

**INTEGRAX BERHAD**  
Company No. : 49317 - W  
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010**

**ABBREVIATIONS**

In these interim financial statements, unless otherwise stated, the following abbreviations shall have the following meanings:-

“Act”	:	Companies Act, 1965
“DMT”	:	Dry Metric Tonnes of Nickel Ore
“EBIT”	:	Earnings before interest and tax
“EPS”	:	Earnings per share
“FRSs”	:	Financial Reporting Standards
“Group”	:	Integrax and its subsidiaries
“Integrax” or the “Company”	:	Integrax Berhad ( <i>Company No. 49317-W</i> )
“IJE”	:	P.T. Integra Jasa Energi, a 95% owned subsidiary of Integrax established in the Republic of Indonesia
“INDX”	:	P.T. Indoexchange Tbk, a 70.31% owned subsidiary of Integrax listed on the Indonesia Stock Exchange (IDX)
“HRH”	:	Halim Rasip Holdings Sdn. Bhd. ( <i>Company No. 64655-T</i> )
“LBT”	:	Lekir Bulk Terminal, a common-user bulk port facility
“LBT SB”	:	Lekir Bulk Terminal Sdn. Bhd. ( <i>Company No. 414060-T</i> ), an 80% owned subsidiary of PLSB
“LBT Serial Bonds”	:	12½ years zero coupon Serial Bonds of RM445 million issued by LBT SB
“LBT RCCPS”	:	Redeemable cumulative convertible preference share(s) of RM0.01 each in LBT SB
“LMT”	:	Lumut Maritime Terminal, a common-user multi purpose port facility
“LMT SB”	:	Lumut Maritime Terminal Sdn. Bhd. ( <i>Company No. 180480-D</i> )
“LMT RPS”	:	Redeemable preference share(s) of RM0.01 each in LMT SB which is convertible to ordinary shares of RM1.00 each in LMT SB as per the Memorandum and Articles of Association
“LPIP”	:	Lumut Port Industrial Park, the industrial properties division of LMT SB
“Lumut Port”	:	Lekir Bulk Terminal and Lumut Maritime Terminal collectively
“NAD”	:	Nanggroe Aceh Darussalam, Indonesia
“PLSB”	:	Pelabuhan Lumut Sdn. Bhd. ( <i>Company No. 168205-M</i> ), a wholly owned subsidiary of Integrax
“PATSC”	:	Profit attributable to Owners of the Company

“PBT”	:	Profit Before Tax
“PKS”	:	Petrokapal Sdn. Bhd. ( <i>Company No. 30921-D</i> ), a wholly owned subsidiary of HRH
“ PT LINES”	:	P.T. Pelayaran Indx Lines, a 99% owned subsidiary of P.T. Indoexchange Tbk established in the Republic of Indonesia
“RAM”	:	RAM Rating Services Berhad
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“RRSB”	:	Radikal Rancak Sdn Bhd ( <i>Company No. 576210-X</i> ), a wholly owned subsidiary of INDX
“Number Q ”	:	The relevant quarter in a financial year stated

## **A1 COMMENTS ON UNAUDITED FINANCIAL RESULTS, PERFORMANCE AND PROSPECTS**

### **A 1.1 REVIEW OF PERFORMANCE**

Revenues comprise contractual revenues for the provision of port facilities cargo handling and vessel services under term arrangements.

The Group recorded revenues of RM 22.77 million in 4Q2010 compared to RM 24.40 million in 4Q2009 which is a decrease of 6.7% due to lower cargo throughput at LBT. This lower 4Q2010 throughput was after three consecutive quarters of higher throughput in 2010, resulting in an increase of 3.4% in the revenues for the twelve months ended 31 December 2010, from RM 91.06 million to RM 94.19 million, compared to the same period in 2009.

Operating profit for the Group in 4Q2010 amounted to RM 0.89 million compared to RM 10.53 million in 4Q2009. This significant decrease is due to higher administrative costs and the write-offs of expenses incurred on potential projects which were subsequently determined by management as not feasible to pursue. This also explains the decrease of 28.2% in Operating profit, from RM 47.79 million to RM 34.31 million for YTD4Q2010 compared to YTD4Q2009.

