

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2008**

**ABBREVIATIONS**

In these interim financial statements, unless otherwise stated, the following abbreviations shall have the following meanings:-

“Act”	:	Companies Act, 1965
“DMT”	:	Dry Metric Tonnes of Nickel Ore
“EBIT”	:	Earnings before interest and tax
“EPS”	:	Earnings per share
“FRS”	:	Financial Reporting Standards
“Group”	:	Integrax and its subsidiaries
“Integrax” or the “Company”	:	Integrax Berhad ( <i>Company No. 49317-W</i> )
“IJE”	:	P.T. Integra Jasa Energi, a 95% owned subsidiary of Integrax established in the Republic of Indonesia
“INDX”	:	P.T. Indoexchange Tbk, a limited company listed on the Indonesia Stock Exchange (IDX) which has emerged as a result of a merger between the Jakarta Stock Exchange and Surabaya Stock Exchange in the Republic of Indonesia
“HRH”	:	Halim Rasip Holdings Sdn. Bhd. ( <i>Company No. 64655-T</i> )
“LBT”	:	Lekir Bulk Terminal, a common-user bulk port facility
“LBT SB”	:	Lekir Bulk Terminal Sdn. Bhd. ( <i>Company No. 414060-T</i> ), an 80% owned subsidiary of PLSB
“LBT Serial Bonds”	:	12½ years zero coupon Serial Bonds of RM445 million issued by LBT SB
“LBT RCCPS”	:	Redeemable cumulative convertible preference share(s) of RM0.01 each in LBT SB
“LMT”	:	Lumut Maritime Terminal, a common-user multi purpose port facility
“LMT SB”	:	Lumut Maritime Terminal Sdn. Bhd. ( <i>Company No. 180480-D</i> )
“LMT RPS”	:	Redeemable preference share(s) of RM0.01 each in LMT SB which is convertible to ordinary shares of RM1.00 each in LMT SB as per the Memorandum and Articles of Association
“LMT C”	:	LMT Capital Sdn. Bhd. ( <i>Company No. 488241-T</i> ), a wholly-owned subsidiary of LMT SB
“LPIP”	:	Lumut Port Industrial Park, the industrial properties division of LMT SB
“Lumut Port”	:	Lekir Bulk Terminal and Lumut Maritime Terminal collectively
“NAD”	:	Nanggroe Aceh Darussalam, Indonesia

“PLSB”	:	Pelabuhan Lumut Sdn. Bhd. ( <i>Company No. 168205-M</i> ), a wholly owned subsidiary of Integrax
“PATSC”	:	Profit attributable to shareholders of the Company
“PBT”	:	Profit Before Tax
“PKS”	:	Petrokapal Sdn. Bhd. ( <i>Company No. 30921-D</i> ), a wholly owned subsidiary of HRH
“PGMC”	:	Platinum Group Metals Corporation, an investment by the Company in the Republic of the Philippines
“RAM”	:	Rating Agency Malaysia Berhad
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“RRSB”	:	Radikal Rancak Sdn Bhd ( <i>Company No. 576210-X</i> ), a wholly owned subsidiary of Integrax
“Number Q”	:	The relevant quarter in a financial year stated

**A1 COMMENTS ON FINANCIAL RESULTS, PERFORMANCE AND PROSPECTS**

**A1.1 FINANCIAL RESULTS FOR THE PERIOD**

	<b>2 Q 2008 RM'000</b>	<b>2 Q 2007 RM'000</b>	<b>2Q08/2Q07 % Change</b>	<b>1 Q 2008 RM'000</b>	<b>2Q08/1Q08 % Change</b>
Revenue	23,051	21,458	7.4	22,140	4.1
Operating Profit	11,674	13,039	(10.5)	12,355	(5.5)
Share of Profit /(Loss) after Tax of Associates	747	4,643	(83.9)	(191)	491.1
PBT	10,000	14,468	(30.9)	9,566	4.5
PATSC	6,132	10,567	(42.0)	5,640	8.7
EPS (sen)	2.04	3.51	(41.9)	1.87	9.1

