

integra^xberhad

Integrax Berhad (49317-W)

ANNUAL REPORT
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CONTENTS

DEFINITIONS.....	2
NOTICE OF ANNUAL GENERAL MEETING.....	3
CORPORATE INFORMATION.....	4
ANALYSIS OF SHAREHOLDINGS	5 - 7
PROFILES OF DIRECTORS.....	8 - 9
CHAIRMAN'S STATEMENT	10 - 12
OPERATIONS REPORT	13 - 15
CORPORATE GOVERNANCE STATEMENT.....	16 - 20
AUDIT COMMITTEE REPORT	21 - 24
STATEMENT ON INTERNAL CONTROL.....	25 - 26
FINANCIAL STATEMENTS 2005.....	27 - 71
PROPERTIES OWNED BY THE GROUP.....	72
FORM OF PROXY.....	73

DEFINITIONS

In this annual report and financial statements, unless otherwise stated, the following abbreviations shall have the following meanings:-

“Act”	: Companies Act, 1965
“CTPL”	: Cakra Terminals Pty Ltd (<i>Company No. 200410224 H</i>)
“FRS”	: Financial Reporting Standards
“Group”	: Integrax and its subsidiaries
“Integrax” or “the Company”	: Integrax Berhad (<i>Company No. 49317-W</i>)
“ICPS”	: Irredeemable convertible preference shares of RM0.10 each in Integrax
“ICULS”	: 3% irredeemable convertible unsecured loan stocks 2003/2005
“Ordinary Share(s)”	: Ordinary share(s) of RM1.00 each in Integrax
“HRH”	: Halim Rasip Holdings Sdn. Bhd. (<i>Company No. 64655-T</i>)
“LBTSB”	: 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 LBTSB
“LBT RCCPS”	: Redeemable cumulative convertible preference share(s) of RM0.01 each in LBTSB issued at a premium of RM0.99 each
“LBT RNCPS”	: Redeemable non-cumulative convertible preference share(s) of RM0.01 each in LBTSB issued at a premium of RM0.99 each
“LMTSB”	: Lumut Maritime Terminal Sdn. Bhd. (<i>Company No. 180480-D</i>), an associate company of PLSB
“LMT RPS”	: Redeemable preference share(s) of RM0.01 each in LMTSB issued at a premium of RM0.99 each which is convertible to ordinary shares of RM1.00 each in LMTSB by agreement of all LMTSB’s shareholders
“LMTC”	: LMT Capital Sdn. Bhd. (<i>Company No. 488241-T</i>), a wholly-owned subsidiary of LMTSB
“LMTC RPS”	: Redeemable preference share(s) of RM1.00 each in LMTC issued at a premium of RM9,999 each
“MASB”	: Malaysian Accounting Standards Board
“PKS”	: Petrokapal Sdn. Bhd. (<i>Company No. 30921-D</i>)
“PLSB”	: Pelabuhan Lumut Sdn. Bhd. (<i>Company No. 168205-M</i>), a wholly-owned subsidiary of Integrax
“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
“SKSB”	: Segmen Kembara Sdn. Bhd. (<i>Company No. 685897-K</i>) a wholly-owned subsidiary of Integrax
“TKSB”	: Trek Kembara Sdn. Bhd. (<i>Company No. 701742-W</i>) a wholly-owned subsidiary of Integrax
“WKSBB”	: Wijaya Kristal Sdn. Bhd. (<i>Company No. 708247-M</i>) a wholly-owned subsidiary of Integrax

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of the Company will be held at CempakaRaya Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 30 June 2006 at 10.30 a.m. for the following purposes:-

- | | |
|--|-----------------------|
| (1) To receive and consider the Audited Financial Statements for the financial year ended 31 December 2005 together with the Reports of the Directors and Auditors thereon. | Ordinary Resolution 1 |
| (2) To approve the payment of a First and Final Tax Exempt Dividend of 2% per share in respect of the financial year ended 31 December 2005 as recommended by the Directors. | Ordinary Resolution 2 |
| (3) To re-elect the following Directors retiring in accordance with Article 80 of the Company's Articles of Association: | |
| i) Nelson Gylding Dorrell Borch | Ordinary Resolution 3 |
| ii) YB Dato' Ir Onn bin Hamzah | Ordinary Resolution 4 |
| (4) To approve the Directors' fees of RM820,000 for the financial year ended 31 December 2005. | Ordinary Resolution 5 |
| (5) To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 6 |
| (6) As special business, to consider and if thought fit, to pass, with or without any modifications, the following resolution:- | |
| Proposed Authority To Allot Shares Pursuant To Section 132D Of The Companies Act, 1965 | Ordinary Resolution 7 |
| <p>“That pursuant to Section 132D of the Companies Act, 1965, and subject always to the approval of the relevant authorities, the Directors be and are hereby authorised to issue shares in the Company to such persons at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, and that the Directors be and are also authorised to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad.”</p> | |
| (7) To transact any other business of which due notice shall have been given. | |

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that the First and Final Tax Exempt Dividend of 2% per share in respect of the financial year ended 31 December 2005, if approved, will be payable on 31 July 2006 to the shareholders registered in the Record of Depositors at the close of business on 10 July 2006.

A depositor shall qualify for entitlement to the dividend only in respect of:

- Shares transferred into the Depositor's securities account before 4.00 p.m. on 10 July 2006 in respect of ordinary transfers; and
- Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

Chan May Yee
Secretary

Kuala Lumpur
8 June 2006

Notes:

- A proxy may but does not need to be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 ("the Act") shall not apply.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at 17th Floor – Tower Block, Kompleks Antarabangsa, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the meeting.
- A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting. The provisions of Section 149(1)(c) of the Act shall not apply to the Company.
- Where a member appoints more than one proxy the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- If the appointor is a corporation, this form must be executed under its common seal or under the hand of its attorney.
- Profiles of the Directors (together with their attendance in Board Meetings) standing for re-election as Directors of the Company for Ordinary Resolutions 3 and 4 are shown on page 9 of the 2005 Annual Report.
- Explanatory Notes on Special Business
Ordinary Resolution 7 – Proposed Authority To Allot Shares Pursuant To Section 132D Of The Companies Act, 1965
The ordinary resolution proposed in Agenda 6 above, if passed, will empower the Directors of the Company from the date of the above meeting until the next Annual General Meeting, unless previously revoked or varied at a general meeting, to issue shares in the Company up to an aggregate number not exceeding 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company.

CORPORATE INFORMATION

Board of Directors

Harun Halim Rasip

Amin Halim Rasip

Nelson Gylding Dorrell Borch

Stanislaw Wassylko

YB Dato' Ir. Onn Hamzah

Chairman and Co-Chief Executive (Ports & Other Business)

*Executive Director and Co-Chief Executive
(Marine & Other Business)*

Independent Non-Executive Director

Independent Non-Executive Director

Non-Independent and Non-Executive Director

Audit Committee

Nelson Gylding Dorrell Borch (*Chairman*)

Stanislaw Wassylko

Harun Halim Rasip (MIA 1232)

Remuneration Committee

Nelson Gylding Dorrell Borch (*Chairman*)

Stanislaw Wassylko

Nomination Committee

Stanislaw Wassylko (*Chairman*)

Nelson Gylding Dorrell Borch

Company Secretary

Chan May Yee (MAICSA 7031988)

Stock Exchange Listing

Main Board, Bursa Malaysia Securities Berhad

Stock Short Name : INTEGRA

Stock Code : 9555

Principal Banker

Bumiputra-Commerce Bank Berhad

HSBC Bank Malaysia Berhad

ABN AMRO Bank N.V.

Registered Office

17th Floor – Tower Block

Kompleks Antarabangsa

Jalan Sultan Ismail

50250 Kuala Lumpur

Tel No. : 603-21417166

Fax No. : 603-21414170

E-mail: harunhalimrasip@integrax.com.my/

mayyee@integrax.com.my

Share Registrar

Symphony Share Registrars Sdn Bhd

Level 26 Menara Multi-Purpose

Capital Square

No 8 Jalan Munshi Abdullah

50100 Kuala Lumpur

Tel No. : 603-2721 2222

Fax No. : 603-2721 2530/2721 2531

Website : www.symphony.com.my

Auditors

KPMG

Chartered Accountants

C-1-03, 1st Floor

No 2 Persiaran Greentown 3

Greentown Business Centre

30450 Ipoh

Perak Darul Ridzuan

Solicitors

Wong & Partners

KL Wong

ANALYSIS OF SHAREHOLDINGS

30 APRIL 2006

Authorised share capital	:	RM470,000,000
Issued and paid-up capital	:	RM300,805,917
Class of share	:	Ordinary Shares of RM1.00 each
Voting rights	:	One vote per ordinary share on a poll One vote per shareholder on a show of hands

Breakdown of Shareholdings

(1) Analysis by size of shareholdings

Size of Shareholdings	No. of Shareholders	No. of Shares	% of Issued Share Capital
1 – 99	41	1,620	0.00
100 – 1,000	1,537	1,497,960	0.50
1,001 – 10,000	3,028	13,215,329	4.39
10,001 - 100,000	818	25,216,088	8.38
100,000 to less than 5% of issued shares	107	92,927,730	30.89
5% and above of issued shares	5	167,947,190	55.83
TOTAL	5,536	300,805,917	100.00

(2) List of thirty largest shareholders as in the Register of Members and the Record of Depositors

No.	Name	No. of Shares	% of Issued Share Capital
1	Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Halim Rasip Holdings Sdn Bhd	53,526,057	17.79
2	Halim Rasip Holdings Sdn Bhd	45,833,042	15.24
3	RC Nominees (Tempatan) Sdn Bhd Kuda Sejati Sdn Bhd	24,945,217	8.29
4	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse	24,287,548	8.07
5	Kuda Sejati Sdn Bhd	19,355,326	6.43
6	Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd BMMB for Kuda Sejati Sdn Bhd	14,000,000	4.65
7	Employees Provident Fund Board	11,027,600	3.67
8	Jurukapal Marine Services Sdn Bhd	5,920,000	1.97
9	MIDF Sisma Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Jurukapal Marine Services Sdn Bhd	4,720,000	1.57
10	Nor'aini Binti Hashim	4,347,826	1.45

ANALYSIS OF SHAREHOLDINGS

AS AT 30 APRIL 2006 (continued)

11	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Ittikal Fund	4,152,400	1.38
12	AM Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (A/C1)	4,138,991	1.38
13	Rozia Hanis binti Tun Hussein	3,943,912	1.31
14	Lekir Group One Sdn Bhd	3,722,347	1.24
15	Kuala Vest Sdn Bhd	2,819,560	0.94
16	Abdul Halim bin Jantan	2,691,304	0.89
17	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Hidden Treasures Fund	2,000,000	0.66
18	Universal Trustee (Malaysia) Berhad Mayban Balanced Trust Fund	1,570,300	0.52
19	Amanah Raya Nominees (Tempatan) Sdn Bhd Dana Al-Aiman	1,504,000	0.50
20	Yeoh Ah Tu	1,335,500	0.44
21	Mayban Nominees (Tempatan) Sdn Bhd Mayban General Assurance Berhad (Insurance Fund)	1,223,400	0.41
22	Yeoh Ah Tu	1,005,100	0.33
23	Amanah Raya Nominees (Tempatan) Sdn Bhd Mayban Dana Ikhlas	900,000	0.30
24	AMMB Nominees (Tempatan) Sdn Bhd Amtrustee Berhad for SBB Dana Al-Ihsan	843,700	0.28
25	Quarry Lane Sdn Bhd	750,000	0.25
26	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad	652,173	0.22
27	Mayban Nominees (Tempatan) Sdn Bhd Mayban Life Assurance Berhad	610,000	0.20
28	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeoh Ah Tu	602,000	0.20
29	Ho Chu Chai	587,000	0.20
30	Lim Sai Ngin	573,000	0.19

ANALYSIS OF SHAREHOLDINGS

AS AT 30 APRIL 2006 *(continued)*

(3) List of substantial shareholders

No.	Name of shareholder	Direct interest		Indirect/ deemed interest	
		No of Shares	%	No of Shares	%
1.	Halim Rasip Holdings Sdn Bhd	99,359,099	33.03	-	-
2.	Rozia Hanis binti Tun Hussein	4,173,912	1.39	99,359,099* ¹	33.03
3.	Harun bin Halim Rasip	-	-	113,721,446* ²	37.80
4.	Amin bin Halim Rasip	-	-	113,721,446* ²	37.80
5.	Kuda Sejati Sdn Bhd	58,300,543	19.38	-	-
6.	Perbadanan Kemajuan Negeri Perak	-	-	58,300,543* ³	19.38
7.	Employees Provident Fund Board	15,166,591	5.04	-	-

Notes:

* 1 Deemed interested by virtue of her shareholding in Halim Rasip Holdings Sdn Bhd

* 2 Deemed interested by virtue of their shareholdings in Halim Rasip Holdings Sdn Bhd, Jurukapal Marine Services Sdn Bhd and Lekir Group One Sdn Bhd

* 3 Deemed interested by virtue of its shareholding in Kuda Sejati Sdn Bhd

(4) Directors' shareholdings as at 30 April 2006

No.	Name of shareholder	Direct interest		Indirect/ deemed interest	
		No of Shares	%	No of Shares	%
1.	Nelson Gylding Dorrell Borch	7,000	0.00	-	-
2.	Stanislaw Wassylko	467,000	0.15	-	-
3.	Harun bin Halim Rasip	-	-	113,721,446* ¹	37.80
4.	Amin bin Halim Rasip	-	-	113,721,446* ¹	37.80
5.	YB Dato' Ir Onn Hamzah	-	-	-	-

Note:

*1 Deemed interested by virtue of their shareholdings in Halim Rasip Holdings Sdn Bhd, Jurukapal Marine Services Sdn Bhd and Lekir Group One Sdn Bhd

PROFILES OF DIRECTORS

HARUN HALIM RASIP

Malaysian, aged 52, Chairman, Co-Chief Executive (Ports and Other Business) and Chief Financial Officer, appointed to the Board on 29 May 2001. He is a member of the Audit Committee of the Board.

He graduated from the University of Western Australia with a Bachelor of Commerce Degree (Accounting). He then articulated with Price Waterhouse in Perth, Western Australia for admission to the Institute of Chartered Accountants in Australia. He returned to Price Waterhouse, Kuala Lumpur in 1978 and left in 1983. He was thereafter involved in the activities of the Halim Rasip Holdings Sdn Bhd ("HRH") Group as Managing Director in the functions of promotion, finance, business development and management. He is deemed a connected party to HRH, a major shareholder of Integrax.

He is a member of the Institute of Chartered Accountants in Australia and Malaysian Institute of Accountants.

He is the Non-Executive Chairman of Landmarks Berhad and a Non-Independent and Non-Executive Director of Shangri-la Hotels (Malaysia) Berhad. He is also a member of the Executive Committee of the Federation of Public Listed Companies Bhd (FPLC) since 2004, besides being a member of its Technical & Regulatory Committee and Accounting Standards Sub-Committee since 2003.

He is deemed interested in various related party transactions. He is the elder brother of Encik Amin Halim Rasip. His indirect interest in the shares of Integrax is disclosed in the Directors' Report shown on page 29 of the 2005 Annual Report.

He attended all the five (5) Board of Directors' meetings held during the financial year ended 31 December 2005. He has not been convicted for offences within the past ten years other than for traffic offences, if any.