The Group's profit for 4Q2010 was RM 15.96 million which is an increase of 35.4% compared to 4Q2009 profit of RM 11.78 million. The Group's profit for the twelve months ended 31 December 2010 increased by 13.3%, from RM 52.76 million to RM 59.76 million, compared to 2009. These increases in the Group's profit were due to higher contributions from the Group's Associates, lower finance expense and reversal of an impairment to the Group's investment in PGMC previously recognized in the year 2008.

### **A1.2 VARIATION OF RESULTS AGAINST PRECEEDING QUARTER**

The Group revenues for 4Q2010 decreased by 8.6% compared to 3Q2010 due to lower LBT throughput. Profit for 4Q2010 was higher by 27.4% compared to 3Q2010 due to the partial reversal of the impairment to the Group's investment in PGMC offset by lower contributions from the associates, LMTSB and PGMC.

### **A1.3 PROSPECTS GOING FORWARD**

#### **Forward Looking Statements Disclaimer**

*Comments set out in this Quarterly Report include forward looking statements which are statements that cannot be sustained merely on historical facts and for which there exists no assurances as to their realization or occurrence or successful implementation. A forward looking statement predicts projects or sees future events as expectations or possibilities. A forward looking statement contains words such as "believe, estimate, anticipate, plan, predict, may, hope, can, will, should, expect, intend, is designed to, with the intent, potential", the negative of such words or such other variations or comparable word, may indicate forward looking statements, but their absence does not mean a statement is not forward looking.*

The cargo throughput at LMT and LBT in 1Q2011 continue to look steady overall. However, we have to remain cautious going forward based on how easily past and future expectations can go awry in the volatile business environment that exists currently and that is characterized by cargoes emerging from just a few key port users in the Agriculture, Mining and Construction Sectors.

With the disposals of the Company's interests in PGMC in December 2010 and INDX in February 2011, management will focus its attention on its existing port businesses in Malaysia. Please refer to notes A4.4 and A7(d).

#### A1.4 REVIEW OF THE GROUP'S INVESTMENT PROCESS

In response to queries from shareholders at the 2009 AGM, the Company had appointed an independent legal consultant to conduct reviews of its investment process. The reviews were completed in December 2010 and a letter summarizing the findings of the consultant was submitted to the Securities Commission Malaysia.

#### A1.5 WEBSITE

The Company's website address is [www.integrax.com.my](http://www.integrax.com.my)  
The Lumut Port website address is [www.lumutport.com.my](http://www.lumutport.com.my)

### A 2 INTERIM FINANCIAL STATEMENTS – BASIS OF PREPARATION

**A2.1** These interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards ("FRSs"), FRS 134: Interim Financial Reporting and the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Bhd (Bursa Securities"). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements for the year ended 31 December 2009.

#### A2.2 Changes In Accounting Policies

The interim financial statements have been prepared in accordance with the same accounting policies and method of computation adopted in audited financial statements for the year ended 31 December 2009, except for the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations:

- FRS 7, *Financial Instruments: Disclosures*
- FRS 8, *Operating Segments*
- FRS 101, *Presentation of Financial Statements* (revised)
- FRS 123, *Borrowing Costs* (revised)
- FRS 139, *Financial Instruments: Recognition and Measurement*
- FRS 132, *Financial Instruments: Presentation (Revised)*
- Amendment to FRS 1, *First-time Adoption of Financial Reporting Standards*
- Amendment to FRS 7, *Financial Instruments: Disclosures*
- Amendment to FRS 8, *Operating Segments*
- Amendment to FRS 101, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendment to FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendment to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendment to FRS 128, *Investment in Associates*
- Amendment to FRS 132, *Financial Instruments: Presentation*
  - *Puttable Financial Instruments and Obligations Arising on Liquidation*
  - *Separation of Compound Instruments*
- Amendment to FRS 134, *Interim Financial Reporting*
- Amendment to FRS 139, *Financial Instruments: Recognition and Measurement*
  - *Reclassification of Financial Assets*
  - *Collective Assessment of Impairment for Banking Institutions*
- Improvements to FRSs (2009)
- IC Interpretation 10, *Interim Financial Reporting and Impairment*

The adoption of the above new and revised FRSs, IC Interpretations and Amendments to FRSs and IC interpretations does not have a significant impact to the Group, except as described below:

(a) **FRS 101, *Presentation of Financial Statements (revised)***

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. Pursuant to the revised standard, the Group presents all non-owner changes in equity separately in the Consolidated Statement of Comprehensive Income.