- (a) Revenues comprise contractual revenues for the provision of port facilities, cargo handling and vessel services under term arrangements. Revenues increased by 7.4% on a quarter-on-07quarter basis and by 4.1% on a quarter-on-quarter basis due to the increased tonnage revenue in LBT. The reason why revenues do not increase as much as throughput is because much of revenue is fixed in nature.
- (b) Operating Profit on a quarter-on-07quarter basis decreased marginally by 10.5% notwithstanding an increased gross profit of 2.3% (less than the 7.4% increase in revenue due to the largely fixed nature of our revenues) primarily due to increased depreciation of 82.7 % arising from increased throughput and the consequences of the adoption of a policy to expense project development costs as and when incurred. In the past we treated such project development costs as development expenditure liable for write-off only as and when a specific project is deemed unworthy of further interest. What this change in policy means is that project development costs expensed earlier may be written back and capitalized as part of a project's capital costs in the event that such project is pursued and implemented. Operating Profit on a quarter-on-quarter basis also decreased marginally by 5.5% for the above same reasons.
- (c) Share of Profit After Tax of Associate decreased on a quarter-on-07quarter basis by 83.9% as a consequence of a lower profit contribution from LMTSB of 23.8% and an increase in our share of losses incurred by PGMC of 114.4%. On a quarter-on-quarter basis this number increased by 491.1% primarily as a consequence of there being a reduced loss booked for PGMC in this quarter. Please refer to Items A1.2 (e) and A1.3 (e) for comments and details.
- (d) PBT and PATSC on a quarter-on-07quarter basis decreased by 30.9% and 42.0% respectively due to the reasons stated above notwithstanding decreased finance costs. On a quarter-on-quarter basis we saw marginal increases this quarter primarily due to changes in Associate contributions.

## A1.2 GROUP PERFORMANCE

### (a) Port Operations

Set out below are cargo statistics for Lumut Port in Freight Weight Tonnes (FWT) analyzed by Type of Cargo and by the Industry Sectors.

#### BY CARGO TYPE

FWT	2 Q		% change
	2008	2007	
Conventional / break-bulk	33,720	14,834	127.3
Liquid bulk	125,457	105,762	18.6
LMT Dry bulk	601,872	415,405	44.9
LMT Sub-Total	761,049	536,001	42.0
LBT Dry Bulk	1,589,304	863,734	84.0
Total	2,350,353	1,399,735	67.9

FWT	YTD 2 Q		% change
	2008	2007	
Conventional / break-bulk	55,856	38,260	46.0
Liquid bulk	264,461	212,296	24.6
LMT Dry bulk	1,063,905	861,223	23.5
LMT Sub-Total	1,384,222	1,111,779	24.5
LBT Dry Bulk	2,743,477	1,985,249	38.2
Total	4,127,699	3,097,028	33.2

#### BY INDUSTRY SECTOR

FWT	2 Q		% change
	2008	2007	
Chemicals	81,186	30,163	169.2
Mining	144,010	132,567	8.6
Agriculture	208,714	156,549	33.3
Construction Materials	319,766	214,047	49.3
Energy	1,589,304	863,734	84.0
Others	7,373	2,675	175.6
Total	2,350,353	1,399,735	67.9

FWT	YTD 2 Q		% change
	2008	2007	
Chemicals	101,077	82,045	23.2
Mining	307,692	269,339	14.2
Agriculture	397,504	299,999	32.5
Construction Materials	568,330	453,581	25.3
Energy	2,743,477	1,985,249	38.2
Others	9,619	6,815	41.1
Total	4,127,699	3,097,028	33.2

6 months ended	6 M 2008	6 M 2007	% change
Percentage Import	76%	72%	5.5
Percentage Export	24%	28%	(14.3)

- (i) Liquid bulk exports of palm oil related products from the Agriculture Sector increased by 18.6% on a quarter-on-quarter basis and by 24.6% on a year – on – year basis. This is attributed directly to increased throughput at the refinery that is located proximate to the LMT.
- (ii) Dry bulk cargo at LMT increased by 44.9% on a quarter-on-quarter basis and by 23.5% on a year-on-year basis, aided by increased exports of palm kernel expellers, limestone chips and clinker emerging from the Mining, Agriculture and Construction Sectors respectively. This continued the trend that we saw in the 1Q2008.
- (iii) Cargo at LBT increased by 84.0% on a quarter-on-quarter basis and by 38.2% on a year-on-year basis. The 2Q2008 throughput was the highest quarterly throughput recorded since the LBT commenced business.
- (iv) Port operations continued to strive to maintain its gross operational margins notwithstanding the pressures of ever rising costs. While LBT's margins remained intact apart from contracted escalations, LMT's margins are being supported by a policy of effecting gradual tariff increases whenever possible and by seeking greater efficiencies in operational processes.

