

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2013**

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
“Group”	:	Integrax and its subsidiaries
“Integrax” or the “Company”	:	Integrax Berhad (<i>Company No. 49317-W</i>)
“LBT”	:	Lekir Bulk Terminal, a common-user bulk port facility owned by Lekir Bulk Terminal Sdn Bhd
“LBTSB”	:	Lekir Bulk Terminal Sdn. Bhd. (<i>Company No. 414060-T</i>), an 80%-owned subsidiary of PLSB
“LBT RCCPS”	:	Redeemable cumulative convertible preference share(s) of RM0.01 each in LBTSB
“LMT”	:	Lumut Maritime Terminal, a common-user multi-purpose port facility owned by Lumut Maritime Terminal Sdn Bhd
“LMTSB”	:	Lumut Maritime Terminal Sdn. Bhd. (<i>Company No. 180480-D</i>), a 50% less 1 share associate company of Integrax
“LMT RPS”	:	Redeemable preference share(s) of RM0.01 each in LMTSB which is convertible to ordinary shares of RM1.00 each in LMTSB as per the Memorandum and Articles of Association
“LPIP”	:	Lumut Port Industrial Park, the industrial properties division of LMTSB
“Lumut Port”	:	Lekir Bulk Terminal and Lumut Maritime Terminal collectively
“MFRSs”	:	Malaysian Financial Reporting Standards
“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
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“TNB”	:	Tenaga Nasional Berhad
“TNBJ”	:	TNB Janamanjung Sdn Bhd

INTEGRAX BERHAD
Company No: 49317-W

A. Compliance with Malaysian Financial Reporting Standards (MFRS) 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 MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

A2. Changes in Accounting Policies

The accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31 December 2012 except for new/revised MFRSs which came into effect in the current financial year. The adoption of these new/revised MFRSs are not expected to have a material impact on these interim financial statements. The Group has not adopted any new/revised MFRSs and IC Interpretations that have been issued as at the date of authorization of these Interim Financial Statements but are not yet effective for 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. Seasonal or cyclical factors

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

A5. Unusual items due to nature, size or incidence

There were no items affecting assets, liabilities, equity, net income or cash flow that were unusual because of their nature, size or incidence recorded in the current quarter under review.

A6. 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.

A7. Loans and borrowings

	As at 31.03.13 RM’000 Non-Current	As at 31.03.13 RM’000 Current	As at 31.03.13 RM’000 Total
<i>Secured</i>			
Finance lease	318	182	500
Sub- total	318	182	500
<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	4,318	182	4,500

INTEGRAX BERHAD
Company No: 49317-W

A7. Loans and borrowings (continued)

On 28 March 2013, LBTSB entered into a Facilities Agreement with two local bankers for facilities totaling RM90 million to finance the capital expenditure of LBTSB for the purposes of expanding the infrastructure and facilities of LBTSB's deep water bulk terminal.

A8. Dividends paid

No dividends were paid in the current quarter. Please refer to Note B11.

A9. 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, LBT (port facility for dry bulk) and LMT (port facility for dry bulk, liquid bulk, break bulk and containers)
Investment holding	Investment in ordinary and preference shares of subsidiary companies and associated company
Industrial property	Sale of industrial property via LMTSB

INTEGRAX BERHAD
Company No: 49317-W

A9. Segmental Information (continued)

3 Months Ended 31.03.13 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Revenue from external customers	22,486	-	-	-	22,486
Inter-segment revenue	-	400	-	(400)	-
Share of revenue of associate	11,227	-	-	-	11,227
Total gross revenue	33,713	400	-	(400)	33,713
Share of revenue of associate	(11,227)	-	-	-	(11,227)
Total revenue	22,486	400	-	(400)	22,486
Segment result	10,921	(562)	-	(400)	9,959
Operating profit	10,921	(562)	-	(400)	9,959
Financing costs	(500)	(7)	-	400	(107)
Interest income	246	671	-	-	917
Share of profit after tax of associate	4,083	-	31	-	4,114
Profit before taxation	14,750	102	31	-	14,883
Tax expense	(2,972)	(166)	-	-	(3,138)
Profit for the period	11,778	(64)	31	-	11,745

INTEGRAX BERHAD
Company No: 49317-W

A9. Segmental Information (continued)

3 Months Ended 31.03.13 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Segment assets	391,051	228,453	-	-	619,504
Investment in associate	68,802	-	44,192	-	112,994
Total assets	459,853	228,453	44,192	-	732,498
Total liabilities	68,142	1,663	-	-	69,805
Depreciation of property, plant & equipment	2,835	116	-	-	2,951

INTEGRAX BERHAD
Company No: 49317-W

A9. Segmental Information (continued)

