

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

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

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. Change in estimates

The depreciation method of certain components of property, plant and equipment has been changed from the throughput method to the straight-line method over the estimated remaining useful lives of these assets. This change in method is expected to better reflect the usage of these assets going forward.

The impact of this change in depreciation method for the six months ended 30 June 2014 is an increase of RM1.4 million.

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

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.

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.

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A8. Loans and borrowings

	As at 30.06.14 RM'000 Non-Current	As at 30.06.14 RM'000 Current	As at 30.06.14 RM'000 Total
<i>Secured</i>			
Finance lease	82	53	135
Sub- total	82	53	135
<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	4,082	53	4,135

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.

A9. Dividends paid

On 26 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 was paid on 18 June 2014 to shareholders whose names appear in the Records of Depositors at the close of business on 13 June 2014.

No other dividends were declared or 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, 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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A10. Segmental Information (continued)

6 Months Ended 30.06.14 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Revenue from external customers	45,238	-	-	-	45,238
Inter-segment revenue	-	22,800	-	(22,800)	-
Share of revenue of associate	19,403	-	-	-	19,403
Total gross revenue	64,641	22,800	-	(22,800)	64,641
Share of revenue of associate	(19,403)	-	-	-	(19,403)
Total revenue	45,238	22,800	-	(22,800)	45,238
Segment result	19,612	19,842	-	(22,800)	16,654
Operating profit	19,612	19,842	-	(22,800)	16,654
Other gain	365	987	-	-	1,352
Interest income	363	479	-	-	842
Financing costs	(1,000)	(4)	-	800	(204)
Share of profit after tax of associate	6,481	-	(51)	-	6,430
Profit before taxation	25,821	21,304	(51)	(22,000)	25,074
Tax expense	(5,100)	(100)	-	-	(5,200)
Profit for the period	20,721	21,204	(51)	(22,000)	19,874

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A10. Segmental Information (continued)

6 Months Ended 30.06.14 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Segment assets	411,185	242,604	-	-	653,789
Investment in associate	58,239	-	39,101	-	97,340
Total assets	469,424	242,604	39,101	-	751,129
Total liabilities	63,576	830	-	-	64,406
Depreciation of property, plant & equipment	7,745	183	-	-	7,928

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A10. 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
Other gain	43	-	-	-	43
Interest income	467	1,332	-	-	1,799
Financing costs	(1,000)	(13)	-	800	(213)
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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A10. 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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A11. 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.

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

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

	2Q2014 RM'000	YTD 2Q2014 RM'000
Revenue receivable from TNBJ in respect of the Jetty Terminal Usage Agreement (JTUA) signed with LBTBSB in the year 1999	22,779	45,238
Operations and maintenance fees charged by LMTSB pursuant to an Operations And Maintenance Agreement (OMA) signed with LBTBSB in the year 2000	8,584	16,938
Employer's representative cost payable to AHR pursuant to a Service Contract signed with LBTBSB in the year 2013	139*	418*

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

A15. Significant litigation

There was no significant litigation in the current quarter.

A16. 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 2Q2014 and 2Q2013

Group

	Group		
	2Q2014 RM'000	2Q2013 RM'000	% Change
Revenue	22,779	23,653	(3.7)
PBT	11,660	13,784	(15.4)

Group revenue comprises contractual revenue from the provision of port facilities under term arrangements at LBT. PBT decreased by 15.4% due to increased depreciation and share of lower profits of associated company, LMTSB. LMTSB's profits were lower due to decreased cargo throughput in both LMT and LBT ports, higher operating costs and lack of industrial land sales.

Port Operations Segment

	Port operations		
	2Q2014 RM'000	2Q2013 RM'000	% Change
Revenue	32,494	34,621	(6.1)
PBT	12,344	14,205	(13.1)

LBT Cargo Throughput	1,731,463 MT	2,127,593 MT	(18.6)
LMT Cargo Throughput	797,177 MT	799,057 MT	(0.2)

Port operations comprise operations at two ports, LBT and LMT. Port operations revenue for 2Q2014 was 6.1% lower at RM32.5 million compared to 2Q2013 due to lower cargo throughput in both LBT and LMT.

Industrial Properties Segment

	Industrial properties		
	2Q2014 RM'000	2Q2013 RM'000	% Change
Revenue	-	294	(100.0)
PBT	(18)	15	(220.0)

Industrial land sold	-	1.6 acres	(100.0)
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Revenues and profits from this segment are generated from sales of industrial land by LMTSB. No land sales were recorded in 2Q2014.