(b) **Marine Services**

Vessel/ Barge Calls	2 Q 2008		1 Q 2008		2 Q 2007	
	Ships	Barges	Ships	Barges	Ships	Barges
LMT	54	55	52	42	60	20
LBT	21	-	17	-	12	-
<b>Total</b>	<b>75</b>	<b>55</b>	<b>69</b>	<b>42</b>	<b>72</b>	<b>20</b>

Marine service revenues and costs are controlled by contracts and the level of activities is a direct reflection of vessel calls.

(c) **Industrial Properties**

	2Q 2008	1Q 2008	2Q 2007
Acres committed to sale by agreements in quarter	6.84	NIL	7.57

The above numbers give an indication of land sales achieved in the quarters with revenue and cost recognition consistent with agreed terms of executed Sale and Purchase Agreements. 2Q2008 saw the realization of a sale of land that was actually negotiated earlier in the year and was an expansion by an existing landowner. The trend remains a general decline of interest in industrial property consistent with domestic investment trends and the general situation

(d) **Investment Holdings**

The investment is that of the LMT RPS at Group level, which returns are determined by LMTSB. To date no redemption of preference dividends have been made.

(e) **Resource Activities**

- (i) Resource activities currently only exist via the Company's 20.01% equity interest in PGMC whose results were equity accounted commencing from 1 June 2007. Included in Share of Profit After Tax of Associates is the Company's share of profit/loss after tax of PGMC's unaudited group results, shown below on a 100% basis:-

	<b>YTD 2 Q 2008</b>
Nickel Ore Shipments	33,582 DMT
	PHP'000
EBIT	(149,938)
PBT	(251,144)
Tax Expense	1,569
Minority Interest	213
PATSC	(252,926)

- (ii) During the course of 2Q2008, the smelters continued with test production to raise grades (the test product produced is saleable based on grades and its other constituent elements and is being sold) and with dealing with technical issues that have persisted with process and ore quality input controls critical to get to optimum production of 10-15 MT per day. Some additional capital expenditure is also required to complete this objective. In this quarter some 800MT of various grades of ferronickel product were sold and shipped at a gross sale value of USD4.4 Million. Such sales of test product are currently not treated as revenue but are offset against costs.

Mining activity continued at both mine sites in Surigao and Isabela along with exploration and reserve delineation/infill drilling. Production figures for the 2Q2008 were at approximately 325,000WMT and inventories remain high at in excess of 220,000WMT pending shipments against contracts. The 2Q2008 planned shipments of 66,000WMT were not achieved with delays in shipments by customers and adversely affected revenues this quarter. Revenues on ore sales are only recognized upon shipment. In this quarter only one shipment worth USD1.4Million was achieved.

The nickel ore market driven by interest from China declined this quarter and is expected to remain low till after the 3Q2008 (there were no shipments by any Philippine ore producers to China this quarter) and as stockpiles in China are expended and economic activity resumes after the Olympic Games.

- (iii) *Readers are cautioned that the above PGMC results are subject to such adjustments as may be required at its financial year end by International Accounting Standards applicable in the Philippine. We adjust quarterly results to comply with accounting standards relevant to Malaysia.*

### A1.3 PROSPECTS GOING FORWARD

(a) **Forward Looking Statements Disclaimer**

*Comments set out in this Quarterly Report include forward looking statements which are statements that cannot be sustained merely on historical facts and for which there exists no assurances as to their realization or occurrence or successful implementation. A forward looking statement predicts projects or sees future events as expectations or possibilities. A forward looking statement contains words such as “believe, estimate, anticipate, plan, predict, may, hope, can, will, should, expect, intend, is designed to, with the intent, potential”, the negative of such words or such other variations or comparable word, may indicate forward looking statements, but their absence does not mean a statement is not forward looking.*

(b) **Port Operations**

- (i) The cargo throughput in 2Q2008 has shown how past and future expectations can go awry in a business environment that is characterized by cargoes emerging from a few key port users. This has always been the nature of our business but the economic environment and its prospects are now more volatile.

Coal imports at LBT are expected to get back to the levels seen in 2006 and perhaps exceed such as the power station seeks to rebuild and maintain stocks of coal in a still uncertain supply situation.

