to provide quality services to its existing and new customers.

b) The Company did not announce or disclose any profit estimates, forecast, projections or internal management targets in a public document.

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B4. BOARD OF DIRECTORS STATEMENT ON INTERNAL TARGETS

The Board did not announce or disclose any profit estimates, forecast, projections or internal management targets in a public document.

B5. PROFIT FORECAST OR PROFIT GUARANTEE

The Company did not announce or disclose any profit forecast or profit guarantee in a public document.

B6. INCOME TAX EXPENSE

	Current Quarter 31.03.2014 RM'000	Cumulative to date 31.03.2014 RM'000
Current Tax Charge	1,418	1,418
Deferred Tax Charge	2,847	2,847
	<u>4,265</u>	<u>4,265</u>

The effective tax rate for taxation of the Group is higher than the statutory rate of taxation mainly due to the non deductible expenses for tax purposes during the quarter.

B7. CORPORATE PROPOSALS

There was no corporate proposal which was announced but not completed as at 22 May 2014.

B8. BORROWINGS

	As at 31.03.2014 RM'000
Short term borrowings	
Secured: Hire purchase liabilities	13,543
Unsecured : Bank overdraft	3,229
Secured : Revolving Credit	71,701
Unsecured : Revolving Credit	77,000
	<u>165,473</u>
Long term borrowings	
Secured: Hire purchase liabilities	44,956
	<u>210,429</u>

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B9. CHANGES IN MATERIAL LITIGATION

As at 22 May 2014, there was no change in material litigation, including the status of pending material litigation, since the last annual statement of financial position dated 31 December 2013.

B10. DIVIDEND PAYABLE

Dividend:

- a)
 - i) A final dividend in respect of the financial year 31 December 2013 has been recommended subject to shareholders' approval at the 15th Annual General Meeting;
 - ii) A Single Tier Final Dividend of 4.5 sen per ordinary share;
 - iii) The previous corresponding period was a second single tier interim dividend of 2.5 sen per ordinary share;
 - iv) Payable on 3 July 2014; and
 - v) In respect of deposited securities, entitlement to dividend will be determined on the basis of the record of depositors as at 16 June 2014; and
- b) There was no dividend for the current financial period.

B11. EARNINGS PER SHARE

In respect of earnings per share:-

- a) Basic/Diluted earnings per share

	Current Quarter 31.03.2014 '000	Cumulative to date 31.03.2014 '000
Profit Net of Tax For The Period Attributable to:		
Owners of the Company (RM)	4,760	4,760
Weighted average no. of ordinary shares in issue	470,253	470,253
Basic/Diluted earnings/(loss) per share (Sen)	1.0	1.0

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B12. AUDIT REPORT

The audit report of the previous annual financial statement for the year ended 31 December 2013 was not subject to any qualification.

B13. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at after charging / (crediting) :-

	Current Quarter 31.03.2014 RM'000	Cumulative to date 31.03.2014 RM'000
Other Information		
Interest income	(1,400)	(1,400)
Other income including investment income	(2,391)	(2,391)
Finance cost	2,067	2,067
Depreciation and amortisation	23,605	23,605
Provision/(Reversal) for and write off of receivables	(96)	(96)
Provision/(Reversal) for and write off of inventories	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Foreign exchange gain or loss	22	22
Gain or loss on derivatives	-	-
Exceptional items	-	-

B14. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained earnings of the Group as at 31 March 2014 into realized and unrealized profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The breakdown of the retained earnings of the Group as at 31 March 2014, into realized and unrealized profits, pursuant to directives, is as follows:

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	31.03.2014	31.12.2013
	RM'000	RM'000
Total retained earnings of NCB Holdings Bhd and its subsidiaries:		
- Realised	711,045	697,171
- Unrealised	74,833	77,806
	<u>785,878</u>	<u>774,977</u>
Total share of retained earnings from associates		
- Realised	6,610	6,482
- Unrealised	-	-
	<u>6,610</u>	<u>6,482</u>
	792,488	781,459
Add: Consolidation adjustments	47,768	54,037
	<u>840,256</u>	<u>835,496</u>

The disclosure of realized and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

B15. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors on 29 May 2014.