

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2014**

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 (Company No. 49317-W) |
| “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 (Company No. 414060-T), 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 (Company No. 180480-D), 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. (Company No. 168205-M), a wholly owned subsidiary of Integrax |
| “PBT” | : | Profit Before Tax |
| “RM” and “sen” | : | Ringgit Malaysia and sen respectively |
| “TNB” | : | Tenaga Nasional Berhad (Company No. 200866-W) |
| “TNBJ” | : | TNB Janamanjung Sdn Bhd (Company No. 398456-H), a wholly owned subsidiary of TNB |
| “TNBM5” | : | TNB Manjung Five Sdn Bhd (Company No. 1056130-H), a wholly owned subsidiary of TNB |

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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 adopted in these interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31 December 2013 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 31.03.14 RM’000 Non-Current | As at 31.03.14 RM’000 Current | As at 31.03.14 RM’000 Total |
|-----------------------------------|---|-------------------------------------|-----------------------------------|
| <i>Secured</i> | | | |
| Revolving credit facility | - | 18,000 | 18,000 |
| Finance lease | 92 | 61 | 153 |
| Sub- total | 92 | 18,061 | 18,153 |
| <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 | 4,092 | 18,061 | 22,153 |

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A7. Loans and borrowings (continued)

In 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

No dividends were declared or paid in the current quarter.

Subsequent to the current quarter, on 26th May 2014, the Board of Directors of the Company declared a first interim single tier tax exempt dividend of 5.0sen per share (2013: 4.5sen per share) in respect of the financial year ending 31 December 2014. This dividend will be payable on 18 June 2014 to shareholders whose names appear in the Records of Depositors at the close of business on 13 June 2014.

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)

| | 3 Months Ended 31.03.14 | | | | | |
|--|--------------------------------|---------------------------|------------------------------|---------------------|---------------------|--|
| | RM'000 | | | | | |
| | Port Operations | Investment Holding | Industrial Properties | Eliminations | Consolidated | |
| Business segments | | | | | | |
| Revenue from external customers | 22,459 | - | - | - | 22,459 | |
| Inter-segment revenue | - | 10,400 | - | (10,400) | - | |
| Share of revenue of associate | 9,688 | - | - | - | 9,688 | |
| Total gross revenue | 32,147 | 10,400 | - | (10,400) | 32,147 | |
| Share of revenue of associate | (9,688) | - | - | - | (9,688) | |
| Total revenue | 22,459 | 10,400 | - | (10,400) | 22,459 | |
| Segment result | 9,990 | 9,271 | - | (10,400) | 8,861 | |
| Operating profit | 9,990 | 9,271 | - | (10,400) | 8,861 | |
| Other gain | 205 | 473 | - | - | 678 | |
| Interest income | 169 | 228 | - | - | 397 | |
| Financing costs | (500) | (2) | - | 400 | (102) | |
| Share of profit after tax of associate | 3,613 | - | (33) | - | 3,580 | |
| Profit before taxation | 13,477 | 9,970 | (33) | (10,000) | 13,414 | |
| Tax expense | (2,551) | (22) | - | - | (2,573) | |
| Profit for the period | 10,926 | 9,948 | (33) | (10,000) | 10,841 | |

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A9. Segmental Information (continued)

| 3 Months Ended 31.03.14 RM'000 | Port Operations | Investment Holding | Industrial Properties | Eliminations | Consolidated |
|--|----------------------------|-------------------------------|----------------------------------|---------------------|---------------------|
| Business segments | | | | | |
| Segment assets | 436,435 | 245,674 | - | - | 682,109 |
| Investment in associate | 56,534 | - | 37,957 | - | 94,491 |
| Total assets | 92,969 | 245,674 | 37,957 | - | 776,600 |
| Total liabilities | 79,489 | 1,381 | - | - | 80,870 |
| Depreciation of property, plant & equipment | 3,733 | 91 | - | - | 3,824 |

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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 | 10,921 | (562) | - | (400) | 9,959 |
| Operating profit | 10,921 | | (562) | - | (400) | 9,959 |
| Other gain | 9 | | - | - | - | 9 |
| Interest income | 237 | | 671 | - | - | 908 |
| Financing costs | (500) | | (7) | - | 400 | (107) |
| 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 |

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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 |

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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 2013. 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 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 |
| AHR | Encik Amin Bin Halim Rasip, a director of the Company |

Related party transactions

| | 1Q2014 RM'000 | YTD 1Q2014 RM'000 |
|---|------------------|----------------------|
| Revenue receivable from TNBJ in respect of the Jetty Terminal Usage Agreement (JTUA) signed with LBTSB in the year 1999 | 22,459 | 22,459 |
| Operations and maintenance fees charged by LMTSB pursuant to an Operations And Maintenance Agreement (OMA) signed with LBTSB in the year 2000 | 8,354 | 8,354 |
| Employer's representative cost payable to AHR pursuant to a Service Contract signed with LBTSB in the year 2013 | 279* | 279 |

*This amount has been capitalized as part of the cost of asset under construction.

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 1Q2014 and 1Q2013

Group

| | Group | | |
|---------|------------------|------------------|----------|
| | 1Q2014 RM'000 | 1Q2013 RM'000 | % Change |
| Revenue | 22,459 | 22,486 | (0.1) |
| PBT | 13,414 | 14,883 | (9.9) |

Group revenue comprises contractual revenue from the provision of port facilities under term arrangements at LBT. The Group's revenue was unchanged compared to the corresponding period of last year. PBT decreased by 9.9% due to increased depreciation and share of lower profits of associated company, LMTSB.