AMIN HALIM RASIP

Malaysian, aged 51, Executive Director and Co-Chief Executive (Marine and Other Business), appointed to the Board on 29 May 2001.

He graduated from the University of Newcastle, Australia in 1977 with a Bachelor of Engineering Degree in Naval Architecture. He also holds a Master of Science Degree from the Massachusetts Institute of Technology (MIT) in United States of America where he specialised in Financial Engineering.

His core strengths include extensive technical design knowledge and 'hands on' practical operational experience in several engineering disciplines, acquired from over 20 years involvement in various sectors including ship design, ship repair, ship management, steel fabrication, maintenance systems, control systems, quality assurance, manufacturing, integrated logistics systems, system reliability, survey, hook up and commissioning, subsea engineering, offshore oil and gas industry and consultancy.

His commercial financial and business creation strengths have been involved in the past and present activities of HRH Group being shipowning, ship management, fabrication, maintenance, manufacturing, oil and gas industry services and logistics.

He is deemed a connected party to HRH, a major shareholder of Integrax. He does not hold directorships in any other public company. He is deemed interested in various related party transactions. He is the younger brother of Encik Harun Halim Rasip. His indirect interest in the shares of Integrax is disclosed in the Directors' Report shown on page 29 of the 2005 Annual Report.

He attended all the five (5) Board of Directors' meetings held during the financial year ended 31 December 2005. He has not been convicted for offences within the past ten years other than for traffic offences, if any.

PROFILES OF DIRECTORS *(continued)*

NELSON GYLDING DORRELL BORCH

Canadian, aged 44, Independent Non-Executive Director, appointed to the Board on 5 April 2001. He is the Chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee of the Board.

He obtained his Bachelor of Science (Civil) Degree from University of British Columbia in 1986. Upon completion of his Bachelor Degree, he joined CBR Ocean Construction Supplies Ltd., Vancouver, British Columbia as a Technical Services Engineer before being promoted to Manager Masonry and Packaged Materials Division in 1989. Subsequently, he joined CBR Tilbury Cement Ltd., Delta, British Columbia in 1993 as Sales and Distribution Manager British Columbia and Alaska. In early 1994, he was relocated from Canada to Kuala Lumpur to set up and manage Terra Geotechnics Sdn. Bhd., a joint venture Civil/Geotechnical Engineering Consultancy Practice as the Chief Executive Officer/Managing Partner. His responsibilities included management, procurement and execution of project consultancy work and financial and general management of the joint venture company. He left Terra Geotechnics Sdn. Bhd. in 2001 to become an Executive Director in P.T. Indocement Tunggal Prakasa based in Jakarta, Indonesia.

He attended four (4) out of five (5) Board of Directors' meetings held during the financial year ended 31 December 2005.

He has no family relationship with any Director and/or major shareholder and he does not have any conflict of interest with the Company. He has not been convicted for offences within the past ten years other than for traffic offences, if any. Currently, he does not hold directorships in any other public company incorporated in Malaysia. His direct interest in the shares of Integrax is disclosed in the Directors' Report shown on page 29 of the 2005 Annual Report.

YB DATO' Ir. ONN HAMZAH

Malaysian, aged 58, Non-Independent and Non-Executive Director, appointed to the Board on 11 April 2003.

He graduated from the University of Tasmania with a Bachelor of Engineering (Electrical) Degree. He registered as a Professional Engineer with the Board of Engineers Malaysia (B.E.M) since 1974.

He was appointed as a Director of Techart Sdn Bhd since 1984, a company engaged in providing Engineering and Project Management Consultancy.

He was the Head of Teluk Intan UMNO Division (1995-2005) and is currently State Assemblyman for Changkat Jong, Perak.

He is the nominee Director of Perbadanan Kemajuan Negeri Perak, a major shareholder of Integrax. He is also an Independent Non-Executive Director of IRM Group Berhad. Save as disclosed, he has no family relationship with any Director or major shareholder of Integrax and he does not have any conflict of interest with the Company.

He attended three (3) out of five (5) Board of Directors' meetings held during the financial year ended 31 December 2005. He has not been convicted for offences within the past ten years other than for traffic offences, if any.

STANISLAW WASSYLKO

Australian, aged 59, Independent Non-Executive Director, appointed to the Board on 21 June 2004. He is the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Board.

After Matriculating he graduated from Frankston Teachers College (Monash University) with a Trained Primary Teachers Certificate. He has more than 30 years of international working experience in oil and gas, maritime and construction related sectors.

He has managed and is involved in several foreign companies incorporated in Australia and Singapore providing consultancy and engineering services to the international oil and gas industry and maritime industry.

He attended all the five (5) Board of Directors' meetings held during the financial year ended 31 December 2005.

He has no family relationship with any Director and/or major shareholder and he does not have any conflict of interest with the Company. He has not been convicted for offences within the past ten years other than for traffic offences, if any. Currently, he does not hold directorships in any other public company incorporated in Malaysia. His direct interest in the shares of Integrax is disclosed in the Directors' Report shown on page 29 of the 2005 Annual Report.

CHAIRMAN'S STATEMENT

1.0 INTRODUCTION

For and behalf of the Board of Directors, I present to you this Annual Report for the financial year ended 31 December 2005 for your kind attention and consideration. Please do not hesitate to raise any issues or questions on any matter to do with this Annual Report and on the Company at the forthcoming Annual General Meeting.

2.0 COMMENTARY ON THE FINANCIAL RESULTS

The financial results of the Company and the Group are set out in the Annual Report. To further assist your understanding of the same I set out the following comments:

- (a) Group revenues were down marginally with lower cargo throughput for the year with on and off power generation, coal sourcing and shipping issues being experienced by our current primary user, the TNB Janamanjung Power Plant. Nonetheless we remain confident that they will overcome such issues in the time ahead.
- (b) Group Gross Profits were also therefore impacted marginally as was Operating Profit. Notwithstanding this our Profit before Taxation increased as a result of lower financing costs and an improved contribution from our Associate Company.
- (c) Group tax expense decreased as a consequence of an adjustment for deferred tax. Please remember that this is an accounting adjustment to comply with FRS as required by law.
- (d) Group Net Profit after Tax and Minority Interests increased from RM23.42 million in 2004 to RM27.626 million this year which represents at 17.9% jump. This underlines the continuing resilience of our port operations business.

3.0 DIVIDEND

Following on from efforts made to tidy up our balance sheet we now have a stream of income to the Company which has now permitted us to declare a maiden dividend for the Company of 2% tax exempt for shareholders. It is, admittedly, a small start and we hope to improve on this in future years where and when possible.

4.0 PROSPECTS FOR THE FORTHCOMING YEAR

PORT OPERATIONS-MALAYSIA

There is reason to feel a little more optimistic for this coming year than in previous years for the following reasons:

- (a) We have reason to expect an increase in cargo throughput for both the Lekir Bulk Terminal and the Lumut Maritime Terminal over the course of the next two years as a result of the number of new plants expected to be set up in the Lumut Port Industrial Park which will create new port users. This is especially the case with, based on current interest and actual sales of land, the interest in bio-diesel based on palm oil. At last count we had some six to eight potential plants to be set up that would provide for an increased liquid bulk throughput in excess of 500,000 MTPA and which would make Lumut a significant bio-diesel hub in Malaysia. This also presents potential for input providers to such a hub for methanol and sodium hydroxide used in the bio-diesel process.
- (b) We are also hopeful of concluding a sale of land to a liquid bulk storage operator that will further add to liquid bulk through 2007 and 2008.
- (c) We also hope to finalize arrangements with a new dry bulk exporter that will also add a significant tonnage to our Lekir Bulk Terminal in 2008 enabling us to partially realize the full capability of this world class marine facility.
- (d) Naturally all this new business will require some capital expenditure at subsidiary and associate company levels and steps are in progress to progress this in a prudent and timely manner.

CHAIRMAN'S STATEMENT *(continued)*

PORT OPERATIONS – OVERSEAS

We also have reasons to be a little more optimistic about our efforts to replicate our port business model overseas. After a number of abortive attempts we are now settled, after going through the necessary learning curve required for each country, into pursuing three potentials in India and two potentials in Indonesia with pending prospects in Indochina, the Middle East and the Philippines. As advised several times before, the process of developing ports has a timetable with respect to the legal structure, the terms and the approval processes not set or determined by ourselves and a dogged patience is required. Such projects after all are significant to the economic development of the hinterlands that they serve and there are therefore many interested parties in the whole process. We have looked at several that are single-user in nature but consider, in the cases we have investigated so far, that they involve an additional level of commercial risk that is untenable in the long run. This, however, does not mean such projects are off our radar.

We hope to be able to announce the successful conclusion of at least one in the near future which is likely to require your prior approval.

INDUSTRIAL PROPERTIES

Since the end of 2005 there has been a flurry of interest in the Lumut Port Industrial Park from the infant but significant bio-diesel sector in particular, which underlines the attractiveness of Lumut Port to singular sectors dealing with bulk.

MARINE SERVICES

With an anticipated improvement in cargo throughput in 2006 and 2007 this business activity will improve accordingly.

RESOURCES

We have made the first move into resources with an investment into nickel in the Philippines (refer announcement dated 10 May 2006) and will present additional information about this project at the AGM and answer any queries you may have. We have also made applications for Prospecting Permits for four areas in Kelantan for gold prospectivity and await news on our applications. In addition we have looked into several other mining resource projects at home and abroad and while some have proven to be of no interest or too difficult to do there are still projects pending which may come to fruition or otherwise. We believe that the resources boom still has legs on it for another few years yet and always look at projects within such a perspective.

During the year we have also pursued several energy projects in consortium with other parties, both Malaysian and foreign, but without success for reasons that our offers were either too low or we did not proceed further due to the terms involved. Again this experience has proven valuable as we have been able to sharpen our focus and our appreciation of value in a world of volatile energy prices. We remain enthusiastic and determined to find the project(s) that have our name on it.

OVERALL

Our basic intent moving forward remains unchanged in that we seek to build a range of interests that mix higher risk finite projects with low risk marine infrastructure projects. Clearly as our resource interests build up in value then some degree of restructuring will have to occur to the benefit of our shareholders in the first instance always.

When stuff happens in a conclusive manner that commits the Company then appropriate announcements will be made so shareholders will get to know about what is going on.

CHAIRMAN'S STATEMENT *(continued)*

4.0 OTHER MATTERS OF INTEREST

Anyone reading our past Annual Reports and Quarterly Statements can see that our Chief Financial Officer has long had issues with the mad rush by the MASB to introduce the FRS. As FRS are required to be complied with by law (see the 2004 Annual Report for comments on this) it is impossible not to adopt the same as there is little choice in the matter. The MASB has also finally come clean and admitted that they are seeking to implement the "Fair Value Accounting Convention" after keeping it under wraps earlier. The MASB's fundamental rationale is "because everyone is doing it". Tellingly "everyone" excludes most of the world's population and nations including China and India. Indeed one could be forgiven for asking what is going on? Our Chief Financial Officer believes that a good portion of the accounting community is confused and bewildered by the FRS and its requirements and some reputable and senior accountants think we have taken leave of our senses. The mantra of Fair Value is usually linked with that of the Globalization mantra. Our former PM had choice words in respect of this very mantra. What is clear is that the MASB has lost the plot as stakeholders need and desire greater disclosure and transparency and not only a theoretical break-up value of a business entity. There must surely exist a better and more comprehensible way of meeting stakeholder needs. One thought, by way of comfort, is that every past accounting convention or fad usually had a shelf life of a decade or so and that the Fair Value Convention, like its predecessors, will hopefully pass into the dustbin of previous discredited accounting fads.

EXPRESSION OF GRATITUDE AND THANKS

On behalf of the Board let me express our gratitude and thanks to our management and staff who have worked so hard in the year, our contractors and suppliers, our business partners and our Bondholders for their good faith and finally to all those shareholders who have remained steadfast.

Thank You.

Harun Bin Halim Rasip

Chairman

OPERATIONS REPORT

INTRODUCTION

In the interests of additional disclosure, this Report has been prepared in respect of the Port Operation Division, by the Senior Management, in respect to key issues and operational data.

PORT OPERATIONS DIVISION

Currently this Division only comprises the operations of Lumut Port. When the Group secures other port/terminalling operations this Report will include the same separately and on an aggregated basis where appropriate.

LUMUT PORT

Regulatory Matters – ISPS Code

The September 11 attack on the US has brought about a new emphasis on Maritime Security and new rules and regulations were enforced on 1 July 2004 known as the International Ship and Port Security (ISPS) Code. The Code was introduced through an amendment to Chapter XI of the Solas Convention and is in two parts. The first part contains the mandatory requirements and the second part provided guidelines for the requirements.

A Port Facility Security Assessment (PFSA) and the Port Facility Security Plan (PFSP) are necessary for compliance. The PFSA identified and evaluated important assets and infrastructure that were critical to the Port as well as those areas or structures that, if damaged, could cause significant losses to the Port or environment. The port is also required to identify security threats to these critical assets and infrastructure in order to put into place the right security measures. The security measures include for the development of a PFSP appropriate to the security risk level of the Port and the appointment of a Port Facility Security Officer (PFSO).

The PFSA and PFSP developed by Lumut Port was submitted to and approved by the Designated Authority, being the Federal Marine Department, as required under the Code. A Statement of Compliance (SOC) was issued to Lumut Port on the 29 June 2004 which is valid for 5 years.

ENVIRONMENTAL MEASURES

Management has always given priority to the requirements of the Department of Environment. Management has also maintained a responsive and good working relationship with the Department of Environment ensuring that environmental issues raised are responded to and are taken care of in a timely and positive manner.

Dust Mitigation

Of the total throughput at the port, 85 percent is made up of coal, cement clinkers, limestone aggregates, palm kernel expellers etc. These cargo are by their nature very dusty and during their loading and/or unloading into/from vessels may contribute to dust.

Measures Taken To Mitigate Dust

To mitigate the problem of dust, Management had taken/implemented the following measures:-

- i. Sweeping the terminal's roads and open areas twice a day with the use of mechanical vacuum sweepers. This is to ensure that minimum dust settles on surfaces which may be affected by winds. More roads within the port which were originally topped with crusher run will be paved with premix in the immediate future to enable a much more effective removal of dust.
- ii. Warehouses which are used for storage are enclosed to prevent dust created being released into the environment.
- iii. Handling equipment and the methodologies adopted for loading and unloading cargo into/from vessels are employed in a manner so as to mitigate dust as far as possible. Management is constantly looking into and seeking improvements in handling methods not only for enhanced productivity but also mitigate dust and noise.

OPERATIONS REPORT *(continued)*

ENVIRONMENTAL MEASURES *(CONT'D)*

Oil Spills Emergency Response Plan

With the assistance of the Department of Environment and the local authorities, Management has put in place an approved Oil Spills Emergency Response Plan to ensure the cleanliness of the surrounding waters. The port has also acquired the minimum requirements in terms of oil spill reception facilities for which practice drills are conducted together with the Department of Environment.

Landscaping Programme

Management has implemented and continues with a programme to introduce more greenery in the port by planting more trees and turfing of open areas to such extent as is possible.

PRODUCTIVITY MEASURES

Management has placed great emphasis on productivity to ensure that customers get “value for money” services apart from the fact that increased productivity creates greater capacity without having to invest in additional berths. Management has adopted a policy of increasing the operational performance targets to be met from year to year.

Approach Adopted To Increase Productivity

Management is constantly reviewing the efficiency of handling methods and of existing handling equipment. The Research and Development Unit within the Support Services Division specifically looks into improvements to existing handling equipment through modification and innovation and that appropriate improvements to preventive and corrective maintenance programmes are designed and implemented on a timely basis.