The comparative information has been re-presented to conform to this revised standard.

(b) **FRS 139, *Financial Instruments: Recognition and Measurement***

Prior to the adoption of FRS 139, financial derivatives were recognized on their settlement dates. Outstanding derivatives at the balance sheet date were not recognized. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives, are recognized at contract dates when, and only when, the Company or any subsidiary becomes a party to the contractual provisions of the instruments.

The measurement bases applied to the financial assets and financial liabilities in the prior financial year are changed to conform to the measurement standards of the FRS 139 in the current quarter. At initial recognition, all financial assets and financial liabilities are measured at their fair value plus in the case of financial instruments not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the instruments. Subsequent to their initial recognition, the financial assets and financial liabilities are measured as follows:

Category	Measurement basis
Financial instruments at fair value through profit or loss	At fair value through profit or loss
Held-to-maturity investments	At amortized cost effective interest method
Loans and receivables	At amortized cost effective interest method
Available-for-sale investment	At fair value through other comprehensive income, unless fair value cannot be reliably measured, in which case, they are measured at cost
Loans and other financial liabilities	At amortized cost effective interest method

In accordance with FRS 139, the recognition, de-recognition and measurement are applied prospectively from 1 January 2010. The effects of the re-measurement on 1 January 2010 of the financial assets and financial liabilities brought forward from the previous financial year are adjusted to the opening retained earnings as disclosed in the statement of changes in equity.

The adoption of the above new policies has the following effects:

	Retained earnings RM '000
At 1 January 2010, as previously stated	161,490
Adjustment arising from adoption of FRS 139 :	
-Fair value of embedded derivatives in an associate	(1,620)
-Effect of adjustment on translation reserve	5,395
<b>At 1 January 2010, as restated</b>	<b>165,265</b>

**A2.3 Foreign Currency Translation Rates**

The principal closing rates as at 31 December 2010 used in the translation of foreign currency amounts to RM are as follows :-

1 US Dollar	- RM 3.0905
100 Indonesian Rupiah	- RM 0.0343
100 Philippine Peso	- RM 7.0300

### **A3 PRECEDING ANNUAL FINANCIAL STATEMENTS' AUDIT REPORT**

The audit report of the preceding annual financial statements of the Group was not subject to any qualification.

### **A4 COMMENTS ON ASSETS, LIABILITIES, EQUITY AND CASH FLOWS**

#### **A4.1 GENERAL COMMENTS**

The Group's cash position remains strong with all LBT Serial Bonds commitments more than adequately covered. The Group's gearing and current ratio continues to improve over time.

#### **A4.2 INVESTMENTS**

##### **(a) INVESTMENT IN ASSOCIATE**

This represents the carrying value of the Group's investment in its associate LMTSB subsequent to the disposal of the Group's investment in PGMC. Refer to Note A4.4.

##### **(b) INVESTMENT IN INDONESIA**

- (i) As at 31 December 2010, the Company's investment in INDX remained unchanged at 70.31%. INDX had served as the Indonesian flagship for the Company for its expansion in Indonesia. INDX had identified the sectors of infrastructure (being ports and terminals in partnership with the Company) and marine services as its current primary business objectives.

INDX is listed on Bursa Efek Indonesia with stock code INDX and its closing price on 31 December 2010 was Rp 112 per share.

This investment was impaired by RM 5,183,751 under the requirements of FRS 136 and consequent to management's review on the continuing desirability and recoverability of this investment based on INDX's closing share price on 31 December 2010.

On 10 February 2011, the Company accepted an offer from Equatorex Sdn Bhd to acquire the entire interest of the Company in INDX. This was transacted through the Indonesia Stock Exchange on 11 February 2011 and the sale proceeds were received by the Company on 17 February 2011. Refer to Note A7(d).

- (ii) The Company's advances to INDX for costs, expenses and project advances since the involvement of the Company in INDX amounted to approximately RM 1.5 million as at 31 December 2010 net of the amount written off in respect of the preliminary costs and advances covered by the letters of indemnity issued to INDX as disclosed in Note A4.9(b) consequent to the Company being the originator of the projects. INDX is focusing on building a marine services business in Indonesia by way of acquisition or natural growth, initially utilizing the Rights Issue proceeds while still pursuing its port sector objectives for the long term.

