

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 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 multi-purpose 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
“PBT”	:	Profit Before Tax
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“TNB”	:	Tenaga Nasional Berhad
“TNBJ”	:	TNB Janamanjung Sdn Bhd

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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 30.06.13 RM’000 Non-Current	As at 30.06.13 RM’000 Current	As at 30.06.13 RM’000 Total
<i>Secured</i>			
Finance lease	271	184	455
Sub- total	271	184	455
<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	4,271	184	4,455

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A7. Loans and borrowings (continued)

On 28 March 2013, LBTSB entered into a Facilities Agreement with two local banks 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

Please refer to Note B11.

No other dividends were declared or paid in the current quarter.

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

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A9. Segmental Information (continued)

6 Months Ended 30.06.13 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Revenue from external customers	46,139	-	-	-	46,139
Inter-segment revenue	-	800	-	(800)	-
Share of revenue of associate	22,195	-	294	-	22,489
Total gross revenue	68,334	800	294	(800)	68,628
Share of revenue of associate	(22,195)	-	(294)	-	(22,489)
Total revenue	46,139	800	-	(800)	46,139
Segment result	20,852	(1,653)	-	(800)	18,399
Operating profit	20,852	(1,653)	-	(800)	18,399
Financing costs	(1,000)	(13)	-	800	(213)
Interest income	510	1,332	-	-	1,842
Share of profit after tax of associate	8,593	-	46	-	8,639
Profit before taxation	28,955	(334)	46	-	28,667
Tax expense	(5,558)	(291)	-	-	(5,849)
Profit for the period	23,397	(625)	46	-	22,818

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A9. Segmental Information (continued)

6 Months Ended 30.06.13 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Segment assets	396,643	214,182	-	-	610,825
Investment in associate	73,861	-	43,658	-	117,519
Total assets	470,504	214,182	43,658	-	728,344
Total liabilities	66,286	1,828	-	-	68,114
Depreciation of property, plant & equipment	6,387	240	-	-	6,627

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A9. Segmental Information (continued)

6 Months Ended 30.06.12 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Revenue from external customers	45,310	-	-	-	45,310
Inter-segment revenue	-	11,800	-	(11,800)	-
Share of revenue of associate	18,349	-	2,996	-	21,345
Total gross revenue	63,659	11,800	2,996	(11,800)	66,655
Share of revenue of associate	(18,349)	-	(2,996)	-	(21,345)
Total revenue	45,310	11,800	-	(11,800)	45,310
Segment result	22,101	10,076	-	(11,800)	20,377
Operating profit	22,101	10,076	-	(11,800)	20,377
Financing costs	(2,539)	(14)	-	800	(1,753)
Interest income	981	1,129	-	-	2,110
Share of profit after tax of associate	6,444	-	1,451	-	7,895
Profit before taxation	26,987	11,191	1,451	(11,000)	28,629
Tax expense	(5,528)	(170)	-	-	(5,698)
Profit for the period	21,459	11,021	1,451	(11,000)	22,931

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A9. Segmental Information (continued)

6 Months Ended 30.06.12 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Segment assets	412,969	222,866	-	-	635,835
Investment in associate	69,439	-	39,604	-	109,043
Total assets	482,408	222,866	39,604	-	744,878
Total liabilities	105,309	10,950	-	-	116,259
Depreciation of property, plant & equipment	6,009	115	-	-	6,124

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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

	2Q2013 RM'000	YTD 2Q2013 RM'000
Revenue receivable from TNBJ in respect of the Jetty Terminal Usage Agreement (JTUA) signed with LBTBSB in the year 1999	23,653	46,139
Operations and maintenance fees charged by LMTSB pursuant to an Operations And Maintenance Agreement (OMA) signed with LBTBSB in year 2000	8,970	16,926

A14. Significant litigation

There was no significant litigation in the current quarter.

A15. Subsequent events

There were no significant subsequent events.

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

B1. Performance review

(a) Comparison between 2Q2013 and 2Q2012

Group

	Group		
	2Q2013 RM'000	2Q2012 RM'000	% Change
Revenue	23,653	22,278	6.2
PBT	13,784	15,291	(9.9)

Group revenue comprises contractual revenue from the provision of port facilities under term arrangements at LBT. The Group's revenue of RM23.6 million increased by 6.2% compared with RM22.3 million recorded in the corresponding period last year due to higher cargo throughput in LBT. However, PBT decreased by 9.9% due to increases in depreciation and administrative overheads. Lower profits of associated company, LMTSB, due to insignificant land sales also contributed to this decrease.

Port Operations Segment

	Port operations		
	2Q2013 RM'000	2Q2012 RM'000	% Change
Revenue	34,621	32,065	8.0
PBT	14,205	13,926	2.0

LBT Cargo Throughput	2,127,593MT	1,704,481MT	24.8
LMT Cargo Throughput	799,057MT	947,222MT	(15.6)

Port operations comprise operations at two ports, LBT and LMT. Port operations revenue for 2Q2013 was 8.0% higher at RM34.6 million compared to 2Q2012 due to higher coal cargo throughput for TNBJ's operations.

Industrial Properties Segment

	Industrial properties		
	2Q2013 RM'000	2Q2012 RM'000	% Change
Revenue	294	2,996	(90.2)
PBT	15	1,469	(99.0)

Industrial land sold	1.6 acres	10.585 acres	(84.9)
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Revenues and profits from this segment are generated from sales of industrial land by LMTSB.

