

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 DECEMBER 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 is an increase of approximately RM3.4 million to the depreciation charged for the year ended 31 December 2014.

**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 31.12.14 RM'000 Non-Current	As at 31.12.14 RM'000 Current	As at 31.12.14 RM'000 Total
<i>Secured</i>			
Finance lease	61	41	102
Sub- total	61	41	102
<i>Unsecured</i>			
Redeemable preference shares :			
Preference share capital	40	-	40
Preference share premium	3,960	-	3,960
Sub – total	4,000	-	4,000
<b>Total loans and borrowings</b>	<b>4,061</b>	<b>41</b>	<b>4,102</b>

In 2013, LBTSB entered into a Facilities Agreement with two local banks for facilities totalling 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 16 February 2015, the Board of Directors of the Company declared a first interim single tier tax exempt dividend of 7.5 sen per share (2014: 5.0 sen per share) in respect of the financial year ending 31 December 2015. This dividend is payable on 16 March 2015 to shareholders whose names appear in the Records of Depositors at the close of business on 5 March 2015.

No dividends, other than the above, have been 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)**

12 Months Ended 31.12.14 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
Business segments					
Revenue from external customers	99,785	-	-	-	99,785
Inter-segment revenue	-	23,600	-	(23,600)	-
Share of revenue of associate	40,989	-	-	-	40,989
Total gross revenue	140,774	23,600	-	(23,600)	140,774
Share of revenue of associate	(40,989)	-	-	-	(40,989)
<b>Total revenue</b>	<b>99,785</b>	<b>23,600</b>	<b>-</b>	<b>(23,600)</b>	<b>99,785</b>
<b>Segment result</b>	<b>44,606</b>	<b>16,891</b>	<b>-</b>	<b>(23,600)</b>	<b>37,897</b>
Operating profit	44,606	16,891	-	(23,600)	37,897
Other gains	1,031	2,284	-	-	3,315
Interest income	493	801	-	-	1,294
Financing costs	(2,000)	(6)	-	1,600	(406)
Share of profit after tax of associate	14,546	-	116	-	14,662
Profit before taxation	58,676	19,970	116	(22,000)	56,762
Tax expense	(11,455)	(127)	-	-	(11,582)
<b>Profit for the period</b>	<b>47,221</b>	<b>19,843</b>	<b>116</b>	<b>(22,000)</b>	<b>45,180</b>

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**A10. Segmental Information (continued)**

<b>12 Months Ended 31.12.14 RM'000</b>	<b>Port Operations</b>	<b>Investment Holding</b>	<b>Industrial Properties</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Business segments</b>					
Segment assets	435,406	242,051	-	-	677,457
Investment in associate	66,806	-	38,766	-	105,572
<b>Total assets</b>	<b>502,212</b>	<b>242,051</b>	<b>38,766</b>	<b>-</b>	<b>783,029</b>
<b>Total liabilities</b>	<b>68,689</b>	<b>2,311</b>	<b>-</b>	<b>-</b>	<b>71,000</b>
<b>Depreciation of property, plant &amp; equipment</b>	<b>15,868</b>	<b>358</b>	<b>-</b>	<b>-</b>	<b>16,226</b>

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**A10. Segmental Information (continued)**

12 Months Ended 31.12.13 RM'000	Port Operations	Investment Holding	Industrial Properties	Eliminations	Consolidated
<b>Business segments</b>					
Revenue from external customers	92,928	-	-	-	92,928
Inter-segment revenue	-	26,600	-	(26,600)	-
Share of revenue of associate	42,159	-	1,459	-	43,617
<b>Total gross revenue</b>	135,087	26,600	1,459	(26,600)	136,545
Share of revenue of associate	(42,159)	-	(1,459)	-	(43,617)
<b>Total revenue</b>	92,928	26,600	-	(26,600)	92,928
<b>Segment result</b>	43,159	20,288	-	(26,600)	36,846
Operating profit	43,159	20,288	-	(26,600)	36,846
Other gains	270	297	-	-	567
Interest income	911	2,125	-	-	3,035
Financing costs	(2,000)	(22)	-	1,600	(422)
Share of profit after tax of associate	16,072	-	959	-	17,031
Profit before taxation	58,412	22,688	959	(25,000)	57,057
Tax expense	(9,272)	(309)	-	-	(9,580)
<b>Profit for the period</b>	49,140	22,379	959	(25,000)	47,477

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**A10. Segmental Information (continued)**