The status as at 31 December 2010 of the utilization of proceeds raised by INDX from its Rights Issue is as follows :-

Purpose	Proposed Utilisation		Actual Utilisation		Intended Timeframe for Utilisation
	Rp(Million)	RM ('000)	Rp(Million)	RM ('000)	
Acquisition of RRSB	8,000	2,680	8,020	2,687	Completed
Acquisition of tugs and / or barges & ancillary equipment to be engaged in marine services to ports & terminals and logistics activities	22,000	7,359	9,995	3,344	Within 12 months from June 2010
Rights issue expenses & working capital requirements	6,800	2,275	4,593	1,537	Within 12 months from June 2010
<b>Total</b>	<b>36,800</b>	<b>12,314</b>	<b>22,608</b>	<b>7,568</b>	

#### A4.3 OTHER INVESTMENT

This represents the Group's investment in LMT RPS of RM10.03 million which is redeemable and dividend bearing at the option of LMTSB.

#### A4.4 ASSET CLASSIFIED AS HELD FOR SALE

This represents the carrying value of the Group's investment in PGMC as at 31 December 2010 after a reversal of impairment amounting to RM 20.83 million.

On 19 October 2010, the Company's wholly owned subsidiary, Integrax Philippines Inc. entered into a Conditional Share Purchase Agreement for the disposal of its 20.01% shareholding in PGMC for a total gross consideration of USD 13.96 million (approximately RM 43.0 million).

The sale consideration is payable in two installments denominated in USD, the first, which amounts to approximately 50% of the consideration, is payable upon the fulfillment of all the conditions precedent relating to the approval or consents required from PGMC's primary lenders and the waiver of pre-emptive rights by other PGMC shareholders. These conditions precedent were fulfilled in 4Q2010 and the first payment of USD 6.98 million was received on 21 December 2010. The legal title and ownership of these PGMC shares will be transferred to the buyer only upon receipt of full payment. The balance of USD 6.52 million and Peso 20.00 million were received on 17 January 2011. The Company has provided for the estimated tax which may be payable in respect of this transaction.

Please refer to our various announcements made to Bursa Malaysia in the month of October 2010 and January 2011 for more information on this transaction.

#### A4.5 EQUITY AND CONVERTIBLE DEBT SECURITIES

There were no cancellations, repurchases, resale and repayments of equity and debt securities during the current quarter other than those shown in these interim financial statements.

#### A4.6 LOANS AND BORROWINGS

	As at 31.12.10 RM '000 Non-Current	As at 31.12.10 RM '000 Current	As at 31.12.10 RM '000 Total
<b>Secured</b>			
LBT Serial Bonds			
Bond liability	60,000	42,000	102,000
Interest in suspense	(36,288)	(23,912)	(60,200)
Bond Principal Sum	23,712	18,088	41,800
Finance lease liability	498	125	623
<b>Unsecured</b>			
Redeemable Preference Shares			
Preference share capital	40	-	40
Preference share capital premium	3,960	-	3,960
	4,000	-	4,000
<b>Total loans and borrowings</b>	<b>28,210</b>	<b>18,213</b>	<b>46,423</b>

The balance of LBT Serial Bonds as at 31.12.2010 comprises 4 series (i.e. series no. 16 to 19) of zero coupon bonds with an aggregate nominal value of RM 102 million (inclusive of interest). In October 2010, RAM enhanced their rating for these Serial Bonds from AA1 to AAA(bg) with a stable outlook. These Serial Bonds are secured by a guarantee issued by a Bank rated AAA by RAM. The Serial Bondholders and the guarantee provider share a charge over the Jetty Terminal Usage Agreement ("JTUA") signed by LBT SB and TNB



Janamanjung Sdn Bhd, and a designated bank account of LBTSB, with the Serial Bondholders ranking after the guarantee provider with an obligation by LBT to ensure that there shall on a progressive basis over a period of six months be an amount accumulated equivalent to the serial bond due at the end of each six month period.

The LBT Serial Bonds bear the following maturities:-

	<b>As at 31.12.10 RM'000</b>
Less than one year	42,000
Between one and five years	60,000
<b>Total</b>	<b>102,000</b>

The redeemable preference shares comprise of LBT RCCPs of RM 0.01 each issued with a premium of RM 0.99 each held by Minority Interests in LBTSB. None of these LBT RCCPs were redeemed by LBTSB during the current quarter.

