

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2011**

Abbreviations

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

“Act”	:	Companies Act, 1965
“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>)
“IDX”	:	P.T. Indoexchange Tbk, previously a 70.31% owned subsidiary of Integrax listed on the Indonesia Stock Exchange (IDX) but was disposed in 1Q2011.
“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
“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
“PGMC”	:	Platinum Group Metals Corporation, previously a 20.01% owned associated company of the Group but was disposed in 1Q2011
“PKS”	:	Petrokapal Sdn. Bhd. (<i>Company No. 30921-D</i>), a wholly owned subsidiary of HRH

Abbreviations (continued)

- “RAM” : RAM Rating Services Berhad
- “RM” and “sen” : Ringgit Malaysia and sen respectively
- “RRSB” : Radikal Rancak Sdn Bhd (*Company No. 576210-X*), a wholly owned subsidiary of INDX

A. Compliance with Financial Reporting Standard (FRS) 134, Interim Financial Reporting and Bursa Listing Requirements

A1. Basis of Preparation

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 2010.

A2. Changes in Accounting Policies

The significant accounting policies and methods of computations adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements of the Group for the year ended 31 December 2010, except for the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations :

FRS 1	First-time Adoption of Financial Reporting Standards (revised)
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to limited exemption from Comparative FRS Disclosures for First-time Adopters)
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to additional exemptions for first-time adopters)
FRS 2	Share-based Payment (Amendments relating to group cash-settled share-based payment transactions)
FRS 2	Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3)
FRS 3	Business Combinations (revised)
FRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plans to sell the controlling interest in a subsidiary)
FRS 7	Financial Instruments : Disclosures (Amendments relating to improving disclosures about financial instruments)
FRS 127	Consolidated and Separate financial Statements (revised)
FRS 128	Investments in Associates (revised)
FRS 138	Intangible Assets (Amendments relating to additional consequential amendments arising from FRS 3)
FRS 139	Financial Instruments : Recognition and Measurement (Amendments relating to additional consequential amendments arising from revised FRS 3 and revised FRS 127)
Improvements to FRSs 2010	
IC Int. 4	Determining whether an Arrangement contains a Lease
IC Int. 9	Reassessment of Embedded derivatives (Amendments relating to consequential amendments arising from revised FRS 3)
IC Int. 12	Service Concession Arrangements
IC Int. 16	Hedges of a Net Investment in a Foreign Operation
IC Int. 17	Distribution of Non-cash Assets to Owners
IC Int. 18	Transfers of Assets from Customers

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:

A2. Changes in Accounting Policies (continued)

(a) FRS 3 : Business Combinations (revised)

This revised FRS introduces the option, on an acquisition-by-acquisition basis, to measure non-controlling interest in a business combination either at fair value or at the non-controlling interest's proportionate share of the net identifiable assets acquired. Goodwill is measured as the difference between the aggregate of the fair value of consideration transferred, any non-controlling interest in the acquiree, and the fair value at acquisition date of any previously held equity interest in the acquiree, and the net identifiable assets acquired. Any negative goodwill is recognized in the income statement. Any consideration transferred in a business combination is measured at fair value as at the acquisition date. This revised FRS has a prospective effect only and therefore has no impact on the financial statements upon its adoption. It has an impact only on future acquisitions of the Group.

(b) FRS 127 : Consolidated and Separate Financial Statements (revised)

The main change introduced by this revised FRS is in the accounting for changes in ownership interest in a subsidiary, where changes in ownership which do not result in the loss of control are now accounted for within equity instead of the income statement. Where changes in ownership interest result in loss of control, any remaining interest is re-measured at fair value and a gain or loss is recognized in the income statement. All comprehensive income is proportionately allocated to non-controlling interest (minority interest), even if it results in the non-controlling interest having a deficit balance. This revised FRS has a prospective effect only and therefore has no impact on the financial statements upon its adoption. It has an impact only on future transaction of the Group.

A3. Audit report on the preceding year's financial statements

The audit report of the preceding year's annual financial statements of the Group did not contain any qualifications.