3 Months Ended 31.03.12 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Revenue from external customers	23,032	-	-	-	23,032
Inter-segment revenue	-	400	-	(400)	-
Share of revenue of associate	8,562	-	-	-	8,562
Total gross revenue	31,594	400	-	(400)	31,594
Share of revenue of associate	(8,562)	-	-	-	(8,562)
Total revenue	23,032	400	-	(400)	23,032
Segment result	11,053	(264)	-	(400)	10,389
Operating profit	11,053	(264)	-	(400)	10,389
Financing costs	(1,269)	(7)	-	400	(876)
Interest income	455	566	-	-	1,021
Share of profit after tax of associate	2,822	-	(18)	-	2,804
Profit before taxation	13,061	295	(18)	-	13,338
Tax expense	(2,757)	(123)	-	-	(2,880)
Profit for the period	10,304	172	(18)	-	10,458

INTEGRAX BERHAD
Company No: 49317-W

A9. Segmental Information (continued)

3 Months Ended 31.03.12 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Segment assets	414,388	212,343	-	-	626,731
Investment in associate	71,309	-	37,643	-	108,952
Total assets	485,697	212,343	37,643	-	735,683
Total liabilities	107,106	1,732	-	-	108,838
Depreciation of property, plant & equipment	3,201	51	-	-	3,252

INTEGRAX BERHAD
Company No: 49317-W

A10. Valuation of property, plant and equipment

The values of property, plant and equipment of the Group were brought forward without amendment from the audited annual financial statements for the year ended 31 December 2012. 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.

A11. Changes in the composition of the Group

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

A12. Changes in contingent liabilities or contingent assets

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

A13. Significant related party transactions

Related parties

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
LMTSB	An associated company of the Group

Related party transactions

	1Q2013 RM'000	YTD 1Q2013 RM'000
Revenue receivable from TNBJ in respect of the Jetty Terminal Usage Agreement (JTUA) signed with LBTBSB in the year 1999	22,486	22,486
Operations and maintenance fees charged by LMTSB pursuant to an Operations And Maintenance Agreement (OMA) signed with LBTBSB in year 2000	7,956	7,956

A14. Significant litigation

There was no significant litigation in the current quarter.

A15. Subsequent events

There were no significant subsequent events.

INTEGRAX BERHAD
Company No: 49317-W

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

B1. Performance review

(a) Comparison between 1Q2013 and 1Q2012

Group

	Group		
	1Q2013 RM'000	1Q2012 RM'000	% Change
Revenue	22,486	23,032	(2.4)
PBT	14,883	13,338	11.6

Group revenue comprises contractual revenue from the provision of port facilities under term arrangements at LBT. The Group's revenue of RM22.5 million decreased by 2.4% compared with RM23.0 million recorded in the corresponding period last year due to lower cargo throughput in LBT. However, PBT increased by 11.6% on the back of lower finance costs and share of higher profit of LMTSB.

Port Operations Segment

	Port operations		
	1Q2013 RM'000	1Q2012 RM'000	% Change
Revenue	33,713	31,594	6.7
PBT	14,750	13,061	12.9

LBT Cargo Throughput	1,694,426MT	1,947,822MT	(13.0)
LMT Cargo Throughput	803,187MT	652,698MT	23.1

Port operations comprise operations at two ports, LBT and LMT. Port revenue for 1Q2013 was 6.7% higher at RM33.7 million compared to 1Q2012 attributable to higher cargo throughput in LMT.

Industrial Properties Segment

	Industrial properties		
	1Q2013 RM'000	1Q2012 RM'000	% Change
Revenue	-	-	-
PBT	31	(18)	172.2

Industrial land sold	-	-	-
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Revenues and profits from this segment are generated from sales of industrial land by LMTSB. There were no land sales during the period.

INTEGRAX BERHAD
Company No: 49317-W

(b) Comparison between 1Q2013 and 4Q2012

Group

	Group		
	1Q2013 RM'000	4Q2012 RM'000	%
Revenue	22,486	23,059	(2.5)
PBT	14,883	17,735	(16.1)

The Group's revenue decreased by 2.5% due to lower throughput in LBT. Lower contribution from LMTSB, due to a lack of industrial land sales, resulted in a drop of 16.1% in PBT.

Port Operations Segment

	Port operations		
	1Q2013 RM'000	4Q2012 RM'000	%
Revenue	33,713	32,624	3.3
PBT	14,750	14,057	4.9

LBT Cargo Throughput	1,694,426MT	1,830,626MT	(7.4)
LMT Cargo Throughput	803,187MT	788,058MT	1.9

Port revenue is higher by 3.3% compared to 4Q2012 due to higher cargo throughput in LMT.

Industrial Properties Segment

	Industrial properties		
	1Q2013 RM'000	4Q2012 RM'000	%
Revenue	-	8,497	(100.0)
PBT	31	3,811	(99.2)

Industrial land sold	-	35.27 acres	(100.0)
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LMTSB sold 35.27 acres of industrial land in 4Q2012, whereas no land sales were recorded in 1Q2013.

INTEGRAX BERHAD
Company No: 49317-W

B2. Prospects going forward

In line with the expected continued growth of the Malaysian economy and the prospects of increasing business opportunities arising from various Government and private initiatives, we believe that our port operations will remain on an uptrend. We expect cargo throughput at LBT and LMT to remain resilient.

