

NCB HOLDINGS BHD

(Company No. 475221-K)

Incorporated in Malaysia



Date : 28 OCTOBER 2015

**Subject : QUARTERLY FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015**

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NCB HOLDINGS BHD

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NCB HOLDINGS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

	Current Quarter		9 Months Cumulative YTD	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Revenue	218,407	199,509	608,585	610,907
Expenditure	(203,211)	(206,099)	(569,702)	(604,487)
Other Income	3,169	5,387	11,216	10,905
Profit from Operations	18,365	(1,203)	50,099	17,325
Finance Costs	(1,343)	(1,546)	(3,802)	(4,998)
Share of Profit of an Associate	10	199	652	594
Profit Before Taxation	17,032	(2,550)	46,949	12,921
Income Tax Expense	(6,142)	247	(17,414)	(7,653)
Profit Net of Tax, Representing Total Comprehensive Income	10,890	(2,303)	29,535	5,268
Attributable to: Owners of the Company	10,890	(2,303)	29,535	5,268
Basic Earnings per Share (Sen)	2.3	(0.5)	6.3	1.1
Diluted Earnings per Share (Sen)	2.3	(0.5)	6.3	1.1

(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 2014 and the accompanying explanatory notes attached to the interim financial statements.)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	1,035,388	1,072,836
Prepaid Land Lease Payments	4,864	5,089
Investment Properties	1,209	1,284
Intangible Assets	538,962	546,613
Investments in Associates	4,689	4,038
Other Investments	89	76
Long Term Receivables	1,379	1,379
Deferred Tax Assets	2	-
	<u>1,586,582</u>	<u>1,631,315</u>
Current Assets		
Inventories	4,197	6,352
Trade and Other Receivables	338,319	148,674
Tax Recoverable	13,938	25,444
Cash and Bank Balances	394,144	456,978
	<u>750,598</u>	<u>637,448</u>
TOTAL ASSETS	<u>2,337,180</u>	<u>2,268,763</u>
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and Other Payables	364,826	265,877
Current Tax Payable	477	325
Borrowings	72,654	193,255
	<u>437,957</u>	<u>459,457</u>
Net current assets	312,641	177,991
Non-Current Liabilities		
Deferred Tax Liabilities	17,044	17,044
Deferred Income	83,891	-
Borrowings	387,657	387,653
	<u>488,592</u>	<u>404,697</u>
TOTAL LIABILITIES	<u>926,549</u>	<u>864,154</u>
NET ASSETS	<u>1,410,631</u>	<u>1,404,609</u>
Equity Attributable to Equity Holders of the Company		
Share Capital	470,253	470,253
Reserves	940,378	934,356
Total Equity	<u>1,410,631</u>	<u>1,404,609</u>
TOTAL LIABILITIES AND EQUITY	<u>2,337,180</u>	<u>2,268,763</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 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 THIRD QUARTER ENDED 30 SEPTEMBER 2015

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 9 Months Period Ended 30 September 2015</u>						
As at 1 January 2015	470,253	305	35,259	66,004	832,788	1,404,609
Profit net of tax, representing total comprehensive income	-	-	-	-	29,535	29,535
Transaction with owners						
Dividend	-	-	-	-	(23,513)	(23,513)
As at 30 September 2015	470,253	305	35,259	66,004	838,810	1,410,631
<u>For The 9 Months Period Ended 30 September 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	-	-	-	-	5,268	5,268
Transaction with owners						
Dividend	-	-	-	-	(21,161)	(21,161)
As at 30 September 2014	470,253	305	35,259	66,004	819,603	1,391,424

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

	9 Months Ended	
	30 September 2015	30 September 2014
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before taxation	46,949	12,921
Adjustments for:		
Share of profit of an associate	(652)	(594)
Depreciation and amortisation	82,860	79,690
Allowance for impairment on receivables	494	(149)
Interest income	(8,764)	(3,631)
Interest expenses	3,802	4,998
(Gain)/Loss on disposal of property, plant and equipment	(512)	(1,030)
Operating cash flows before changes in working capital	124,177	92,205
Trade and other receivables	(191,889)	7,080
Inventories	2,155	(2,687)
Trade and other payables	76,309	874
Cash flows from operating activities	10,752	97,472
Income taxes paid, net	(5,758)	(14,983)
Cash flows from operating activities	4,994	82,489
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(12,265)	(88,734)
Purchase of intangible assets	(2,543)	(62,343)
Government grant from Government of Malaysia	85,628	-
Proceeds from sale of property, plant and equipment	500	3,144
Interest received	8,764	2,504
Net cash flows from investing activities	80,084	(145,429)
FINANCING ACTIVITIES		
Dividend paid	(23,513)	(21,161)
Repayment of revolving credit, net	(113,055)	31,351
Repayment of obligations under finance lease, net	(11,344)	(12,610)
Net cash flows from financing activities	(147,912)	(2,420)
CASH AND CASH EQUIVALENTS		
Net changes in cash and cash equivalents	(62,834)	(65,360)
Cash and cash equivalents at the beginning of period	456,978	156,315
Cash and cash equivalents at the end of period	394,144	90,955
Cash and cash equivalents comprise:		
Cash on hand and at banks	51,305	18,825
Deposits with licensed banks	342,839	72,368
	394,144	91,193
Bank overdraft	-	(238)
	394,144	90,955