2 new mobile conveyor lines of 350 tons per hour capacity each were acquired in 2004 at a cost of RM1.5 million to complement 3 units of 120 tons per hour capacity each purchased in 1995. In addition, 4 new units of greater efficiency mobile hoppers were commissioned in 2005 to replace the older units which were acquired in 1994. In efforts to increase the overall handling capacity of Lumut Port, at its Lumut Maritime Terminal, as well as increasing the performance level of cargo and material handling, management is reviewing its present inventory of gears and cargo / material handling equipment with the objective of increasing their performance capabilities.

Operations are also constantly being reviewed and improvements being made to handling methodologies. In this respect, operational performance targets are set and reviewed from time to time to reflect the maximum capability of the terminals. Inherent in the approach to cargo handling is the requirement to:-

- Plan
- Set operational performance targets
- Carry out the plan
- Analyze the actual performance against targets set
- Review the actual performance and seek improvements

OPERATIONS REPORT *(continued)*

CARGO THROUGHPUT (FWT)

Cargo By Type	2005	2004	2003	2002	2001
Conventional Breakbulk	42,624	39,312	80,148	92,925	185,437
Liquid Bulk	531,869	577,268	583,330	486,148	454,592
LMT Dry Bulk	1,511,023	1,854,814	1,488,606	1,364,098	594,611
LBT Dry Bulk	4,881,301	4,968,837	3,424,080	1,012,537	-
TOTAL	6,966,817	7,440,231	5,576,164	2,955,708	1,234,640

Cargo By Industry Sector	2005	2004	2003	2002	2001
Chemicals	53,481	128,442	63,935	78,038	50,806
Mining	444,722	516,012	497,536	481,808	393,683
Agriculture	708,760	691,021	724,320	552,807	545,349
Construction Materials	843,887	1,098,007	775,469	767,102	90,991
Energy	4,881,301	4,968,837	3,424,080	1,012,537	-
Others	34,666	37,912	90,824	63,416	153,811
TOTAL	6,966,817	7,440,231	5,576,164	2,955,708	1,234,640

CALLS	DWT	2005		2004		2003		2002		2001	
		LBT	LMT	LBT	LMT	LBT	LMT	LBT	LMT	LBT	LMT
Capemax	160,000					1					
Capesize	130,000					1					
Panamax	70,000	64	2	64		46	9	16			
Handymax	45,000	6	9	10	10		18		27		5
Handysize	30,000		2		2		5		2		10
General Cargo Vessel less than	30,000		191		217		197	1	188		202
Vessel Calls		70	204	74	229	48	229	17	217	Nil	217
Barge Calls		-	117	-	120	-	57	-	58	-	49
TOTAL CALLS		70	321	74	349	48	286	17	275	Nil	266

COMMENTS ON THROUGHPUT

In 2005 the Port experienced a deterioration in the Dry Bulk business primarily due to issues experienced by the exporters and importers in the Construction Materials and Energy Sectors with their plants and changing market conditions for both inputs and outputs. The Port expects an improved performance in the Energy Sector and a significant boost to the Liquid Bulk business over the next two (2) years with the Port expected to handle a significant portion of the nation's prospective biodiesel activities in addition to other activities.

CORPORATE GOVERNANCE STATEMENT

A. INTRODUCTION

The Board of Directors is committed to ensuring that the highest standards of corporate governance is practiced throughout the Group as a fundamental part of discharging their responsibilities to protect and enhance shareholder value and the financial performance of the Group.

The Directors are pleased to set out below how the Company has applied the principles set out in Part 1 of the Malaysian Code on Corporate Governance (“Code”). Except for matters specifically identified, the Board of Directors has complied with the best practices set out in the Code.

B. BOARD OF DIRECTORS

1) Composition and Board Balance

An effective Board leads and controls the Group. The Board currently has five (5) members, comprising two (2) Executive Directors and three (3) Non-Executive Directors. The Independent Non-Executive Directors are Mr Nelson Gylding Dorrell Borch and Mr Stanislaw Wassylko. The Board complies with paragraph 15.02 of the Listing Requirements which requires that at least two directors or one-third of the Board, whichever is the higher, are independent Directors. No individual or group of individuals dominates the Board’s decision making.

Encik Harun Halim Rasip is the Chairman, a Co-Chief Executive and Chief Financial Officer of the Company. The Board is mindful of the several roles held by him but is of the opinion that there are sufficient independent-minded Directors on the Board who are fully aware and cognizant of their responsibilities and liabilities as independent directors to provide the necessary check and balance. He, as a rule, also abstains from all deliberations and voting on matters that he is directly or deemed interested.

Together, the Directors bring a wide range of business and financial experience to direct the expanding Group. A brief profile of each Director is set out on pages 8 to 9 of this report.

(2) Meetings

During the financial year, the Board held five (5) meetings. The attendance record of Directors at Board Meetings held during the financial year ended 31 December 2005 can be found in the Profiles of Directors on pages 8 to 9.

(3) Supply of information to the Board members

All Directors are provided with an Agenda with Board papers on a timely basis prior to the meeting to enable them to deliberate on an informed basis on the issues to be raised at the meeting. The Board papers includes, among others, the following details:-

- minutes of meetings of all Committees of the Board
- operational and financial reporting of the Group
- business development of the Group
- Audit Committee reporting
- regulatory and other administrative matters

All proceedings of Board Meetings are minuted and signed by the Chairman of the Meeting in accordance with the provision of Section 156 of the Companies Act, 1965.

The Directors have unrestricted access to all information within the Group whether as a full board or in their individual capacity, in furtherance of their duties.

The Directors also have access to the advice and services of the Company Secretary and independent professional advice should the need arise. The newly appointed Directors are encouraged to visit the Group’s operating sites to familiarise themselves with the operations of the Group.

CORPORATE GOVERNANCE STATEMENT *(continued)*

B. BOARD OF DIRECTORS *(CONT'D)*

(4) Directors' training

Directors are encouraged to attend continuous education programmes to keep them abreast of changes in legislations and regulations that affect business operations. All the Directors have attended and completed the Mandatory Accreditation Programme (MAP).

Attendance at appropriate continuous training and education programmes by Directors is encouraged in compliance with paragraph 15.09 of the Listing Requirements of BMSB. During 2005, the majority of the Directors have attended on their own initiative various sectoral conferences, dialogues and seminars to deepen their knowledge of various sectors and the existing economic climate. The exigencies of time have however precluded more formal training programmes to be attended by Directors.

(5) Re-election of Directors

In accordance with the Company's Articles of Association, all newly appointed Directors are subject to re-election by shareholders at the first Annual General Meeting ("AGM") after their appointments. At every AGM one-third (1/3) of the existing Directors will retire from office and all Directors retire from office once at least every three years but shall be eligible for re-election. Directors who attain an age over seventy (70) years retire at every AGM pursuant to Section 129(6) of the Companies Act, 1965.

The names of the Directors who are standing for re-election at the forthcoming Twentieth Annual General Meeting of the Company are shown on page 3 of this report. The relevant information of the retiring Directors can be found in the Profiles of Directors.

(6) Audit Committee

The composition and terms of reference of the Audit Committee together with its report are presented on pages 21 to 24 of this report.

(7) Nomination Committee

The Nomination Committee was formed on 26 February 2002, and is responsible to ensure that the Directors of the Board comprise persons that provide the required mix of responsibilities, business skills and experience. The Nomination Committee also assists the Board in reviewing on an annual basis the appropriate balance and size of Non-Executive participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.

The Nomination Committee comprises the following members:

- 1) Stanislaw Wassylko - Chairman
- 2) Nelson Gylding Dorrell Borch - Member

During the financial year, the Committee held one (1) meeting to review the appropriate balance and size of the Board and assessed the effectiveness of the Board as a whole. No new appointments were made to the Board for the financial year under review.

(8) Remuneration Committee

The Remuneration Committee was formed on 26 February 2002, and is responsible to ensure that the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company and to align the interest of the Directors with those of the shareholders are in place.

The following Directors are members of the Remuneration Committee:

- 1) Nelson Gylding Dorrell Borch* - Chairman
- 2) Stanislaw Wassylko* - Member

(* Independent Non-Executive Director)

For the financial year ended 31 December 2005, the Committee held one (1) meeting.

CORPORATE GOVERNANCE STATEMENT *(continued)*

B. BOARD OF DIRECTORS *(CONT'D)*

(9) Directors' remuneration

The Board as a whole determines the remuneration of Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration.

The details of the remuneration of each Director during the period are as follows:

	Salaries	Fees	Bonus and Incentives	Benefits in kind	Total 2005	Total 2004
	RM	RM	RM	RM	RM	RM
Executive Directors *						
Harun Halim Rasip	-	340,000	-	-	340,000	40,000
Amin Halim Rasip	-	340,000	-	-	340,000	40,000
Non-Executive Directors						
Mohd Sofian Jaafar <i>(resigned on 5 July 2005)</i>	-	20,000	-	-	20,000	40,000
Nelson Gylding Dorrell Borch	-	40,000	-	-	40,000	40,000
YB Dato' Ir. Onn Hamzah	-	40,000	-	-	40,000	40,000
Stanislaw Wassylko	-	40,000	-	-	40,000	23,333
	-	820,000	-	-	820,000	223,333

* Payable to HRH

Non-Executive Directors do not receive any performance related remuneration. The Directors' fees payable to Directors is determined by the Board and recommended for the approval of shareholders.

C. SHAREHOLDERS

1) Dialogue between the Company and Investors

The Board and Management convey information about the Company performance, corporate strategy and other matters affecting shareholders' interests through the distribution of annual reports, circulars and corporate announcements released to BMSB.

In addition, information on the development of Lumut Port can be accessed from the website at www.lumutport.com. The Company holds occasional briefings with fund managers, institutional investors and investment analysts.

Presentations, where appropriate, will be made with a question and answer session to explain and provide a rationale of the Group's strategy, performance and major developments to shareholders during the Annual General Meeting.

Shareholders may contact Encik Harun Halim Rasip for any enquiries at (email) harunhalimrasip@integrax.com.my, (tel) 603-21417166 (fax) 603-21412995. At all times, shareholders may contact the Company Secretary for information.

(2) Annual General Meeting

In accordance with the Company's Articles of Association, Notice of Annual General Meeting for each financial year end together with the related papers were sent out to shareholders at least 21 days before the date of the meeting.

At the Annual General Meeting, shareholders are encouraged to ask questions both about the resolution being proposed or about the Group's operations, plans and prospects in general. The Chairman and where appropriate, the Executive Directors, will respond to shareholders' questions during the meeting. Where appropriate, the Chairman may undertake to provide a written answer to any significant question that cannot be readily answered at the meeting.

CORPORATE GOVERNANCE STATEMENT *(continued)*

(2) Annual General Meeting *(CONT'D)*

Each item of special business included in the Notice of Annual General Meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at each meeting and the Chairman shall declare the number of proxy votes received both for and against each separate resolution.

The Company will provide shareholders, upon written request, with a summary of the discussions held at the Annual General Meeting.

D. ACCOUNTABILITY AND AUDIT

(1) Financial Reporting

The Board takes responsibility for presenting a balanced and understandable assessment of the Group's position and prospects each time it releases its quarterly and annual financial statements to shareholders. The Audit Committee will assist the Board to oversee the Group's financial reporting processes and the quality of its financial reporting.

(2) Internal Control

The Group's Internal Control Statement is set out on pages 25 and 26.

(3) Relationship with the Auditors

The role of the Audit Committee in relation to the external auditors is stated on pages 22 and 23.

(4) Directors' responsibility statement for preparing the Annual Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which are to be made out in accordance with the applicable approved accounting standards in Malaysia and to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

In preparing the financial statements for the financial year ended 31 December 2005, the Directors have:

- used appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group, and to detect and prevent fraud and other irregularities.

CORPORATE GOVERNANCE STATEMENT *(continued)*

E. OTHER INFORMATION

1) Options, warrants or convertible securities

During the financial year, the Company issued 9,017,994 ordinary shares of RM1.00 each at RM1.15 each arising from the conversion of 10,370,700 ICPS and 22,936,231 ordinary shares of RM1.00 each at RM1.15 arising from the conversion of RM26,376,700 nominal value of ICULS.

As a consequence of the above conversion, there are no further ICPS and ICULS outstanding at the end of the financial year. The Company did not issue/exercise any options or warrants.

2) Imposition of sanctions and/or penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by any relevant regulatory bodies during the financial year.

3) Non-audit fees

During the financial year, non-audit fees paid to the external auditors amounted to RM2,500 (2004: RM5,500). This fee is in respect of the services rendered in connection with the preparation of net operating cash flow of a subsidiary company as disclosed in Note 19 to the financial statements.

4) Material contracts

There were no material contracts entered by the Company and its subsidiaries involving Directors' and major shareholders' interests during the financial year other than the transactions as disclosed in Note 24 to the financial statements.

5) Recurrent Related Party Transactions ("RRPT") of Revenue Nature

The details of recurrent related party transactions conducted during the financial year ended 31 December 2005 pursuant to the Shareholders' Mandate are as follows:

Transacting entity in the Group	Related Party	Nature of Transaction	Nature of relationship	Interested Director and interested Major Shareholders	Actual Value from 1 January 2005 to 31 December 2005
RRSB	Perbadanan Kemajuan Negeri Perak ("PKNP")	Provision of tuggage and related services to LMTSB by RRSB	Note 1	- YB Dato' Ir Onn bin Hamzah - Kuda Sejati Sdn Bhd - PKNP	RM6,076,712

Note 1

RRSB is a wholly-owned subsidiary of Integrax. Kuda Sejati Sdn Bhd is a wholly-owned subsidiary of PKNP and a substantial shareholder of Integrax. Perak Corporation Berhad ("PCB") is the holding company of LMTSB. PKNP is the holding company of PCB. YB Dato' Ir Onn bin Hamzah is a representative of PKNP on the Board of Integrax Berhad.

AUDIT COMMITTEE REPORT

MEMBERS OF THE AUDIT COMMITTEE

Chairman of the Committee

Nelson Gylding Dorrell Borch, *Independent Non-Executive Director*

Members of the Committee

Harun Halim Rasip (MIA 1232)

Stanislaw Wassylko, *Independent Non-Executive Director*

SECRETARY

Chan May Yee

MEETINGS

During the financial year ended 31 December 2005, five (5) Audit Committee meetings were held. A record of the attendance to these meeting is as follows:

Name of Committee Member	No. of Meetings Attended/Held during his office
Nelson Gylding Dorrell Borch	4/5
Harun Halim Rasip	5/5
Stanislaw Wassylko	5/5

TERMS OF REFERENCE

1. Appointment/Composition

The members of the Committee shall be appointed by the Board and their period of appointment shall be concurrent with their tenure in the Board.

The Audit Committee shall consist of not less than 3 members of whom a majority shall be Independent Directors and the Independent Director is one who:

- a) is not an Executive Director of the Company or any related corporation (hereinafter each corporation shall be referred to as "the said Corporation");
- b) has not been within the last 2 years and is not an officer (except as non-executive director) of the said Corporation. For this purpose, "officer" shall have the meaning given in Section 4 of the Companies Act, 1965;
- c) is not a major shareholder of the said Corporation;
- d) is not a relative of any Executive Director, officer or major shareholder of the said Corporation. For this purpose, "relative" means the spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child;
- e) is not acting as a nominee or representative of any Executive Director or major shareholder of the said Corporation;
- f) has not been engaged as a professional adviser by the said Corporation under such circumstances as prescribed by the Exchange or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the said Corporation under such circumstances as prescribed by the Exchange; or
- g) has not engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the Company) which has engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange.