<b>12 Months Ended 31.12.13 RM'000</b>	<b>Port Operations</b>	<b>Investment Holding</b>	<b>Industrial Properties</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Business segments</b>					
Segment assets	414,138	236,419	-	-	650,557
Investment in associate	60,990	-	39,920	-	100,910
<b>Total assets</b>	475,128	236,419	39,920	-	751,467
<b>Total liabilities</b>	64,682	1,896	-	-	66,578
<b>Depreciation of property, plant &amp; equipment</b>	12,704	441	-	-	13,145

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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

	4Q2014 RM'000	YTD 4Q2014 RM'000
Revenue receivable from TNBJ in respect of the Jetty Terminal Usage Agreement (JTUA) signed with LBTBSB in the year 1999	30,598	99,785
Operations and maintenance fees charged by LMTSB pursuant to an Operations And Maintenance Agreement (OMA) signed with LBTBSB in the year 2000	10,635	37,048
Employer's representative cost payable to AHR pursuant to a Service Contract signed with LBTBSB in the year 2013	140*	698*

\*These amounts have been capitalized as part of the cost of Property, plant and equipment.

**A15. Significant litigation**

There was no significant litigation in the current quarter.



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**A16. Subsequent event**

Receipt of Notice of Conditional Take-Over Offer from Tenaga Nasional Berhad Through CIMB Investment Bank Berhad

On 9 January 2015, the Company received a notice of conditional take-over from Tenaga Nasional Berhad (“Offeror”) on the Offeror’s intention to undertake a conditional take-over in accordance with the Malaysian Code on Take-Overs and Mergers 2010 (“Code”), to acquire all of the remaining ordinary shares of RM 1.00 each of the Company which are not already held by the Offeror (“Offer Shares”) for a cash offer price of RM2.75 for each Offer Share.

In accordance with the Code, the Board of Directors (excluding Dato’ Abd Manaf Bin Hashim and Encik Fazlur Rahman Zainuddin, the interested Directors who have abstained from all deliberations of the Board in relation to the offer) appointed M & A Securities Sdn Bhd as the Independent Adviser to advise to non-interested directors and non-interested shareholders of the Company on the fairness and reasonableness of the Offer.

For further information, please refer to announcements made by the Company to Bursa Securities Malaysia Berhad.

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

**B1. Performance review**

(a) Comparison between 4Q2014 and 4Q2013

Group

	<b>Group</b>		
	4Q2014 RM'000	4Q2013 RM'000	% Change
Revenue	30,598	23,555	29.9
PBT	18,269	13,708	33.2

Group revenue comprises contractual revenue from the provision of port facilities under term arrangements at LBT. The Group's revenue of RM30.6 million increased by 29.9% compared to RM23.6 million recorded in the corresponding period last year. This was due to increased coal handled in LBT resulting from the commencement of JTUA-2 on 3 October 2014. Increases in other gains and share of higher profits of associated company, LMTSB, offset by higher depreciation and administrative overheads led to a 33.2% increase in PBT for the current quarter.

Port Operations Segment

	<b>Port operations</b>		
	4Q2014 RM'000	4Q2013 RM'000	% Change
Revenue	42,099	33,973	23.9
PBT	19,305	15,359	25.7

LBT Cargo Throughput	2,371,709 MT	1,981,404 MT	19.7
LMT Cargo Throughput	709,180 MT	850,224 MT	(16.6)

Port operations comprise operations at two ports, LBT and LMT. Revenue from port operations for 4Q2014 was 23.9% higher at RM42.1 million compared to 4Q2013 due to higher cargo throughput in LBT.

Industrial Properties Segment

	<b>Industrial properties</b>		
	4Q2014 RM'000	4Q2013 RM'000	% Change
Revenue	-	-	
PBT	(3)	(1)	(200.0)

Industrial land sold	-	-	-
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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 4Q2014.

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(b) Comparison between YTD 4Q2014 and YTD 4Q2013

Group

	<b>Group</b>		
	YTD 4Q2014 RM'000	YTD 4Q2013 RM'000	% Change
Revenue	99,785	92,928	7.3
PBT	56,762	57,057	(0.5)

Group revenues increased by 7.3% year-on-year due to the commencement of JTUA-2 in the current quarter. PBT decreased marginally by 0.5% due to higher depreciation and share of lower profits of associated company, LMTSB.

Port Operations Segment

	<b>Port operations</b>		
	YTD 4Q2014 RM'000	YTD 4Q2013 RM'000	% Change
Revenue	140,774	135,087	4.2
PBT	58,676	58,412	0.5

LBT Cargo Throughput	7,898,067 MT	7,656,979 MT	3.1
LMT Cargo Throughput	3,009,072 MT	3,200,130 MT	(6.0)

Revenue from port operations increased by 4.2% on the back of a 3.1% year-on-year increase in LBT throughput due to TNBJ's higher coal demand compared to YTD 2013 and the commencement of the JTUA-2 contract.