On 27 July 2012, LBTSB entered into a new Jetty Terminal Usage Agreement (“JTUA-M4”) with TNBJ for the provision of handling services for the import of coal for TNBJ’s new 1,010-MW Manjung 4 Power Plant (“M4 Power Plant”) located at Pulau Lekir 1, Telok Rubiah, District of Manjung in Perak for an initial period which will expire on 30 March 2040. Approval from the shareholders of Integrax Berhad for this agreement which was deemed a Related Party Transaction was obtained during an Extraordinary General Meeting held on 23 August 2012. JTUA-M4 requires the construction of a new grab ship unloader (SUL3). On 13 March 2013, LBTSB signed a contract with Mutiara Etnik Sdn Bhd (“the Contractor”) and Jiangsu Hailong Heavy Machinery Co. Ltd. (“the Sub-contractor”) for the construction of SUL3. The financing for this project has been secured following the signing of a Facility Agreement for a term loan and revolving credit facility amounting to RM90 million with Hong Leong Bank Berhad and Hong Leong Investment Bank Berhad on 28th March 2013. The construction of SUL3 is progressing smoothly and is on schedule for delivery in early 2014. This new contract is expected to contribute positively to the Group’s earnings from the year 2014 onwards.

The Lumut-Manjung corridor is expected to benefit from the M4 Power Plant project and Vale’s investment to set up an iron ore transshipment hub and pelletization plant in Teluk Rubiah. Integrax is currently in discussions with the latter to determine Integrax’s level of participation in its projects. Negotiations are currently underway to secure new customers for LBT and LMT. All relevant and necessary announcements will be made upon the finalisation of these discussions.

B3. Profit forecast

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

B4. Tax expense

	1Q2013 RM’000	YTD 1Q2013 RM’000
Current year - Malaysian tax	3,338	3,338
Deferred tax	(200)	(200)
Total	3,138	3,138

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 A7.

INTEGRAX BERHAD
Company No: 49317-W

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 A14.

B11. Dividends

No dividends were declared or paid in the current quarter.

Subsequent to the current quarter, the Board of Directors of the Company have, in respect of the financial year ending 31 December 2013, declared a first interim single tier tax exempt dividend of 4.5sen per share (2012: 4.1sen gross less 25% income tax per share). This dividend will be payable on 18 June 2013 to shareholders whose names appear in the Record of Depositors at the close of business on 11 June 2013.

A Depositor shall qualify for entitlement only in respect of :-

(i) Shares transferred into the Depositor's securities account before 4pm on 11 June 2013 in respect of ordinary transfers ; and

(ii) Shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of the Bursa Malaysia Listing Requirements.

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 1Q2013 RM'000	YTD 1Q2012 RM'000
PATSC for the period	10,218	9,009
Weighted average number of ordinary shares in issue	300,806	300,806
Basic earnings/(Loss) per ordinary share :		
From continued operations (sen)	3.40	2.99

INTEGRAX BERHAD
Company No: 49317-W

B13. Commitments

(a) **Capital commitment**

	As at 31 March 2013 RM'000	As at 31 March 2012 RM'000
<i>Approved and contracted for</i>		
Plant and equipment	33,975*	15,000
Other	205	-
	34,180	15,000
<i>Approved and not contracted for</i>		
Plant and equipment	1,500	-
Other	200	-
	1,700	-
Total	35,880	15,000

*On 13 March 2013, LBTSB entered into a construction contract for the design, supply, erection, installation and hook up, and the commissioning of a new Additional Grab Ship Unloader (“SUL 3”) with a contact sum of RM37.75 million. This SUL 3 is expected to be delivered by January 2014. Subsequent to this quarter, 10% of the contract sum was paid to the contractor to fulfill a milestone payment requirement.

(b) **Operating lease arrangement**

	As at 31 March 2013 RM'000	As at 31 March 2012 RM'000
Less than 1 year	471	-
Between one and five 5 years	2,877	-
More than 5 years	2,301	-
	5,649	-

This commitment is in respect of a non-cancellable operating lease agreement by the Company for the use of its office premises. This lease is for a term of 10 years which expires in November 2022.

INTEGRAX BERHAD
Company No: 49317-W

B14. Disclosure of realised and unrealised profits

Below is an analysis of the retained profits of the Group as at 31 March 2013:

	As at 31 March 2013 Unaudited RM'000	As at 31 December 2012 Audited RM'000
Total retained earnings of the Company and its subsidiaries :		
Realised	306,884	300,940
Unrealised	(41,518)	(41,678)
	265,366	259,262
Total share of retained earnings from associated company :		
Realised	117,198	113,066
Unrealised	(2,545)	(2,527)
	114,653	110,539
Less : Consolidated adjustments	(126,325)	(126,325)
Total retained earnings as per consolidated statement of financial position	253,694	243,476