AUDIT COMMITTEE REPORT *(continued)*

1. Appointment/Composition *(CONT'D)*

At least one member of the Committee must be a member of the Malaysian Institute of Accountants or if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:

- a) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
- b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967;

OR fulfills such other requirements as prescribed by the Exchange.

No alternate director can be a member of the Committee. A quorum shall be 2 members and a majority of members present must be independent directors.

The members of an Audit Committee shall elect a Chairman from among their number who shall be an independent director.

The Board shall, within 3 months of a vacancy occurring in the Audit Committee which results in the number of members reduced to below 3, appoint such number of new members as may be required to make up the minimum number of 3 members.

The Board shall review the term of office and performance of an Audit Committee and each of its members at least once every 3 years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

2. Meetings

Meetings shall be held not less than four times a year. In addition, the Chairman may call a meeting of the Committee if a request is made by any Committee member, the Company's Chairman or the internal or external auditors if they consider it necessary.

Meetings will be attended by the members of the Committee and the Company Secretary who shall act as the Secretary of the Committee.

Participants may be invited from time to time to attend the meeting depending on the nature of the subject under review. These participants may include the Directors, General Managers, Division Heads, representatives from the Finance and Internal Audit Departments and external auditors. However, at least once a year the Committee shall meet with the external auditors.

3. Authority

The Committee is authorised by the Board to carry out the duties mentioned below. It has unrestricted access to all of the Group's records, resources and personnel to enable it to discharge its duties. It is also authorised by the Board to seek outside legal or other independent advice and to secure attendance of outside experts if it considers necessary.

The Committee shall be empowered to convene meetings with the external auditors without presence of the executive members of the Committee, whenever deemed necessary.

The Committee shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity, if any.

The Committee shall promptly report to the Exchange of a matter reported by the Audit Committee to the Board of Directors of the Company which has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Listing Requirements.

4. Duties

- (a) To discuss and liaise with external auditors the scope of their audit plan to ensure the smooth implementation of the audit of the Group and to review and evaluate their findings on internal control system and audit reports on the financial statements;
- (b) To assist in the development of an environment in which controls can operate effectively and to keep under review the effectiveness of internal control systems and the findings of internal auditors;

AUDIT COMMITTEE REPORT *(continued)*

4. Duties *(CONT'D)*

- (c) To provide a forum for non-executive directors to improve their understanding of the Group's operations to enable them to perform a more active role;
- (d) To review the quarterly and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - Any changes in major policies and practices;
 - Significant adjustments arising from the audit;
 - The going concern assumption; and
 - Compliance with accounting standards and other legal requirements.
- (e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- (f) To review any related party transactions and conflict of interest situation that may arise within the Company and the Group;
- (g) To review the assistance given by the employees of the Company and the Group to the external auditors;
- (h) To review and assess the appropriateness of the Group's accounting policies and the adequacy of management reporting requirements;
- (i) To do the following for internal audit:
 - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (j) To review the Group's business ethics and compliance with the law;
- (k) To perform any other such functions as may be agreed by the Audit Committee and the Board;
- (l) Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matter the external auditors believes should be brought to the attention of the Directors or shareholders;
- (m) To consider the appointment of the external auditors, audit fees and any questions of resignation or dismissal;
- (n) To recommend the nomination of a person or persons as external auditors; and
- (o) To consider the proceedings of the Risk Management Committee ("RMC"), review the methodology and processes adopted by the RMC in its deliberations on an ongoing basis and review its findings for appropriate recommendations to the Board.

5. Minutes

The Secretary shall maintain minutes of the proceedings of the meetings and circulate such minutes to all members of the Committee.

6. Procedures Of The Audit Committee

(a) Calling of meetings

The members may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, provided that they shall have a minimum of four meetings in a financial year. The Secretary shall on the requisition of a member summon a meeting of the Audit Committee.

AUDIT COMMITTEE REPORT *(continued)*

6. Procedures Of The Audit Committee *(CONT'D)*

(b) Notice of Meeting

Notice of a meeting of the Audit Committee shall be given to all the members in writing. Unless otherwise determined by the Board of Directors from time to time, seven (7) days' notice shall be given, except in the case of an emergency, shorter notice may be given.

(c) Voting and proceeding of meeting

The decision of the Audit Committee shall be by a majority of votes and the determination by a majority of the members shall for all purposes be deemed a determination of the Audit Committee. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

Circular Resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Audit Committee.

(d) Keeping of minutes

The members shall cause minutes to be made of all proceedings of the Audit Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

(e) Custody, production and inspection of minutes

The minutes of proceedings of the Audit Committee shall be kept by the Secretary at the registered office of the Company, and shall be open to the inspection of any member of the Committee or any member of the Board of Directors.

SUMMARY OF ACTIVITIES OF THE COMMITTEE DURING THE FINANCIAL YEAR

The activities undertaken by the Audit Committee for the financial year were as follows:-

- (a) Reviewed the quarterly financial statements and annual report, prior to the approval by the Board of Directors, focusing particularly on:
 - any changes in major policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- (b) Reviewed the related party transactions and conflict of interest situation that had arisen within the Company and the Group;
- (c) Reviewed and assessed the appropriateness of the Group's accounting policies and the adequacy of management reporting requirements;
- (d) Considered the appointment of the external auditors and audit fees;
- (e) Undertaking group risk management assessment measures and making recommendations to the Board in relation thereto;
- (f) Discussed and liaised with external auditors of scope of their audit plan prior to commencement of audit;
- (g) Discussed and reviewed with external auditors their evaluation of internal control systems of the Group; and
- (h) Reviewed the internal audit programme and results of the internal audit process and ensured appropriate actions were taken on the recommendations by the internal auditors.

INTERNAL AUDIT FUNCTION

The internal audit function is independent of the activities or operations of other operating units. Their principal role is to undertake independent, regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is the responsibility of internal audit to provide the Audit Committee with independent and objective reports on the state of internal control of the various business segments with the Group and the extent of compliance of the business segments with the Group's established policies and procedures as well as relevant statutory requirements.

Further details of the activities of the internal audit function are set out in the Statement on Internal Control on pages 25 to 26.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

We, the Board of Directors, are required to give you a statement in this Annual Report on the state of the internal control system in effect within the Group to safeguard your investment and the Group's assets. This is to be done in accordance with, *inter alia*, the Malaysian Code on Corporate Governance and Paragraph 15.27(b) of the BMSB Listing Requirements in accordance with BMSB's Statement on Internal Control: Guidance for Directors of Public Listed Companies. We are pleased to provide the following statement outlining the nature and scope of internal controls of the Group during the year.

1. BOARD RESPONSIBILITY

- 1.1 We affirm our responsibility for the Group's systems of internal control and risk management and the responsibility to review the adequacy and integrity of such systems.
- 1.2 It should be noted however, that such systems are designed to manage, not eliminate, the risk of failure to achieve business objectives and that any system can only provide a reasonable, not absolute assurance against material misstatement or loss.
- 1.3 We confirm that we have had systems of internal control and risk management in place during the year necessary to identify, evaluate, monitor the efficacy of internal controls and manage significant risks effected directly by the Chief Financial Officer reporting to the Audit Committee and the Board in conjunction with the internal audit function or with an external consultant.

2. RISK MANAGEMENT FRAMEWORK

- 2.1 The Audit Committee responsibilities include the work of monitoring the internal control system and risk management of all the businesses under our management. In fulfilling the risk management responsibility the Audit Committee reports, on a quarterly basis, to the Board with an overall risk profile assessment within a Risk Management Framework approved by the Board on an overall Group basis. Such a risk profile is prepared and amended by the Chief Financial Officer in conjunction with the internal audit function or with an external consultant as appropriate for each business segment of the Group in accordance with their individual Risk Management Framework. The Audit Committee will use the risk profile to direct and require the Chief Financial Officer and the internal audit functions for each business segment to monitor risk and implement approved measures (together with key management) to permit risk management to be more effective and timely.
- 2.2 The Chief Executives responsible for each business segment will be its Risk Officer with the Chief Financial Officer of the Company as Chief Risk Officer of the Group.

3. INTERNAL AUDIT

- 3.1 The Group has available to it an internal audit function conducted by the internal audit function of one of the shareholders and by an external consultant for the Port Operation and Industrial Properties business segments and utilises the services of an external consultant to fulfil the internal audit function for other business segments and at Company level. The foregoing and the authority levels present in each business segment provides the Board and the Audit Committee with much of the assurances it requires regarding the adequacy and efficiency of the systems of internal controls.
- 3.2 The Chief Financial Officer, external consultants and advisers along with key management staff further provided support to the Audit Committee in their review and deliberations in regard to corporate regulatory compliance issues and other regulatory compliances issues relating to the Group's business activities which are reported to the Board on an as and when required basis.

STATEMENT ON INTERNAL CONTROL *(continued)*

4. OTHER RISK AND CONTROL PROCESSES

- 4.1 We perceive that all aspects of risk management, internal audit, a formalised organisational hierarchy, formalised authority levels, health, safety, security, human resource management, environmental matters, accepted industry standards of quality and performance and the importance of the customer satisfaction are interlinked and should be incorporated into an overall quality and control system. This process has been substantially completed but, as it fundamentally is an ongoing process, it continues to require improvement and adjustment to changing business conditions.
- 4.2 The Chief Financial Officer reports to the Board at every Board meeting on significant changes in the business and financial domestic/foreign environment as well as maintains continuous close interaction, in between Board meetings, with all our five (5) Board members and the Company's appointed Advisers and Consultants in respect of all business initiatives, strategies and new projects being undertaken at Company and subsidiary/associate company levels.

5. WEAKNESSES IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES

- 5.1 There were no material losses incurred during the year as a result of weaknesses in internal control and the Board and management continue to take measures to strengthen the control environment within the Group.

CONTENTS OF 2005 FINANCIAL STATEMENTS

	PAGE
Directors' Report for the year ended 31 December 2005	28 – 31
Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965	32
Statutory Declaration pursuant to Section 169(16) of the Companies Act, 1965	32
Report of the Auditors to the Members.....	33
Consolidated Balance Sheet	34
Consolidated Income Statement	35
Balance Sheet of the Company	36
Income Statement of the Company.....	37
Consolidated Statement of Changes in Equity	37 - 38
Statement of Changes in Equity of the Company	38
Consolidated Cash Flow Statement	39 - 40
Cash Flow Statement of the Company.....	41 – 42
Notes to the Financial Statements.....	43 – 71

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company remains an investment holding company and the principal activities of the subsidiaries are as stated in Note 3 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	GROUP	COMPANY
	RM	RM
Net profit for the year	<u>27,625,723</u>	<u>6,660,123</u>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

DIVIDEND

The Directors recommend the payment of a first and final tax exempt dividend of 2 sen per share amounting to RM6,016,118 in respect of financial year ended 31 December 2005 which is subject to approval by the members at the forthcoming Annual General Meeting of the Company.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:-

Harun bin Halim Rasip

Amin bin Halim Rasip

Nelson Gylding Dorrell Borch

Dato' Che On @ Onn bin Hamzah

Stanislaw Wassylko

Mohd Sofian bin Jaafar (resigned on 5 July 2005)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005 *(continued)*

DIRECTORS' INTERESTS IN SHARES

The holdings and deemed holdings in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:-

	Number of ordinary shares of RM1.00 each			
	At 1.1.2005	Bought	(Sold)	At 31.12.2005
Direct interest				
<i>Company</i>				
Nelson Gylding Dorrell Borch	7,000	-	-	7,000
Stanislaw Wassylko	467,000	-	-	467,000
	Number of ordinary shares of RM1.00 each			
	At 1.1.2005	Bought	(Sold)	At 31.12.2005
Deemed interest				
<i>Company</i>				
Harun bin Halim Rasip *	113,696,446	2,215,000	(2,190,000)	113,721,446
Amin bin Halim Rasip *	113,696,446	2,215,000	(2,190,000)	113,721,446
<i>LBTSSB</i>				
Harun bin Halim Rasip *	54,400,000	-	-	54,400,000
Amin bin Halim Rasip *	54,400,000	-	-	54,400,000
	Number of LBT RNCPS of RM0.01 each			
	At 1.1.2005	Bought/ (Sold)	Redemption	At 31.12.2005
Deemed interest				
<i>LBTSSB</i>				
Harun bin Halim Rasip *	940,700	-	(940,700)	-
Amin bin Halim Rasip *	940,700	-	(940,700)	-
	Number of LBT RCCPS of RM0.01 each			
	At 1.1.2005	Bought	(Sold)	At 31.12.2005
Deemed interest				
<i>LBTSSB</i>				
Harun bin Halim Rasip *	16,000,000	-	-	16,000,000
Amin bin Halim Rasip *	16,000,000	-	-	16,000,000

* Deemed interest by virtue of their shareholdings in Jurukapal Marine Services Sdn Bhd ("JMS"), HRH and/or for Lekir Group One Sdn Bhd ("LGI").

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005 *(continued)*

DIRECTORS' INTERESTS IN SHARES *(CONT'D)*

By virtue of their deemed interest in the shares of the Company, Encik Harun bin Halim Rasip and Encik Amin bin Halim Rasip are deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

Other than as disclosed above, none of the other Directors holding office at 31 December 2005 had any interest in the shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed under Note 24 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued:

- (a) 9,017,994 ordinary shares of RM1.00 each at RM1.15 each arising from the conversion of 10,370,700 ICPS. The conversion price for the ICPS was RM1.15 per ordinary share.
- (b) 22,936,231 ordinary shares of RM1.00 each at RM1.15 each arising from the conversion of 26,376,700 ICULS. The conversion price for the ICULS was RM1.15 per ordinary share.

As a consequence of the above conversion, there are no further ICPS and ICULS outstanding at the end of the financial year.

Other than as disclosed above, there were no other changes in the issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES AND DEBENTURES

No options were granted to any person to take up unissued shares or debentures of the Company during the year.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005 *(continued)*

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:-

- (i) there are no bad debts to be written off and no provision need to be made for doubtful debts, and
- (ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:-

- (i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or
- (ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group, other than those stated in Note 26, has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2005 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

HARUN BIN HALIM RASIP
Director

AMIN BIN HALIM RASIP
Director

Kuala Lumpur
Date: 24 April 2006

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 34 to 71. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company at 31 December 2005 and the results of their operations and cash flows for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries have been properly kept in accordance with the provisions of the said Act.

