

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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 31.12.13 RM’000 Non-Current	As at 31.12.13 RM’000 Current	As at 31.12.13 RM’000 Total
<i>Secured</i>			
Finance lease	102	69	171
Sub- total	102	69	171
<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	4,102	69	4,171

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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

On 21 May 2013, the Board of Directors of the Company declared a first interim single tier tax exempt dividend of 4.5 sen per share (2012 : 4.1 sen 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 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)

12 Months Ended 31.12.13 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Revenue from external customers	92,928	-	-	-	92,928
Inter-segment revenue	-	26,600	-	(26,600)	-
Share of revenue of associate	42,158	-	1,459	-	43,617
Total gross revenue	135,086	26,600	1,459	(26,600)	136,545
Share of revenue of associate	(42,158)	-	(1,459)	-	(43,617)
Total revenue	92,928	26,600	-	(26,600)	92,928
Segment result	43,299	20,508	-	(26,600)	37,207
Operating profit	43,299	20,508	-	(26,600)	37,207
Other gain	270	297	-	-	567
Interest income	911	2,124	-	-	3,035
Financing costs	(2,000)	(22)	-	1,600	(422)
Share of profit after tax of associate	16,093	-	959	-	17,052
Profit before taxation	58,573	22,907	959	(25,000)	57,439
Tax expense	(9,307)	(321)	-	-	(9,628)
Profit for the period	49,266	22,586	959	(25,000)	47,811

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A9. Segmental Information (continued)

12 Months Ended 31.12.13 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Segment assets	413,927	236,565	-	-	650,492
Investment in associate	46,156	-	54,776	-	100,932
Total assets	460,083	236,565	54,776	-	751,424
Total liabilities	64,525	1,676	-	-	66,201
Depreciation of property, plant & equipment	12,704	441	-	-	13,145

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A9. Segmental Information (continued)

12 Months Ended 31.12.12 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Revenue from external customers	90,707	-	-	-	90,707
Inter-segment revenue	-	28,650	-	(28,650)	-
Share of revenue of associate	37,659	-	11,494	-	49,153
Total gross revenue	128,366	28,650	11,494	(28,650)	139,860
Share of revenue of associate	(37,659)	-	(11,494)	-	(49,153)
Total revenue	90,707	28,650	-	(28,650)	90,707
Segment result	43,653	24,629	-	(28,650)	39,632
Operating profit	43,653	24,629	-	(28,650)	39,632
Other gain	-	-	-	-	-
Interest income	1,493	2,270	-	-	3,763
Financing costs	(3,539)	(30)	-	1,600	(1,969)
Share of profit after tax of associate	12,499	-	5,233	-	17,732
Profit before taxation	54,106	26,869	5,233	(27,050)	59,158
Tax expense	(10,952)	(490)	-	-	(11,442)
Profit for the period	43,154	26,379	5,233	(27,050)	47,716

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A9. Segmental Information (continued)

12 Months Ended 31.12.12 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Segment assets	384,607	227,266	-	-	611,873
Investment in associate	71,186	-	37,694	-	108,880
Total assets	455,793	227,266	37,694	-	720,753
Total liabilities	68,128	1,677	-	-	69,805
Depreciation of property, plant & equipment	11,871	253	-	-	12,124

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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

	4Q2013 RM'000	YTD 4Q2013 RM'000
Revenue receivable from TNBJ in respect of the Jetty Terminal Usage Agreement (JTUA) signed with LBTSSB in the year 1999	23,555	92,928
Operations and maintenance fees charged by LMTSB pursuant to an Operations And Maintenance Agreement (OMA) signed with LBTSSB in year 2000	8,979	34,648

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 4Q2013 and 4Q2012

Group

	Group		
	4Q2013 RM'000	4Q2012 RM'000	% Change
Revenue	23,555	23,059	2.2
PBT	14,090	17,125	(17.7)

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 2.2% compared with RM23.1 million recorded in the corresponding period last year due to higher cargo throughput in LBT. PBT decreased by 17.7% due to share of lower profits of associated company, LMTSB.

Port Operations Segment

	Port operations		
	4Q2013 RM'000	4Q2012 RM'000	% Change
Revenue	33,973	33,787	0.6
PBT	15,623	13,587	15.0

LBT Cargo Throughput	1,981,404 MT	1,830,626 MT	8.2
LMT Cargo Throughput	850,224 MT	788,058 MT	7.9

Port operations comprise operations at two ports, LBT and LMT. Port operations revenue for 4Q2013 was 0.6% higher at RM34.0 million compared to 4Q2012 due to higher cargo throughput in both ports.