A4. Foreign currency translation rates

The principal closing rates as at 30 June 2011 used in the translation of foreign currency amounts to RM are as follows :-

1 US Dollar	- RM 3.0265
100 Indonesian Rupiah	- RM 0.0351
100 Philippine Peso	- RM 6.9650

A5. Seasonal or cyclical factors

The business of the Group is generally not affected by any seasonal or cyclical factors.

A6. Unusual items due to nature, size or incidence

The following items were recognized in the income statement in the current quarter :

	2Q11 RM '000	YTD 2Q11 RM '000
Gain on disposal of an associated company	-	722
Gain on disposal of a subsidiary company	-	1,926
Realised gains on foreign exchange	651	3,147
Total	651	5,795

Other than the above, there were no items affecting assets, liabilities, equity, net income or cash flow that are unusual because of their nature, size or incidence.

A7. Issuances, repurchases and repayments of equity and debt securities

There were no issuances, cancellations, repurchases or repayments of equity and debt securities during the current quarter.

Subsequent to the current quarter, the 17th tranche of LBT Serial Bonds, amounting to RM 20 million was fully repaid upon its maturity on 7 July 2011.

A8. Loans and borrowings

	As at 30.06.11 RM '000 Non-Current	As at 30.06.11 RM '000 Current	As at 30.06.11 RM '000 Total
<i>Secured</i>			
LBT Serial Bonds	36,212	40,000	76,212
Finance lease	432	130	562
Sub- total	36,644	40,130	76,774
<i>Unsecured</i>			
Redeemable preference shares :			
Preference share capital	40	-	40
Preference share premium	3,960	-	3,960
Sub - total	4,000	-	4,000
Total loans and borrowings	40,644	40,130	80,774

The balance of LBT Serial Bonds as at 30 June 2011 comprises 3 series (i.e. series nos. 17 to 19) with an aggregate value of RM 80 million. 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 LBTSB and TNB Janamanjung Sdn Bhd, and a designated bank account of LBTSB, with the serial bondholders ranking after the guarantee provider. LBTSB is obligated to ensure that there shall, on a progressive basis over a period of six months, be an amount accumulated in the designated bank account which is equivalent to the serial bond due at the end of each six months’ period.

Subsequent to the current quarter, the 17th tranche of LBT Serial Bonds, amounting to RM 20 million was fully repaid upon its maturity on 7 July 2011.

A9. Dividends paid

On 20 April 2011, the Board of Directors of the Company declared a special interim dividend of 16% less 25% income tax for the financial year ending 31 December 2011. This interim dividend amounted to RM 36,096,710 million and was paid on 18 May 2011.

No other dividends were paid in the current quarter.

A10. Segmental information

Segment information is presented in respect of the Group's business. No information on geographical segments is presented as all operations 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.

Segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis.

The main business segments of the Group are as follows :-

Port operations	Ownership and operation of two port facilities, LMT (port facility for dry bulk, liquid bulk, break bulk and containers) and LBT
Marine services	Provision of tuggage services
Investment holding	Investment in ordinary and preference shares of subsidiary companies and associated companies
Industrial property	Sale of industrial property
Metal business	Mining and smelting of nickel ore via investment in PGMC

A10. Segmental Information (continued)

6 Months Ended 30.06.11 RM'000	Port Operations	Marine Services	Investment Holding	Industrial Properties	Metal Business	Eliminations	Consolidated	Less: Discontinued operations	Continued operations
Business segments									
Revenue from external customers	43,651	-	-	-	-	-	43,651	-	43,651
Inter-segment revenue	-	-	33,300	-	-	(33,300)	-	-	-
Share of revenue of associates	18,141	-	-	-	-	-	18,141	-	18,141
Total gross revenue	61,792	-	33,300	-	-	(33,300)	61,792	-	61,792
Share of revenue of associates	(18,141)	-	-	-	-	-	(18,141)	-	(18,141)
Total revenue	43,651	-	33,300	-	-	(33,300)	43,651	-	43,651
Segment result	23,339	-	37,371	-	-	(33,300)	27,410	-	27,410
Operating profit	23,339	-	37,371	-	-	(33,300)	27,410	-	27,410
Financing costs	(3,932)	-	(17)	-	-	800	(3,149)	-	(3,149)
Interest income	1,251	-	626	-	-	-	1,877	-	1,877
Share of profit after tax of associates	6,191	-	-	-	-	-	6,191	-	6,191
Profit before taxation	26,849	-	37,980	-	-	(32,500)	32,329	-	32,329
Tax expense	(5,595)	-	(181)	-	-	-	(5,776)	-	(5,776)
Profit/(Loss) for the period	21,254	-	37,799	-	-	(32,500)	26,553	-	26,553
Non-controlling interest	(2,991)	-	-	-	-	-	(2,991)	-	(2,991)
Profit for the period attributable to Owners of the Company	18,263	-	37,799	-	-	(32,500)	23,562	-	23,562