The subsidiary in respect of which we have not acted as auditors is identified in Note 3 to the financial statements. The audited financial statements of the subsidiary are not yet available and it has been consolidated based on the management financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG

Firm Number: AF-0758
Chartered Accountants

PETER HO KOK WAI

Partner
Approval Number: 1745/12/07 (J)

Ipoh

Date: 24 April 2006

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2005

	Note	RM	2004 RM
PROPERTY, PLANT AND EQUIPMENT	2	385,546,765	387,106,548
INVESTMENT IN ASSOCIATE	4	73,217,052	72,936,983
OTHER INVESTMENTS	5	10,029,999	10,029,999
GOODWILL ON CONSOLIDATION	6	128,029,993	128,029,993
CURRENT ASSETS			
Trade and Other Receivables	7	22,056,610	24,716,885
Cash and Cash Equivalents	8	136,514,482	122,182,940
		158,571,092	146,899,825
Less:			
CURRENT LIABILITIES			
Trade and Other Payables	9	26,059,629	22,865,378
LBT Serial Bonds (Secured)	10	31,844,182	34,442,668
Taxation		73,109	-
		57,976,920	57,308,046
Net Current Assets		100,594,172	89,591,779
		697,417,981	687,695,302
Financed by:-			
SHARE CAPITAL	11	300,805,917	269,888,762
SHARE PREMIUM		46,705,593	51,246,048
ICULS	12	-	24,266,564
CAPITAL REDEMPTION RESERVE	13	185,450	165,000
RETAINED PROFITS		72,295,851	44,690,578
SHAREHOLDERS' FUNDS		419,992,811	390,256,952
MINORITY INTERESTS	14	31,259,101	25,910,900
LONG TERM AND DEFERRED LIABILITIES			
Preference Share Capital	15	40,000	51,043
Preference Share Capital Premium Account	16	3,960,000	5,053,257
ICULS	12	-	2,110,136
Other Payables and Accrued Expenses	9	71,520,025	69,405,081
Deferred Taxation	17	36,360,486	28,778,193
LBT Serial Bonds (Secured)	10	134,285,558	166,129,740
		697,417,981	687,695,302

The notes set out on pages 43 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	RM	2004 RM
REVENUE	18	88,774,452	89,940,555
Cost of sales		<u>(26,454,254)</u>	<u>(24,839,933)</u>
GROSS PROFIT		62,320,198	65,100,622
Administration and depreciation expenses		<u>(7,954,426)</u>	<u>(9,151,780)</u>
Other operating expense		<u>(453,396)</u>	<u>-</u>
Other operating income		<u>682,800</u>	<u>749,411</u>
OPERATING PROFIT	19	54,595,176	56,698,253
Share of profits in associate		<u>7,361,782</u>	<u>6,585,144</u>
Interest income		<u>2,826,193</u>	<u>1,830,550</u>
Financing costs	20	<u>(21,082,746)</u>	<u>(23,206,111)</u>
PROFIT BEFORE TAXATION		43,700,405	41,907,836
Tax expense	21	<u>(10,726,481)</u>	<u>(15,778,613)</u>
PROFIT AFTER TAXATION		32,973,924	26,129,223
Less: Minority interests		<u>(5,348,201)</u>	<u>(2,703,875)</u>
NET PROFIT FOR THE YEAR		<u>27,625,723</u>	<u>23,425,348</u>
BASIC EARNINGS PER ORDINARY SHARE (sen)	22	<u>9.7</u>	<u>8.8</u>
DILUTED EARNINGS PER ORDINARY SHARE (sen)	22	<u>-</u>	<u>7.9</u>

The notes set out on pages 43 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

BALANCE SHEET

AT 31 DECEMBER 2005

	Note	RM	2004 RM
PROPERTY, PLANT AND EQUIPMENT	2	3,119,666	2,407,663
INVESTMENT IN SUBSIDIARIES	3	137,509,500	136,009,500
AMOUNT DUE FROM SUBSIDIARIES	3	134,645,660	133,660,660
OTHER INVESTMENTS	5	16,000,000	16,966,293
CURRENT ASSETS			
Other Receivables, Deposits and Prepayments	7	1,980,223	539,093
Amount Due from Subsidiaries	3	8,113,600	8,060,730
Cash and Cash Equivalents	8	56,296,459	51,042,207
		66,390,282	59,642,030
Less:			
CURRENT LIABILITIES			
Other Payables and Accrued Expenses	9	1,560,205	787,785
Amount Due to Subsidiaries	3	1,473,310	-
Taxation		73,109	-
		3,106,624	787,785
Net Current Assets		63,283,658	58,854,245
		354,558,484	347,898,361
Financed by:-			
SHARE CAPITAL	11	300,805,917	269,888,762
SHARE PREMIUM		46,705,593	51,246,048
ICULS	12	-	24,266,564
RETAINED PROFITS		7,046,974	386,851
SHAREHOLDERS' FUNDS		354,558,484	345,788,225
LONG TERM LIABILITY			
ICULS	12	-	2,110,136
		354,558,484	347,898,361

The notes set out on pages 43 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	RM	2004 RM
REVENUE	18	10,677,035	11,240,880
Administration and depreciation expenses		(2,013,396)	(1,254,410)
Other operating expenses		(503,896)	-
Other operating income		1,193,300	747,471
OPERATING PROFIT	19	9,353,043	10,733,941
Interest income		1,254,903	144,520
Financing costs	20	(484,229)	(322,361)
PROFIT BEFORE TAXATION		10,123,717	10,556,100
Tax expense	21	(3,463,594)	(4,886,166)
NET PROFIT FOR THE YEAR		6,660,123	5,669,934

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

GROUP	Ordinary Share Capital RM	ICPS RM	ICULS RM	<-----Non-Distributable----->			Distributable Retained Profits RM	Total RM
				Capital Redemption Reserve RM	Share Premium RM			
At 1 January 2004	262,561,090	1,057,070	30,738,028	30,000	50,482,451	21,400,230	366,268,869	
Conversion of ICULS to ordinary shares	6,116,689	-	(6,471,464)	-	917,510	-	562,735	
Conversion of ICPS to ordinary shares	173,913	(20,000)	-	-	(153,913)	-	-	
Redemption of LBT RNCPS	-	-	-	135,000	-	(135,000)	-	
Net profit for the year	-	-	-	-	-	23,425,348	23,425,348	
At 31 December 2004	268,851,692	1,037,070	24,266,564	165,000	51,246,048	44,690,578	390,256,952	
Conversion of ICULS to ordinary shares	22,936,231	-	(24,266,564)	-	3,440,469	-	2,110,136	

The notes set out on pages 43 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005 *(continued)*

GROUP	Ordinary Share Capital RM	ICPS RM	ICULS RM	<-----Non-Distributable----->		Distributable		Total RM
				Capital Redemption Reserve RM	Share Premium RM	Retained Profits RM		
Conversion of ICPS to ordinary shares	9,017,994	(1,037,070)	-	-	(7,980,924)	-	-	-
Redemption of LBT RNCPS	-	-	-	20,450	-	(20,450)	-	-
Net profit for the year	-	-	-	-	-	27,625,723	27,625,723	
At 31 December 2005	<u>300,805,917</u>	<u>-</u>	<u>-</u>	<u>185,450</u>	<u>46,705,593</u>	<u>72,295,851</u>	<u>419,992,811</u>	
	<-----Note 11----->		Note 12	Note 13				

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

COMPANY	Ordinary Share Capital RM	ICPS RM	ICULS RM	Non- Distributable		Distributable (Accumulated losses)/Retained		Total RM
				Share Premium RM	Share Premium RM	Profits RM		
At 1 January 2004	262,561,090	1,057,070	30,738,028	50,482,451	(5,283,083)	339,555,556		
Conversion of ICULS to ordinary shares	6,116,689	-	(6,471,464)	917,510	-	562,735		
Conversion of ICPS to ordinary shares	173,913	(20,000)	-	(153,913)	-	-		
Net profit for the year	-	-	-	-	5,669,934	5,669,934		
At 31 December 2004	<u>268,851,692</u>	<u>1,037,070</u>	<u>24,266,564</u>	<u>51,246,048</u>	<u>386,851</u>	<u>345,788,225</u>		
Conversion of ICULS to ordinary shares	22,936,231	-	(24,266,564)	3,440,469	-	2,110,136		
Conversion of ICPS to ordinary shares	9,017,994	(1,037,070)	-	(7,980,924)	-	-		
Net profit for the year	-	-	-	-	6,660,123	6,660,123		
At 31 December 2005	<u>300,805,917</u>	<u>-</u>	<u>-</u>	<u>46,705,593</u>	<u>7,046,974</u>	<u>354,558,484</u>		
	<-----Note 11----->		Note 12					

The notes set out on pages 43 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

		2004	
	Note	RM	RM
Cash flows from operating activities			
Profit before taxation		43,700,405	41,907,836
Adjustments for:-			
Share of profits in associate		(7,361,782)	(6,585,144)
Gain on disposal of properties		-	(147,471)
Interest income		(2,826,193)	(1,830,550)
LMTC RPS dividend income	18	-	(898,810)
Depreciation	2	4,393,391	4,400,258
Financing costs	20	21,082,746	23,206,111
Operating profit before working capital changes		58,988,567	60,052,230
Decrease in inventories		-	67,295
Decrease in trade and other receivables		7,790,915	1,223,054
Increase/(Decrease) in trade and other payables		675,275	(1,457,829)
LMTC RPS dividend received (net)		-	647,143
Cash generated from operations		67,454,757	60,531,893
Income taxes paid		(1,120,006)	(3,544,057)
<i>Net cash generated from operating activities</i>		66,334,751	56,987,836
Cash flows from investing activities			
Redemption of other investment - LMTC RPS	(ii)	-	40,820,002
Interest received		2,826,193	1,830,550
Proceeds from disposal of properties		-	831,410
Purchase of property, plant and equipment	2	(2,833,608)	(579,364)
Redemption of LBT RNCPS		(1,104,300)	(7,290,000)
Share of LBT RCCPS dividend paid to minority shareholders		(288,000)	(288,000)
Share of LBT RNCPS dividend paid to minority shareholders		(119,265)	-
<i>Net cash (used in)/generated from investing activities</i>		(1,518,980)	35,324,598
Cash flows from financing activities			
Decrease in Debt Service Reserve Account		17,260,000	9,200,000
Redemption of LBT Serial Bonds		(50,000,000)	(52,000,000)
ICULS interest paid		(484,229)	(956,722)
<i>Net cash used in financing activities</i>		(33,224,229)	(43,756,722)
Net increase in cash and cash equivalents		31,591,542	48,555,712
Cash and cash equivalents at beginning of year	(i)	79,477,940	30,922,228
Cash and cash equivalents at end of year	(i)	111,069,482	79,477,940

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005 *(continued)*

(i) *Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:-

	RM	2004 RM
Cash and bank balances	24,554,482	6,527,940
Fixed deposits and REPO with licensed banks (excluding deposits pledged)	86,515,000	72,950,000
	<u>111,069,482</u>	<u>79,477,940</u>

(ii) *Redemption of other investments*

In the previous financial year, LMTC redeemed the LMTC RPS held by the Company. The consideration for the redemption consisted of the following:-

	RM
Cash	40,820,002
Subscription for 6,900,000 ordinary shares of RM1.00 each in LMTSB	6,900,000
	<u>47,720,002</u>

The notes set out on pages 43 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	RM	2004 RM
Cash flows from operating activities			
Profit before taxation		10,123,717	10,556,100
Adjustments for:-			
Gain on disposal of properties		-	(147,471)
Depreciation	2	97,110	48,276
Financing costs	20	484,229	322,361
Interest income		(1,254,903)	(144,520)
Dividend Income	18	(10,677,035)	(11,240,880)
Operating loss before working capital changes		(1,226,882)	(606,134)
(Increase)/Decrease in other receivables and amount due from associate		(1,447,612)	1,970,808
Decrease/(Increase) in advances to/from subsidiary		435,440	(6,051,730)
Increase/(Decrease) in other payables and accruals		772,420	(316,610)
Dividends received (net)		7,687,465	8,959,420
Cash generated from operations		6,220,831	3,955,754
Income taxes paid		(394,433)	(2,604,707)
<i>Net cash generated from operating activities</i>		5,826,398	1,351,047
Cash flows from investing activities			
Interest received		1,254,903	144,520
Proceeds from disposal of properties		-	831,410
Investment in subsidiaries	3	(1,500,000)	(5,866)
Redemption of other investments – LMTC RPS	(ii)	-	40,820,002
Redemption of LBT RNCPS	5	966,293	6,210,000
Purchase of property, plant and equipment	2	(809,113)	-
<i>Net cash (used in)/generated from investing activities</i>		(87,917)	48,000,066
Cash flows from financing activities			
ICULS interest paid		(484,229)	(956,722)
Net increase in cash and cash equivalents		5,254,252	48,394,391
Cash and cash equivalents at beginning of year	(i)	51,042,207	2,647,816
Cash and cash equivalents at end of year	(i)	56,296,459	51,042,207

CASH FLOW STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2005 *(continued)*

(i) *Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:-

	RM	2004 RM
Cash and bank balances	12,796,459	792,207
Fixed deposits and REPO with licensed banks	43,500,000	50,250,000
	<u>56,296,459</u>	<u>51,042,207</u>

(ii) *Redemption of other investments*

In the previous financial year, LMTC redeemed the LMTC RPS held by the Company. The consideration for the redemption consisted of the following:-

	RM
Cash	40,820,002
Subscription for 6,900,000 ordinary shares of RM1.00 each in LMTSB	6,900,000
	<u>47,720,002</u>

The notes set out on pages 43 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Company are consistent with those adopted in previous years.

1.1 Basis of accounting

The financial statements are prepared on the historical cost basis and in compliance with the provisions of the Companies Act, 1965 and applicable approved and prescriptive accounting standards in Malaysia.

1.2 Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary or if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of the acquisition, the carrying or fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

1.3 Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill on acquisition is calculated based on the carrying value of net assets acquired.

1.4 Property, plant and equipment and depreciation

Freehold land is stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation.

Freehold land is not amortised. The following assets are depreciated on a straight line basis over their estimated useful lives. The principal annual rates of depreciation are as follows:-

Leasehold land	-	Amortised in equal instalments over the period of the lease of 99 years.
Building	-	2%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 (continued)

1.4 Property, plant and equipment and depreciation (CONT'D)

The cost of the following assets is depreciated based on the following formula:-

Industrial building, civil works and infrastructure - Gross Post Construction dry bulk cargo throughput expressed in metric tonnes to-date allocated over a prudent estimate of the total gross post construction throughput capacity expressed in metric tonnes over 50 years.

Plant and equipment - Gross Post Construction dry bulk cargo throughput expressed in metric tonnes to-date allocated over a prudent estimate of the total gross post construction throughput capacity expressed in metric tonnes over 30 years.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

1.5 Goodwill

Goodwill represents the excess of the cost of acquisition over the carrying or fair values of the attributable net identifiable assets acquired and is stated at cost and is not amortised. Allowance is made for any impairment.

In respect of associates, the carrying amount of goodwill, if any, is included in the carrying amount of the investment in the associate and is not amortised. Allowance is made for any impairment.

1.6 Investments

Long term investments, other than in subsidiaries and associates, are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

Long term investments in subsidiaries and associates are stated at cost in the Company, less impairment loss where applicable.

1.7 Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

1.8 Liabilities

Borrowings and trade and other payables are stated at cost.

1.9 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of pledged deposits.

1.10 Impairment

The carrying amount of the assets, other than deferred tax assets (refer note 1.13) and financial assets (other than investments in subsidiaries and associate) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement. Any subsequent increase in recoverable amount is recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money over an appropriate period of time inclusive of the ascertainable residual value of such assets and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur or subsequent external events have occurred that reverse the effect of that event that gave rise to the impairment in the first instance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

1.10 Impairment *(CONT'D)*

In respect of other assets, an impairment loss is reversed if there has been a change in the assessment of the recoverable amount.

An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount and it is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

1.11 Preference share capital

Preference share capital is classified as equity if it is non-redeemable and dividends are discretionary at the option of the issuer.

Preference share capital is classified as liability if it is redeemable on a specific date or at the option of the shareholders and dividends thereon are recognised in the income statement as financing costs.