- (ii) The first phase of LMTSB’s plan to deal with growth in liquid cargo emerging from downstream petroleum product distribution is nearing completion with an expectation that cargo flows will commence before the end of 2008. As reported earlier we had to re-review the earlier scope of the liquid berth facilities to match expectations with the consequence that we have not built a new berth but have opted to focus on the conveyance systems and instead will seek to use the existing facilities more efficiently.

LBTSB has long been investigating and seeking prices for the installation of a recovery and ship loading capability and while prospective and significant potential users have emerged we face the twin problems of increased costs and uncertain delivery times of plant and works (especially of a mechanical and electrical nature). To this one could add the current prospect of increased spreads on any new debt. Nonetheless we will keep looking for an optimum solution for medium and longer term requirements.

We remain committed to expanding port capabilities at either one or both our ports to meet expectations of existing clients and prospective clients that need the economies availed by the use of larger vessels for the import and export of bulk cargoes at a fair and reasonable tariff.

(c) **Marine Services**

We continue to look at expansion opportunities for our marine services activities in support of cargo throughput prospects for LBT and LMT.

(d) **Industrial Properties**

There exists a lull at present for land sale prospects unless the economic picture improves.

(e) **Resources**

(i) **Mining Activities**

The La Nina weather phenomenon and the Chinese market situation has thrown out all expectations for 3Q2008 to which we can only respond with meeting our ongoing term offtake commitments with shipments occurring this month for about 100,000MT. Focus has shifted to the Surigao deposit in response to market conditions and the preference for grades with high nickel high iron content.

In Palawan, no mining activities are being conducted pending resolution of the claims of a third party which were of a very spurious nature. Expectations are still that some accommodation will happen but when this will occur is unknown. Our legal position remains solid. In the meantime site maintenance works are carried out and social community activities continue.

**Smelter Activities**

As indicated earlier, works continue to remedy the technical issues that impact the productivity of the plants and various consultants have and are rendering advice to get our planned 6,000,000 pounds capacity. At some point this year the Company will provide more information on the positioning within the market that our smelter capacity will provide to us. Recent independent valuations indicate a market value for the plants that represents an increase of USD15Million over book values.

**Corporate**

PGMC had a second tranche under its term debt facility from its lenders of USD10Million undrawn in 1Q2008 due to legal matters relating to the perfection of encumbrances and a number of permits that had still not been issued by the relevant authorities.

At time of writing, however, the risk profile of the Philippines (indeed for many other nations and economic sectors as well) has turned sharply negative in the eyes of foreign investors and lenders of all stripes. This all came to a head in these last days of August 2008 when the lenders to PGMC, as part of their regional exposure reduction measures, sought to re-negotiate the undrawn second tranche and to mitigate their overall exposure to PGMC. Forming part of the original debt facility was a secured and no recourse capped hedging mechanism.

As part of an agreed exposure reduction on 21 August 2008 between the lenders and PGMC this hedge has now been closed out at a profit of approximately USD10 Million which will result in the overall debt facility outstanding and remaining in place to fall from a total of term debt of USD20 Million to just under USD10 Million with a reduced interest burden going forward under agreed revised terms. The working capital debt facility of USD5 Million remains in place.

The results of this one-off hedging profit will now flow through to offset year to date losses of PGMC. By way of approximate estimation only, if one were to assume that 3Q2008 experienced the same level of losses as 2Q2008, we would see a reversal of our share of all losses booked by us to date in 2008 of RM 3.88 Million .

Details of the final numbers will be available when the 3Q2008 results are published. PGMC will also seek to employ the now extra security cover afforded by its considerable assets to take on some local debt facilities to meet its needs.

Plans remain on track to obtain listed status for the activities of PGMC and the local stock market remains very active.

**A1.4 DEVELOPMENTS**

**Port Projects**

The Company continues to make efforts to establish, participate in and / or operate and manage specialized and multi purpose / bulk port facilities outside Malaysia. Please note, however, that projects of this nature take a considerable time to develop, promote, fund and build, assuming such are deemed viable propositions after due investigation. Naturally, if and when projects like this finally work out, this is all forgotten.

(a) INDONESIA

(i) Province of Jawa Timur

Negotiations continue to lock down on an identified suitable and very promising site with significant potential for a multipurpose port with a prospective partner though several issues still remain to be resolved. The potential remains very significant and we must spare no effort to seek appropriate solutions to such issues and not undervalue the contribution we bring to such a project in terms of experience and knowledge.