Industrial Properties Segment

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

Industrial land sold	-	35.27 acres	(100.0)
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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 4Q2013 and YTD 4Q2012

Group

	Group		
	YTD 4Q2013 RM'000	YTD 4Q2012 RM'000	% Change
Revenue	92,928	90,707	2.4
PBT	57,439	59,158	(2.9)

Group revenues increased by 2.4% year-on-year due to a 9.1% increase in cargo throughput in LBT. The increase in LBT cargo was also the reason for the 5.2% increase in the port operations segment as shown below. However, PBT decreased by 2.9% due to increases in depreciation and administrative overheads. Lower profits of associated company, LMTSB also contributed to this decrease.

Port Operations Segment

	Port operations		
	YTD 4Q2013 RM'000	YTD 4Q2012 RM'000	% Change
Revenue	135,086	128,366	5.2
PBT	58,573	54,106	8.3

LBT Cargo Throughput	7,656,979 MT	7,020,423 MT	9.1
LMT Cargo Throughput	3,200,130 MT	3,139,270 MT	1.9

Port operations revenue increased by 5.2% on the back of a 9.1% year-on-year increase in LBT throughput due to higher demand for coal by TNBJ.

Industrial Properties Segment

	Industrial properties		
	YTD 4Q2013 RM'000	YTD 4Q2012 RM'000	% Change
Revenue	1,459	11,494	(87.3)
PBT	959	5,233	(81.7)

Industrial land sold	5.16 acres	45.86 acres	(88.7)
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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 4Q2013 and 3Q2013

Group

	Group		
	4Q2013 RM'000	3Q2013 RM'000	% Change
Revenue	23,555	23,234	1.4
PBT	14,090	14,682	(4.0)

The Group's revenue increased by 1.4% due to lower throughput in LBT. However, PBT decreased by 4.0% due to lower profit of associated company, LMTSB.

Port Operations Segment

	Port operations		
	4Q2013 RM'000	3Q2013 RM'000	% Change
Revenue	33,973	32,779	3.6
PBT	15,623	14,098	10.8

LBT Cargo Throughput	1,981,404 MT	1,853,556 MT	6.9
LMT Cargo Throughput	850,224 MT	747,663 MT	13.7

Port operations revenue is up by 3.6% compared to 3Q2013 due to higher cargo throughput in LBT.

Industrial Properties Segment

	Industrial properties		
	4Q2013 RM'000	3Q2013 RM'000	% Change
Revenue	-	1,165	(100.0)
PBT	(1)	914	(100.1)

Industrial land sold	-	3.56 acres	(100.0)
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No land sales in 4Q2013, whereas land sales in 3Q2013 were 3.56 acres.

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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, LBTSB 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, 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 28 March 2013. The construction of the SUL 3 was completed in mid-December 2013 and subsequently was transported, fully erected, on a barge from China to LBT Terminal. It reached LBT Terminal safely on 3 February 2014. The JTUA 2 is expected to contribute positively to the Group’s earnings from the year 2014 onwards.

On 16 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 16 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 projects 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

	4Q2013 RM’000	YTD 4Q2013 RM’000
Current year - Malaysian tax	3,210	12,758
Deferred tax	(2,302)	(3,130)
Total	908	9,628

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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

This is not applicable as the Group is not involved in any material litigation.

B11. Dividends

On 21 May 2013, the Board of Directors of the Company declared a first interim single tier tax exempt dividend of 4.5 sen per share (2012 : 4.1 sen 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 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 4Q2013	YTD 4Q2012
	RM'000	Audited RM'000
Profit attributable to owners of the Company	41,226	41,669
Weighted average number of ordinary shares in issue	300,806	300,806
Basic earnings/(Loss) per ordinary share :		
From continued operations (sen)	13.71	13.85

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B13. Commitments

(a) **Capital commitment**

	As at 31 December 2013 Unaudited RM'000	As at 31 December 2012 Audited RM'000
<i>Approved and contracted for</i>		
Plant and equipment	19,083*	15,000
Other	-	-
	19,083	15,000
<i>Approved and not contracted for</i>		
Plant and equipment	4,380	-
Other	-	-
	4,380	-
Total	23,463	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 RM37.750 million. Subsequent exercise of certain purchase options allowable in the construction contract amounted to RM3.733 million, inclusive of transportation costs. Payments totaling RM22.400 million have been paid as at 31 December 2013.

(b) **Operating lease arrangement**

	As at 31 December 2013 RM'000	As at 31 December 2012 RM'000
Less than 1 year	621	314
Between 1 and 5 years	2,877	2,877
More than 5 years	1,837	2,458
	5,335	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 31 December 2013:

	As at 31 December 2013 Unaudited RM'000	As at 31 December 2012 Audited RM'000
Total retained earnings of the Company and its subsidiaries :		
Realised	340,659	300,940
Unrealised	(39,174)	(41,678)
	301,485	259,262
Total share of retained earnings from associated company :		
Realised	130,192	113,066
Unrealised	(2,601)	(2,527)
	127,591	110,539
Less : Consolidated adjustments	(157,910)	(126,325)
Total retained earnings as per consolidated statement of financial position	271,166	243,476