#### **A4.7 DEFERRED TAXATION**

	<b>As at 31.12.10 RM'000</b>
Balance at 1 January 2010	54,890
Transferred to the income statement	(1,206)
<b>Total</b>	<b>53,684</b>

#### **A4.8 INCOME TAX EXPENSES**

	4Q2010 RM'000	YTD 4Q2010 RM'000
Current year - Malaysian tax	2,983	12,374
Prior year - Malaysian tax	-	4
Current year - Foreign tax	22	79
Deferred tax	(173)	(1,206)
<b>Total</b>	<b>2,832</b>	<b>11,251</b>

#### A4.9 CONTINGENCIES

- (a) A right has been granted to the single minority shareholder of LBTSB to sell (put) to the Company its 20% stake or 13,600,000 ordinary shares of RM 1.00 each in LBTSB at fair value upon the redemption of all classes of preference shares issued by LBTSB after 15 years from 21 May 2002 provided it remains the sole beneficial owner of the 20% stake. The Directors are of the opinion that the value of this put option cannot be reliably measured.
- (b) The Company had issued letters of indemnity to INDX, a 70.31% subsidiary of the Company, in respect of preliminary costs and advances for two potential projects in Indonesia originating from and sought at the initiative of the Company. The Company will reimburse INDX the costs and advances for these projects if these amounts are not recoverable.
- On 26 November 2010, INDX had announced to the Indonesia Stock Exchange that it had received a notice of termination from one of the three vendors of one of these two potential projects. INDX is taking the necessary legal action against the vendors to recover all advances paid to the vendors. The Board of Directors of the Company has also decided not to pursue the other potential project. Therefore all preliminary costs and advances amounting to RM3.4 million in respect of these two projects were written off in 4Q2010. Refer to Note A4.2(b)(ii).

#### A5 SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business. No segment information on the basis of geographical segments is presented as all operations and segment assets are located in Malaysia. The primary format and business segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms broadly based on market conditions and circumstances.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest revenue and financing costs.

##### Business segments

Port operations	-	Ownership and operation of two port facilities, the LMT (dry and liquid bulk, break bulk and containers) and the LBT (dry and liquid bulk) comprising Lumut Port.
Marine services	-	Provision of tuggage and related marine services
Investment holding	-	Investment in LBT RCCPS, LMT RPS
Industrial Properties	-	Sale of industrial property by LMTSB
Metals business	-	Mining and Smelting activities via investment in PGMC

**A5 SEGMENTAL INFORMATION – GROUP (continued)**

<b>12 Months Ended 31.12.10 RM'000</b>	<b>Port Operations</b>	<b>Marine Services</b>	<b>Investment Holding</b>	<b>Industrial Properties</b>	<b>Metals Business</b>	<b>Eliminations</b>	<b>Consolidated</b>	<b>Less: Discontinued operations</b>	<b>Continued operations</b>
<b>Business segments</b>									
Revenue from external customers	88,096	6,097	-	-	-	-	94,193	-	94,193
Inter-segment revenue	-	-	1,600	-	-	(1,600)	-	-	-
Share of revenue of associates	33,612	-	-	6,356	38,181	-	78,149	(38,181)	39,968
<b>Total gross revenue</b>	<b>121,708</b>	<b>6,097</b>	<b>1,600</b>	<b>6,356</b>	<b>38,181</b>	<b>(1,600)</b>	<b>172,342</b>	<b>(38,181)</b>	<b>134,161</b>
Share of revenue of associates	(33,612)	-	-	(6,356)	(38,181)	-	(78,149)	38,181	(39,968)
<b>Total revenue</b>	<b>88,096</b>	<b>6,097</b>	<b>1,600</b>	<b>-</b>	<b>-</b>	<b>(1,600)</b>	<b>94,193</b>		<b>94,193</b>
<b>Segment result</b>	<b>45,216</b>	<b>-</b>	<b>(9,310)</b>	<b>-</b>	<b>-</b>	<b>(1,600)</b>	<b>34,306</b>		<b>34,306</b>
Operating profit							34,306	-	34,306
Financing costs							(8,479)	-	(8,479)
Interest income							3,798	-	3,798
Share of profit after tax of associates							20,040	(5,554)	14,486
Impairment loss on subsidiary							(5,184)	-	(5,184)
Reversal of impairment loss in associate							20,828	-	20,828
Profit before taxation							65,309	(5,554)	59,755
Tax expense							(11,251)	-	(11,251)
Profit for the year							54,058	(5,554)	48,504
Minority interests							(5,498)	-	(5,498)
<b>Profit for the period attributable to Owners of the Company</b>							<b>48,560</b>	<b>(5,554)</b>	<b>43,006</b>