(ii) Nanggroe Aceh Darussalam (“NAD”)

On 10 May 2007, the Company entered into an agreement with the Walikota Langsa, NAD, to undertake, as a first phase, a pre-feasibility study and concept master plan for a port and related 800 hectare industrial zone at Kuala Langsa, NAD. Preliminary site investigation works offshore and onshore have been completed. Importantly we have evolved a development concept which now has been presented to the relevant authorities for their consideration and reversion.

On 31 July 2007, the Company entered into an agreement with the Pemerintah Kabupaten Aceh Utara, NAD to undertake, as a first phase, the preparation of a business plan, with the intent of forming a cooperative arrangement between the parties for the to-be-negotiated assumption of commercial, operational and management responsibilities of Pelabuhan Krueng Geukeh, Lhokseumawe from Pelindo I and to intensify the port’s activities and to upgrade and enhance the port’s facilities. Site assessment works have been completed as has been the intensive market study commissioned earlier which involved a month long data collection exercise along the Province’s major roads. Data evaluation is now complete and a preliminary Business Plan has been developed. Negotiations on final terms have commenced with all relevant authorities.

On 27 December 2007, the Company entered into a Letter of Agreement with INDX to set out the terms of participation by INDX in the above projects as the Indonesian partner.

(iii) Kalimantan

The Company is completing investigations and negotiations on behalf of INDX for the acquisition of a site of some 75 hectares in Kalimantan to develop a coal terminal to serve the low rank domestic coal market and the export market as well as examining the prospects, with potential partners, to develop other onshore terminals and offshore cranes or floating transshipment facilities to serve coal exports and a fleet capability to serve domestic and regional exports.

(iv) Other Provinces

Efforts continue to negotiate mutually beneficial agreements with several other Provinces in respect of the establishment of new bulk terminals and a port and related industrial / mixed zone and with private parties in respect of the expansion of their existing terminals.

(b) OTHER REGIONS

No active developments.

**A 1.5 WEBSITE**

We expect to have the website for the Company up and running soon which will carry additional and updated information of interest and serve as a conduit for queries that readers may have.

## **A 2 INTERIM FINANCIAL STATEMENTS – BASIS OF PREPARATION**

**A2.1** These interim financial statements are **unaudited**, have been prepared in compliance with FRS 134: Interim Financial Reporting and the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad. These explanatory notes attached to the interim financial statement provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

### **A2.2 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 2007 except for new / revised FRSs which came into effect in the current financial year. The adoption of these new / revised FRSs has no material impact on these interim financial statements.

### **A2.3 Foreign Currency Translation Rates**

The principal closing rates as at 30 June 2008 used in the translation of foreign currency amounts to RM are as follows :-

1 US Dollar	- RM 3.2645
1 Pound Sterling	- RM 6.5120
100 Indonesian Rupiah	- RM 0.0347
100 Philippine Peso	- RM 7.2850

## **A3 PRECEDING ANNUAL FINANCIAL STATEMENTS' AUDIT REPORT**

The audit report of the preceding annual financial statements of the Group was not subject to any qualification.

## **A4 COMMENTS ON ASSETS, LIABILITIES, EQUITY AND CASH FLOWS**

### **A4.1 GENERAL COMMENTS**

The Group's cash position remains solid with all LBT Serial Bonds commitments more than adequately covered and with cash available to move quickly in response to sound opportunities and projects of long term benefit to the Group and its shareholders.

### **A4.2 INVESTMENT IN ASSOCIATES**

This now represents the carrying value of the Group's investment in its associates LMTSB, PGMC and INDX.

#### **A4.2.1 PGMC**

The Company's second nominee was appointed to the Board of Directors of PGMC on 28 May 2007, and therefore PGMC was treated as an associated company with effect from 1 June 2007. Treating PGMC on an equity accounting basis has its downsides particularly in relation to the costs of external audit reviews. The Company advises that is in the nature of a finite (that is, a short term) investment and some volatility in its earnings should be expected.