Industrial Properties Segment

	<b>Industrial properties</b>		
	YTD 4Q2014 RM'000	YTD 4Q2013 RM'000	% Change
Revenue	-	1,459	(100.0)
PBT	116	959	(87.9)

Industrial land sold	-	5.16 acres	(100.0)
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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 year 2014.

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(c) Comparison between 4Q2014 and 3Q2014

Group

	<b>Group</b>		
	4Q2014 RM'000	3Q2014 RM'000	% Change
Revenue	30,598	23,949	27.8
PBT	18,269	13,419	36.1

The Group's revenue increased by 27.8% compared to 3Q2014 due to the commencement of the JTUA-2 contract in 4Q2014.

Port Operations Segment

	<b>Port operations</b>		
	4Q2014 RM'000	3Q2014 RM'000	% Change
Revenue	42,099	34,034	23.7
PBT	19,305	13,550	42.5

LBT Cargo Throughput	2,371,709 MT	2,088,979 MT	13.5
LMT Cargo Throughput	709,180 MT	797,177 MT	(11.0)

Revenue from port operations is up by 23.7% compared to 3Q2014 due to higher cargo throughput in LBT. However, cargo throughput in LMT decreased by 11.0% compared to 3Q2014.

Industrial Properties Segment

	<b>Industrial properties</b>		
	4Q2014 RM'000	3Q2014 RM'000	% Change
Revenue	-	-	-
PBT	(3)	170	(101.8)

Industrial land sold	-	-	-
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No land sales were recorded in 4Q2014 and 3Q2014.

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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. SUL 3 was declared available on 3 October 2014 and the JTUA-2 commenced upon this declaration of availability.

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 provision of coal handling services for coal imported for 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**

	<b>4Q2014 RM’000</b>	<b>YTD 4Q2014 RM’000</b>
Current year - Malaysian tax	846	9,891
Deferred tax	2,951	1,691
<b>Total</b>	<b>3,797</b>	<b>11,582</b>

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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 16 February 2015, the Board of Directors of the Company declared a first interim single tier tax exempt dividend of 7.5 sen per share (2014: 5.0 sen per share) in respect of the financial year ending 31 December 2015. This dividend is payable on 16 March 2015 to shareholders whose names appear in the Records of Depositors at the close of business on 5 March 2015.

No dividends, other than the above, have been 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 :

	<b>YTD 4Q2014 Unaudited RM'000</b>	<b>YTD 4Q2013 Audited RM'000</b>
Profit attributable to owners of the Company	38,696	40,913
Weighted average number of ordinary shares in issue	300,806	300,806
<b>Basic earnings/(Loss) per ordinary share : From continued operations (sen)</b>	<b>12.86</b>	<b>13.60</b>

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**B13. Commitments**

(a) **Capital commitment**

	<b>As at 31 December 2014 Unaudited RM'000</b>	<b>As at 31 December 2013 Audited RM'000</b>
<i>Approved and contracted for</i>		
Plant and equipment	-*	19,085
Other	-	-
	-	19,085
<i>Approved but not contracted for</i>		
Plant and equipment	9,196	4,380
Other	-	-
	9,196	4,380
<b>Total</b>	<b>9,196</b>	<b>23,465</b>

\*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. The SUL 3 was transferred to property, plant & equipment in 4Q14.

(b)

**Operating lease arrangement**

	<b>As at 31 December 2014 Unaudited RM'000</b>	<b>As at 31 December 2013 Audited RM'000</b>
Less than 1 year	628	628
Between 1 and 5 years	2,877	2,877
More than 5 years	1,202	1,830
	<b>4,707</b>	<b>5,335</b>

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 2014:

	<b>As at 31 December 2014 Unaudited RM'000</b>	<b>As at 31 December 2013 Audited RM'000</b>
Total retained earnings of the Company and its subsidiaries :		
Realised	364,176	340,347
Unrealised	(40,526)	(39,174)
	323,650	301,173
Total share of retained earnings from associated company :		
Realised	144,569	129,984
Unrealised	(2,337)	(2,414)
	142,232	127,570
Less : Consolidated adjustments	(171,373)	(157,890)
<b>Total retained earnings as per consolidated statement of financial position</b>	<b>294,509</b>	<b>270,853</b>