**A5 SEGMENTAL INFORMATION – GROUP (continued)**

<b>12 Months Ended 31.12.09 RM'000</b>	<b>Port Operations</b>	<b>Marine Services</b>	<b>Investment Holding</b>	<b>Industrial Properties</b>	<b>Metals Business</b>	<b>Eliminations</b>	<b>Consolidated</b>	<b>Less: Discontinued operations</b>	<b>Continued operations</b>
<b>Business segments</b>									
Revenue from external customers	85,276	5,780	-	-	-	-	91,056	-	91,056
Inter-segment revenue	-	-	12,850	-	-	(12,850)	-	-	-
Share of revenue of associate	31,839	-	-	3,392	19,964	-	55,195	(19,964)	35,231
<b>Total gross revenue</b>	<b>117,115</b>	<b>5,780</b>	<b>12,850</b>	<b>3,392</b>	<b>19,964</b>	<b>(12,850)</b>	<b>146,251</b>	<b>(19,964)</b>	<b>126,287</b>
Share of revenue of associate	(31,839)	-	-	(3,392)	(19,964)	-	(55,195)	19,964	(35,231)
<b>Total revenue</b>	<b>85,276</b>	<b>5,780</b>	<b>12,850</b>	<b>-</b>	<b>-</b>	<b>(12,850)</b>	<b>91,056</b>	<b>-</b>	<b>91,056</b>
<b>Segment result</b>	<b>49,529</b>	<b>644</b>	<b>10,466</b>	<b>-</b>	<b>-</b>	<b>(12,850)</b>	<b>47,789</b>	<b>-</b>	<b>47,789</b>
Operating profit							47,789		47,789
Financing costs							(11,153)		(11,153)
Interest income							3,427		3,427
Share of profit after tax of associates							13,828	(1,132)	12,696
Profit before taxation							53,891	(1,132)	52,759
Tax expense							(11,040)	-	(11,040)
Profit for the year							42,851	(1,132)	41,719
Minority interests							(5,788)	-	(5,788)
<b>Profit for the period attributable to Owners of the Company</b>							<b>37,063</b>	<b>(1,132)</b>	<b>35,931</b>

## **A6 SIGNIFICANT EVENTS**

### **(a) Notice of Termination of Shareholders Agreement**

On 28 October 2010, the Company received a notice from Taipan Merit Sdn Bhd (“TMSB”), the major shareholder of LMTSB, unilaterally terminating the Shareholders’ Agreement between TMSB and PLSB, a wholly owned subsidiary of the Company. The Company did not agree to this unilateral termination.

On 10 November 2010, the Company, through its solicitors, issued a Notice to Arbitrate to the solicitors acting for TMSB. The Company had also issued a notice to exercise its option requiring TMSB to transfer all its shares in LMTSB to the Company within 30 days from the date of issuance of this notice. This option is exercised pursuant to the Company’s rights under the Shareholders’ Agreement. The Company’s notice has been disputed by TMSB.

The Company, through its appointed LMTSB Owners’ Representative based in LMTSB, continues to monitor the efficacy of LMTSB in the carrying out of its contractual obligations under an Operation and Maintenance Agreement to LMTSB.

Please refer to our various announcements made to Bursa Malaysia in the months of October and November 2010 for more information.

### **(b) Filing of Original Summons**

On 19 November 2010, the Company and PLSB served an Originating Summons on Perak Corporation Berhad (“PCB”), TMSB, LMTSB and five individuals seeking for several orders to be made in favor of the Company and PLSB. Please refer to the Company’s announcements made to Bursa Malaysia on 19 and 22 November 2010 for more information.