**A4.2.2** INDX

- (a) The Company's shareholding in INDX as at 30 June 2008 remained at 34.85% comprising 42,754,126 shares.
- (b) INDX is to serve as the Indonesian partner for the Company. INDX has identified to the investing public and its shareholders via the mandatory once-per-year "Public Expose" held by INDX on 27<sup>th</sup> December 2007 in Jakarta that the sectors of infrastructure (being ports and terminals in partnership with the Company), logistics, resources and services will be its primary business objectives. Plans for acquisitions are advancing with the onset of due diligence exercises and preparation of documentation.
- (c) INDX is currently under temporary suspension from trading effective 3<sup>rd</sup> December 2007 by the Indonesia Stock Exchange for reasons of previous unusual price fluctuations arising from what must be speculative trading on the market. The suspension has been discussed with the relevant authorities and is being vigorously appealed but we can wait until an acquisition or project occurs. After the end of 1Q2008 the capital market regulator declared that they found nothing illegal in the trading pattern of INDX.
- (d) INDX remains in a net capital deficit position as at 2Q2008 and plans to put INDX on a sound financial footing will occur via acquisition and recapitalization exercises when market conditions are favorable and the planned acquisitions materialize. In the interim, the Company will provide financial assistance to INDX in the form of temporary advances with the last such assistance being provided on 24 June 2008.
- (e) The Board of Commissioners and the Board of Directors of INDX remain the following individuals:-

Board of Commissioners

President Commissioner  
Independent Commissioner  
Independent Commissioner

Dato' Ir Onn bin Hamzah  
RM Tommy Wikutomojati  
Ch'ng Chin Hon

Board of Directors

President Director  
Director

Harun bin Halim Rasip  
Mohd Sofian bin Jaafar

**A4.2.3** By way of additional information, we also set out the following :-

(a) **Unaudited Income Statements for YTD 2Q 2008**

	<b>LMTSB RM'000</b>	<b>PGMC RM'000</b>	<b>INDX RM'000</b>
Gross Revenue - Port Operations	30,482	-	-
- Industrial Property	504	-	-
- Mining	-	5,253	-
- Web site hosting services	-	-	31
Gross Profit - Port Operations	19,915	-	-
- Industrial Property	319	-	-
- Mining	-	2,746	-
- Web site hosting services	-	-	21
Gross Profit % - Port Operations	65%	-	-
- Industrial Property	63%	-	-
- Mining	-	52%	-
- Web site hosting services	-	-	68%
Depreciation & amortization	1,480	1,820	3
Operating Profit / ( Loss )	14,369	(11,505)	(278)
Finance Costs	2,070	1,850	-
Profit / (Loss) Before Tax	12,299	(19,270)	(298)
Profit / (Loss) After Tax	9,088	(19,391)	(298)
Foreign exchange rates used for translation:- RM / 100 Philippine Peso		7.6730	
RM / 100 Indonesian Rupiah			0.0342

(b) **Unaudited Balance Sheets as at 30 June 2008**

	<b>LMTSB RM'000</b>	<b>PGMC RM'000</b>	<b>INDX RM'000</b>
Fixed Assets ( Net Book Value )	82,900	135,674	13
Saleable land stock	12,890	-	-
Other non current assets	-	74,352	-
Cash and cash equivalents	49,746	9,326	166
Other current assets	46,505	47,074	2,677
	192,041	266,426	2,856
Shareholders Funds	108,595	51,332	(894)
Minority interest	-	1,328	-
Total current and non current liabilities	28,446	213,766	3,750
Non current BaIDS ( Refer note below )	55,000	-	-
	192,041	266,426	2,856
Foreign exchange rates used for translation:- RM / 100 Philippine Peso		7.2850	
RM / 100 Indonesian Rupiah			0.0347

LMTSB currently has in issue 9 series of BaIDS totalling RM 55 million. RAM Rating Services Berhad had reaffirmed their enhanced rating of AA3 for these BaIDS in July 2008. These BaIDS have the following maturities :-

	<b>As at 30.06.08 RM'000</b>
Between one and five years	20,000
More than five years	35,000
<b>Total</b>	<b>55,000</b>

#### **A4.3 OTHER INVESTMENT**

This represents the Group's investment in LMT RPS of RM10.03 million which is redeemable and dividend bearing at the option of LMTSB.

#### **A4.4 EQUITY AND CONVERTIBLE DEBT SECURITIES**

There were no cancellations, repurchases, resale and repayments of equity and debt securities during the current quarter other than those shown in these interim financial statements.

#### **A4.5 PREFERENCE SHARE CAPITAL AND PREMIUM**

No LBT RCCPS of RM0.01 each issued with a premium of RM0.99 each and held by Minority Interests in LBTBSB were redeemed by LBTBSB during the current quarter.