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A10. Segmental Information (continued)

6 Months Ended 30.06.11 RM'000	Port Operations	Marine Services	Investment Holding	Industrial Properties	Metal Business	Eliminations	Consolidated	Less: Discontinued operations	Continued operations
Business segments									
Segment assets	430,681	-	208,007	-	-	-	638,688	-	638,688
Investment in associate	68,618	-	-	31,059	-	-	99,677	-	99,677
Total assets	499,299	-	208,007	31,059	-	-	738,365	-	738,365
Total liabilities	143,630	-	1,944	-	-	-	145,574	-	145,574
Depreciation of property, plant & equipment	4,871	-	116	-	-	-	4,987	-	4,987

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A10. Segmental Information (continued)

6 Months Ended 30.06.10 RM'000 (Restated)	Port Operations	Marine Services	Investment Holding	Industrial Properties	Metal Business	Eliminations	Consolidated	Less: Discontinued operations	Continued operations
Business segments									
Revenue from external customers	43,471	3,035	-	-	-	-	46,506	(3,035)	43,471
Inter-segment revenue	-	-	800	-	-	(800)	-	-	-
Share of revenue of associate	16,772	-	-	6,356	18,353	-	41,481	(18,353)	23,128
Total gross revenue	60,243	3,035	800	6,356	18,353	(800)	87,987	(21,388)	66,599
Share of revenue of associate	(16,772)	-	-	(6,356)	(18,353)	-	(41,481)	18,353	(23,128)
Total revenue	43,471	3,035	800	-	-	(800)	46,506	(3,035)	43,471
Segment result	23,840	242	(816)	-	-	(800)	22,466	(242)	22,224
Operating profit	23,840	242	(816)	-	-	(800)	22,466	(242)	22,224
Financing costs	(5,372)	-	(4)	-	-	800	(4,576)	-	(4,576)
Interest income	1,288	253	330	-	-	-	1,871	(253)	1,618
Share of profit after tax of associates	5,707	-	-	2,736	2,971	-	11,414	(2,971)	8,443
Profit before taxation	25,463	495	(490)	2,736	2,971	-	31,175	(3,466)	27,709
Tax expense	(5,270)	(145)	(190)	-	-	-	(5,605)	145	(5,460)
Profit/(Loss) for the period	20,193	350	(680)	2,736	2,971	-	25,570	(3,321)	22,249
Non-controlling interest	(2,876)	(87)	-	-	-	-	(2,963)	87	(2,876)
Profit for the period attributable to Owners of the Company	17,317	263	(680)	2,736	2,971	-	22,607	(3,234)	19,373

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A10. Segmental Information (continued)

6 Months Ended 30.06.10 RM'000	Port Operations	Marine Services	Investment Holding	Industrial Properties	Metal Business	Eliminations	Consolidated	Less: Discontinued operations	Continued operations
Business segments									
Segment assets	487,882	15,399	169,480	-	-	-	672,761	-	672,761
Investment in associate	60,523	-	-	32,020	16,894	-	109,437	-	109,437
Total assets	548,405	15,399	169,480	32,020	16,894	-	782,198	-	782,198
Total liabilities	187,703	529	7,331	-	-	-	195,563	-	195,563
Depreciation of property, plant & equipment	4,875	4	59	-	-	-	4,938	(4)	4,934

A11. Valuation of property, plant and equipment

The values property, plant and equipment of the Group were brought forward without amendment from the audited annual financial statements for the year ended 31 December 2010. The property, plant and equipment of the Group are stated at cost less accumulated depreciation and impairment losses, if any.

No revaluation of property, plant and equipment was undertaken during the current quarter under review.

There were no purchases or disposals of property, plant and equipment during the current quarter.