### **(c) Appointment of Arbitrators**

On 10 December 2010, Taipan Merit Sdn Bhd and the Company appointed three arbitrators in respect of the Notice to Arbitrate as provided for by the Shareholders’ Agreement and the arbitration proceedings will be held at the Kuala Lumpur Regional Centre for Arbitration [“KLRCA”] for 4 days between 4 – 10 May 2011.

## **A7 SUBSEQUENT MATERIAL EVENTS**

### **(a) Originating Summons by the Company and PLSB on PCB, TMSB, LMTSB and five individuals**

On 13 January 2011, the Company and PLSB obtained a Consent Order that pending the final disposal or determination of the pending Arbitration between the Company and TMSB :

- (i) Encik Amin bin Halim Rasip shall not act and / or hold himself out as director and/or Chief Executive Officer of LMTSB.
- (ii) TMSB shall not pass any resolutions pertaining to any of the matters defined as “Reserved Matters” as set out in the Shareholders’ Agreement without the approval of PLSB.
- (iii) A resolution passed on 11 May 2010 to change the bank signatories of certain bank accounts of LMTSB is to be revoked.
- (iv) The management of LMTSB is to be overseen by the Management Supervisory Committee comprising two members nominated by the Company and two members nominated by TMSB. This Management Supervisory Committee is to be operated pursuant to the terms of the Shareholders’ Agreement.
- (v) The appointment of the Chief Executive Officer of LMTSB shall be carried out in accordance to the Shareholders’ Agreement.

Please refer to our announcement made to Bursa Malaysia on 13 January 2011 for more information on the Consent Order.

### **(b) Special Notice of Resolution for Removal of Directors Pursuant to S153 & S128(2) of The Companies Act 1965**

On 21 January 2011, the Company received a special notice from Perak Equity Sdn Bhd (“PESB”) and TMSB, being shareholders of the Company, through their solicitors notifying the Company of their intention to propose the following resolutions as ordinary resolutions at the next Extraordinary General Meeting (“EGM”) of the Company :-

- (i) That Encik Harun bin Halim Rasip be removed from his office as director of the Company.
- (ii) That Dato’ Ir Onn bin Hamzah be removed from his office as director of the Company

On external legal advice, the Company was advised that this notice is neither a requisition for nor a notice of EGM and no EGM has been called to be convened.

Please refer to our announcement made to Bursa Malaysia on 25 January 2011 for more information on the Special Notice.

### **(c) Suit No. D-22NCC-155-2011 against Amin Bin Halim Rasip**

The Company had on 21 January 2011 filed an action at the High Court of Malaya against Encik Amin bin Halim Rasip, the Defendant, which was served on him on 27 January 2011. The Plaintiffs are the Company and PLSB. This action was filed for the following orders :-

- (i) A declaration that the Defendant has acted in breach of his fiduciary duties to the Plaintiffs.
- (ii) That the Defendant pay the Plaintiffs damages arising out of the Defendant’s breach of his fiduciary duties to the Plaintiffs.

- (iii) That the Defendant be restrained and an injunction be granted restraining him from acting or in any way whatsoever holding himself out as a director and/or Co-Chief Executive Officer of the Plaintiffs.
- (iv) That the Defendant be restrained and an injunction be granted restraining him from interfering in any way whatsoever in the management of the Plaintiffs.

Please refer to our announcement made to Bursa Malaysia on 27 January 2011 for more information on this suit.

(d) Disposal of the whole of the Company's 70.31% Shareholding in INDX

On 10 February 2011, the Company accepted an offer from Equatorex Sdn Bhd to acquire the entire interest of the Company in INDX. This was transacted through the Indonesian Stock Exchange on 11 February 2011 and the sale proceeds, which amounted to Rp 28 billion (equivalent to RM 9.38 million) were received by the Company on 17 February 2011. The Group's share of the net tangible assets of INDX, after an impairment of RM 5.18 million, is RM 7.86 million as at 31 December 2010.

Encik Harun bin Halim Rasip is a shareholder and a director of Equatorex Sdn Bhd.

Please refer to our announcement made to Bursa Malaysia on 10 February 2011 for more details of this disposal.

**A8 CHANGES IN GROUP COMPOSITION**

Refer to Note A4.4.

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

**A9 CHANGES IN CONTINGENT ASSETS AND LIABILITIES**

Refer to Note A4.9.