1.12 ICULS

ICULS are regarded as compound instruments consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible borrowings. The difference between the proceeds of issue of the ICULS and the fair value assigned to the liability component, representing the conversion option is included in equity. The liability component is stated at cost until extinguished on conversion whilst the value of the equity component is not adjusted in subsequent periods except as and when the ICULS are converted into ordinary shares.

1.13 Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the goodwill not deductible for tax purposes and initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

1.14 Revenue

(i) *Services rendered*

Revenue from services rendered is measured at the fair value of the consideration receivable and is recognised in the income statement upon performance of services.

(ii) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(iii) *Interest income*

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

1.14 Revenue *(CONT'D)*

(iv) **Rental income**

Rental income is recognised in the income statement as it accrues.

(v) **Port services**

Income from port services is recognised in the income statement once the service is rendered. The fixed portion of the port service revenue is recognised on an accrual basis.

1.15 Financing costs - others

All interest and other costs incurred in connection with borrowings, other than that capitalised in accordance with Note 1.16, are expensed as incurred in accordance with the accounting policies of the Group and the Company.

1.16 Financing cost

Bond interest

LBT Serial Bonds comprise 19 series of bonds of up to the aggregate nominal value of RM445 million which were issued by one of the subsidiary companies to finance the development of the dry bulk terminal.

During construction period

All interest on the LBT Serial Bonds that were directly attributable to the project development during the period of construction up to 27 December 2002 were capitalised as Project Development Costs and subsequently allocated appropriately towards property, plant and equipment for amortisation in accordance with Note 1.4.

Post construction period

All interest on the Serial Bonds that are incurred and directly attributable to the project development after completion of the construction of the dry bulk terminal are recognised as an expense in the period in which it is incurred.

2. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land, buildings and renovation (Note 2.1) RM	Plant and machinery, tools, office equipment and furniture and fittings RM	Total RM
At Cost			
At 1 January 2005	176,328,934	218,642,323	394,971,257
Additions	603,613	2,229,995	2,833,608
At 31 December 2005	176,932,547	220,872,318	397,804,865
Accumulated Depreciation			
At 1 January 2005	2,780,435	5,084,274	7,864,709
Charge for the year	1,476,225	2,917,166	4,393,391
At 31 December 2005	4,256,660	8,001,440	12,258,100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

2. PROPERTY, PLANT AND EQUIPMENT *(CONT'D)*

GROUP

	Land, buildings and renovation (Note 2.1) RM	Plant and machinery, tools, office equipment and furniture and fittings RM	Total RM
Net Book Value			
At 31 December 2005	172,675,887	212,870,878	385,546,765
At 31 December 2004	173,548,499	213,558,049	387,106,548
Depreciation charge for the year ended 31 December 2004	1,461,130	2,939,128	4,400,258

COMPANY

	Land, buildings and renovation (Note 2.1) RM	Furniture and fittings RM	Office equipment RM	Total RM
At Cost				
At 1 January 2005	2,540,912	-	-	2,540,912
Additions	603,613	130,681	74,819	809,113
At 31 December 2005	3,144,525	130,681	74,819	3,350,025
Accumulated Depreciation				
At 1 January 2005	133,249	-	-	133,249
Charge for the year	84,884	6,074	6,152	97,110
At 31 December 2005	218,133	6,074	6,152	230,359
Net Book Value				
At 31 December 2005	2,926,392	124,607	68,667	3,119,666
At 31 December 2004	2,407,663	-	-	2,407,663
Depreciation charge for the year ended 31 December 2004	48,276	-	-	48,276

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

2.1 Land and buildings

GROUP	Long-term leasehold land RM	Freehold land RM	Buildings and renovation RM	Industrial buildings, civil works and infrastructure RM	Total RM
At Cost					
At 1 January 2005	18,758,729	565,912	1,975,000	155,029,293	176,328,934
Additions	-	-	603,613	-	603,613
At 31 December 2005	<u>18,758,729</u>	<u>565,912</u>	<u>2,578,613</u>	<u>155,029,293</u>	<u>176,932,547</u>
Accumulated Depreciation					
At 1 January 2005	537,071	-	133,249	2,110,115	2,780,435
Charge for the year	189,480	-	84,884	1,201,861	1,476,225
At 31 December 2005	<u>726,551</u>	<u>-</u>	<u>218,133</u>	<u>3,311,976</u>	<u>4,256,660</u>
Net Book Value					
At 31 December 2005	<u>18,032,178</u>	<u>565,912</u>	<u>2,360,480</u>	<u>151,717,317</u>	<u>172,675,887</u>
At 31 December 2004	<u>18,221,658</u>	<u>565,912</u>	<u>1,841,751</u>	<u>152,919,178</u>	<u>173,548,499</u>
Depreciation charge for the year ended 31 December 2004	<u>198,257</u>	<u>-</u>	<u>39,499</u>	<u>1,223,374</u>	<u>1,461,130</u>
COMPANY					
	Long-term leasehold land RM	Freehold land RM	Buildings RM	Renovation RM	Total RM
At Cost					
At 1 January 2005	-	565,912	1,975,000	-	2,540,912
Additions	-	-	195,155	408,458	603,613
At 31 December 2005	<u>-</u>	<u>565,912</u>	<u>2,170,155</u>	<u>408,458</u>	<u>3,144,525</u>
Accumulated Depreciation					
At 1 January 2005	-	-	133,249	-	133,249
Charge for the year	-	-	39,500	45,384	84,884
At 31 December 2005	<u>-</u>	<u>-</u>	<u>172,749</u>	<u>45,384</u>	<u>218,133</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

COMPANY *(CONT'D)*

Net Book Value	Long-term leasehold land RM	Freehold land RM	Buildings RM	Renovation RM	Total RM
At 31 December 2005	-	565,912	1,997,406	363,074	2,926,392
At 31 December 2004	-	565,912	1,841,751	-	2,407,663
Depreciation charge for the year ended 31 December 2004	8,777	-	39,499	-	48,276

(a) Security

Property, plant and equipment of the Group with net book value amounting to RM382,427,099 (2004: RM384,698,885) have been charged to banks as security for LBT Serial Bonds (see Note 10).

(b) The Company is in the process of applying for strata titles for certain buildings with a net book value of RM39,333 (2004: RM60,500).

3. INVESTMENT IN SUBSIDIARIES

(a) Investment in subsidiaries

	COMPANY	
	2005 RM	2004 RM
Unquoted shares at cost	<u>137,509,500</u>	<u>136,009,500</u>

Details of subsidiary companies

The principal activities of the subsidiaries, their place of incorporation and the effective ownership interests of Integrax are as follows:-

Name of Company	Country of Incorporation	Effective Ownership Interest		Principal Activities
		2005	2004	
		%	%	
PLSB	Malaysia	100	100	Investment holding
RRSB	Malaysia	100	100	Provision of tuggage services
CTPL * #	Singapore	100	100	Dormant
SKSB	Malaysia	100	-	Dormant
TKSB	Malaysia	100	-	Dormant
WKSBS	Malaysia	100	-	Dormant
Subsidiary of PLSB				
LBTSB	Malaysia	80	80	Development, ownership and management of a dry bulk terminal

* Not audited by KPMG

The Directors have consolidated the results of this subsidiary based on management financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 (continued)

(b) Amounts due from/(to) subsidiaries

	COMPANY	
	2005 RM	2004 RM
Amount due from subsidiaries - non-current	134,645,660	133,660,660
- current	8,113,600	8,060,730
	<u>142,759,260</u>	<u>141,721,390</u>

Included in the non-current amounts due from subsidiaries are balances arising from the acquisition of LMT RPS and LMTSB ordinary shares by PLSB from the Company and the disposal of the LBT RCCPS from PLSB to the Company in the previous financial year as disclosed in Notes 4 and 5 to the financial statements. The non-current amount due from a subsidiary is unsecured, interest free and is not repayable within the next 12 months except by agreement between the companies.

The current amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

4. INVESTMENT IN ASSOCIATE

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Unquoted shares at cost	70,590,502	63,690,502	-	63,690,502
Addition during the year	-	6,900,000	-	-
	70,590,502	70,590,502	-	63,690,502
Transfer during the year	-	-	-	(63,690,502)
	70,590,502	70,590,502	-	-
Share of post-acquisition reserves	12,838,608	7,459,481	-	-
	83,429,110	78,049,983	-	-
Less: Dividends	(10,212,058)	(5,113,000)	-	-
	<u>73,217,052</u>	<u>72,936,983</u>	<u>-</u>	<u>-</u>
Represented by:				
Group's share of net assets other than goodwill	35,395,838	35,115,769		
Goodwill on acquisition	37,821,214	37,821,214		
	<u>73,217,052</u>	<u>72,936,983</u>		

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 (continued)

Details of Associate Companies:-

Name of Company	Country of Incorporation	Effective Ownership Interest		Principal Activities
		2005	2004	
		%	%	
LMTSB (<i>held through PLSB</i>)	Malaysia	50% less one (1) share	50% less one (1) share	Development of an integrated privatised project encompassing operations of multi-purpose port facilities, sales and rental of port related land and other ancillary activities
LMTC (<i>held through LMTSB</i>)	Malaysia	50% less one (1) share	50% less one (1) share	Issuance and redemption of redeemable preference shares

5. OTHER INVESTMENTS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Associated company				
Balance at 1 January				
- LMT RPS	10,029,999	10,029,999	-	10,029,999
- LMTC RPS	-	47,720,002	-	47,720,002
	10,029,999	57,750,001	-	57,750,001
Less: Redemption - LMTC RPS	-	(47,720,002)	-	(47,720,002)
Transfer to a subsidiary	-	-	-	(10,029,999)
	-	(47,720,002)	-	(57,750,001)
Balance at 31 December	10,029,999	10,029,999	-	-
Subsidiary company				
Balance at 1 January			16,966,293	7,176,293
Redemption of LBT RNCPS			(966,293)	(6,210,000)
Acquisition of LBT RCCPS			16,000,000	966,293
			-	16,000,000
Balance at 31 December			16,000,000	16,966,293
Total other investments			16,000,000	16,966,293

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 (continued)

6. GOODWILL ON CONSOLIDATION

	GROUP	
	2005	2004
At Cost	RM	RM
Balance at 1 January and 31 December	<u>128,029,993</u>	<u>128,029,993</u>

7. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Trade Receivables	8,535,530	8,414,345	-	-
Other Receivables, Deposits and Prepayments	<u>13,521,080</u>	<u>16,302,540</u>	<u>1,980,223</u>	<u>539,093</u>
	<u>22,056,610</u>	<u>24,716,885</u>	<u>1,980,223</u>	<u>539,093</u>

Included in Other Receivables, Deposits and Prepayments of the Group and of the Company are the following:-

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Amount due from LMTSB in respect of advances made for purchases of tools and consumables solely for LBTSB	7,296,505	8,591,123	-	-
Tax instalments prepaid	210,122	178,540	-	6,482
Amount due from LMTSB				
- dividends receivable	2,548,800	5,113,000	-	-
- others	202,106	52,106	202,106	52,106
Deferred project costs	1,331,843	367,594	1,331,843	367,594
Others	1,931,704	2,000,177	446,274	112,911
	<u>13,521,080</u>	<u>16,302,540</u>	<u>1,980,223</u>	<u>539,093</u>

8. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Cash and bank balances	24,554,482	6,527,940	12,796,459	792,207
Fixed deposits with licensed banks	79,900,000	47,655,000	36,000,000	250,000
REPO with licensed banks	32,060,000	68,000,000	7,500,000	50,000,000
	<u>136,514,482</u>	<u>122,182,940</u>	<u>56,296,459</u>	<u>51,042,207</u>

Included in fixed deposits of the Group is an amount of RM5,000 (2004: RM5,000) which has been pledged by a subsidiary company with a bank for guarantee facilities for the purpose of a bond required by Kastam Diraja Malaysia in respect of the dry bulk terminal's customs legal landing point status.

Also included in the Group's fixed deposits is an amount of RM25,440,000 (2004: RM42,700,000) held in a Debt Service Reserve Account which is required to be maintained by LBTSB, pursuant to the terms of the Trust Deed dated 30 June 2000 signed between LBTSB and PB Trustee Services Bhd for the settlement of the LBT Serial Bonds.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

9. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade payables	5,639,407	5,231,632	-	-
Other payables and accruals	<u>20,420,222</u>	<u>17,633,746</u>	<u>1,560,205</u>	<u>787,785</u>
	26,059,629	22,865,378	1,560,205	787,785
Other payables and accruals - non current portion	<u>71,520,025</u>	<u>69,405,081</u>	-	-
	<u>97,579,654</u>	<u>92,270,459</u>	<u>1,560,205</u>	<u>787,785</u>

Included in other payables and accruals of the Group are amounts relating to bond interest accruals as follows:-

	2005 RM	2004 RM
Repayable less than one year	18,155,818	15,557,332
Repayable between one and five years	<u>71,520,025</u>	<u>69,405,081</u>
	<u>89,675,843</u>	<u>84,962,413</u>

10. LBT SERIAL BONDS (SECURED)

	GROUP	
	2005 RM	2004 RM
Bond liability is payable as follows:-		
Less than one year	31,844,182	34,442,668
Between one and five years	<u>92,485,738</u>	<u>103,853,875</u>
More than five years	<u>41,799,820</u>	<u>62,275,865</u>
	<u>134,285,558</u>	<u>166,129,740</u>
	<u>166,129,740</u>	<u>200,572,408</u>

The LBT Serial Bonds are secured, to the Trustee for bondholders, by the following:-

- (i) A debenture incorporating a fixed and floating charge over LBTSB's entire assets, both present and future.
- (ii) A fixed charge over LBTSB's eligible investments, the Debt Service Reserve Account and Security Account.
- (iii) A fixed charge over LBTSB's interest and benefit to its insurance policies.
- (iv) A fixed charge over LBTSB's interest and benefits to its Project Agreements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

10. LBT SERIAL BONDS (SECURED) *(CONT'D)*

The secured LBT Serial Bonds average effective interest rate determined by reference to the yield to maturity is 8% (2004: 8%) per annum.

The main covenants of the LBT Serial Bonds facility are as follows:-

- (i) Required level of Debt to Equity Ratio does not exceed 3:1;
- (ii) Required minimum Debt Service Cover Ratio of 1.1:1;
- (iii) Open and maintain a Debt Service Reserve Account with a bank with a minimum rating of AA from Rating Agency of Malaysia or its equivalent from Malaysian Rating Corporation Berhad for the purpose of (iv) below; and
- (iv) Ensure that there is paid to the credit of the Debt Service Reserve Account an amount at least equal to the nominal value of the bond that is to mature within any forthcoming period of 6 months at a date that is at least 6 months prior to such bond maturity date and shall further ensure that, until the final Maturity Date, the Debt Service Reserve Requirement is met at all times.