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.)

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QUARTERLY FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

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 2014. 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 2014.

Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2014 except for the adoption of the following new/revised Malaysian Financial Reporting Standards (“MFRS”):

Effective for annual periods beginning on or after 1 January 2016.

- Annual Improvements to MFRSs 2012-2014 Cycle
- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
- Amendments to MFRS 10 and MFRS 128: Sale or contribution of Assets between an Investor and Its Associate or Joint Venture
- Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- Amendments to MFRS 101: Disclosure Initiatives
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception.
- MFRS 14: Regulatory Deferral Accounts

Effective for annual periods beginning on or after 1 January 2017.

- MFRS 15: Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2018.

- MFRS 9: Financial Instruments

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A1. BASIS OF PREPARATION (continued)

The directors do not expect that the adoption of the standards and interpretations above to have any material impact on the financial statements in the period of initial application.

A2. SIGNIFICANT EVENTS AND TRANSACTIONS

There were no significant event and transaction that would have had a material impact on the financial position and performance of the Group as at 30 September 2015.

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 30 September 2015.

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 were no issue, repurchase, and repayment of debt and equity securities for the current quarter ended 30 September 2015.

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A7. DIVIDENDS PAID

Total dividends paid during the quarter ended 30 September 2015 amounted to RM23,512,635. This is in respect of a final tax exempt dividend for financial year ended 31 December 2014 of 5.0 sen per ordinary share which was announced on 13 May 2015 and was paid on 17 September 2015.

The Company had declared in the quarter ended 30 June 2015, an interim tax exempt dividend amounting to RM9,405,054 for the financial year ending 31 December 2015 of 2.0 sen per ordinary share. The dividend was announced on 24 August 2015 and was paid on 8 October 2015.

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.

The analysis of results for the 9 months period ended 30 September 2015 is as follows:-

	9 months ended 30.9.2015				
	Port Operations RM'000	Logistics Operations RM'000	Others RM'000	Elimi- nations RM'000	Consolidated RM'000
Revenue					
External	453,501	155,084	-	-	608,585
Inter – Segment	2,991	4,311	43,027	(50,329)	-
Total revenue	456,492	159,395	43,027	(50,329)	608,585
Segment Results					
Profit/(Loss) before taxation	76,338	(27,217)	(2,172)	-	46,949
Included in segment results are:					
Interest income	7,672	320	772	-	8,764
Finance costs	-	3,802	-	-	3,802
Depreciation and amortisation	68,217	14,563	80	-	82,860
Share of profit of an associate	-	652	-	-	652
Segment Assets	1,850,258	464,590	22,332	-	2,337,180
Segment Liabilities	670,729	255,046	774	-	926,549

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A8. SEGMENTAL INFORMATION (continued)

The analysis of results for the 9 months period ended 30 September 2014 is as follows:-

	9 months ended 30.9.2014				Consolidated RM'000
	Port Operations RM'000	Logistics Operations RM'000	Others RM'000	Elimi- nations RM'000	
Revenue					
External	418,562	192,345	-	-	610,907
Inter – Segment	2,991	5,700	3,062	(11,753)	-
Total revenue	421,553	198,045	3,062	(11,753)	610,907
Segment Results					
Profit/(Loss) before taxation	39,211	(27,092)	802	-	12,921
Included in segment results are:					
Interest income	1,425	1,136	1,070	-	3,631
Finance costs	-	4,998	-	-	4,998
Depreciation and amortisation	65,209	14,336	145	-	79,690
Share of profit of an associate	-	594	-	-	594
Segment Assets	1,478,236	451,893	31,037	-	1,961,166
Segment Liabilities	337,941	231,044	757	-	569,742

A9. SUBSEQUENT EVENTS AFTER THE INTERIM PERIOD

On 19 October 2015, MMC Corporation Berhad proposed on acquisition of 251,195,573 ordinary shares of RM1.00 each in NCB Holdings Bhd, by MMC Port Holdings Sdn Bhd (formerly known as MMC Ventures Sdn Bhd), a wholly-owned subsidiary of MMC, from Permodalan Nasional Berhad and AmanahRaya Trustees berhad; and proposed mandatory general offer for all the remaining NCB shares not already owned by MMC Port after the proposed acquisition.