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(b) Comparison between YTD 2Q2014 and YTD 2Q2013

Group

	Group		
	YTD 2Q2014 RM'000	YTD 2Q2013 RM'000	% Change
Revenue	45,238	46,139	(2.0)
PBT	25,074	28,667	(12.5)

Group revenues decreased by 2.0% year-on-year due to a 10.1% decrease in cargo throughput in LBT. The decrease in LBT cargo was also the reason for the 5.4% decrease in the port operations segment as shown below.

Port Operations Segment

	Port operations		
	YTD 2Q2014 RM'000	YTD 2Q2013 RM'000	% Change
Revenue	64,641	68,334	(5.4)
PBT	25,821	28,955	(10.8)
LBT Cargo Throughput	3,437,379 MT	3,822,019 MT	(10.1)
LMT Cargo Throughput	1,570,644 MT	1,602,244 MT	(2.0)

Port operations revenue decreased by 5.4% on the back of a 10.1% year-on-year decrease in LBT throughput caused by lower demand for coal by TNBJ compared to YTD 2013.

Industrial Properties Segment

	Industrial properties		
	YTD 2Q2014 RM'000	YTD 2Q2013 RM'000	% Change
Revenue	-	294	(100.0)
PBT	(51)	46	(210.9)
Industrial land sold	-	1.6 acres	(100.0)

Revenues and profits from this segment are generated from sales of industrial land by LMTSB

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(c) Comparison between 2Q2014 and 1Q2014

Group

	Group		
	2Q2014 RM'000	1Q2014 RM'000	% Change
Revenue	22,779	22,459	1.4
PBT	11,660	13,414	(13.1)

The Group's revenue marginally increased by 1.4% compared to 1Q2014. PBT decreased by 13.1% due to increased depreciation and share of lower profit of associated company, LMTSB.

Port Operations Segment

	Port operations		
	2Q2014 RM'000	1Q2014 RM'000	% Change
Revenue	32,494	32,147	1.1
PBT	12,344	13,477	(8.4)

LBT Cargo Throughput	1,731,463 MT	1,705,916 MT	1.5
LMT Cargo Throughput	797,177 MT	773,468 MT	3.1

Port operations revenue is higher by 1.1% compared to 1Q2014 due to higher cargo throughput in LBT. Though there were increases in cargo throughput in both ports, lower margins were earned from LMT cargo in 2Q2014 due to lower liquid bulk cargoes handled in the quarter. LMTSB earns better gross margins from its handling of liquid cargo compared to dry bulk cargo.

Industrial Properties Segment

	Industrial properties		
	2Q2014 RM'000	1Q2014 RM'000	% Change
Revenue	-	-	-
PBT	(18)	(33)	45.5

Industrial land sold	-	-	-
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No land sales were recorded in 2Q2014 and 1Q2014.

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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 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

	2Q2014 RM’000	YTD 2Q2014 RM’000
Current year - Malaysian tax	3,056	6,028
Deferred tax	(429)	(828)
Total	2,627	5,200

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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 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

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

B11. Dividends

On 26 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 was paid on 18 June 2014 to shareholders whose names appear in the Records of Depositors at the close of business on 13 June 2014.

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 2Q2014 RM'000	YTD 2Q2013 RM'000
Profit attributable to owners of the Company	17,051	19,882
Weighted average number of ordinary shares in issue	300,806	300,806
Basic earnings/(Loss) per ordinary share :		
From continued operations (sen)	5.67	6.61

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B13. Commitments

(a) **Capital commitment**

	As at 30 June 2014 RM'000	As at 30 June 2013 RM'000
<i>Approved and contracted for</i>		
Plant and equipment	5,662*	28,312
Other	-	-
	5,662	28,312
<i>Approved but not contracted for</i>		
Plant and equipment	1,500	1,500
Other	-	-
	1,500	1,500
Total	7,162	29,812

*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 RM35.821 million have been paid as at 30 June 2014.

(b) **Operating lease arrangement**

	As at 30 June 2014 RM'000	As at 30 June 2013 RM'000
Less than 1 year	628	628
Between 1 and 5 years	2,877	2,877
More than 5 years	1,516	2,144
	5,021	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 2014:

	As at 30 June 2014 Unaudited RM'000	As at 31 December 2013 Audited RM'000
Total retained earnings of the Company and its subsidiaries :		
Realised	345,088	340,347
Unrealised	(38,512)	(39,174)
	306,576	301,173
Total share of retained earnings from associated company :		
Realised	136,373	129,984
Unrealised	(2,373)	(2,414)
	134,000	127,570
Less : Consolidated adjustments	(167,712)	(157,890)
Total retained earnings as per consolidated statement of financial position	272,864	270,853