11. SHARE CAPITAL

	GROUP/COMPANY	
	2005 RM	2004 RM
Authorised		
Ordinary shares of RM1.00 each		
Balance at 1 January	470,000,000	470,000,000
ICPS of RM0.10 each		
Balance at 1 January	<u>30,000,000</u>	<u>30,000,000</u>
Balance at 31 December	<u><u>500,000,000</u></u>	<u><u>500,000,000</u></u>
Issued and fully paid		
Ordinary shares of RM1.00 each		
Balance at 1 January	268,851,692	262,561,090
Allotment during the year	-	-
Conversion of 10,370,700 (2004: 200,000) ICPS to new ordinary shares of RM1.00 each during the year on the basis of one (1) ordinary share for every 1.15 ICPS held	9,017,994	173,913
Conversion of 26,376,700 ICULS (2004: 7,034,200) to new ordinary shares of RM1.00 each during the year on the basis of one (1) ordinary share for every 1.15 ICULS held	<u>22,936,231</u>	<u>6,116,689</u>
	<u>300,805,917</u>	<u>268,851,692</u>
ICPS of RM0.10 each		
Balance at 1 January	1,037,070	1,057,070
Conversion of 10,370,700 (2004: 200,000) ICPS to new ordinary shares of RM1.00 each during the year on the basis of one (1) ordinary share for every 1.15 ICPS held	<u>(1,037,070)</u>	<u>(20,000)</u>
	<u>-</u>	<u>1,037,070</u>
Balance at 31 December	<u><u>300,805,917</u></u>	<u><u>269,888,762</u></u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

11. SHARE CAPITAL *(CONT'D)*

The ICPS have the following rights attached to them:-

- (a) The registered holder of the ICPS has the right to convert the ICPS into new ordinary shares of the Company of RM1.00 each at a conversion rate of one (1) ordinary share for every 1.15 ICPS held;
- (b) The ICPS is convertible into new ordinary shares of the Company up to and including 12 September 2005;
- (c) The ICPS does not bear any dividend and is not entitled to any rights, bonus issues, allotment and/or any other distributions that may be declared by the Company. The ICPS holders are not entitled to voting rights except where the rights of the ICPS are affected or on a resolution for the winding up of the Company.

At the end of the previous financial year, 10,370,700 ICPS remained unconverted representing 9,017,994 prospective ordinary shares in the Company of RM1.00 each. During the year, all outstanding ICPS were fully converted to 9,017,994 ordinary shares.

12. ICULS

On 31 March 2003, the Company issued RM47,194,000 nominal value new ICULS for the acquisition of the LMTC RPS. The conversion period of the ICULS was from 31 March 2003 to the Maturity Date of the ICULS on 24 December 2005. The ICULS are not redeemable for cash except upon the occurrence of a default.

The registered holder of the ICULS has the right to convert the ICULS into new ordinary shares of the Company of RM1.00 each at a conversion rate of one (1) ordinary share for every 1.15 ICULS held.

The ICULS bear a coupon rate of 3% per annum. The coupon rate is payable annually in arrears on the anniversary of the date of the issuance except for the last interest payment. The last interest payment will be made on the maturity date to be calculated from the date of the following previous interest payment up to the maturity date.

The liability portion represents the present value of the total interest payable at the coupon rate of 3% per annum.

	GROUP/COMPANY		
	Equity Component	Liability Component	Total
	RM	RM	RM
Balance as at 1 January	24,266,564	2,110,136	26,376,700
Conversion of ICULS into ordinary shares	(24,266,564)	(2,110,136)	(26,376,700)
Balance at 31 December	<u> -</u>	<u> -</u>	<u> -</u>

During the year, all ICULS have been fully converted to ordinary shares.

13. CAPITAL REDEMPTION RESERVE

The capital redemption reserve is created as a consequence of the redemption of the LBT RNCPS by transferring the required nominal amount redeemed from retained profits.

14. MINORITY INTERESTS

This consists of the minority shareholders' proportion of ordinary share capital and reserves of LBTSB, net of their share of LBTSB's goodwill on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

15. PREFERENCE SHARE CAPITAL

	GROUP	
	2005 RM	2004 RM
Authorised		
LBT RNCPS	1,000,000	1,000,000
LBT RCCPS	1,000,000	1,000,000
	2,000,000	2,000,000
Issued and fully paid		
LBT RNCPS		
Balance at 1 January	11,043	83,943
Redemption during the year	(11,043)	(72,900)
Balance at 31 December	-	11,043
LBT RCCPS	40,000	40,000
Balance at 31 December	40,000	51,043

On 19 August 2005, LBTSB redeemed all its outstanding 2,045,000 LBT RNCPS at a redemption price of RM1.00 each.

The LBT RNCPS have the following rights:-

- (i) The right to receive a fixed non-cumulative preferential dividend of 10% per annum on the redemption value.
- (ii) The right to redemption at the nominal amount and a premium of RM0.99 per share at any time before the expiry of 15 years from 21 May 2002 at the discretion of LBTSB.

The LBT RCCPS have the following rights:-

- (i) The right to receive a fixed cumulative preferential dividend of 10% per annum on the redemption value.
- (ii) The right to redemption at the nominal amount and a premium of RM0.99 per share at any time before the expiry of 15 years from 21 May 2002 at the discretion of LBTSB.

16. PREFERENCE SHARE CAPITAL PREMIUM ACCOUNT

	GROUP	
	2005 RM	2004 RM
The share premium account arose from the following:-		
NIL/1,104,300 LBT RNCPS at a premium of RM0.99 each		
Balance at 1 January	1,093,257	8,310,357
Redemption during the year	(1,093,257)	(7,217,100)
	-	1,093,257
4,000,000 LBT RCCPS at a premium of RM0.99 each	3,960,000	3,960,000
Balance at 31 December	3,960,000	5,053,257

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

17. DEFERRED TAXATION

	GROUP	
	2005	2004
	RM	RM
<i>Deferred tax liabilities</i>		
Balance at 1 January	28,778,193	19,262,794
Transfer from Income Statement (Note 21)	7,582,293	9,515,399
Balance at 31 December	36,360,486	28,778,193

Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same tax authority.

The unrecognised deferred tax assets and liabilities (before offsetting) are as follows:-

	COMPANY	
	2005	2004
	RM	RM
Property, plant and equipment – capital allowance	22,000	-
Unabsorbed capital allowance	(24,000)	(24,000)
Unutilised tax losses carried forward	(124,000)	(124,000)
	(126,000)	(148,000)

The Company's deferred tax assets have not been recognised in respect of unabsorbed capital allowance and unutilised tax losses carried forward because it is not probable that the Company can utilise the benefits due to a change in principal activities.

The unutilised tax losses and unabsorbed capital allowances of RM444,000 and RM84,000 respectively do not expire under current tax legislation and are subject to agreement with the Inland Revenue Board.

The subsidiary companies have deferred tax liabilities and assets amounting to RM51,672,712 (2004: RM43,165,157) and RM15,312,226 (2004: RM14,386,964) arising from temporary differences on property, plant and equipment and unabsorbed capital allowance respectively.

18. REVENUE

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Gross dividend income from subsidiaries	-	-	10,677,035	8,148,070
LMTC RPS dividend	-	898,810	-	898,810
Tax exempt dividend from subsidiary	-	-	-	2,194,000
Port operations income	82,697,740	82,525,072	-	-
Provision of tugage services	6,076,712	6,516,673	-	-
	88,774,452	89,940,555	10,677,035	11,240,880

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

19. OPERATING PROFIT

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Operating profit is arrived at after charging:-				
Auditor's remuneration				
- audit work	43,400	37,000	18,000	18,000
- non-audit work	2,500	5,500	-	-
Depreciation	4,393,391	4,400,258	97,110	48,276
Directors' fees	900,000	223,333	820,000	223,333
Directors' allowance	21,500	-	-	-
Tax expense (overprovided)/payable on				
- LBT RCCPS dividend declared	(32,253)	112,000	-	-
- LBT RNCPS dividend declared	(4,452)	30,920	-	-
Rental - Tug hire	4,851,500	4,867,800	-	-
	<u>4,851,500</u>	<u>4,867,800</u>	<u>-</u>	<u>-</u>
and after crediting:-				
Gain on disposal of property, plant and equipment	<u>-</u>	<u>147,471</u>	<u>-</u>	<u>147,471</u>

20. FINANCING COSTS

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Interest				
- LBT Serial Bonds interest expenses	20,270,762	22,516,240	-	-
- ICULS	484,229	322,361	484,229	322,361
Share of LBT RCCPS dividend to minority shareholders (net of tax)	288,000	288,000	-	-
Share of LBT RNCPS dividend to minority shareholders (net of tax)	39,755	79,510	-	-
	<u>21,082,746</u>	<u>23,206,111</u>	<u>484,229</u>	<u>322,361</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

21. TAX EXPENSE

(a) Components of tax expense

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Provision of taxation in respect of current year	1,118,327	3,217,400	3,427,379	4,886,166
Transfer from deferred taxation account (Note 17)	7,582,293	9,515,399	-	-
Share of LMTSB's tax	1,982,655	3,073,099	-	-
	<u>10,683,275</u>	<u>15,805,898</u>	<u>3,427,379</u>	<u>4,886,166</u>
Under/(over)provision in prior year	43,206	(27,285)	36,215	-
	<u>10,726,481</u>	<u>15,778,613</u>	<u>3,463,594</u>	<u>4,886,166</u>

(b) Reconciliation of effective tax expense

Profit before taxation	<u>43,700,405</u>	<u>41,907,836</u>	<u>10,123,717</u>	<u>10,556,100</u>
Income tax using Malaysian tax rates at 28%	11,904,000	11,734,194	2,834,700	2,955,708
Non-deductible expenses	1,167,400	2,096,650	591,400	163,225
Effect of changes in tax rates	(80,000)	(58,446)	-	-
Tax exempt dividend income	-	-	-	(614,320)
Tax on pre-acquisition dividends	-	2,380,000	-	2,380,000
Other items	(2,308,125)	(346,500)	1,279	1,553
	<u>10,683,275</u>	<u>15,805,898</u>	<u>3,427,379</u>	<u>4,886,166</u>
Under/(over) provision in prior year	43,206	(27,285)	36,215	-
Tax expense for the year	<u>10,726,481</u>	<u>15,778,613</u>	<u>3,463,594</u>	<u>4,886,166</u>

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax exempt income and credit under Section 108 of the Income Tax Act, 1967 to frank payment of the entire distributable profits as at 31 December 2005 without having to incur additional tax.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

22. EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM28,179,723 (2004: RM23,425,348) and the weighted average number of ordinary shares outstanding during the year of 283,901,324 (2004: 266,668,949).

Weighted average number of ordinary shares

	GROUP	
	2005	2004
Issued ordinary shares at beginning of the year	268,851,692	262,561,090
Effect of shares issued from January to December	15,049,632	4,107,859
Weighted average number of ordinary shares	<u>283,901,324</u>	<u>266,668,949</u>

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share in 2004 was based on the net profit attributable to ordinary shareholders of RM23,657,448 and the weighted average number of ordinary shares outstanding of 298,623,210 calculated as follows:-

Net profit attributable to ordinary shareholders

	GROUP
	2004
	RM
Net profit for the year	23,425,348
Increase in net profit as a result of interest expense saved from ICULS conversion	232,100
Net profit attributable to ordinary shareholders	<u>23,657,448</u>

Weighted average number of ordinary shares (diluted)

	GROUP
	2004
Weighted average number of ordinary shares as above	266,668,949
Effect of ICULS	22,936,261
Effect of ICPS	9,018,000
Weighted average number of ordinary shares (diluted)	<u>298,623,210</u>

Diluted earnings per ordinary share for the current financial year has not been calculated as all ICPS and ICULS have been fully converted to ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

23. EMPLOYEE INFORMATION

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Staff cost	<u>1,066,387</u>	<u>247,958</u>	<u>964,887</u>	<u>247,958</u>
Average number of employees during the year (including Directors)	<u>14</u>	<u>11</u>	<u>11</u>	<u>8</u>

24. INTER COMPANY AND RELATED PARTY TRANSACTIONS

Controlling related party relationships are in respect of:-

- (i) The Company's subsidiaries as disclosed in Note 3.
- (ii) The controlling shareholder of the Company, HRH.

(a) Significant inter-company transactions of the Company are as follows:-

	COMPANY	
	2005	2004
	RM	RM
<i>Subsidiary companies</i>		
Redemption of LBT RNCPS	940,700	6,210,000
Ordinary dividend receivable from PLSB	5,292,000	5,905,000
Ordinary dividend receivable from RRSB	1,209,600	936,000
Preference dividend receivable from LBT SB	1,185,865	1,219,730
Management fee receivable from PLSB	280,000	-
Administrative fee receivable from LBT SB	<u>180,000</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

24. INTER COMPANY AND RELATED PARTY TRANSACTIONS *(CONT'D)*

(b) Significant non-trade inter company and related party balances

Outstanding significant non-trade related party balances at 31 December 2005 (in addition to related party disclosures mentioned elsewhere in the financial statements) are as follows:-

	GROUP		COMPANY	
	2005	2004	2005	2004
Amount owing by	RM	RM	RM	RM
- PLSB	-	-	140,217,660	139,565,660
- RRSB	-	-	1,209,600	936,000
- LBTSB	-	-	1,332,000	1,219,730
	<u>202,106</u>	<u>52,106</u>	<u>202,106</u>	<u>52,106</u>
Amount owing by LMTSB	202,106	52,106	202,106	52,106
Redemption of LBT RNCPS	<u>-</u>	<u>-</u>	<u>940,700</u>	<u>6,210,000</u>
Amounts owing to related parties - HRH, a company in which certain Directors (Harun bin Halim Rasip and Amin bin Halim Rasip) have substantial financial interest	(163,153)	(156,918)	(163,153)	(156,918)
Amount owing by related party - PKS, a company wholly owned by HRH	<u>82,800</u>	<u>-</u>	<u>82,800</u>	<u>-</u>

The amounts owing by subsidiary companies and associate are interest free, unsecured and have no fixed terms of repayment.