#### **A4.6 DEFERRED TAXATION**

	<b>As at 30.06.08 RM'000</b>
Balance at 1 January 2008	49,300
Transferred from income statement	4,465
<b>Total</b>	<b>53,765</b>

#### **A4.7 LBT SERIAL BONDS**

	<b>As at 30.06.08 Current RM'000</b>	<b>As at 30.06.08 Non - Current RM'000</b>	<b>As at 30.06.08 Total RM'000</b>
Bond liability	44,000	168,000	212,000
Less : Interest in suspense	(20,967)	(94,868)	(115,835)
<b>Total (exclusive of interest )</b>	<b>23,033</b>	<b>73,132</b>	<b>96,165</b>

The balance of LBT Serial Bonds as at 30.06.2008 comprises 9 series (i.e. series no. 11 to 19) of zero coupon bonds with an aggregate nominal value of RM 212 million (inclusive of interest). Subsequent to the current quarter, the eleventh series of bonds amounting to RM 22 million (inclusive of interest) was paid on its maturity date on 7 July 2008. RAM Rating Services Berhad had reaffirmed their AA1 rating for these Serial Bonds in July 2008.

These bonds are secured by a charge over the assets and project agreements of LBTBSB and bear the following maturities:-

	<b>As at 30.06.08 RM'000</b>
Less than one year	44,000
Between one and five years	168,000
<b>Total</b>	<b>212,000</b>

**A4.8 TAX EXPENSE**

	<b>2Q2008 RM'000</b>	<b>YTD 2Q2008 RM'000</b>
Current year - Malaysian tax	320	576
Prior year - Malaysian tax	6	6
Current year - Foreign tax	21	34
Deferred tax	2,172	4,465
<b>Total</b>	<b>2,519</b>	<b>5,081</b>

**A5 SEGMENTAL INFORMATION**

Segment information is presented in respect of the Group's business. No segment information on the basis of geographical segments is presented as all operations and segment assets 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 broadly based on market conditions and circumstances.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest revenue and financing costs.

**Business segments**

- Port operations - Ownership and operation of two port facilities, the LMT (dry and liquid bulk, breakbulk and containers) and the LBT (dry and liquid bulk) comprising Lumut Port.
- Marine services - Provision of tuggage and related services
- Investment holding - Investment in LBT RCCPS, LMT RPS, and shares in INDX and PGMC
- Industrial Properties - Sale of industrial property by LMTSB
- Resources - Mining and Smelting activities via current investment in PGMC

**A5 SEGMENTAL INFORMATION – GROUP (continued)**

<b>6 Months Ended 30.06.08 RM'000</b>	<b>Port Operations</b>	<b>Marine Services</b>	<b>Investment Holding</b>	<b>Industrial Properties</b>	<b>Resources</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Business segments</b>							
Revenue from external customers	42,263	2,928	-	-	-	-	45,191
Inter-segment revenue	-	-	800	-	-	(800)	-
Share of revenue of associates	15,238	-	-	252	1,051	-	16,541
<b>Total gross revenue</b>	<b>57,501</b>	<b>2,928</b>	<b>800</b>	<b>252</b>	<b>1,051</b>	<b>(800)</b>	<b>61,732</b>
Share of revenue of associates	(15,238)	-	-	(252)	(1,051)	-	(16,541)
<b>Total revenue</b>	<b>42,263</b>	<b>2,928</b>	<b>800</b>	<b>-</b>	<b>-</b>	<b>(800)</b>	<b>45,191</b>
<b>Segment result</b>	<b>24,842</b>	<b>496</b>	<b>(509)</b>	<b>-</b>	<b>-</b>	<b>(800)</b>	<b>24,029</b>
Operating profit							24,029
Financing costs							(7,132)
Interest income							2,113
Share of loss after tax of associate							556
Profit before taxation							19,566
Tax expense							(5,081)
Minority interests							(2,713)
<b>Profit for the period attributable to shareholders</b>							<b>11,772</b>