There were no commitments for the purchase of property, plant and equipment as at the end of the current quarter.

A12. Changes in the composition of the Group

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

A13. Changes in contingent liabilities or contingent assets

There were no changes in contingent liabilities or contingent assets since the previous audited annual financial statements.

A14. Significant related party transactions

Related parties

LMTSB	An associated company of the Group
TNBJ	A subsidiary of Tenaga Nasional Berhad (TNB). TNB acquired 22.12% of the Company's issued and paid up share capital on 23 March 2011.
INDX	A company in which a former director of the Company, Encik Harun bin Halim Rasip has financial interest. Encik Harun bin Halim Rasip resigned as Executive Director of Integrax Berhad on 20 April 2011.
RRSB	A wholly owned subsidiary of INDX
PKS	A company in which a former director of the Company, Encik Harun bin Halim Rasip has financial interest. Encik Harun bin Halim Rasip resigned as Executive Director of Integrax Berhad on 20 April 2011.
Equatorex Sdn Bhd	A company in which a former director of the Company, Encik Harun bin Halim Rasip has financial interest. Encik Harun bin Halim Rasip resigned as Executive Director of Integrax Berhad on 20 April 2011.

Related party transactions

	2Q2011 RM'000	YTD 2Q2011 RM '000
Proceeds from disposal of INDX to Equatorex Sdn Bhd	-	9,603
Revenue receivable from TNBJ in respect of the Jetty Terminal Usage Agreement (JTUA) signed with LBTSB in the year 1999	21,454	43,651
Operations and maintenance fees charged by LMTSB	6,942	14,354
Website maintenance fees charged by INDX	12	27
Office rental charged to RRSB	-	4
Telephone expenses charged to RRSB	-	3
Sundry expenses charged to RRSB	-	3
Office facility fees charged to PKS	-	41

A15. Significant litigation

- (a) Originating Summons by the Company and PLSB against Taipan Merit Sdn Bhd [“TMSB”] and Arbitration between the Company & PLSB with TMSB [“The Arbitration”]

The Company, PLSB and TMSB had in May 2011 resolved to try to find an amicable resolution to their differences in the management and operation of LMTSB and had agreed to put the Arbitration on hold. As at the date of this report, the Parties are still in discussion and are still actively negotiating a mutually agreed agreement on the future management and operation of LMTSB.

A15. Significant litigation (continued)

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

On 6 April 2011, the Company received 2 notices to convene Extraordinary General Meetings [“EGM”] on 25 April 2011 and on 6 May 2011 from shareholders Perak Equity Sdn Bhd and Taipan Merit Sdn Bhd and from Golden Initiatives Sdn Bhd and Mr. Chang Bar Kuei respectively.

The notice of EGM for 25 April 2011 was to remove Harun Halim Rasip from his office as director of Integrax Berhad and the said resolution was unanimously passed by a show of hands at the said EGM on 25 April 2011.

The notice of EGM for 6 May 2011 was to remove the 3 previous independent directors of the Company and to appoint 5 new independent directors to the Board of the Company. These resolutions were all unanimously passed at the EGM on 6 May 2011.

More information on the above EGMs can be obtained from the Company’s announcements dated 25 April 2011 and 6 May 2011.

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

The Court had on 19 July 2011 granted the Defendant’s application to stay the proceedings of this suit pending disposal of the Arbitration.

More information on this suit can be obtained from the Company’s announcement on 27 January and 31 January 2011.

- (d) Writ of Summons No 22NCC6-762-2011 and Statement of Claim from Tenaga Nasional Berhad (‘‘TNB’’) against the Company and 7 others

The Company is only a nominal defendant to in this suit with no allegations of wrongdoings in TNB’s Statement of Claim against the Company. The Company had been advised by its legal counsel to take a neutral stand and leave it for the other 7 defendants to reply to the substantive part of TNB’s Statement of Claim.

As at the date of this report, the parties had agreed to negotiate a settlement and the trial dates for this suit had been vacated pending a negotiated settlement.

More information on this suit can be obtained from the Company’s announcement on 6 May and 10 May 2011.

A16. Subsequent events

There were no significant events which occurred subsequent to this quarter.