There were no other changes in contingent assets and liabilities during the quarter.

**A10 CAPITAL COMMITMENTS**

No capital commitments were contracted for by the Company during the current quarter.

**A11 RELATED PARTY TRANSACTIONS**

Set out below are the significant related party transactions occurring in the normal course of business for the financial year and which were carried out on terms and conditions not more materially different from those obtainable in transactions with unrelated parties.

	Value of Transactions		Balance Outstanding As At	
	YTD 4Q2010 RM '000	YTD 4Q2009 RM '000	31.12.10 RM '000	31.12.09 RM '000
Operations and Maintenance fees payable to LMTSB	28,539	25,984	7,875	8,762
Management fees receivable from LMTSB.	600	600	150	100
Marine services revenue receivable from LMTSB.	6,097	5,883	1,339	680
Office facilities fees receivable from PKS, a company wholly owned by HRH.	166	166	-	-

**A12 COMPARATIVE FIGURES**

The following comparative figures have been reclassified as a result of a discontinued operation as stated in Note A4.4 :-

	31.12.2009 Audited RM'000	31.12.2009 Restated RM'000
<b>Consolidated Statement of Comprehensive Income :-</b>		
Share of profit after tax of associates	13,828	12,696
Profit from discontinued operation	-	1,132



**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1 REVIEW OF PERFORMANCE**

Refer to Notes A1.1 and A1.2.

**B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER**

Refer to Note A1.2.

**B3 PROSPECTS**

Refer to Note A1.3.

**B4 PROFIT FORECAST**

No profit forecast has been made in a public document.

**B5 TAX EXPENSE**

Refer to Note A4.8.

**B6 DISPOSAL OF UNQUOTED INVESTMENTS AND PROPERTIES**

Refer to Note A4.4.

There were no other disposals of unquoted investments and properties during the current quarter.

**B7 PURCHASE OR DISPOSAL OF QUOTED SECURITIES**

There were no purchases or disposals of quoted securities during the current quarter.

Refer to Note A7(d).

**B8 STATUS OF CORPORATE PROPOSALS**

There are no corporate proposals in existence at this time.

**B9 BORROWING AND DEBT SECURITIES**

Refer to Notes A4.6.

**B10 OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

The Company has not entered into any financial instruments with off balance sheet risk to the date of this announcement.

**B11 CHANGES IN MATERIAL LITIGATION**

The Company and Group are not involved in any material litigation at the date of this report other than those disclosed in Notes A6 and A7.

**B12 DIVIDENDS**

The Company's shareholders approved a final ordinary dividend of 3 sen per share less tax of 25% in respect of the financial year ended 31 December 2009 (3Q2009: NIL) at the Company's 24<sup>th</sup> Annual General Meeting held on 23 June 2010. The entitlement and payment dates of this dividend were 30 June 2010 and 15 July 2010 respectively.

No other dividends were paid or declared during the current quarter and financial period to date.

**B13 BASIC EARNINGS PER ORDINARY SHARE**

The basic earnings per ordinary share is calculated by dividing the PATSC for the period by the weighted average number of ordinary shares in issue during the period.

	<b>4Q2010 RM'000</b>	<b>YTD 4Q2010 RM'000</b>
PATSC for the period :		
From continuing operations	14,214	43,006
From discontinued operation	678	5,554
PATSC for the period	14,892	48,560
Weighted average number of ordinary shares in issue	300,806	300,806
<b>Basic earnings per ordinary share :</b>		
<b>From continuing operations (sen)</b>	<b>4.72</b>	<b>14.30</b>
<b>From discontinued operation (sen)</b>	<b>0.23</b>	<b>1.84</b>

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**B14 CAPITAL COMMITMENTS**

Refer to Note A 10.

**B15 DISCLOSURE OF REALISED AND UNREALISED PROFITS**

In compliance with the directives issued by Bursa Malaysia Securities Berhad on 25 March 2010 and 20 December 2010, details of the Group's retained profits are as follows :-

	<b>As at 31.12.10 RM'000</b>
Total retained profits of the group :	
-Realised	169,546
-Unrealised	(44,085)
Total share of retained profits from associated company and asset held for sale :	
-Realised	84,170
-Unrealised	(2,604)
<b>Total group retained profits as per consolidated accounts</b>	<b>207,027</b>