Other than the above, 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 30 September 2015.

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A11. RELATED PARTY TRANSACTIONS

The NCB Group is a Government linked company. Its major shareholder are Permodalan Nasional Bhd and the funds under its controls. Significant transactions with this related entities and MMC Corporations Bhd are as follows:

	Current Quarter 30.9.2015 RM'000	Cumulative to date 30.9.2015 RM'000
<u>Permodalan Nasional Berhad Group of Companies</u>		
- provision of container haulage, warehouse, depot and freight forwarding services	(4,158)	(11,411)
- provision of port services	(1,210)	(2,356)
- repairs and purchase of spare parts and supplies	131	415
- interest on hire purchase	1,407	4,311
<u>MMC Corporation Berhad Group of Companies</u>		
- provision of port charges and office rental	9	123
- provision of logistics services to NCB Group	170	1,340
- provision of port services	(1,459)	(3,126)
<u>Government Agencies</u>		
- revenue from Government related agencies	(5,804)	(11,530)
- payment of lease rental for land to Lembaga Pelabuhan Klang	11,338	34,783

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 Third Quarter

For the third quarter of 2015, the port operations registered revenue of RM164.9 million, an increase of 17.6% against the third quarter's figure of the previous year of RM140.2 million. Container business being the main contributor of revenue for port operations registered an increase in containers handled of 733,213 teus from 644,272 teus. The revenue increase was from the container business, conventional business and marine operations.

The total operating expenditure for the third quarter registered an increase of 3.9% from RM136.7 million to RM142.0 million mainly due to higher depreciation and higher repair and maintenance costs incurred in the current quarter.

The profit before taxation for the port operations for the quarter under review registered an increase of more than 100% from RM8.1 million to RM25.7 million.

Analysis of Year-to-Date Performance

For the first nine months period, the port operations registered a revenue of RM453.5 million, an increase of 8.3% against the third quarter's figure the previous year. Container business being the main contributor of revenue registered an increase in containers handled of 2,085,377 teus from 1,888,272 teus for the same period the previous year.

The total operating expenditure for the first nine months registered a decrease of 0.1% from RM387.0 million to RM386.7 million mainly due to lower fuel costs incurred in the first nine months in spite of increased operation activities from increased throughput.

The profit before taxation for the port operations for the nine months registered an increase of 94.6% from RM39.2 million to RM76.3 million.

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B1. PERFORMANCE REVIEW (continued)

Logistics Operations

Analysis of Third Quarter

For the third quarter of 2015, the logistics operations registered a revenue of RM53.5 million, a decrease of 9.8% against the third quarter's figure of the previous year, of RM59.3 million.

Kontena Nasional is facing challenges in growing its revenue as targeted due to the current business environment with the low oil prices and the weak Malaysian currency. There has been a decline in haulage business and new contracts being awarded by public and private sectors.

The total operating expenditure for the third quarter registered a decrease of 12.9% from RM69.1 million to RM60.2 million. This was mainly due to elimination of cost related to ceased stream of business activities and lower fuel cost and also lower cost of outsourced service providers.

The loss before tax for the logistics operations for the quarter under review registered a decline of 27.4% from RM10.6 million to RM7.7 million.

Analysis of Year-to-Date Performance

For the first nine months period, the logistics operations registered revenue of RM155.1 million a decrease of 19.3% against RM192.3 million registered for the same period previous year. The decline in revenue continue to be contributed by two main reasons, the lower than targeted scale of business activities from public and private sectors and delayed implementation of secured projects and haulage business and the lower revenue contributed by having exited from trucking and warehouse distribution.

The total operating expenditure for the first nine months registered a decrease of 17.1% from RM217.2 million to RM180.1 million. This is mainly due to cost related to ceased stream of business activities and lower cost of fuel and outsourced service provider costs.

The loss before tax for the logistics operations for the nine months registered an increase of 0.4% from RM27.1 million to RM27.2 million.