(c) Significant related party transactions

Set out below are the significant related party transactions in the normal course of business for the financial year (in addition to related party disclosures mentioned elsewhere in the financial statements). The related party transactions described below were carried out on terms and conditions not more materially different from those obtainable in transactions with unrelated parties.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

24. INTER COMPANY AND RELATED PARTY TRANSACTIONS *(CONT'D)*

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
(i) Transactions with companies in which certain Directors (Harun bin Halim Rasip and Amin bin Halim Rasip) have interests:-				
Monies paid in respect of dry bulk terminal construction and construction closure to HRH	-	(900,000)	-	-
Office rental and supporting service charges paid to HRH	(300,000)	(600,000)	(300,000)	(600,000)
Office facilities fees receivable from PKS, a company wholly owned by HRH	82,800	-	82,800	-
(ii) Transactions with associated company - LMTSB				
Management fee receivable	600,000	600,000	600,000	600,000
Operations and maintenance fees payable	(21,602,754)	(19,686,423)	-	-
Tugage services receivable	6,076,712	6,516,673	-	-
LMTC RPS dividend receivable	-	898,810	-	898,810

25. SEGMENTAL INFORMATION - GROUP

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue and interest-bearing loans, borrowings, financial instruments and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:-

Port operations	Ownership and operation of 2 port facilities, Lumut Maritime Terminal (port facility for dry and liquid bulk, breakbulk and containers) and Lekir Bulk Terminal (port facility for dry and liquid bulk) comprising Lumut Port
Marine services	Provision of tugage services
Investment holding	Investment in LBT RNCPS, LBT RCCPS, LMT RPS and LMTC RPS, which were fully redeemed in 2004
Industrial property	Sale of industrial property

Geographical segments

No segment information on the basis of geographical segments is presented as all of the external customers and segment assets are located in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 (continued)

25. SEGMENTAL INFORMATION - GROUP (CONT'D)

2005	Port Operations RM	Marine Services RM	Investment Holding RM	Industrial Property RM	Others RM	Eliminations RM	Consolidated RM
<i>Business segments</i>							
Revenue from external customers	82,697,740	6,076,712	-	-	-	-	88,774,452
Inter-segment revenue	-	-	10,677,035	-	-	(10,677,035)	-
Share of revenue of associate	21,697,691	-	-	1,320,575	-	-	23,018,266
Total gross revenue	104,395,431	6,076,712	10,677,035	1,320,575	-	(10,677,035)	111,792,718
Share of revenue of associate	(21,697,691)	-	-	(1,320,575)	-	-	(23,018,266)
Total revenue	82,697,740	6,076,712	10,677,035	-	-	(10,677,035)	88,774,452
Segment result	55,035,875	1,184,575	9,067,388	-	(15,627)	(10,677,035)	54,595,176
Operating profit							54,595,176
Financing costs							(21,082,746)
Interest income							2,826,193
Share of profit/(loss) of associate	10,156,785	-	-	(2,795,003)	-	-	7,361,782
Profit before taxation							43,700,405
Tax expense							(10,726,481)
Minority interests							(5,348,201)
Net profit for the year							<u>27,625,723</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 (continued)

25. SEGMENTAL INFORMATION - GROUP (CONT'D)

2004	Port Operations RM	Marine Services RM	Investment Holding RM	Industrial Property RM	Eliminations RM	Consolidated RM
<i>Business segments</i>						
Revenue from external customers	82,525,072	6,516,673	898,810	-	-	89,940,555
Inter-segment revenue	-	-	10,342,070	-	(10,342,070)	-
Share of revenue of associate	<u>22,551,923</u>	<u>-</u>	<u>-</u>	<u>3,433,409</u>	<u>-</u>	<u>25,985,332</u>
Total gross revenue	105,076,995	6,516,673	11,240,880	3,433,409	(10,342,070)	115,925,887
Share of revenue of associate	<u>(22,551,923)</u>	<u>-</u>	<u>-</u>	<u>(3,433,409)</u>	<u>-</u>	<u>(25,985,332)</u>
Total revenue	<u>82,525,072</u>	<u>6,516,673</u>	<u>11,240,880</u>	<u>-</u>	<u>(10,342,070)</u>	<u>89,940,555</u>
Segment result	<u>54,957,041</u>	<u>1,353,963</u>	<u>10,729,319</u>	<u>-</u>	<u>(10,342,070)</u>	<u>56,698,253</u>
Operating profit						56,698,253
Financing costs						(23,206,111)
Interest income						1,830,550
Share of profit/(loss) of associate	8,109,471	-	-	(1,524,327)	-	<u>6,585,144</u>
Profit before taxation						41,907,836
Tax expense						(15,778,613)
Minority interests						<u>(2,703,875)</u>
Net profit for the year						<u><u>23,425,348</u></u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

25. SEGMENTAL INFORMATION - GROUP (CONT'D)

2005	Port Operations RM	Marine Services RM	Investment Holding RM	Industrial Property RM	Others RM	Eliminations RM	Consolidated RM
<i>Business segments</i>							
Segment assets	602,308,596	1,867,427	77,987,763	-	14,063	-	682,177,849
Investment in associate	59,305,812	-	-	13,911,240	-	-	73,217,052
Total assets	661,614,408	1,867,427	77,987,763	13,911,240	14,063	-	755,394,901
Total liabilities	301,983,096	520,579	1,636,314	-	3,000	-	304,142,989
Depreciation	4,296,281	-	97,110	-	-	-	4,393,391
2004	Port Operations RM	Marine Services RM	Investment Holding RM	Industrial Property RM	Eliminations RM	Consolidated RM	
<i>Business segments</i>							
Segment assets	599,660,492	2,044,992	70,360,881	-	-	672,066,365	
Investment in associate	59,078,956	-	-	13,858,027	-	72,936,983	
Total assets	658,739,448	2,044,992	70,360,881	13,858,027	-	745,003,348	
Total liabilities	325,109,704	650,196	3,075,596	-	-	328,835,496	
Capital expenditure	579,364	-	-	-	-	579,364	
Depreciation	4,351,982	-	48,276	-	-	4,400,258	

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

- (a) In relation to the Company's interest in LBTSB, a right is granted to its single minority shareholder to sell (put) to the Company its 20% stake or 13,600,000 ordinary shares of RM1.00 each in LBTSB at fair value after and upon the redemption of all classes of preference shares issued by LBTSB after 15 years provided it remains the sole beneficial owner of the 20% stake.
- (b) The Company has given a letter of support to its wholly-owned subsidiary, PLSB to meet its obligations as and when they fall due.

27. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The main risks arising from the Group's and Company's financial instruments are interest rate risk and credit risk. The Group's and Company's normal practice for managing each of these risks are summarised below:-

Credit risk

At the balance sheet date, the Company has no significant exposure to credit risk.

The Group's primary exposure to credit risk arises through its trade receivables. Appropriate informal credit evaluations were performed on customers prior to entering into contractual agreements with them or with customers requiring credit over a certain amount. The exposure to credit risk is monitored by Management on an on-going basis.

At the balance sheet date, 94% of the trade receivables are owed by a company which is the sole customer of one of the subsidiary companies. The maximum exposure to credit risk is represented by the carrying amount of each financial asset presented on the balance sheet.

Interest rate risk

The Group and the Company place cash balances with reputable licensed banks to generate interest income for the Group and the Company. The Group and the Company manage its interest rate risk by placing such balances on varying maturities ranging from 1 week to 12 months and interest rate terms with interest rates ranging from 2.2% to 3.7%.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

27. FINANCIAL INSTRUMENTS (CONT'D)

The following table shows information about the Group's exposure to interest rate risk.

Effective interest rates analysis

	←————— 2005 —————→				
	Effective interest rate %	Total RM	Within 1 year RM	1 - 5 years RM	After 5 years RM
GROUP					
Financial assets					
Fixed deposits and REPO with licensed banks	2.2 - 3.7	111,960,000	111,960,000	-	-
Financial liabilities					
LBT Serial Bonds	8.0	166,129,740	31,844,182	92,485,738	41,799,820
Preference share capital	10.0	40,000	-	-	40,000
Preference share capital premium	10.0	3,960,000	-	-	3,960,000
	←————— 2004 —————→				
GROUP					
Financial assets					
Fixed deposits and REPO with licensed banks	2.0 - 3.7	115,655,000	115,655,000	-	-
Financial liabilities					
LBT Serial Bonds	8.0	200,572,408	34,442,668	103,853,875	62,275,865
Preference share capital	10.0	51,043	-	-	51,043
Preference share capital premium	10.0	5,053,257	-	-	5,053,257
ICULS	3.0	2,110,136	2,110,136	-	-
	←————— 2005 —————→				
COMPANY					
Financial assets					
Fixed deposits and REPO with licensed banks	2.4 - 2.7	43,500,000	43,500,000	-	-
	←————— 2004 —————→				
COMPANY					
Financial assets					
Fixed deposits and REPO with licensed banks	2.5	50,250,000	50,250,000	-	-
Financial liabilities					
ICULS	3.0	2,110,136	2,110,136	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

27. FINANCIAL INSTRUMENTS *(CONT'D)*

Fair values

Recognised financial instruments

In respect of cash and cash equivalents, trade and other receivables, amounts due from subsidiaries and associate, trade and other payables, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

The aggregate fair values of the other financial assets and liabilities carried on the balance sheet as at 31 December are shown below:-

GROUP	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM	RM	RM	RM
Financial assets				
Other long term unquoted investments				
- LMT RPS	10,029,999	###	10,029,999	###
Financial liabilities				
Secured LBT Serial Bonds	166,129,740	#	200,572,408	#
Other payables and accruals	71,520,026	##	69,405,081	##
Preference share capital and share premium:-				
- LBT RCCPS	4,000,000	####	4,000,000	####
- LBT RNCPS	-	-	1,104,300	####
- ICULS	-	-	2,110,136	2,110,136
	<u>241,649,766</u>	<u>-</u>	<u>277,191,925</u>	<u>2,110,136</u>
COMPANY				
Financial assets				
Other long term unquoted investments				
- LBT RCCPS	16,000,000	#####	16,000,000	#####
- LBT RNCPS	-	-	966,293	####
	<u>16,000,000</u>	<u>-</u>	<u>16,966,293</u>	<u>-</u>
Financial liabilities				
- ICULS	<u>-</u>	<u>-</u>	<u>2,110,136</u>	<u>2,110,136</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

It is not practicable to estimate the fair value of these financial liabilities representing the nominal amount of 14 (2004: 16) series of bonds issued by a subsidiary company to finance the development of the dry bulk terminal. This liability is carried at its original cost of RM166,129,740 (2004: RM200,572,408) on the balance sheet.

The main covenants of the LBT Serial Bonds facility are disclosed in Note 10 to the financial statements.

It is not practicable to estimate the fair value of these financial liabilities representing the interest payable on LBT Serial Bonds incurred up to 31 December 2005. This liability is carried at its original cost of RM71,520,026 (2004: RM69,405,081) on the balance sheet.

It is not practicable to estimate the fair value of this investment representing 50% less one (1) share of the issued and paid-up LMT RPS capital of this unquoted company. This investment is carried at its original cost of RM10,029,999 (2004: RM10,029,999) on the balance sheet. At year end, the net tangible assets reported by this unquoted company were RM90,614,498 (2004: RM90,358,121).

The LMT RPS are non-cumulative and may be redeemed out of the retained profits of LMTSB at LMTSB's shareholders' option.

It is not practicable to estimate the fair value of these financial liabilities representing 20% of the issued and paid-up LBT RCCPS capital and 54% of the issued and paid-up LBT RNCPS capital respectively. These financial liabilities are carried at its original cost as stated above on the balance sheet.

The principal terms of the LBT RCCPS and LBT RNCPS are disclosed in Note 15 to the financial statements.

It is not practicable to estimate the fair value of this investment representing 47% of the issued and paid-up LBT RNCPS capital. This investment is carried at its original cost of RMNil (2004: RM966,293) on the balance sheet.

As at 31 December 2005, the net tangible assets reported by this unquoted company was RM156,295,507.

The principal terms of the LBT RNCPS are disclosed in Note 15 to the financial statements.

It is not practicable to estimate the fair value of this investment representing 80% of the issued and paid-up LBT RCCPS capital. This investment is carried at its original cost of RM16,000,000 (2004: RM16,000,000) in the balance sheet.

As at 31 December 2005, the net tangible assets reported by this unquoted company was RM156,295,507.

The principal terms of the LBT RCCPS are disclosed in Note 15 to the financial statements.

As at the balance sheet date, there are no unrecognised financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005 *(continued)*

28. CAPITAL COMMITMENT

	GROUP	
	2005 RM	2004 RM
<i>Plant and equipment</i>		
Contracted but not provided for in the financial statements	-	360,000

29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year, the Company entered into a Sale and Purchase Agreement with Taiace Engineering Sdn Bhd for the sale of a factory for a cash consideration of RM2,900,000. The sale transaction was completed on 20 February 2006 and it gave rise to a gain of RM321,275.

30. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform to current year's presentation:-

GROUP	As restated	As previously
	2004 RM	stated 2004 RM
Note 2.1 – Land and buildings		
<i>At Cost</i>		
Long-term leasehold land	18,758,729	18,774,217
Buildings	1,975,000	2,288,595
<i>Accumulated Depreciation</i>		
Long-term leasehold land	537,071	552,559
Buildings	133,249	446,844

31. AUTHORISATION FOR ISSUE

The financial statements were approved and authorised for issue by the Board of Directors on 24 April 2006.

PROPERTIES OWNED BY THE GROUP AS AT 31 DECEMBER 2005

No.	Lot No./Location	Description	Date of Acquisition	Land area / (built-up area) (sq. metres)	Tenure / (Age of building)	Net book value RM
1.	H.S. (D) 17396 P.T. 24776 Mukim of Sitiawan District of Manjung Perak Darul Ridzuan	Bulk terminal, berths, trestle and mechanical handling equipment and structures, office and maintenance buildings, land and waterbody	25 February 2002	1,088,866.727 (4,662)	99 years Leasehold Expiring 24/2/2101 (3years)	169,749,495
2.	H.S. (D) 75362 P.T. 2193 Mukim of Setul District of Seremban	3 units low cost flats	19 May 1995	190 (190)	Freehold (9 years)	59,000
3.	Lot 3715 & 3716 G.T. 3338 Mukim of Setul District of Seremban	Factory	25 September 1992	8,681 (2,417)	Freehold (13 years)	2,504,318

Notes:

- (1) No revaluation was done on the abovementioned properties.
- (2) Property No. 2 is currently not being utilised for any purpose and property no. 1 is being utilised for bulk terminal activities.
- (3) The Company had entered into a Sale and Purchase Agreement with Taiace Engineering Sdn Bhd for disposal of Property No. 3. The sale transaction was completed on 20 February 2006.
- (4) List excludes industrial properties on which are located the port facilities of the Lumut Maritime Terminal owned by LMTSB, an associate company set out below:

No.	Description of Title/Mukim	Description	Approximate Land Area (acres)	Tenure / (Age of building)
1	H.S(D)Dgs 7105, PT6973, Mukim Lumut	Wharfs, open storage areas, warehouses & office building	72.54	Leasehold - 99 years Expiring on 21 December 2094 (11years)
2	H.S(D)Dgs 6247, PT2273, Mukim Lumut	Waterbody	27.46	Leasehold - 99 years Expiring on 18 December 2093

FORM OF PROXY

I/We, _____
of _____
being a *member/members of Integrax Berhad hereby appoint Mr/Ms/Madam/Miss _____
_____ of _____
or failing him/her _____
of _____

as my/our proxy to vote for me/us and on my/our behalf at the Twentieth Annual General Meeting of the Company to be held at CempakaRaya Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 30 June 2006 at 10.30 a.m. and at any adjournment thereof.

My/Our proxy(ies) is/are to vote as indicated below:-

No.	Relating to:-		For	Against
1.	Receiving of the Audited Financial Statements and Reports	(Ordinary Resolution 1)		
2.	Payment of First and Final Tax Exempt Dividend	(Ordinary Resolution 2)		
3.	Re-election of Nelson Gylding Dorrell Borch	(Ordinary Resolution 3)		
4.	Re-election of YB Dato' Ir Onn bin Hamzah	(Ordinary Resolution 4)		
5.	To approve payment of Directors' fees	(Ordinary Resolution 5)		
6.	Re-appointment of Messrs KPMG as Auditors	(Ordinary Resolution 6)		
7.	Proposed authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965	(Ordinary Resolution 7)		

(Please indicate with an "X" in the space provided, how you wish your vote to be cast. In the absence of specific directions, the proxy may vote or abstain at his/her discretion.)

Dated _____ day of _____ 2006.

No. of Shares : _____

CDS Account No : _____

Signature/Common Seal of Shareholder(s)

Notes

1. A proxy may but does not need to be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 ("the Act") shall not apply.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 17th Floor – Tower Block, Kompleks Antarabangsa, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting. The provisions of Section 149(1)(c) of the Act shall not apply to the Company.
4. Where a member appoints more than one proxy the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its common seal or under the hand of its attorney.

...fold this flap for sealing

...then fold here

AFFIX STAMP
HERE

The Company Secretary

Integrax Berhad (49317-W)

17th Floor – Tower Block

Kompleks Antarabangsa

Jalan Sultan Ismail

50250 Kuala Lumpur

Malaysia

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integra^xberhad

Integrax Berhad (49317-W)