A17. Comparative figures

The following comparative figures have been reclassified as a consequence of the disposals of INDX and PGMC:-

	As previously stated 30.06.2010 RM'000	Reclassification RM'000	As Restated 30.06.2010 RM'000
Consolidated Statement of Comprehensive Income :			
Revenue	46,506	(3,035)	43,471
Cost of sales	(16,312)	2,418	(13,894)
Depreciation	(4,938)	4	(4,934)
Administrative expenses	(2,957)	371	(2,586)
Interest income	1,871	(253)	1,618
Share of profit after tax of associates	11,414	(2,971)	8,443
Tax expenses	(5,605)	145	(5,460)
Profit/(Loss) from discontinued operations	-	3,321	3,321
Consolidated Statement of Cash Flows :			
Net cash from operating activities	23,622	71	23,693
Net cash from investing activities	1,852	(246)	1,606
Net cash generated from continuing operations	3,193	(175)	3,018
Net cash generated from discontinued operations	-	175	175

B. Additional Information Required By The Listing Requirements of Bursa Malaysia Securities Berhad

B1. Performance review

(a) Comparison between 2Q2011 and 2Q2010

Revenues decreased slightly by 2.3% due to lower throughput at LBT. Operating profit increased significantly by 5.1% due to foreign exchange gains realised in the current quarter. Profit before tax decreased by a marginal 2.5% due to share of lower profits of an associated company.

(b) Comparison between YTD 2Q2011 and YTD 2Q2010

Revenue for the first six months amounted to RM 43.6 million. This was marginally higher compared to revenues of the corresponding period in the previous year which amounted to RM 43.5 million. The Group posted an operating profit of RM 27.4 million in the current period under review as compared to RM 22.2 million in the previous year's corresponding period. This represents an increase of 23.4% and is due to the recognition of gains on disposals of PGMC and INDX in 1Q2011.

(c) Comparison between 2Q2011 and 1Q2011

Revenues decreased by 3.3% due to decreased throughput in LBT. Operating profit was lower by 27.0% compared to 1Q2011 as the gains from disposals of PGMC and INDX were recognized in 1Q2011.

B2. Prospects going forward

The management is very optimistic of the prospects going forward as the Lumut-Manjung Corridor continues to enjoy rapid growth and development. The oil and gas boom and the prospect of Vale's billion dollar iron and steel investment have turned the Corridor into a hive of economic activity. Integrax stands to benefit tremendously from these developments and management will continue to focus its attention on expanding its existing port businesses in Malaysia in order to increase shareholders' value.

B3. Profit forecast

The Company has not issued any profit forecast to the public.

B4. Tax expense

	2Q2011 RM'000	YTD 2Q2011 RM'000
Current year - Malaysian tax	3,191	6,336
- Foreign tax	21	24
Deferred tax	(217)	(584)
Total	2,995	5,776

B5. Purchase or disposal of unquoted investments and properties

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

B6. Purchase or disposal of quoted securities

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

B7. Status of corporate proposals

There are no corporate proposals currently in existence.

B8. Borrowing and debt securities

Please refer to Note A8.

B9. Off balance sheet financial instruments

The Group has not purchased any financial instruments during the quarter under review.

B10. Changes in material litigation

Please refer to Note A15.

B11. Dividends

Please refer to Note A9.

No other dividends were declared nor paid in the current quarter.

B12. Basic earnings per share

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

	YTD 2Q2011 RM'000	YTD 2Q2010 RM'000
PATSC for the period :		
From continuing operations	23,562	19,373
From discontinued operation	-	3,234
PATSC for the period	23,562	22,607
Weighted average number of ordinary shares in issue	300,806	300,806
Basic earnings/(Loss) per ordinary share :		
From continuing operations (sen)	7.83	6.44
From discontinued operations (sen)	-	1.08

B13. Capital commitments

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

B14. Disclosure of realised and unrealised profits

An analysis of the retained profits of the Group as at 30 June 2011 is as follows :

	As at 30 June 2011 RM'000
Total retained earnings of the Company and its subsidiaries :	
Realised	251,712
Unrealised	(44,184)
	207,528
Total share of retained earnings from associated company :	
Realised	84,105
Unrealised	(2,769)
	81,336
Less : Consolidated adjustments	(98,059)
Total retained earnings as per consolidated statement of financial position	190,805