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B2. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The profit before taxation for the current quarter was RM17.0 million, compared against a profit before taxation RM11.8 million registered in the preceding quarter. The increase was mainly due to the revenue registered by the port operations due to higher throughput handled for the current quarter. Furthermore, the revenue registered for the third quarter was higher than the second quarter due to increase in revenue registered by the port business.

There were no other unusual items affecting profits for the current quarter.

B3. COMMENTARY ON PROSPECTS

a) Port Operations

The port operation is focused in meeting the demand of our current customers. The Government had recently approved an increase in the Port Tariff rates. However the implementation has been deferred to 1 November 2015. Northport anticipates the impact of this income will only be seen in year 2016.

The port operations will continues to utilize it port facilities to provide the best and efficient services for fast vessels turnaround.

The Wharf 8 which is currently under construction is expected to be ready for utilization in the year 2017 and will complement Wharf 8A in accommodating large vessels.

The Port subsidiary will continue in its efforts to improve its container business with continuous client engagement and retention programs. The prospect for revenue growth will be based on the improved wharf capacity once it is fully ready.

Logistics Operations

For the remaining month to the end of the year, Kontena Nasional is anticipating the trend in the business volume to be similar to the past nine months. Efforts to improve the asset utilization from 75% currently will be further enhanced and is expected to support the haulage business in meeting customer demands. The haulage business is still challenging within this current economic situation.

The cost control measures are in place and will continue to rationalize the cost of operations. Management has put in place process improvement to increase efficiency of operations, strengthening financial management and reporting functions.

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B3. COMMENTARY ON PROSPECTS (continued)

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

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 30.9.2015 RM'000	Cumulative to date 30.9.2015 RM'000
Current Income Tax Charge	6,142	17,414
Deferred Tax Charge	-	-
	<u>6,142</u>	<u>17,414</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 21 October 2015.

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B8. BORROWINGS

	As at 30.9.2015 RM'000
Short term borrowings	
Secured : Hire purchase liabilities	6,952
Secured : Revolving Credit	65,702
	<hr/> 72,654
Long term borrowings	
Unsecured : Sukuk Musharakah	350,000
Secured : Hire purchase liabilities	37,657
	<hr/> 387,657
	<hr/> 460,311

The revolving credit of RM65.7 million is supported by a letter of Corporate Guarantee issued by NCB Holdings Bhd as its ultimate Holding Company.

B9. CHANGES IN MATERIAL LITIGATION

As at 21 October 2015, 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 2014.

B10. DIVIDEND PAYABLE

Dividend:

a)

- i) No dividend has been declared for the current quarter ended 30 September 2015;
- ii) Not applicable;
- iii) Not applicable;
- iv) Not applicable; and
- v) Not applicable; and

b) The total dividend for the current financial year is an interim tax exempt dividend of 2.0 sen per ordinary shares.

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B11. EARNINGS PER SHARE

In respect of earnings per share:-

a) Basic/Diluted earnings per share

	Current Quarter 30.9.2015 '000	Cumulative to date 30.9.2015 '000
Profit Net of Tax For The Period Attributable to: Owners of the Company (RM)	10,890	29,535
Weighted average no. of ordinary shares in issue	470,253	470,253
Basic/Diluted earnings per share (Sen)	2.3	6.3

B12. AUDIT REPORT

The audit report of the previous annual financial statement for the year ended 31 December 2014 was not subject to any qualification.

B13. PROFIT/(LOSS) BEFORE TAX

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

	Current Quarter 30.9.2015 RM'000	Cumulative to date 30.9.2015 RM'000
Other Information		
Interest income	(2,318)	(8,764)
Other income including investment income	(3,169)	(11,216)
Finance cost	1,343	3,802
Depreciation and amortisation	28,079	82,860
Provision/(Reversal) for and write off of receivables	164	494
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	-	7
Gain or loss on derivatives	-	-
Exceptional items	-	-

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B14. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained earnings of the Group as at 30 September 2015 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 30 September 2015, into realized and unrealized profits, pursuant to directives, is as follows:

	30.9.2015	31.12.2014
	RM'000	RM'000
Total retained earnings of NCB Holdings Bhd and its subsidiaries.		
- Realised	705,245	694,890
- Unrealised	82,823	80,538
	<u>788,068</u>	<u>775,428</u>
Total share of retained earnings from associates		
- Realised	7,930	7,278
- Unrealised	-	-
	<u>7,930</u>	<u>7,278</u>
	795,998	782,706
Add: Consolidation adjustments	42,812	50,082
	<u>838,810</u>	<u>832,788</u>

The disclosure of realized and unrealized 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 28 October 2015.