Port Operations Segment

| | Port operations | | |
|---------|------------------------|------------------|----------|
| | 1Q2014 RM'000 | 1Q2013 RM'000 | % Change |
| Revenue | 32,147 | 33,713 | (4.6) |
| PBT | 13,477 | 14,750 | (8.6) |

| | | | |
|----------------------|--------------|--------------|-------|
| LBT Cargo Throughput | 1,705,916 MT | 1,694,426 MT | 0.7 |
| LMT Cargo Throughput | 773,468 MT | 803,187 MT | (3.7) |

Port operations comprise operations at two ports, LBT and LMT. Port operations revenue for 1Q2014 was 4.6% lower at RM32.1 million compared to 1Q2013 due to lower cargo throughput in LMT.

Industrial Properties Segment

| | Industrial properties | | |
|---------|------------------------------|------------------|----------|
| | 1Q2014 RM'000 | 1Q2013 RM'000 | % Change |
| Revenue | - | - | - |
| PBT | (33) | 31 | (106.4) |

| | | | |
|----------------------|---|---|---|
| Industrial land sold | - | - | - |
|----------------------|---|---|---|

Revenues and profits from this segment are generated from sales of industrial land by LMTSB. No land sales were recorded in 1Q2014 and 1Q2013.

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(b) Comparison between 1Q2014 and 4Q2013

Group

| | Group | | |
|---------|------------------|------------------|----------|
| | 1Q2014 RM'000 | 4Q2013 RM'000 | % Change |
| Revenue | 22,459 | 23,555 | (4.7) |
| PBT | 13,414 | 14,090 | (4.8) |

The Group's revenue registered a decrease of 4.7% caused by lower throughput in LBT. PBT decreased by 4.8% due to increased depreciation and share of lower profit of associated company, LMTSB.

Port Operations Segment

| | Port operations | | |
|---------|------------------------|------------------|----------|
| | 1Q2014 RM'000 | 4Q2013 RM'000 | % Change |
| Revenue | 32,147 | 33,973 | (5.4) |
| PBT | 13,477 | 15,623 | (13.7) |

| | | | |
|----------------------|--------------|--------------|--------|
| LBT Cargo Throughput | 1,705,916 MT | 1,981,404 MT | (13.9) |
| LMT Cargo Throughput | 773,468 MT | 850,224 MT | (9.0) |

Port operations revenue and PBT decreased by 5.4% and 13.7% respectively compared to 4Q2013 due to lower cargo throughput in both LBT and LMT.

Industrial Properties Segment

| | Industrial properties | | |
|---------|------------------------------|------------------|----------|
| | 1Q2014 RM'000 | 4Q2013 RM'000 | % Change |
| Revenue | - | - | - |
| PBT | (33) | (1) | 3,200 |

| | | | |
|----------------------|---|---|---|
| Industrial land sold | - | - | - |
|----------------------|---|---|---|

No land sales were recorded in 1Q2014 and 4Q2013.

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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, LBTSSB 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, LBTSSB 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 2nd half of 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 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

| | 1Q2014 RM’000 | YTD 1Q2014 RM’000 |
|------------------------------|--------------------------|------------------------------|
| Current year - Malaysian tax | 2,972 | 2,972 |
| Deferred tax | (399) | (399) |
| Total | 2,573 | 2,573 |

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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

No dividends were declared or paid in the current quarter.

Subsequent to the current quarter, on 26th May 2014, the Board of Directors of the Company declared a first interim single tier tax exempt dividend of 5.0sen per share (2013: 4.5sen per share) in respect of the financial year ending 31 December 2014. This dividend will be payable on 18 June 2014 to shareholders whose names appear in the Records of Depositors at the close of business on 13 June 2014.

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 1Q2014 RM'000 | YTD 1Q2013 RM'000 |
|---|----------------------|----------------------|
| Profit attributable to owners of the Company | 9,391 | 10,218 |
| Weighted average number of ordinary shares in issue | 300,806 | 300,806 |
| Basic earnings/(Loss) per ordinary share : | | |
| From continued operations (sen) | 3.12 | 3.40 |

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B13. Commitments

(a) Capital commitment

| | As at 31 March 2014 RM'000 | As at 31 March 2013 RM'000 |
|--|----------------------------------|----------------------------------|
| <i>Approved and contracted for</i> | | |
| Plant and equipment | 11,807* | 33,975 |
| Other | - | 205 |
| | 11,807 | 34,180 |
| <i>Approved but not contracted for</i> | | |
| Plant and equipment | 11,780 | 1,500 |
| Other | - | 200 |
| | 11,780 | 1,700 |
| | | |
| Total | 23,587 | 35,880 |

*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 RM29.676 million have been paid as at 31 March 2014.

(b) Operating lease arrangement

| | As at 31 March 2014 RM'000 | As at 31 March 2013 RM'000 |
|-----------------------|----------------------------------|----------------------------------|
| Less than 1 year | 628 | 471 |
| Between 1 and 5 years | 2,877 | 2,877 |
| More than 5 years | 1,674 | 2,301 |
| | 5,179 | 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 March 2014:

| | As at 31 March 2014 Unaudited RM'000 | As at 31 December 2013 Audited RM'000 |
|--|---|--|
| Total retained earnings of the Company and its subsidiaries : | | |
| Realised | 357,288 | 340,347 |
| Unrealised | (38,854) | (39,174) |
| | 318,434 | 301,173 |
| Total share of retained earnings from associated company : | | |
| Realised | 133,540 | 129,984 |
| Unrealised | (2,390) | (2,414) |
| | 131,150 | 127,570 |
| Less : Consolidated adjustments | (169,340) | (157,890) |
| Total retained earnings as per consolidated statement of financial position | 280,244 | 270,853 |