**A5 SEGMENTAL INFORMATION – GROUP (continued)**

<b>6 Months Ended 30.06.07 RM'000</b>	<b>Port Operations</b>	<b>Marine Services</b>	<b>Investment Holding</b>	<b>Industrial Properties</b>	<b>Resources</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Business segments</b>							
Revenue from external customers	40,285	3,040	-	-	-	-	43,325
Inter-segment revenue	-	-	800	-	-	(800)	-
Share of revenue of associate	11,719	-	-	7,357	4,738	-	23,814
<b>Total gross revenue</b>	<b>52,004</b>	<b>3,040</b>	<b>800</b>	<b>7,357</b>	<b>4,738</b>	<b>(800)</b>	<b>67,139</b>
Share of revenue of associate	(11,719)	-	-	(7,357)	(4,738)	-	(23,814)
<b>Total revenue</b>	<b>40,285</b>	<b>3,040</b>	<b>800</b>	<b>-</b>	<b>-</b>	<b>(800)</b>	<b>25,827</b>
<b>Segment result</b>	<b>26,297</b>	<b>329</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>(800)</b>	<b>25,827</b>
Operating profit							25,827
Financing costs							(8,258)
Interest income							1,764
Share of profit after tax of associate							8,400
Profit before taxation							27,733
Tax expense							(5,146)
Minority interests							(2,630)
<b>Profit for the period attributable to shareholders</b>							<b>19,957</b>

**A6 SUBSEQUENT MATERIAL EVENTS**

There were no subsequent material events though we draw the attention of readers to Note A1.3(e)(i) and its estimated impact on Share of Profit after Tax of Associates in the forthcoming quarter .

**A7 CHANGES IN GROUP COMPOSITION**

There were no changes in the Group composition during the current quarter.

**A8 CHANGES IN CONTINGENT ASSETS AND LIABILITIES**

There were no changes in contingent assets and liabilities during the quarter.

**A9 CAPITAL COMMITMENTS**

No capital commitments were contracted for by the Company during the current quarter.

**A10 RELATED PARTY TRANSACTIONS**

Set out below are the significant related party transactions occurring in the normal course of business for the financial year and which were carried out on terms and conditions not more materially different from those obtainable in transactions with unrelated parties.

	Value of Transactions		Balance Outstanding As At	
	YTD 2Q2008 RM '000	YTD 2Q2007 RM '000	30.06.2008 RM '000	30.06.2007 RM '000
Operations and maintenance fees payable to LMTSB	12,360	10,737	7,650	6,283
Management fees receivable from LMTSB.	300	300	100	100
Tuggage services receivable from LMTSB.	2,928	3,040	361	722
Office facilities fees receivable from PKS, a company wholly owned by HRH.	83	83	14	-

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1 REVIEW OF PERFORMANCE**

Refer to Notes A1.1 and A1.2.

**B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER**

Refer to Note A1.1.

**B3 PROSPECTS**

Refer to Note A1.3.

**B4 PROFIT FORECAST**

No profit forecast has been made in a public document.

**B5 TAX EXPENSE**

Refer to Note A4.8.

**B6 DISPOSAL OF UNQUOTED INVESTMENTS AND PROPERTIES**

There were no disposals of unquoted investments and properties during the current quarter.

**B7 PURCHASE OR DISPOSAL OF QUOTED SECURITIES**

There were no other purchases or disposals of quoted securities during the current quarter.

**B8 STATUS OF CORPORATE PROPOSALS**

Refer to Note A7. No other corporate proposals are in existence at this time.

**B9 BORROWING AND DEBT SECURITIES**

Refer to Notes A4.5 and A4.7.

**B10 OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

The Company has not entered into any financial instruments with off balance sheet risk to the date of this announcement.

**B11 CHANGES IN MATERIAL LITIGATION**

The Company and Group is not involved in any material litigation.

**B12 DIVIDENDS**

The Board of Directors' recommendation of a final gross dividend of 2.7 sen per share, less tax at 26%, in respect of the financial year ended 31 December 2007 was approved by the shareholders at the Company's 22<sup>nd</sup> Annual General Meeting held on 30 June 2008. The dividend entitlement date is 27 August 2008 and the payment date of the dividend is 12 September 2008.

**B13 EARNINGS PER ORDINARY SHARE**

The earnings per ordinary share is calculated by dividing the PATSC for the period by the weighted average number of ordinary shares in issue during the period.

	<b>2 Q 2008 RM'000</b>	<b>YTD 2Q 2008 RM'000</b>
PATSC for the period	6,132	11,772
Weighted average number of ordinary shares in issue	300,806	300,806
<b>Earnings per share (sen)</b>	<b>2.04</b>	<b>3.91</b>

**B14 CAPITAL COMMITMENTS**

Refer to Note A 9.