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(b) Comparison between YTD 2Q2013 and YTD 2Q2012

Group

	Group		
	YTD 2Q2013 RM'000	YTD 2Q2012 RM'000	% Change
Revenue	46,139	45,310	1.8
PBT	28,667	28,629	0.1

Group revenues increased by 1.8% year-on-year due to a 4.6% increase in cargo throughput in LBT. The increase in LBT cargo was also the reason for the 7.3% increase in the port operations segment as shown below. PBT increased marginally by 0.1%.

Port Operations Segment

	Port operations		
	YTD 2Q2013 RM'000	YTD 2Q2012 RM'000	% Change
Revenue	68,334	63,659	7.3
PBT	28,955	26,987	7.3

LBT Cargo Throughput	3,822,019 MT	3,652,303 MT	4.6
LMT Cargo Throughput	1,602,244 MT	1,599,920 MT	0.1

Port operations revenue increased by 7.3% on the back of a 4.6% year-on-year increase in LBT throughput due to higher demand for coal by TNBJ.

Industrial Properties Segment

	Industrial properties		
	YTD 2Q2013 RM'000	YTD 2Q2012 RM'000	% Change
Revenue	294	2,996	(90.2)
PBT	46	1,451	(96.8)

Industrial land sold	1.6 acres	10.585 acres	(84.9)
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Revenues and profits from this segment are generated from sales of industrial land by LMTSB.

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(c) Comparison between 2Q2013 and 1Q2013

Group

	Group		
	2Q2013 RM'000	1Q2013 RM'000	% Change
Revenue	23,653	22,486	5.2
PBT	13,784	14,883	(7.4)

The Group's revenue increased by 5.2% due to higher throughput in LBT. However, PBT decreased by 7.4% due to higher depreciation and administrative expenses incurred in 2Q13.

Port Operations Segment

	Port operations		
	2Q2013 RM'000	1Q2013 RM'000	% Change
Revenue	34,621	33,713	2.7
PBT	14,205	14,750	(3.7)

LBT Cargo Throughput	2,127,593MT	1,694,426MT	25.6
LMT Cargo Throughput	799,057MT	803,187MT	(0.5)

Port operations revenue is higher by 2.7% compared to 1Q2013 due to higher cargo throughput in LBT.

Industrial Properties Segment

	Industrial properties		
	2Q2013 RM'000	1Q2013 RM'000	% Change
Revenue	294	-	100.0
PBT	15	31	(51.6)

Industrial land sold	1.6 acres	-	100.0
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LMTSB sold 1.6 acres of industrial land in 2Q2013, whereas no land sales were recorded in 1Q2013.

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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, LBTBSB entered into a new Jetty Terminal Usage Agreement (“JTUA-2”) 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-2 requires the construction of a new grab ship unloader (SUL3). On 13 March 2013, LBTBSB 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.

On 16th July 2013, TNB was announced as the preferred bidder for the new 1,000 MW Track 3A brownfield power plant tender by the Energy Commission, whereby the power plant will be located at Pulau Lekir Satu (“M5 Power Plant”). The Power Purchase Agreement (“PPA”) was executed between TNB and the power plant operator, its wholly-owned subsidiary TNB Manjung Five Sdn Bhd (“TNBM5”) on 16th August 2013. Integrax is currently in negotiations with TNBM5 on the terms and conditions which will govern the M5 Power Plant.

The Lumut-Manjung corridor is expected to benefit from the M4 and M5 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 Vale to determine Integrax’s level of participation in its projects. Negotiations are also currently underway to secure new customers. 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

	2Q2013 RM’000	YTD 2Q2013 RM’000
Current year - Malaysian tax	3,075	6,413
Deferred tax	(364)	(564)
Total	2,711	5,849

The effective tax rates of the Group for 2Q2013 and YTD2Q2013 are higher than the statutory tax rate due to certain expenses incurred which are not allowable for income tax purposes.

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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.

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

On 21 May 2013, the Board of Directors of the Company declared a first interim single tier tax exempt dividend of 4.5sen per share (2012: 4.1sen gross less 25% income tax per share) in respect of the financial year ending 31 December 2013. This dividend was paid on 18 June 2013.

No other dividends were declared or 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 2Q2013 RM'000	YTD 2Q2012 RM'000
Profit attributable to owners of the Company	19,882	19,986
Weighted average number of ordinary shares in issue	300,806	300,806
Basic earnings/(Loss) per ordinary share : From continued operations (sen)	6.61	6.64

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B13. Commitments

(a) **Capital commitment**

	As at 30 June 2013 RM'000	As at 30 June 2012 RM'000
<i>Approved and contracted for</i>		
Plant and equipment	28,312*	15,000
Other	-	-
	28,312	15,000
<i>Approved and not contracted for</i>		
Plant and equipment	1,500	-
Other	-	-
	1,500	-
Total	29,812	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 contract sum of RM37.75 million. Milestone payments totaling RM9.438 million have been paid as at 30 June 2013. The SUL 3 is expected to be delivered by January 2014.

(b) **Operating lease arrangement**

	As at 30 June 2013 RM'000	As at 30 June 2012 RM'000
Less than 1 year	628	-
Between 1 and 5 years	2,877	-
More than 5 years	2,144	-
	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.

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B14. Disclosure of realised and unrealised profits

Below is an analysis of the retained profits of the Group as at 30 June 2013:

	As at 30 June 2013 Unaudited RM'000	As at 31 December 2012 Audited RM'000
Total retained earnings of the Company and its subsidiaries :		
Realised	301,131	300,940
Unrealised	(41,226)	(41,678)
	259,905	259,262
Total share of retained earnings from associated company :		
Realised	121,742	113,066
Unrealised	(2,564)	(2,527)
	119,178	110,539
Less : Consolidated adjustments	(129,261)	(126,325)
Total retained earnings as per consolidated statement of financial position	249,822	243,476